

# REQUEST FOR PROPOSALS CITY OF CAPITOLA



## City Hall Site Needs Assessment and Alternatives Analysis Report

City of Capitola  
420 Capitola Avenue  
Capitola, CA 95010

**ISSUE DATE:**

May 15, 2023

**DEADLINE FOR SUBMISSION:**

July 21, 2023 at 5 pm

**CONTACT:**

Katie Herlihy, Community Development Director  
(831) 475-7300 ext. 216  
[kherlihy@ci.capitola.ca.us](mailto:kherlihy@ci.capitola.ca.us)

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## **I. NOTICE OF INVITATION**

The City of Capitola (City) invites proposals from qualified consultants to prepare a City Hall Site Needs Assessment and Alternatives Analysis. The City Hall site includes Capitola City Hall, Police Station, Capitola Museum, Accessory Buildings, and Upper and Lower Pac Cove Parking lots. The contract will have two phases with separate deliverable. For the first, the selected consultant will complete the Facilities Needs Assessment and present the findings to the City Council. The second phase will be initiated at the direction of the City Council following the needs analysis. The second phase includes goal setting and an alternatives analysis report. Request for proposals may be obtained at City Hall or may be downloaded from the City's website at [www.ci.capitola.ca.us](http://www.ci.capitola.ca.us)

Interested consulting firms shall submit one electronic copy in pdf format and four hard copies.

Proposals will be accepted via email. Proposals **must be received by July 21, 2023, at 5:00 P.M.** No proposal will be accepted by oral communication, telephone, or facsimile transmission. Proposals may be withdrawn prior to the time set for closing. Postmarks will not be accepted. Any proposal received after the time set for closing will be rejected.

In order to ensure that all interested firms have access to the same information, all questions must be submitted by e-mail prior to July 7, 2023 at 5:00 to: Katie Herlihy at [kherlihy@ci.capitola.ca.us](mailto:kherlihy@ci.capitola.ca.us). City staff will strive to provide responses to all interested firms by July 12, 2023, and post the responses on the City website.

Please email your Proposal to Community Development Director, Katie Herlihy, at [kherlihy@ci.capitola.ca.us](mailto:kherlihy@ci.capitola.ca.us).

**Katie Herlihy**  
**Community Development Director**  
**City of Capitola**  
**420 Capitola Avenue**  
**Capitola, CA 95010**  
**(831) 475-7300 ext. 216**  
**[kherlihy@ci.capitola.ca.us](mailto:kherlihy@ci.capitola.ca.us)**

All proposals must include information about project costs which will be valid for a minimum through 2024.

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## **II. INTRODUCTION**

The City of Capitola invites proposals from qualified firms to prepare a City Hall Site Needs Assessment and Alternatives Analysis. In case of a joint venture proposal, a primary lead consultant shall be identified. The City will not accept a proposal as responsive if it covers only a portion of the requested Scope of Work.

Interested consultants shall prepare separate costs estimate based upon the services requested in this RFP for Phase 1 and Phase 2. Each phase shall be bid at a firm, fixed price with the only variable cost being additional community meetings and public hearing beyond those outlined in the scope. Additional community meetings and public hearings shall be bid on a per-meeting cost with remote and in-person options. One consultant will be selected to complete both phases.

**The deadline for submitting proposals is July 21, 2023, at 5:00 P.M.**

## **III. BACKGROUND**

The City of Capitola is a small, 1.6 square-mile seaside community located along Monterey Bay in Santa Cruz County. Soquel Creek generally bisects the community in a northwest-southeasterly direction, with residences and community and regional-serving commercial uses to the west of the creek, and a mixture of residences and small shops and businesses along the east side of the creek.

Capitola was originally founded in 1869 as California's first seaside resort. Incorporated as a city in 1949, the village area remains California's oldest coastal resort and includes one of the region's most active beaches. Most of the growth in Capitola occurred in the 1970s as the community annexed surrounding land and residential growth accelerated.

Capitola's City Hall and Police Station are located at the gateway to the Capitola Village at 420 and 421 Capitola Avenue, respectively. City Hall and the Police Station are located within the same building. The greater City Hall site includes the Capitola History Museum, City Hall, Police Station, Police Annex and the adjacent Lower and Upper Pac Cove public parking lots. The entire site is approximately seven-acres.

City Hall and the Police station are older structures that are nearing a stage where they will require significant investment to maintain their functionality. Both buildings are smaller than typical given the current staffing and needs. All structures on the seven-acre site are located in the floodplain. In 2011, the Police Station and portions of the lower level of City Hall flooded.

In 2004, the City completed the Facilities Masterplan which included a needs assessment for current and future 15-year projections (Attachment 1). Then in 2010, the Capitola City Hall Site

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Reuse Study was completed (Attachment 2). The two studies are included for informational purposes only as background information.

#### **IV. SCHEDULE**

There are two phases with separate deliverables. The first phase is the City Hall Site Needs Assessment. Following completion of the City Hall Site Needs Assessment, the second phase of the Alternatives Analysis will be initiated at the direction of the City Council.

The City Hall Site Needs Analysis must be completed by EOY 2023. This will allow the City Council to understand existing conditions and needs prior to mid-year budget review. The consultant's proposed schedule will be an important consideration when evaluating proposals. The City's tentative schedule for the first phase is as follows:

- RFP Released: May 15, 2023
- Deadline for RFP Questions July 10, 2023
- Proposals Due: July 21, 2023
- Consultant Selection: July 2023
- Contract Negotiation & Approval: August 2023
- Notice to Proceed: August 2023
- Completed City Hall Site Needs Assessment December 2023
- Presentation to City Council January 2024

The second phase will be completed within nine months of City Council direction to initiate phase two.

#### **V. SCOPE OF SERVICES**

There are two phases included in the request for proposals. Proposals must address the two phases independently with scope and pricing. The following list of tasks are to be completed by the consultant:

##### **Phase 1. Facilities Need Assessment**

**Step One. Existing Conditions.** Complete an existing conditions report for the site. The existing conditions report will include an overview of the existing site and structures, a visual assessment of the existing structures, quantitative breakdown of current uses within existing structures and relative floor area, analysis on the functionality of the buildings for the purpose they serve relative to accepted architectural standards for workspaces and community meeting space, qualitative analysis of current site's advantages/disadvantages, and environmental constraints and hazards.

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**Step Two. 20-year Projection.** Develop projections of future staffing and facility needs utilizing standards for office space and workstations. Identify staffing and space needs projections for the next 20 years. Staffing forecasts shall be based on a number of sources, including new or expanded City programs and functions, projections for housing growth, and the 5-year Capital Improvement Program.

At the time of receiving the Facilities Needs Assessment, the City Council will be asked whether or not to proceed with Phase 2 to complete an Alternatives Analysis.

## **Phase 2. Goal Setting and Alternatives Analysis**

**Step Three. Goal Setting.** Based on the findings of the Facilities Needs Assessment, work with City Council, members of the public, and staff to identify goals for the City Hall Site. During this step, the consultant should plan to present at one City Council meetings and host a community input meeting.

**Community Meeting.** The purpose of the community input meeting is to provide the public with the findings of the City Hall Facilities Needs Assessment and gather input from the public on future goals for the City Hall site. Discussion and ideas for goals may be broader than those identified in the Facilities Needs Assessment. Consultant proposal should detail strategy for attendance and community engagement. Consultant will be expected to lead the public outreach effort and produce all necessary displays and presentations.

**City Council Meeting.** The purpose of the City Council meeting is to identify goals for the City Hall Site. Consultant will summarize the findings of the community outreach as an attachment to the City Council staff report. During the meeting, the consultant will present a broad list of potential goals for the City Hall site and work with the Council to narrow the goals down to direct the alternatives analysis.

**Step Four. Alternatives Analysis.** Utilizing the needs assessment, City Council goals, and best practices, the consultant will draft an alternatives analysis report. The alternatives analysis report will include at a minimum the following: findings of the City Hall Facilities Needs Assessment, summary of public input from community meeting; council goals for the City Hall site, site description(s); at least three alternatives for the site(s); and a recommendation. The draft alternatives shall problem solve existing issues and guide the City toward the identified goals. Each alternative shall include a written description of the alternative, a conceptual site plan, quantitative data on breakdown of area per proposed use/function, cost estimates, and qualitative analysis of alternative strength and weakness. The deliverable for step four is a

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completed Alternative Analysis Report for publication including a final presentation and recommendation to City Council.

## **VI. Deliverables**

The deliverable for Phase 1 will be a City Hall Facilities Needs Assessment Report and presentation to City Council. The report will include at a minimum the following:

1. Site description including City Hall, Capitola Museum, Police Station, Accessory Structures, and Lower and Upper Pac Cove Parking Lots.
2. Existing conditions report including:
  - a. overview of the existing site and structures,
  - b. a visual assessment of the existing structures,
  - c. quantitative breakdown of current uses within existing structures and relative floor area,
  - d. analysis on the functionality of the buildings for the purpose they serve relative to accepted architectural standards for workspaces and community meeting space,
  - e. qualitative analysis of current site's advantages/disadvantages, and
  - f. environmental constraints and hazards.
3. Projection of 20-year needs related to staffing and facility need. Identify staffing and space needs projections for the next 20 years. Staffing forecasts shall be based on a number of sources, including new or expanded City programs and functions, projections for housing growth, and the 5-year Capital Improvement Program.
4. Summary of Findings.

For the purposes of this RFP, the deliverable for Phase 2 is anticipated to include:

1. A community input meeting,
2. Attendance at two City Council Meetings
3. An Alternatives Analysis Report. The report will include at a minimum the following:
  - a. City Hall site description,
  - b. Findings of the City Hall Facilities Needs Assessment,
  - c. Summary of public input from community meeting;
  - d. Council goals for the City Hall site,
  - e. Three alternatives for the site(s). Each alternative shall include a written description of the proposed alternative, a conceptual site plan, quantitative data on breakdown of area per proposed use/function, and cost estimates.

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- f. Comparative analysis of the three alternatives.
- g. A recommended alternative.

The format for all text documents, tables, charts, and illustrations shall be 8-1/2 x 11" horizontal to compliment publication on the City's website. Document covers for all related documents shall be coordinated so they appear as a "set". All hard copy administrative drafts, drafts, and final documents shall be two-sided, on white or light recycled stock paper.

## **VII. PROPOSAL REQUIREMENTS**

The proposal shall be limited to 20 pages and based on and incorporate all of the provisions identified in this Request for Proposals (RFP). The proposal should be submitted in a format that can readily be incorporated into the City's standard form Professional Services Agreement (Appendix A) including Project Description, Scope of Services, Duties of Consultant, Duties of the City, Fees and Payment, Timing and Schedule for Completion. Generally, the proposal should include the information specified below. The consultant is encouraged to include any additional items deemed desirable or necessary.

*Approach and Work Program.* The consultant shall describe an overall approach to the project work program for accomplishing the project objectives, specific techniques to be used, and specific administrative and operational management expertise which would be employed.

*Assumptions.* Proposals should include a list of the consultant's assumptions made in preparation of the proposal on a separate page entitled, "Assumptions Upon Which This Proposal is Based". This section should also specifically set forth those documents, maps, and studies which the consultant expects to be provided by the City.

*Exceptions.* Any exceptions to the scope of work or Professional Services agreements shall be detailed in the proposal.

*Schedule.* Proposals should provide a detailed schedule for the completion of services. Timeframes should be stated in terms of the number of calendar days or weeks required to complete the specified tasks using the City's notice to proceed as the start date. The schedule should identify the periods as the total elapsed time from the start date. The schedule should track the independent timing for each of the different documents to be developed, reviewed and adopted. The schedule should include a rough outlined of the community meetings and public hearings to be included in the process.

*Costs.* Proposals should include Phase 1 and Phase 2 costs estimates based upon the services requested in this RFP to complete each Phase. Each phase shall be bid at a firm, fixed price with the only variable cost being additional community meetings and public hearing beyond those

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outlined in the scope. Additional community meetings and public hearings shall be bid on a per-meeting cost with remote and in-person options.

Proposals should include costs for the completion of each major task in the work program. Each task should clearly identify the consultant team member who will be primarily responsible for completing the task. This section should include billing and expense reimbursement rates. Indicate hourly rates of individuals involved, number of hours for each component, task or product and the fee structure for additional work outside of the contract and optional items. A time and materials rate schedule should also be provided for use in negotiating any Changes in Work required during the course of the contract.

*Staffing.* The project manager and key personnel, including those of any subcontractor, shall be designated. The person(s) who will attend and facilitate public meetings and presentations should be identified and should be the same persons making any presentations to the Selection Committee. The geographic location of the firm and key personnel shall also be identified. Any proposed sub-consultants shall be listed. Their responsibilities should be included in the proposal, if necessary. There shall be no changes in the project manager, subconsultants or key staff without approval of the City.

*Qualifications.* Proposals should include consultant's qualifications to perform the work required, and should document previous, similar work by the consultant. Brief resumes of the project manager, key personnel, and subcontractors should be included, as should three references for recent (i.e. last 3 years), comparable work.

*Work Sample.* One sample of a similar report prepared by the consultant and/or staff assigned to the project shall be provided in an electronic format or as a link to an online document.

*Proposal Terms and Conditions.* The proposal should include a statement to the effect that the proposal is a firm offer for a minimum 90-day period beginning on the application deadline. The proposal should also include a statement that all work will be performed at a not-to-exceed price.

*Proposal as Sole Representation.* Firms responding to the RFP must represent themselves solely by the written proposal. The proposal should also contain the name, title, address, and telephone number of the individual with authority to bind the company and also who may be contacted during the period of proposal evaluation. The proposal shall be signed by an official authorized to bind the consultant.



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## **VIII. GENERAL INFORMATION**

### *Minimum Qualifications.*

In order to qualify as responsible, a prospective consultant must, in the opinion of City staff, meet the following standards as they relate to the RFP:

1. Have adequate staff, equipment, technical, and financial resources for performance, or have the ability to obtain such resources that are required for performance, including a demonstrated ability to meet work schedule time frames and deliverables.
2. Have a satisfactory record of performance.
3. Be an Equal Opportunity Employer.

### *Compliance with Terms and Conditions of the Professional Service Agreement.*

The consultant and sub-consultants will be required to comply with all terms and conditions set forth in the City of Capitola Standard Form Professional Services Agreement including all insurance requirements (See Appendix A). Any exceptions from these terms and conditions must be specified in the proposal, and any exception may be a basis for rejection of the proposal from further consideration.

*Proposal Revision and Modification.* Staff may request that the consultant alter a submitted proposal when deemed necessary and appropriate to clarify that the proposal fully addresses the City's needs. In the event that a consultant agrees to modify the proposal, a change in the cost of the services as set forth in the proposal may be made. Otherwise, the cost stated in the original proposal shall remain effective. Any additional work required beyond the scope of the contract shall be, with prior notification and contract amendments, mutually agreed to by the City and the consultant, and shall be billed on a not-to-exceed estimated time and materials basis to the City. Contract amendments will be made only in unusual circumstances, where clearly justified by the consultant and as determined necessary by the City.

*Limitations.* All reports and pertinent data or materials will become the property of the City of Capitola.

The consultant will have normal access to the public records and files or local government agencies in preparations of the proposal or documents. No compilation, tabulation, or analysis of data, definition or opinion, etc. shall be anticipated by the consultant from the agencies, unless volunteered by a responsible official of these agencies.

Firms submitting a proposal for this RFP must provide a statement that nothing contained in the submitted proposal will be proprietary. All proposals shall become the property of the City of Capitola once submitted

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A request for proposals does not commit the City to award a contract, to pay any costs incurred in the preparation of the proposal, or to procure or contract for services and supplies. The City reserves the right to accept or reject any or all proposals received as a result of this request, to negotiate with any qualified source, or to cancel in part or in its entirety this request for proposals, if it is in the best interest of the City to do so. The City may require the consultant to participate in negotiations and to submit such price, technical or other revisions of the proposal as may result from negotiations.

*Contract with Consultant.* The consultant selected will be asked to agree to and enter into the City's Standard Form Professional Services Agreement (See Appendix A). It is unlikely that the City will consent to modifications of the agreement.

*Contract Payment.* The City will release payment to the consultant in increments based on itemized invoices submitted no more frequently than monthly as the work progresses. Contract payment shall be made on the basis of satisfactory performance by the consultant as determined by the City.

*Contract Termination.* The City shall have the right to terminate The Professional Services Agreement at any time upon giving ten (10) days written notice to Consultant. Consultant may terminate the Professional Services Agreement upon written notice to City should the City fail to fulfill its duties as set forth in the Agreement. In the event of termination, City shall pay the Consultant for all services performed and accepted under the Professional Services Agreement up to the date of termination.

*Conflict of Interest.* In the Professional Services Agreement the Consultant shall stipulate that corporately or individually, its firm, its employees and subcontractors have no financial interest in either the success or failure of any project which is, or may be, dependent on the results of the Consultant's work product prepared pursuant to the Agreement.

## **VIII. SELECTION PROCESS**

Selection Criteria (in random order)

- Completeness and responsiveness to this RFP;
- Qualifications and previous successful performance of the consultants on similar projects;
- Review of references;
- Local familiarity;
- Public participation experience working with the public;
- Time frame and availability of consultants;
- Contract fee as negotiated and ultimately agreed upon. Price is not the sole basis for selection, but may be considered in the criteria for evaluating proposals

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The top ranked firms will be selected by a Selection Committee. Consultant may be asked to provide individual presentations and be interviewed by the Selection Committee.

The City will negotiate a contract with the most qualified firm with compensation the City determines is fair and reasonable based upon the scope of work. Fee proposal from competing consultants may be used to assist City staff in determining a fair and reasonable compensation.

#### **IX. CONTRACTUAL REQUIREMENTS**

Final contract approval requires City Council approval for execution by the City Manager. Following the final Selection Committee's recommendation and contract negotiations the contract shall be agendized with the Council and must be approved and executed prior to any work being performed by the consultant. See Attachment 3 for Draft Standard Form Professional Services Agreement.

#### **ATTACHMENTS:**

1. 2004 Facilities Masterplan
2. 2010 Capitola City Hall Site Reuse Study
3. Draft Professional Services Agreement

# CITY OF CAPITOLA



## FACILITIES MASTER PLAN

FY 2005/06

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## EXECUTIVE SUMMARY

The Facility Master Plan is the culmination of a planning process involving a City User Group, and surveys of more than 25 employees. This report is not a financial plan, nor does it address expansion on properties not presently owned by the City. Based on the information provided by employees, the plan was broken into Long Term and Short Term solutions given the economic conditions of the City. The following Long Term alternatives were considered for correcting the City's major administrative and maintenance deficiencies:

1. Addressing overcrowding, functional and physical deficiencies of **City Hall**
  - Construct new City Hall on McGregor Lot or Other Location
  - Remodel existing City Hall
  - Expand into the Police Department
  - Remodel Beulah House
2. Insufficient **Corporation Yard** facilities
  - Remodel Existing Corporation Yard
  - Construct new maintenance facilities on McGregor Lot
  - Purchase or lease additional maintenance facilities
3. Overcrowding, functional and physical deficiencies of the **Police Department**
  - Remodel Existing Police Department
  - Move into a remodeled City Hall
  - Construct new facility on McGregor lot
4. Lack of space for **Information Systems**
  - Convert Community Room into Office Space
  - Rehabilitate the Beulah House
  - Move into a remodeled City Hall
5. Functional and physical deficiencies at the **Community Center**.
  - Remodel Community Center
  - Remodel Office Area
  - Build additional Storage
6. Lack of office space for City Council Members
  - Move into a remodeled City Hall
  - Remodel Existing Council Chambers to include additional office space.

There is currently no funding identified to resolve the long term deficiencies. Therefore, for each deficiency identified, a long-term and a short-term solution were identified. For the long term, the strengths and weaknesses of the potential alternatives were evaluated at length, leading to the selection of preferred long term alternative for resolving each deficiency. The short term recommendations were then proposed in recognition of limited City resources that might be employed to implement the long term solution.

# **CHAPTER 1: INTRODUCTION**

This report presents the master development plan for administrative and maintenance facilities for the City of Capitola. The plan proposes new and refurbished structures to meet facility needs for the City for the next 15 years. It is based on an evaluation of current space deficiencies, anticipated space needs, and alternatives for meeting these needs. For each deficiency or projected need, a "preferred alternative" was selected and incorporated into the plan. The plan is intended to be a "working" document and will be used as the basis for decisions regarding facility and site development. Each of the long term solutions has been incorporated into the five year Capital Improvement Plan.

## **What is the Facility Master Plan (FMP)?**

The FMP is intended to guide the long term development of City administrative and maintenance facilities through the Year 2018. The document provides a long-range program for Reconstructing, Replacing, and Refurbishing operation and maintenance facilities, equipment maintenance shops, warehousing and storage, office and customer service buildings administration, development processing and other services. The Master Plan presents a program for meeting space needs for each of these functions. This program includes a combination of new buildings on land owned by the City, renovation and expansion of existing City buildings, and purchasing or leasing of commercial buildings.

## **Overview of the FMP Process**

The FMP was initiated in 2002 and has been developed using a three-step process.

**Step One** of the FMP, evaluated existing City facility and site conditions and summarized deficiencies. City staff concluded that many of the facilities lacked "functionality"; in other words, they were not ideally configured or designed to carry out their current functions. This is a result of a number of factors, including changing technology, reduced working space due to additional employees since the buildings were originally constructed, and the use of buildings originally designed for other purposes. A number of other deficiencies were observed, including overcrowding and the moderate to poor physical condition of most of the facilities.

The evaluation also addressed specific factors affecting the performance of City facilities. These included security and risk exposure, compliance with the Americans with Disabilities Act (ADA), environmental constraints and hazards.

**Step Two** of the FMP developed projections of future staffing and facility needs. Standards for offices, workstations, and shop space were developed, along with staffing and space needs projections for the next 15 years.

Staffing forecasts were based on several sources, including new or expanded City programs and functions, potential new regulatory requirements, the 5-year Capital Improvement Program and Art & Cultural Master Plan. The forecasts indicate that administrative staffing levels will increase slightly over the next 15 years, estimating an increase of employees from 74.25 in 2003 to 83.75 in 2019. These projected staffing levels are shown in Table 1 by department. This does not include

hourly or temporary employees.

**Table 1: Current (2005) and Projected (2019) Staffing Levels**

Department	2005	2019	Percent Change
City Manager	7	8	12%
Public Works	14.33	16	12%
Recreation	3.5	4.5	23%
Community Dev.	3.67	5	27%
Finance	6.25	7	11%
Police	31.75	45	30%
Museum	0.75	0.75	0%
Art & Cultural	0	1	100%
Building	2	2	0%
<b>TOTAL</b>	<b>69.25</b>	<b>89.25</b>	<b>22%</b>
<b>City Council Members</b>	<b>5</b>	<b>5</b>	<b>0%</b>

Given the slow growth forecast for the next 15 years, much of the emphasis of the FMP will be to correct deficiencies that already exist. The needs analysis found that City Hall, Corporation Yard and the Police Department already house more people than can be functionally supported, and maintenance facilities are even more space-deficient, with only one-third of the space needed to carry out their functions available. State building codes determine that 100 sq. ft equals one person per office setting for ingress and egress calculations.

**Step Three** of the FMP identified a prioritized list of facility deficiencies that the FMP should address in the long-term. These deficiencies were identified through a combination of Staff inspections and City User-Group input. Two types of deficiencies were identified. *Major* deficiencies that affect several work functions, are costly to remediate, and have an implementation time frame in excess of one year. Major deficiencies include space shortages, poor building condition, and severe functional inadequacy. These deficiencies are generally correctable through capital improvements such as new buildings, building additions, and building renovations, and are the subject of the FMP Long-Term solutions. *Minor* deficiencies are less costly to correct and are identified as Short-Term solutions. They include such items as air conditioning repair and painting. Most minor deficiencies are correctable through routine maintenance.



## **CHAPTER 2: SUMMARY OF FACILITY NEEDS AND DEVELOPMENT ALTERNATIVES**

This section of the report describes the six major deficiencies identified during the Facility Master Plan (FMP) needs assessment. Future space needs derived from staffing projections are also reviewed. Based on this information, alternatives for correcting deficiencies and meeting short term and long term future needs are discussed.

### **DEFICIENCY 1: CITY HALL - OVERCROWDING, FUNCTIONAL AND PHYSICAL DEFICIENCIES**

#### **Current Conditions**

City Hall is located at 420 Capitola Avenue and is approximately 10,600 square feet (Police Dept. 3,400, City Administration is 4,140 of which 2,300 usable office space and currently house about 26 (including volunteers) administrative staff.

The building also contains the Council Chambers (1,800 sq. ft), the public lobby, Community Room (650 sq. ft), Public Restrooms, video room, evidence room, and break room. The building was built in 1976 and is generally in good condition. Over the years, a number of improvements have been made including a new HVAC system and re-roofing city hall, new retaining wall and drainage system behind city hall to prevent water intrusion. In 2002, a significant mold problem existed in the Community room, and a minor problem in the administrative offices. A leaky roof and years of neglect resulted in the mold. Many offices have been constructed in what were formerly common areas, and many departments have added personnel without increasing floor space.

Some offices are actually shared by employees, and the size ranges from 36 sq. ft to 120 sq. ft. There is only 1 upstairs bathroom for 13 women, which is not sufficient to meet the needs of City Hall. The break room is only large enough for 5 people. The overcrowding in the building has taxed the electrical system, reduced storage areas, created a noisy work environment for some employees, and made it more difficult to provide optimal levels of customer service.

Everyday, customers have to share the small front counter space to review plans, obtain business licenses or schedule building inspections. This makes it extremely difficult for the receptionist to receive phone calls and for the Building or Community Development Department to review plans with customers.

There is one dedicated meeting room, the Community Room, for all the departments to share and it is open for public usage as well. The Council Chambers is pieced together to make it ADA compliant resulting in a series of ramps to get to the Council dais. The City Hall offices are ADA compliant at this time.

Based on User Input, the information technology data cabling needs to be replaced and certified. Cabling that is not in use needs to be removed to reduce fire hazard. Additional data and voice jacks need to be installed to allow for flexibility in workstation configuration and redundancy in connectivity. Security is also an issue. Some windows do not lock when shut, and there is no

alarm system.

### Facility Needs

Total administrative staff, including the City Managers Office, Community Development, Finance, Information Systems, Public Works Administration and Building includes 22 employees, 1 hourly employee, 1 intern and usually 2 volunteers for a total of 26. During the next 20 years, administrative staffing levels are expected to remain relatively constant, so the focus with respect to this deficiency is to resolve the existing space shortfall. Based on the space standards developed by Public Works, the addition of space for: the Information Specialist (350 sq. ft.), staff & volunteers (300sq ft), the restrooms (120sq ft), a meeting room (500sq ft), larger break room (200 sq ft), storage room (500 sq. ft.) and lobby (150), approximately 2,120 square feet of additional floor space is needed

Immediate needs. The existing flat roof does not drain well and creates a large standing pool of water over the offices below. The extra weight of the pooled water and the potential for structural failure would suggest looking for a solution to this pooling. Either a false-ridged roof or some type of sump pump arrangement might work. The electrical system needs to be upgraded and capacity increased.

### Alternatives for Addressing Existing Facility Space Shortfall

LONG TERM: Three alternatives for resolving the space shortfall, deficient technology and security issues have been developed and described below.

□ *Remodel Existing City Hall*

The existing City Hall (10,600) site could be remodeled/reconstructed to accommodate the existing space shortfall, deficient technology and security issues. As part of the remodel, the Police Department, Information Systems facility and Council Chambers would be included. An additional 4,120 sq ft is needed based on the following:

1. Administration; 2,120 based on 100 sq. ft per person, plus increased storage, break room, bathrooms, upstairs reception area, and additional meeting rooms as described above.
2. Council Chambers: Increased office space for Council members of 300 sq. ft
3. Police Dept: See detailed analysis for deficiency #3, 1,700 sq. ft.

A complete renovation and upgrade of the site would be needed. In order to accomplish this, employees would have to be moved to temporary facilities located in the Pacific Cove Parking lot. This would create parking shortfalls in the summer. **Estimated Cost, \$2.94 million dollars at \$200/square foot.**

□ *Reconstruct Beulah House*

The Beulah House is located at 504 Beulah St. and is 1,400 Square Feet. This dilapidated house was part of the Pacific Cove Mobile Home Park purchase in the 1980's. It is currently used for storage, but previously housed the Parking Control Officers and the Information Systems Specialist until 2003 when it was determined to be inhabitable. If this facility was reconstructed, it would ease the burden on City Hall, create additional storage and meeting

space. This option could be in conjunction with a smaller remodel of the existing City Hall. Estimated remodel cost at \$200/sq ft. is \$280,000.

□ *Sell City Hall and Purchase/Build a new Facility*

The City Council could sell the existing facility and either purchase land and build a new facility or purchase an existing building to be remodeled (all in Capitola). It is estimated that the existing facility could be sold for approximately \$2 to 5 million, and the purchase of vacant property could be anywhere from \$800 thousand to \$2.5 million, and the construction of a new facility at \$200/sq ft for a 14,000 -16,000 sq. ft. building is \$3.2 million, for a total estimated cost of \$5.7 million dollars.

□ *Construct new City Hall on McGregor.* This option can only be considered if we can:

1. eliminate the shuttle operation
2. secure a long term lease for another lot (not very likely)
3. include 100 parking spaces in the design As detailed above 14,000 to 16,000 sq. ft

The City owns a 4.5 acre lot, but only 1.5 acres is buildable located on McGregor Drive, Capitola. This lot was used for shuttle bus operations and is part of a complex agreement for parking in the Village with the Coastal Commission. If that lot were to be removed from the agreement, this would allow for a 15,000 – 20,000 square foot building to be constructed with plenty of employee and visitor parking. The current zoning and size would allow for this to occur. Meeting and storage space would be created and easy freeway access. This would also include the Police Department and the Information Systems employee. The estimated cost to do so would be \$200/square foot for a 20,000 sq. ft. building for a total cost of \$4.0 million.

**Long – Term Recommendation**

The long term recommendation is to remodel the existing City Hall due to the feasibility of the estimated cost is \$2.94 million dollars. This would also include the Police Department, Information Systems and Council Chambers remodel.

**Short – Term Solution:**

1. Install secure locks on all windows and an alarm system in City Hall
2. Review floor space plan for possible reconfiguration.
3. Rent additional office space off-site
4. Stop providing space for consultants
5. Convert the Community room into office and meeting space

**DEFICIENCY 2: CORPORATION YARD FACILITIES: INSUFFICIENT SPACE**

Maintenance facilities have been identified as another deficient location. Existing facilities are undersized and lack many of the features necessary to provide optimal levels of service.

## Current Conditions

The Corporation Yard is located at 430 Kennedy Drive.

Facilities include:

- A 4,600 square foot maintenance building including 780 sf. for administrative offices, lunch/ crew rooms, and lockers
- There is an additional 500 square feet provided by 3 additional permanent and non-permanent structures, including trailers, sheds, and storage containers
- The size of the lot is 4 acres, of which 2.5 is usable, and the remainder is a riparian habitat.

The Corporation Yard was built in 1973 and is in moderate condition. However, the Corporation yard is small and is not readily adaptable to current or projected needs. The Corporation yard also includes a storage yard, a spoils area, and paved work areas for various outdoor repair and maintenance activities. There is not adequate parking for employees, no break room, and not enough office space. There are 13 employees and 2 restrooms. The locker room was recently remodeled to include a women's locker room, and update the men's.

The existing building environment is not suited for information technology assets. The amount of dust in the break room/ office room has caused at least one computer to fail. The data cabling needs to be replaced and expanded to include all the work areas. Old cable needs to be removed to reduce fire hazard

The roof over the equipment bays is brittle, has bubbles, and leaks in four areas. The roof cannot be patched because foot traffic creates more leaks. During periods of heavy rain the roof in the Parks Supervisors office will leak and water also enters the locker area. The main room serves as a lobby, kitchen area, break room, and meeting room. The bathroom and locker areas are too small for staff needs and do not meet ADA standards. Privacy is also a concern because the bathroom and lockers are right off the main room. Storage space is limited and could be expanded. The storage yard is at capacity, and the Public Works Director recommends an increase of approximately 50%.

## Facility Needs

Only 780 square feet of enclosed floor space exists at the present time. Leaving a space shortfall in excess of 600 square feet, which would include 2 restrooms and a locker room. Most of this space is needed to correct existing deficiencies rather than to accommodate future staffing increases, making it particularly important to address these needs immediately rather than in ten or fifteen years. The storage yard is recommended to be increased by approximately 50% as it is currently at capacity.

## Long – Term Alternatives for Addressing Projected Facility Needs

Three alternatives were developed for meeting current and future maintenance facility needs. These are described below:

- *Remodel/Rebuild New Maintenance Facility at existing site*  
A new or remodeled building would address the identified deficiencies. Remodel existing 780 sq. ft, plus an additional 600 equals 1,380 sq. ft, Cost \$276,000 at \$200/sq. ft.
- *Construct New Maintenance Facility at a new site – McGregor Lot*  
This option can only be considered if, and only if, we can:
  1. Eliminate the shuttle operation
  2. Secure a long term lease for another lot (not very likely)
  3. Include 100 parking spaces in the design.

Under this option, the City would address its Corporation space deficiencies and projected needs. The new maintenance facility would include approximately 5,200 square feet which would include both enclosed floor space for office and maintenance functions and would cost at \$200/sq ft. an estimated \$1.2 million.

This alternative would enhance the City's ability to provide maintenance services Due to increased work space, more restrooms and office space, functional showers and improved employee moral The City would improve the performance, appearance, and functionality of facilities throughout the service area. If this option were selected, the new maintenance facilities would be constructed at the City Owned McGregor Lot. The building would be commensurately larger.

The area around the building(s) would be developed for parking, storage, and various operations. The buildable area is approximately 1.5 acres and is generally rectangular in shape, see attached map.

- *Purchase or Lease Maintenance Facility*  
The third alternative would be to purchase or lease the required Corporation Yard facilities rather than to construct new facilities. Under this alternative, the City would identify suitable "off-site" space in the general vicinity of the existing Yard. There are a limited number of Business and Light Industrial Parks in the vicinity of the Corporation Yard with space available for lease or sale. The minimum lot size needed to be accommodated by a lease is 5,200 sf.

Should such space be available, it would cost an estimated \$0.99 per square foot per month to lease, which equates to approximately \$5,148 a month and \$61,776 annually.

The decision to lease or buy would be based on a number of factors, such as the desire for flexibility, the amenities and location of the property, and the relative costs involved. Leasing would be appropriate if the City desired to maximize its long-range flexibility and minimize the initial capital investment. Purchase would be appropriate if the price was attractive and the facility offered amenities. However, based on the high cost of real estate in Santa Cruz County, it is likely that the purchase of a new site and construction of the required buildings would be more expensive than building a facility on City-owned property.

Leasing offers the advantage of relatively low initial capital outlays and greater flexibility to

respond to changes in staffing and service delivery.

While providing more limited flexibility than leasing, purchasing buildings and a new site would enable the City to invest in properties and would avoid the time delays involved with designing and constructing new facilities. However, there are limited suitable sites available to lease or to purchase. When such sites do become available they tend to be leased or purchased quickly and it may be infeasible for the City to react fast enough to secure them.

### **Long – Term Recommendation:**

Based on an evaluation of the strengths and weaknesses of each alternative by the users group, the recommended alternative for resolving the Corporation Yard deficiency - Insufficient Maintenance Facilities -is to remodel or rebuild the existing site.

### **Short – Term Recommendation:**

1. Stop using the Corp yard for city-wide storage for such things as desks, partitions, cars and other furniture because there is not enough storage space. Instead non-construction items should be stored potentially in a warehouse or disposed of as surplus property in a timely fashion.
2. Could possibly remove a service bay and expand offices and a locker room.
3. Rent or purchase 2 to 3 cargo storage containers and place them at the McGregor lot to store construction materials, equipment etc... at a one time cost of approximately \$1,000 to \$4,000.

## **DEFICIENCY 3: POLICE DEPARTMENT: OVERCROWDING AND FUNCTIONAL AND PHYSICAL DEFICIENCIES**

This deficiency is related to Deficiency 1 (Lack of space in City Hall).

### **Current Conditions**

The Police Department is located at 422 Capitola Avenue. It is an extension of City Hall.

Facilities on the site include a 3,400 square foot operations building containing offices, rest rooms, interrogation room, lobby, storage and a locker room. The building is in poor physical condition and is not well laid out. This facility also experienced a mold problem due to a leaky roof and years of neglect. As more women have been hired to be police officers, a women's locker room has been created out of the existing men's locker room, thereby creating a much smaller the men's locker room.

The current data and voice cabling needs to be replaced and certified. Addition voice and data jacks need to be installed to accommodate current number of computers and work areas. The unused cabling needs to be removed to reduce fire hazard.

### **Facility Needs**

There is no break room, storage facilities, or interrogation room, and there needs to be more office space based on survey input from Police Department employees, (surveys attached). There is no

holding area for prisoners and the property room is too small. The existing parking lot for police vehicles is in front of City hall, which is not secured, nor is there enough for all the police vehicles. There is no secure storage for weapons and ammunition. The building does not completely meet the ADA standards.

Parking Enforcement Officers were located in Beulah House until it was determined that the building was uninhabitable and was not ADA compliant. They are now located in a leased office space at 411 Capitola Avenue with the Information Systems employee. There are no plans to improve this site as it is not owned by the City.

### **Alternatives for Addressing Existing Facility Needs**

Three alternatives for meeting existing and projected needs were examined and are identified below:

- *Refurbish and Expand Existing Facilities (included in the Remodel or Sale of City Hall)*  
This alternative would include some combination of demolition, renovation, and new construction along with City Hall. The Police Building would probably be replaced with a modern building more suited to administrative functions. The locker rooms would be refurbished and expanded, a break room and interrogation room and more office space. During the construction phase, temporary buildings would be needed for displaced operations. It would cost an estimated \$1.0 million to refurbish the existing 3,400 and add an additional 1,700 square feet of facilities. Moving into temporary facilities would add to these costs. This alternative would be more disruptive but somewhat less expensive than building all new facilities, as it would make use of those buildings which are salvageable.
- *Purchase or Lease New Space*  
Under this alternative, the City would relocate the entire Police Department to space that is leased or purchased elsewhere in the City. The decision to lease or buy space would depend on the need for long-term flexibility, the cost and amenities of the space, and similar factors. If suitable property was to become available, it would cost an estimated \$1.25 sq. ft or \$76,500 annually to lease 5,100 square feet of facilities.

Currently, the 3 Parking Enforcement Officers are located in a leased office space across from the Police Department.

- *Construct New Facility at McGregor Lot*  
This option can only be considered if we can:
  1. eliminate the shuttle operation
  2. Secure a long term lease for another lot such as the cross roads.
  3. Include 100 parking spaces in the design.

This alternative would be to construct replacement facilities at the McGregor Lot site at an estimated cost of \$1.0 million dollars (Police only). This could also tie into the proposal to move City Hall to the McGregor lot (\$4.0 million / 20,000 sq. ft. The new facilities would include approximately 5,100 square feet of floor space. There is adequate land available at the McGregor Lot site to build the replacement facilities.

**Recommendation:**

**Long-Term:** Based on an evaluation of the strengths and weaknesses of each alternative by the users group, the recommended alternative for resolving this item is to refurbish and expand the existing facility based on the feasibility of the estimated cost of \$1.0 million.

**Short Term:**

1. Currently remodeling the locker room
2. Rent offsite storage to free up space for personnel or a prisoner holding area.

**DEFICIENCY 4: INFORMATION SYSTEMS: LACK OF SPACE**

**Current Conditions** This deficiency is related to Deficiency 1 (Lack of space in City Hall).

Information Systems is part of the City Managers Department and consists of just one employee. Until 2002, this employee was located at Beulah House. This building is in deplorable condition and is uninhabitable. The City then leased an office space located at 411 Capitola Avenue, across the street from City Hall. The space is 900 square feet and costs \$1,500 a month to rent.

The current Information systems space has its positives and negatives. Among its positives are the proximity to City Hall and the Police Department, the fact that it does not share a key with other City of Capitola facilities and the Police Department controls the access to the facility. Among the negatives is the speed of the connection to the primary data center, the number of people who have access to the facility, including the public.

**Facility Needs**

Secure location with sufficient storage for equipment and software of approximately 350 sq. ft... Location needs to be keyed separately from other doors and should not be accessible by the general public or other users as the current 411 Capitola Ave is.

**Alternatives for Addressing Facility Needs.**

- Any remodel or construction of a new City Hall would include space for the Information Specialist of approximately 350 square feet.
- Remodel Beulah House to include space for Information Systems, total cost \$280,000.

**Long –Term Recommendation:**

1. Remodel City Hall
2. Remodel Beulah House and include conference rooms, storage and space for the Parking Enforcement Officers including a locker room for both men and women.

**Short –Term Recommendation:**

Leave Information Systems at 411 Capitola Ave. as it is secure and allows space for the Parking Enforcement Officers and a conference area.



## **DEFICIENCY 5: COMMUNITY CENTER: LACK OF ROOMS FOR CLASSES, STORAGE AND EMPLOYEE SPACE**

### **Current Conditions**

The Community Center located at 4400 Jade Street, Capitola is where the Recreation Department is housed. The building is 5,400 square feet and is in moderate condition. This facility is used year-round for recreation programs and Meals on Wheels, and in the summer by Camp Capitola. It is also available for City of Capitola and Soquel Elementary School District use and for rental by the community. There is one full-time employee and 5 part-time employees year-round. Approximately 10 part-time Camp Capitola employees also use the building in the summer, in addition to the class instructors and sports staff that use or access the building year-round.

The property which the community center is located is leased from the Soquel Elementary District. The City owns the actual building, and leases the space from the District.

The biggest problem with the Community Center is that it was designed as a large rental facility, with room for 1-3 staff to manage rentals, rather than as a facility to house 3 recreation classes. Over 300 classes are offered in the facility each year. More would be offered, but the space can only accommodate 3 classes at a time, divided by a sliding curtain that is not soundproof. When students are in one class, students next door can clearly hear the instructor and the participants which disrupt the classes.

There are 2 front office areas shared by the Recreation Supervisor, Class Coordinator, and 2-3 Recreation Assistants. The Sports Coordinator and Camp Capitola Coordinator work in the room that was originally designed as storage and utility room (phone circuitry, PG&E meters, circuit breakers, and timers are exposed, the file server is unenclosed, and the Xerox machine is in the room). The other 2 storage areas in the building are completely filled with supplies for classes, and the staff has to move tables and chairs from one room to another throughout the day to accommodate classes. Tables, chairs, and gymnastics equipment often have to be stored in a corner of a room while a class is in session, which could create a safety hazard.

The Center has had improvements to make it ADA accessible, but the front counter area has not been changed. The counter is 45½ inches high, making it very awkward for someone in a wheelchair who has a question or wants to register for a class.

There is a problem with the way the heating system was set up, and the building, particularly the side of the building towards the soccer field, is always cold. There is no break room for the employees, and no employee restroom. The existing public restrooms doors and hardware are rusted, broken and corroded, grout is decomposing and there is no airflow system. One of the stoves and the freezer are broken. The lighting outside the building and in the parking areas and the park is insufficient. There is termite damage to the building and the building needs repainting.

### **Facility Needs**

- More classroom space.
- More storage space.
- ADA-accessible front counter area and drinking fountains
- Improve heating system.

- Repair or remove stove and freezer.
- The voice and data infrastructure need to be secured from public access.

### **Alternatives for Addressing Projected Facility Needs**

Two alternatives for resolving the space shortfall have been developed and described below.

□ *Remodel Existing Facility*

The existing Community Center site could be remodeled/reconstructed to accommodate the existing space shortfall. This would need to be coordinated with recreation programming, to create as little interruption in the schedule of classes as possible, as there are limited resources for moving those classes to other facilities for an extended period of time. Estimated Cost at \$200/sq ft., \$1.08 million. The City does not own the land in which the facility is located, it belongs to the school district. It is likely a new lease would need to be negotiated, a difficult endeavor currently.

□ *Purchase a parcel of land on which to construct a new recreation facility.*

Since there is not a parcel of land currently owned by the City which would accommodate this option, it would require some investigation and probably the passing of a bond measure to raise the funds. The estimated cost to do so would be \$250/sq. ft., and ideal building size would be 8,100 square feet, for an estimated cost of \$2.25 million dollars. A smaller facility may be able to be built on Monterey Park which is currently owned by the City.

### **Recommendation:**

Long Term: Expand the existing facility to accommodate more employees, additional bathrooms/break room, and additional space for recreation programs. Based on a recent court decision, it does not seem likely that the City will be able to acquire this property, therefore the City would be taking a risk in expanding the facility. Possible second alternative is to relocate to Monterey Park

Short Term:

1. Rent storage space so employees have more space.
2. Repair bathrooms
3. Repair the heating and cooling system
4. Repair the kitchen or eliminate meals on wheels.
5. Paint the exterior.
6. Replace front counter to be ADA compliant

## **DEFICIENCY 6: CITY COUNCIL CHAMBERS: LACK OF ROOMS FOR COUNCIL MEMBERS/TREASURER**

Current Conditions: This deficiency is related to Deficiency 1 (Lack of space in City Hall).

The City Council Chambers are located in the bottom half of City Hall. The chambers are approximately 1,800 sq. ft. Council members currently are allotted a desk at 411 Capitola Ave.

which the City leases for the parking enforcement officers.

The Council Chambers seats approximately 108 people including staff and elected officials. Over the years the room has been pieced together to become a series of ramps, wires and cabling. It is not completely ADA accessible. The room needs to be remodeled in the very least to remove all the surface cables and wiring from the floor and walls which is currently a safety hazard. The seating in the chamber and the carpets all need to be replaced. There is no meeting or office space for the Council Members or the Treasurer. Particularly useful would be additional meeting space for closed session which currently meets in the City Managers office.

### Facility Needs

Immediate needs include the repairs to the building as outlined in deficiency #1 City Hall. The chamber carpets, lighting, cabling, wiring all need to be replaced. Additional office space and meeting space is also needed. The chambers are not secured with an alarm system, all computer equipment is not contained in a locked cabinet and the electronic system is large and cumbersome and sits next to the City Clerk which creates a safety issue. The media room where the cable technician sits to film the meetings is only big enough for one person and is not ADA compliant and needs to be larger as well as technically upgraded.

### Alternatives for Addressing Existing Facility Space Shortfall

#### LONG TERM:

The existing City Hall (10,600 sf) site could be remodeled/reconstructed to accommodate the existing space shortfall, deficient technology and security issues. As part of the remodel, the Police Department, Information Systems facility and Council Chambers would be included. An additional 4,120 sq ft is needed based on the following:

1. Administration; 2,120 based on 100 sq. ft per person, plus increased storage, break room, bathrooms, upstairs reception area, and additional meeting rooms as described above.
2. Council Chambers: Increased office space for Council members of 300 sq. ft
3. Police Dept: See detailed analysis for deficiency #3, 1,700 sq. ft.

A complete renovation and upgrade of the site would be needed. In order to accomplish this, employees would have to be moved to temporary facilities located in the Pacific Cove Parking lot. This would create parking shortfalls in the summer. **Estimated Cost, \$2.94 million dollars at \$200/square foot.**

#### SHORT TERM:

- Continue renting 411 Capitola Ave. for office space.

## CHAPTER 3. PROPOSED DEVELOPMENT PLAN

The recommended alternative for satisfying each deficiency has been included in a proposed Development Plan.

Even though most of the five deficiencies addressed by the FMP are existing deficiencies that

should be resolved in the near-term, there are no funds available to fund the Development Plan. Rather, the recommendations have been broken into Short Term and Long Term Solutions.

### SUMMARY OF SHORT TERM SOLUTIONS

Facility	SHORT TERM DESCRIPTION	COST
City Hall	1. Install secure locks on all windows and an alarm system in City Hall	\$1,000
	2. Review floor space plan for possible reconfiguration.	\$500
	3. Rent additional office space off-site	\$18,000
	4. Stop providing space for consultants	
	5. Convert the Community room into office and meeting space	\$2,000
	6. Continue renting 411 Capitola Ave	\$18,000
Police Department	1. Rent offsite storage to free up space for personnel or a prisoner holding area	\$2,500
Corporation Yard	1. Stop using the Corp yard for city-wide storage	
	2. Could possibly remove a service bay and expand offices and a locker room	\$50,000
	3. Rent or purchase cargo storage containers and place them at the McGregor lot	\$4,000
Information Sys.	Leave Information Systems at 411 Capitola Ave. as it is secure and allows space for the Parking Enforcement Officers and a conference area.	\$18,000
Community Center	1. Rent storage space so employees have more space.	\$2,400
	2. Repair bathrooms	\$10,000
	3. Repair the heating and cooling system	\$10,000
	4. Repair the kitchen or eliminate meals on wheels.	\$20,000
	5. Paint the exterior.	\$15,000
	6. Replace front counter to be ADA compliant	\$3,000

## SUMMARY OF LONG TERM SOLUTIONS

Facility	LONG TERM DESCRIPTION	COST
City Hall	Remodel City Hall including the Police Department Information Systems and Council Chambers	\$2.94 Million
Police Department	Remodel just the Police Dept.	\$1.02 Million
Corporation Yard	Remodel existing Corporation Yard	\$276,000
Information Sys.	Remodel Just Beulah House	\$280,000
Community Center	Remodel Community Center	\$1.08 Million

### CHAPTER 4. NEXT STEPS

This report will be incorporated into the Capital Improvement Plan. Planning for funding Short Term solutions would begin as funding becomes available.

For the Long Term solutions, if funding should become available, a User Group representing the future tenants of those facilities will be assembled to provide input concerning what functions should be housed in the facilities and where those functions should be located within each facility; to assist in the refinement of site layout options; and to provide input into the design requirements for the facilities.

Once the resources are available and with Council approval the facilities will be designed, either through the traditional method of hiring a consulting firm to prepare the drawings and specifications for the new facilities (after which bids would be solicited for the construction of the facilities), or by awarding a design/build contract(s), wherein a single contract would be awarded for both the design and construction of a facility.

#### Attachments:

1. McGregor Lot
2. Surveys

# CAPITOLA CITY HALL SITE REUSE STUDY

JANUARY 28, 2010

Prepared for  
City of Capitola

This report was prepared using funds provided by the  
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DEVELOPMENT  
ECONOMICS



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# EXPLORATION OF CAPITOLA CITY HALL SITE USES

## 1. INTRODUCTION

### 1.1 SITE DESCRIPTION

This Study explores potential re-use options for the Capitola City Hall site and the adjacent Pacific Cove Parking Lot. The City Hall site is 40,500 square feet (or just under one acre) and is currently occupied by the City's administrative offices, City Council Chambers, a Community Room, the Capitola Historic Museum, 28 parking spaces, and the Police Department. The Pacific Cove Parking Lot is approximately 70,000 square feet (or 1.5 acres), and has 234 public parking spaces. The two sites together comprise 2 ½ acres, owned by the City of Capitola, currently occupied by public uses near the heart of Capitola Village.

The goal of this Study is to examine possible alternative uses for the two combined sites to best utilize their strategic location near the Village, taking into account the City's economic development goals and other community priorities. This Study also examines issues surrounding the options for moving City civic functions to another site or rebuilding them at the current City Hall site as part of an overall site redevelopment.

Please note that this Study, funded by the Community Development Block Grant (CDBG) Economic Development Program, is limited to a review of the City Hall/Pacific Cove Parking Lot sites, and does not include options for the adjacent city-owned Pacific Cove Mobile Home Park site.

This Study addresses a number of issues regarding the City Hall site and Pacific Cove Municipal Parking Lot, as outlined below.

### 1.2 STRATEGIC LOCATION NEAR VILLAGE

The combined City Hall and Pacific Cove Parking Lot site is in a vital strategic location adjacent to Capitola Village, and has the potential to offer important economic revitalization to current Village businesses and uses.

Thousands of visitors come to Capitola Village every year from all over the country and the world, and Capitola has been named one of *Sunset Magazine's* top five small ocean towns in the nation. This means high seasonal levels of traffic and parking shortages, but does not always translate into vibrant economic activity. In fact, in recent years Village businesses have seen their real-dollar sales decrease, sometimes dramatically.

The seasonal nature of beach retail is a hardship for many of businesses. And while vacancy rates in the Village have remained low, businesses have turned over at a relatively high rate in recent years. Although the Village remains a significant tourism destination, its retail stores have underperformed. In particular, patronage by Santa Cruz area residents, which could address the seasonal nature of Village retail, remains an untapped market. The shortage of parking convenient

to the Village area and the limited availability of visitor lodging accommodations are key concerns that need to be addresses as a part of any economic development plan for the area.

### **1.3 UNDERUTILIZED CITY HALL AND PACIFIC COVE PARKING LOT SITE**

The City's 2005 Economic Development Strategic Plan identified the current City Hall site as underutilized. The 40,500 square feet site is occupied by a two-story structure of 10,500 square feet, plus 900 square feet for the museum and historic cottage, which creates a building footprint that occupies about one-quarter of the usable property. A significant portion of the City Hall site is currently used to provide 28 surface parking spaces in front of the building. These parking spaces are used mainly for City Hall-related activities and parking for the Police Department.

The Pacific Cove Parking Lot site provides 234 surface parking spaces. A more efficient use of the site could include a parking structure with a greater number of spaces and improved accessibility and connection to the Village area.

### **1.4 POTENTIAL FOR VILLAGE GATEWAY**

At present the current City Hall site does not provide a clear sense of entry or connection to the Village from Capitola Avenue, and accessing the Village from the Pacific Cove Parking Lot does not provide a comfortable pedestrian pathway. New buildings, reconfiguration of the parking lot, and potentially new uses on the City Hall site could help establish a gateway, providing a sense of clear arrival in the Village, and using design and pedestrian elements to connect the parking area more distinctively with the Village. New development has the potential to offer synergy with existing businesses, and provide new customers as well as increasing the number of employees working in the area.

### **1.5 VILLAGE PARKING SHORTFALL**

The Pacific Cove parking lot provides parking for City Hall visitors and provides the largest parking area serving the Village, however it still falls short of providing the spaces that the Village needs.

The 2008 Capitola Village Parking Study identified a minimum shortfall of 176 parking spaces needed to adequately serve current uses. In addition, any new development in the Village (such as the proposed new hotel at the Capitola Theatre site), must address how it will provide parking to serve the new development while maintaining or improving the Village's existing pedestrian orientation and design. Addressing the existing parking shortfall and providing parking for new development is critical to improving the economic outlook of Capitola Village. A reconfiguration of the Pacific Cove Parking Lot could be developed to accommodate these needs.

### **1.6 CITY'S FIRST RESPONDERS IN FLOODWAY**

Another critical issue facing the City is that the City's first responders are currently located in the floodway. This includes the City's Police Department, and the independent Central Fire District Capitola Station. In the case of a flood emergency, Capitola as a coastal town may not be able to

respond at full capacity. Any reconfiguration of the current City Hall/Pacific Cove Parking Lot site would require that the City’s Police Department and City Hall offices be either moved to a different site, or raised up on the City Hall site out of the floodway, or moved to the higher Pacific Cove Parking Lot portion of the site.

## 2. POTENTIAL REDEVELOPMENT PHYSICAL CONFIGURATIONS

There are a variety of physical configurations that could be considered for the City Hall and Pacific Cove Parking Lot site:

### 2.1 NEW MULTI-STORY BUILDING AT CURRENT CITY HALL SITE

The City Hall site could be reconfigured with a new two to three story building, designed to stay within the current Village urban scale. This new configuration could potentially create 30,000 to 60,000 square feet of usable space. The space could be allocated for retail, restaurant, office and/or hotel. The building frontage could be scaled back to accommodate additional public space or gateway elements incorporated into the site plan. A well-designed space could provide an important linkage with the rest of Capitola Village.

### 2.2 PARKING STRUCTURE AT CURRENT PACIFIC COVE PARKING LOT

As noted above, the Capitola Village Parking Study determined that a minimum of 176 spaces are required to meet existing needs. The Study also noted that in order to address heavy Village traffic congestion on peak tourist days, traffic engineering standards recommend that that parking supply be designed to be 85 percent occupied at peak parking demand, so that cars do not circle Village streets looking for parking. This would require a high of 390 spaces to adequately meet existing Village demand.

In addition, parking requirements for any new development at the City Hall site, plus development in the Village such as on the Esplanade or a Hotel at the Capitola Theatre site, should also be considered when designing a new structure. The City’s Parking and Traffic Commission recently concluded that with potential new development in the Village, a future parking structure at the current Pacific Cove lot should provide at least 560 and as high as 1034 spaces, including replacing the existing surface 234 parking at Pacific Cove and the 28 spaces in front of City Hall. Please see the table below for a breakdown of the Commission’s estimate.

**TABLE 1  
ESTIMATE OF FUTURE PARKING DEMAND**

<b>Parking Area</b>	<b>Low</b>	<b>High</b>
Replace Spaces at Pacific Cove & City Hall Pacific Cove=234 and City Hall=28	262	262
Existing Deficit (Village Parking Study)	176	390
Village Hotel (Capitola Theatre site)	60	120
Esplanade Walk (replace existing street spaces)	0	100
Valet Parking	0	50
Other Development (estimate)	50	100
<b>Total</b>	<b>548</b>	<b>1,022</b>

Source: City of Capitola Traffic and Parking Commission, 11/24/09 presentation to City Council

A multi-level parking structure that is designed to be above and below grade could meet these requirements, and could be essentially hidden from public view. The structure could be built at the Capitola Avenue grade level, with at least two stories below the current grade of the Pacific Cove surface lot. Depending upon the redevelopment configuration, a three-level parking structure could provide 670 to 690 parking spaces, while a four-level below-grade structure could have 900 to 920 spaces.

## **2.3 ADDITIONAL BUILDING OVER NEW PARKING STRUCTURE**

The top of parking structures can provide a surface for buildable area. A new parking structure at the current Pacific Cove Parking Lot site could potentially have one or two additional stories, each of which could provide an additional 30,000 to 35,000 square feet of development space.

The air space over the parking structure could be used for civic functions, freeing up space on the current City Hall site for other uses, or sold or leased to a developer. The revenue generated by a sale or lease of the space above a parking structure could be used to help pay for other site improvements or buildings that would be constructed as part of the project. Alternatively, if some civic functions were located above a parking structure, it may increase the amount of space on the current City Hall site which could be devoted to revenue-producing uses.

Regardless of which option is considered, there are challenges associated with any development on the top of a parking garage, which should be carefully considered. For example, any development above a parking garage could increase construction cost for the parking garage, any use above a parking garage could generate potential long term operation and maintenance conflicts, and finally construction, above a parking structure could create issues with building height.

## **Infrastructure Considerations**

The site is connected to the utility infrastructure needed to support the viable alternative uses for the site. A potential issue for reusing the site would be the water consumption for a hotel. The Soquel Creek Water District has limitations on the amount of new water usage that can be hooked up, and likely would require implementation of conservation measures elsewhere.

# **3. ALTERNATIVE USES FOR RECONFIGURED CITY HALL AND PACIFIC COVE PARKING LOT**

## **3.1 HOTEL USES**

Historically, Capitola has been an undersupplied lodging location. While the current regional market conditions have shown a widespread decline in lodging throughout the Monterey Bay area, the historical market trend has shown a continual rise in room rate revenues and occupancy rates consistently above 60 percent.

Capitola Village is a world famous visitor destination, yet the lodging options for the beach area remain very limited. Attracting a hotel development to the area represents an essential part of enhancing the Village as a viable visitor destination. Visitor accommodations are directly tied to the viability of other visitor-related retail industries and helps transition the visitor population from strictly day visitors to longer-stay visitors and off-season visitors. In conjunction with a hotel development, the front of the site could be used as space for a lobby area or meeting space. Such a hotel development could also potentially include conference facilities, which is another underserved market in Santa Cruz County. Combined hotel and conference facilities could profoundly revitalize Capitola Village.

A parking structure constructed at the Pacific Cove parking Lot site could be combined with a hotel development occupying one or two stories above the structure. Building on top of the parking structure would yield about 35,000 square feet of usable area (about 40 to 50 rooms) per story for a hotel development. Alternatively, it is possible that a master plan for the City Hall site could be developed which creates a footprint for a smaller hotel fronting on Capitola Avenue.

### **3.2 COMMERCIAL/RETAIL USES COMPATIBLE WITH EXISTING VILLAGE BUSINESSES**

The mix of businesses in Capitola Village largely consists of eating places and specialty retail stores that primarily serve the visitor market. In addition, the spaces that these existing businesses use are largely small-scale with the frontages directly up to the sidewalk. Private businesses potentially brought to the City Hall site could serve to complement the existing uses, and not include large-format retail stores. The space could also be used for restaurants. The first-floor building frontage could provide space for about 8,500 to 11,000 square feet of commercial space. This would be enough space for at least four new retail/commercial stores at the ground level. Additional floors above can also accommodate commercial space. The space is also large enough to include entertainment uses.

## **4. OPTIONS FOR LOCATION OF CITY HALL FUNCTIONS**

A fundamental issue in deciding how to reuse the City Hall site is whether or not the City Hall functions will remain at the site or move to a different location. There is also the issue of how to best move first responders out of the floodway.

The existing City Hall building is 10,500 square feet, and houses the City administrative functions, Police Department, and the City Council chambers. The City Museum and Historic Cottage occupy an additional 900 square feet. The City's Master Facilities Plan estimates that an additional 3,000 square feet are required in order to accommodate the space needs of the Police Department and Information Systems, for a total required to replace existing uses at the site of 14,400 square feet.

The City's recreation programs are operated out of the Jade St. Community Center. In addition, other special districts operate facilities within the City but outside of the City Hall site, such as the Central Fire District's Capitola Station and the Capitola Library. The City is currently exploring options for a new 7,000 to 9,000 square feet public library, and is actively considering possible sites. If a new library was built as part of an upgraded Civic Center, then a total of 21,400 to 23,400 square feet would be required.

The Central Fire District, which currently operates the Capitola Fire Station across the street from City Hall, is also currently considering a new location outside of the floodway. A new Fire House would require 6,700 square feet, according to the Fire Chief, but would have to be carefully located in terms of fire truck access.

#### **4.1 REUSE EXISTING SITE FOR AN UPGRADED CIVIC CENTER**

As noted above, a new 2 ½ story building on the existing City Hall site could be approximately 30,000-60,000 square feet. This would provide enough space to accommodate the existing City Hall functions, a public library, and also other commercial/retail uses that generate revenue. Given the site's size and the existing scale of the Village, a new facility could vastly improve the character of the Capitola Avenue entryway to the Village, and at the same time create a permanent home for the City's important civic functions. The site could accommodate a new Library as well as a redesigned Museum that could incorporate the historic cottage and bathhouses. The City's Police Department and City Hall offices could be located on upper floors, with secondary access onto Bay/Park avenues, out of the floodway.

If City Hall stays at the existing site, then the overall project cost of a new City Hall would likely be reduced because the City would not have to purchase land. However, utilizing the existing site, or space above a parking structure, would limit the amount of space that could be leased out for commercial activities on the site. Due to street access issues, it may be difficult to locate a new fire house as part of a new Civic Center at the existing City Hall site.

#### **4.2 OFF-SITE RELOCATION (LAND PURCHASE)**

If the existing City Hall site is sold or leased to a private developer, then the revenues from those transactions could be used to fund the purchase of land for a new civic building. However, suitable development sites for a new City Hall are in short supply in Capitola, and the development of a new City Hall building would still need funding for both land acquisition and construction.

Possible sites for relocation considered during the course of this Study, include the Capitola Inn site (which was recently sold), the Union Bank site at Capitola and Bay Avenue, and the McGregor lot. Depending upon the location, it may be possible to include the new Library and/or a new fire house as part of a Civic Center at another off-site location.

### **4.3 OFF-SITE RELOCATION (LEASE EXISTING OR BUILD-TO-SUIT SPACE)**

Another option for relocating City Hall would be to move into an existing or build-to-suit office space. In general, it is preferable for municipal entities to own, rather than lease, office space. However, many jurisdictions do lease office space from the private sector. Often this is done on an interim basis, while new facilities are under development, however there are examples of City's that lease space for a city hall on a long term basis. The basic disadvantage a permanent lease option is that, over the long term, such a system will likely involve greater cost.

Nevertheless, the City could still sell the existing City Hall site and explore more permanent options in the meantime. The disadvantage to this approach is that this adds lease/rent expenditures that the City does not currently incur. Possible sites for leasing a City Hall facility include a new facility at the Grimes property or utilizing current vacancies in the Nob Hill shopping Center. Such an alternative may preclude a combined civic space with the Library and/or the Fire District.

## **5. FUTURE OWNERSHIP ALTERNATIVES FOR CITY HALL/PARKING LOT**

There are a variety of possible future ownership arrangements for the current City Hall site and Pacific Cove Parking Lot which provide a wide range of potential options depending upon the type of development envisioned.

### **5.1 SELL EXISTING CITY HALL SITE**

Under this option, the City would sell the City Hall parcel outright. Any development option would need to ensure that the parking needs for the Village are met, in addition to accommodating the spaces needed for any new development proposed for the site.

### **5.2 SELL AIR RIGHTS TO DEVELOP ADDITIONAL USES**

The City could sell the air rights over a potential future Pacific Cove parking structure. While this option would help raise capital for a new parking structure and/or City Hall, it would increase construction costs for the parking structure, could complicate the entitlement process for a parking structure, and would need to be carefully considered to avoid long-term maintenance and operational conflicts.

### **5.3 RETAIN OWNERSHIP OF SITE AND PARTNER WITH DEVELOPER**

The City could also structure a partnership in which the City retains ownership over the site, and partner with a developer to share the costs of certain elements of the site development. This could take the form of a long-term ground lease whereby a private entity was entitled to revenue from specific project components in exchange for up-front funding to build the project.



## **5.4 RETAIN OWNERSHIP OF SITE AND DEVELOP SITE**

Under this scenario, the City would directly contract with builders to develop the site. Options under this scenario would range from using the entire site as a new civic center complex to developing a new civic center along with other purpose-built structures which could be leased to private entities for income generating activities. These income-generating activities could include options that would augment the City's economic development strategies such as hotel/retail/theater/private sector meeting space.

## **5.5 RETAIN PARTIAL OWNERSHIP OF SITE FOR CIVIC CENTER AND SELL A PORTION OF SITE**

Under this scenario, the City would develop a portion of the site for the City Hall functions, and sell a portion of the City Hall parcel to a development partner who would build some combination of commercial/hotel/retail uses. The income from the land sale could help to finance building the new civic buildings.

# **6. PRELIMINARY COST FOR CITY HALL & PARKING STRUCTURE PROJECT**

## **6.1 CITY HALL**

The current City Hall municipal functions at the site (City Hall offices, council chambers, community room, Museum and Police Department) would require a total of 14,400 square feet. A new Library would require a minimum of 7,000 square feet, for a total rough estimate of 21,000 square feet required for a new Civic Center including Library. Assuming construction costs of \$250 to \$440 per square foot, the cost to build a new Civic Center and Library could range from \$5.25 million to \$9.24 million.

Additional costs would be incurred if the City opts to relocate City Hall off-site to a location that requires site acquisition. The average transaction value for non-residential properties in Capitola averaged more than \$4 million per acre in 2007 and 2008, while the countywide average was less than \$2 million per acre.

Reconstruction of City Hall on the existing site or relocating to a leased space would require ongoing lease payments of at least \$288,000 annually during reconstruction, or on a semi-permanent basis. This would support existing functions with 14,400 square feet. That lease payment would likely increase over time as commercial lease rates change. The lease payments would further increase if space for a library is included.

## **6.2 PARKING STRUCTURE**

Based upon the costs of the recently-constructed 510-space Cabrillo College Allied Health Parking Structure, a new parking structure would cost \$17,000 to \$22,000 per space. Assuming a

new structure would need to accommodate approximately 800 spaces, the total cost could range from \$14 - \$18 million. Those figures will change as construction costs adjust over time. The City's Parking and Traffic Committee is currently reviewing funding options for a new parking structure.

## **7. NEW CIVIC CENTER PROJECT FUNDING OPTIONS**

City hall relocation projects in other jurisdictions have utilized many different approaches. For Capitola, certain approaches are likely more feasible than others.

### **7.1 DEVELOPMENT IMPACT FEES**

Development impact fees are fees which can be assessed on new development projects to offset that project's marginal impact on public facilities. They cannot be used to resolve existing infrastructure deficiencies that are already present independent of a new development. Development impact fees are typically most effectively used in rapidly growing communities that have a high volume of development activity. Because Capitola is largely built out with no large undeveloped land tracts, development fees would not likely generate a large enough pool of revenues for a large new civic project.

### **7.2 GRANTS**

Grant programs can be used for a variety of different activities associated with civic development projects. Pre-development planning activities can be funded using existing grant programs (such as those from CDBG and the EDA-Economic Development Administration) include feasibility studies, engineering and architecture studies, and business attraction and marketing plans.

Grants programs can also be used to help fund certain types of infrastructure and public facilities. A combination of different grant programs can be potentially used for different parts of a new City Hall project, to augment other sources of funding. It may be possible to receive substantial grants from the Federal Emergency Management Agency or Homeland Security to move the Police Department out of the floodway. In addition, grants are available from CDBG and EDA to fund public facilities such as parking structures.

Potential available from grants are listed below.

- CDBG/EDA Pre-Development Grants: \$100,000 to \$300,000.
- Construction Grants (City Hall-Police): \$2 to \$3 million
- EDA Construction Grants (Parking Structure): Up to \$2 million
- CDBG Construction Grants (Parking Structure): Up to \$2 million

### **7.3 REDEVELOPMENT AGENCY FUNDING**

The use of tax increment to finance civic and infrastructure projects is common practice within redevelopment project areas. However, the City Hall site is not within an existing redevelopment project area, so the use of these funds would be limited to development on the site that directly

benefits the redevelopment project area. In addition, California Community Redevelopment Law prohibits the use of redevelopment agency funds for acquisition of land, design and other costs associated with the construction of city hall facilities.

The Capitola RDA has entered into a contract with the County of Santa Cruz to provide up to \$2.6 million fund for a new Library. If the new Library were combined with a new City Hall project, then the amount available would depend upon the location of the project, and the extent to which the project benefits the project area.

Potential available from RDA funding: (RDA Library Fund): Up to \$2.6 million.

## **7.4 SALE OF PROPERTY**

As noted above, the City could consider the sale of excess real property associated with a development of a new city hall facility. That could include either air rights to space above a parking garage, or a portion of the property that fronts Capitola Ave. Such a sale of property would need to be carefully considered in the context of a master plan for the site, in conjunction with long term City goals, and needs. In addition, if a new library facility were to be incorporated into a new civic center, the sale of all, or a portion, of the current library site could generate one-time revenue to help build a new civic center/library.

Potential available from the sale of existing property: \$1 million to \$6 million.

## **7.5 IN-LIEU PARKING FEES**

Instead of requiring each individual new development project to provide on-site parking, an “in-lieu” parking fee program would allow developers to pay a fee instead of providing parking on-site. This fee could be used for the construction of a centralized parking structure. The advantages of this type of program include consolidation of parking supply, improvement of project design, increased fiscal feasibility of redevelopment projects, and funding for public parking facilities. An in-lieu parking fee program can allow for alternative land uses on land previously used for parking, and provide additional parking options for the reuse or redevelopment of existing significant buildings. Pedestrian activity is improved with the removal of curb cuts as small individual parking lots are consolidated to larger parking areas

These programs in other jurisdictions charge fees that range from \$5,000 to \$60,000 per space. Fee amounts are usually based on a percentage of the actual cost of providing a parking space, which is based on land and construction costs. Potential new development in the Village that could benefit from an in-lieu fee program including the new Village Hotel at the Theatre site.

To establish an appropriate in-lieu fee amount, it would be necessary to prepare an In-Lieu Parking Fee Study, to prepare an estimate of actual costs to build a public parking space, including land and construction costs, and to adopt a long term plan to provide additional parking spaces.

Potential available for Parking Structure from in-lieu fees: Up to \$3 million.

## 7.6 GENERAL FUND

Civic center and public facilities projects often receive at least a portion of the funding from the general fund. This can be in the form of direct payments from a fund balance, or the issuance of debt.

### General Fund Balance

Some jurisdictions set-aside money over time to accumulate the funding necessary for a major civic improvement. While this strategy may seem prudent, it is important to consider several factors. First, construction costs tend to increase faster than the City's return in the Local Agency Investment Fund (LAIF). As a result, it can take a long time to save the resources necessary to build a large project. And, while current city residents bear the cost of saving for the new facility, they are unable to enjoy the benefits of the planned civic improvements. Given the timelines involved in accumulating the resources necessary for a new civic building, this has the potential to raise equity issues.

### General Fund Debt

Some jurisdictions choose to finance major civic projects through the issuance of debt. Local government's ability to issue tax exempt debt can often make timely construction more financially advantageous; since construction costs tend to increase faster than the interest rate on tax exempt debt. Some forms of municipal debt require voter approval, such as General Obligation Bonds. Other forms of debt, such as Certificates of Participation or a loan from the State's Infrastructure Bank, may be authorized by City Council. Often, prior to issuance of such debt, specific revenue streams are designated to pay debt service. This can include new revenue streams or an existing revenue source.

Potential available for City Hall from issuance of debt: TBD

## 7.7 NEW REVENUE SOURCES AND DEBT

The issuance of most forms of debt will require the identification of a revenue stream to service that debt. In general, each \$1,000,000 dollars of debt requires approximately \$58,000 per year in interest and principle payments, assuming 4.0 percent interest rate with a 30 year term<sup>1</sup>. As a result, if 50 percent of the cost of a new City Hall were debt financed (\$2.5 to \$4.5 million), the City would need to identify a revenue stream of between \$143,000-258,000/year (assumptions: a 20,000 SF facility, \$250-440/SF, 50 percent of total cost as debt).

Some of the possible revenue streams for such a debt payment are listed below.

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<sup>1</sup> Current State IBank rate is 3.25%

## **Lease**

A portion of the existing City Hall site could be leased to provide an on-going to service debt. The value of such a lease would depend on whether the city constructed the new facility, or entered a ground lease with a developer who would build their own structure.

## **Parking Meter Revenue**

A portion of new parking meter revenue generated through the development of new meter payment options (e.g. credit cards), or through the development of new parking spaces (e.g. parking structure), could provide on-going revenue to service debt. However, this revenue stream may also be used as a mechanism to help finance the parking structure.

## **Transient Occupancy Tax**

Some cities have been able to obtain voter approval for transient occupancy tax increases. Capitola's current TOT is 10 percent. A 2.0 percent increase in TOT is projected to generate approximately \$300,000 annually with the completion of the new Fairfield Inn on 41<sup>st</sup> Avenue and the proposed hotel at the Theater site.

## **Other New Taxes**

Cities have often used special financing districts to finance the construction and operation of facilities such as community centers and libraries. A public facilities district can be utilized for Capitola, however creating the district would require a voter referendum and a 2/3 majority vote.

# IMPLEMENTATION RECOMMENDATIONS

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## 1. RECOMMENDATIONS

### 1.1 MAKE APPROPRIATE REUSE OF THE CITY HALL AND PARKING LOT SITE A CITY PRIORITY

The City owns a valuable piece of real estate outright, in an excellent location, which has the capacity to offer significant civic and economic development opportunities for the City of Capitola. Given current desire to solve the Village parking shortfall and to provide new economic development opportunities to make up for declines in other parts of the City, reuse of the City Hall site could be one cornerstone of revitalizing economic development within Capitola in a way that enhances the feel of the Village and assists current businesses.

### 1.2 PRIORITIZE A PARKING GARAGE FOR SITE REDEVELOPMENT

Given the pressing need for additional parking within Capitola Village for existing uses, and for any new development at the City Hall site or in the Village, including a parking structure as part of any City Hall site reuse will provide an important contribution to Capitola for decades to come.

### 1.3 LOCATE CITY HALL FUNCTIONS AT CURRENT SITE

With good urban design a redeveloped City Hall/Pacific Cove Parking lot site could significantly enhance the entry into the Village, while creating enough space for City Hall functions and offering economic development opportunities for a new hotel/retail/restaurant and/or office use. Given the small number of alternative sites in the city appropriate for a new City Hall, and the fact that the City owns the current site, this is the most appropriate use of the City's resources. Civic functions could be located at the current City Hall site, or alternatively, above a new parking structure.

The amount of usable space that could be developed on the current City Hall/Pacific Cove Parking Lot site is more than enough to support an expanded City Hall in addition to a library, with space left over that the City can lease out. Keeping City Hall at the redeveloped site would still require finding an alternative for moving the fire station out of the floodway.

### 1.4 PRIORITIZE HOTEL AS A NEW USE AT THE REDEVELOPED CITY HALL/PARKING LOT SITE

Attracting a hotel development to the area represents an essential part of enhancing the Village as a viable visitor destination. Visitor accommodations are directly tied to the viability of other visitor-related retail industries and helps transition the visitor population from strictly day visitors to longer-stay visitors and off-season visitors. Such a hotel development could potentially include meeting rooms and conference facilities, which is another underserved market in Santa Cruz

County. Combined hotel and conference facilities could profoundly revitalize Capitola Village and help to meet other economic development goals of the City. The timing for this development should be considered in context of the proposed hotel at the Capitola Theatre site.

A hotel at the redeveloped City Hall site could potentially be combined with a new parking structure, with the hotel occupying one or two stories at the top level. If the hotel was located above the parking structure it would yield about 35,000 square feet of usable area—a space large enough to accommodate 40 to 50 hotel rooms per story. In this scenario, the front of the City Hall site could be used as space for a lobby area or meeting space. Alternatively, civic uses could be located above a parking structure, and the space fronting Capitola Avenue used for a hotel/conference facility.

## **1.5 PRIORITIZE COMMERCIAL USES COMPATIBLE WITH EXISTING VILLAGE USES**

A portion of the front of the City Hall site could offer space for private businesses to complement the existing uses, rather than large-format retail stores. The space could be used for restaurants, retail, theater, or private-sector meeting room space. The first-floor building frontage could provide space for about 8,500 to 11,000 square feet of commercial space. Additional floors above could also accommodate commercial space, if they are not used for City Hall functions. The space is also large enough to include entertainment uses.

## **2. IMPLEMENTATION CONSIDERATIONS**

### **2.1 FOCUS SITE DEVELOPMENT TO CREATE GATEWAY TO CAPITOLA VILLAGE**

In addition to potentially providing new parking areas and space for businesses and/or City functions, any reconstruction of the City Hall site also presents an opportunity to redesign the physical design layout of the areas leading into Capitola Village. The current configuration of the site presents no sense of arrival or clear entry into the Village, even though many Village patrons use the Pacific Cove parking Lot.

Careful site planning can create an entry and clear physical transition into the Village district. This gateway becomes more important with the construction of a parking structure, because more of the Village patrons would now use the site as their path into the Village. The gateway concept can also be accommodated by setting aside space at the front of the City Hall site for a public plaza, public art, or other design elements.

### **2.2 HAVE A CLEAR PLAN IN PLACE FOR TRANSITION/CONSTRUCTION PHASE**

Any major reconstruction of the City Hall site will have a potentially disruptive effect during the construction phase. Whether the City Hall functions stay on the existing site in a new building, or locate to a different location off-site, the City needs to ensure that administrative functions can continue during any transition period. This would likely entail leasing space in the interim.

In addition to City administrative functions, any construction on the City Hall site will also displace the parking spaces currently used by Village patrons. The potential loss of 234 parking spaces during the construction period could create significant short-term impacts on existing businesses. Planning for how to accommodate Village patrons during the construction phase will be essential to minimizing the negative impacts that could occur.

### 2.3 COMPLETE AND INCORPORATE LONG-RANGE PLANS FOR THE PACIFIC COVE MOBILE HOME PARK SITE

Any final decisions regarding the City Hall/Pacific Cove Parking Lot sites will need to consider any long-term plans for the City-owned Pacific Cove Mobile Home Park, which is adjacent to City Hall. Creative options for the mobile home site could add to the design options available in the development of the two sites that are the subject of this study.

### 2.4 PURSUE GRANT FUNDING FOR A DETAILED DEVELOPMENT/ FINANCING PLAN

The City should apply for grant funding to explore more detailed redevelopment possibilities for the City Hall site, including architectural renderings, analysis of parking structure costs and a financing plan. Possible grant sources include the Community Development Block Grant (CDBG) Program, the Economic Development Administration (EDA) grant program, California Emergency Management Agency Flood Control grants, and Federal Homeland Security grants.

## 3. TARGET INCOME GROUP BENEFIT

The grant funding for this project has a directive to promote job generating activities, and specifically to identify economic opportunities for workers in the Target Income Group (TIG). Developing new business spaces on the existing City Hall site would result in the creation of at least 91 new jobs with the development of 8,600 square feet of retail commercial space and a 90-room hotel.

Of the total jobs that the site development can potentially create, about 82 of those positions will benefit workers in the Target Income Group (TIG). The TIG occupations are typically in sales, clerical, service, agriculture, and production. The majority of the positions created by the new business activity at the City Hall site would be in services and sales positions. The remaining TIG jobs are largely in clerical positions.

#### TARGET INCOME BENEFIT FROM CITY HALL SITE REUSE

Business Type	Total Job Potential	Managers / Admin.	Prof./ Technical	TARGET INCOME GROUP OCCUPATIONS				TIG Total
				Sales	Clerical	Services	Production/ Ag.	
Retail Commercial Space	30	2	1	18	3	2	4	27
90-Room Hotel	61	4	1	2	9	36	7	55
<b>Total</b>	<b>91</b>	<b>6</b>	<b>3</b>	<b>20</b>	<b>13</b>	<b>38</b>	<b>11</b>	<b>82</b>

Source: ADE, benchmark data from U.S. Economic Census, and the California EDD Occupational Employment Survey.



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# APPENDIX A: MARKET ANALYSIS

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## A.1 CAPITOLA EMPLOYMENT BASE

Capitola continues to have very strong concentrations of businesses and jobs in retail trade, and visitor-serving industries such as accommodations and food service. Based on the latest available data at the city level, the estimated 2007 employment in Capitola totals 6,669 jobs, which represents a slight decline from the 6,871 jobs in 2004. This also runs contrary to the trend in Santa Cruz County, which had a slight job increase during that same period.

**TABLE A-1  
TOTAL EMPLOYMENT BY INDUSTRY GROUP IN CAPITOLA AND SANTA CRUZ COUNTY, 2007**

<b>Industry Group Description</b>	<b>Capitola Employment</b>	<b>Percent of Total</b>	<b>Santa Cruz County</b>	<b>Percent of Total</b>
Forestry, fishing, hunting, and agriculture	0	0.0%	7,885	9.7%
Mining	2	0.0%	107	0.1%
Utilities	0	0.0%	117	0.1%
Construction	157	2.3%	5,369	6.6%
Manufacturing	64	1.0%	6,285	7.7%
Wholesale trade	57	0.9%	4,373	5.4%
Retail trade	2,773	41.6%	13,072	16.1%
Transportation & warehousing	8	0.1%	1,450	1.8%
Information	59	0.9%	1,241	1.5%
Finance & insurance	498	7.5%	2,231	2.7%
Real estate & rental & leasing	239	3.6%	1,458	1.8%
Professional, scientific & technical services	248	3.7%	4,423	5.4%
Management of companies & enterprises	10	0.2%	1,796	2.2%
Administrative services	266	4.0%	3,768	4.6%
Educational services	69	1.0%	1,523	1.9%
Health care and social assistance	581	8.7%	10,535	12.9%
Arts, entertainment & recreation	82	1.2%	1,880	2.3%
Accommodation & food services	1,278	19.2%	9,668	11.9%
Other services (except public sector)	275	4.1%	4,214	5.2%
<b>Total</b>	<b>6,669</b>		<b>81,395</b>	

Source: ADE, data from IMPLAN CEW county employment database, and U.S. Census ZIP Business Patterns.

## A.2 REGIONAL EMPLOYMENT TRENDS

Between 1992 and 2007, the job growth in Santa Cruz County continued a trend where it did not keep pace with statewide trends, as shown in Table A-2. While California's job base expanded by nearly 26 percent, it only grew by 3.1 percent in Santa Cruz County. The region's strongest performing industry groups were primarily related to tourism, construction, health care, and services. However, these job gains were offset by large losses in other sectors such as agriculture, manufacturing, information, and management.

The more recent trend between 2001 and 2007 indicates that Santa Cruz County had a notable job decline of 5.1 percent, while the rest of California had 4.4 percent net gain in employment.

Preliminary totals for Santa Cruz County indicate that the employment between 2007 and 2008 fell by 2.1 percent, with job losses occurring across many industry groups, with hospitality,

entertainment, information, and financial services each declining by more than five percent, as the recession hit those sectors particularly hard during the current economic downturn.

**TABLE A-2  
COMPARISON OF EMPLOYMENT TRENDS IN SANTA CRUZ COUNTY AND CALIFORNIA, 1992-2007**

Industry Group	Santa Cruz County				California			
	1992	2007	Percent Change (1992 - 2007)	Annual Growth Rate	1992	2007	Percent Change (1992 - 2007)	Annual Growth Rate
Agriculture, forestry, fishing and hunting	10,950	7,885	-28.0%	-2.2%	353,845	386,656	9.3%	0.6%
Mining	165	107	-35.2%	-2.8%	32,642	24,926	-23.6%	-1.8%
Utilities	184	117	-36.4%	-3.0%	67,033	57,883	-13.6%	-1.0%
Construction	3,368	5,369	59.4%	3.2%	497,358	888,109	78.6%	3.9%
Manufacturing	11,059	6,285	-43.2%	-3.7%	1,794,077	1,452,825	-19.0%	-1.4%
Wholesale trade	3,240	4,373	35.0%	2.0%	551,881	715,908	29.7%	1.7%
Retail Trade	11,343	13,072	15.2%	1.0%	1,376,968	1,683,237	22.2%	1.3%
Transportation and Warehousing	1,342	1,450	8.0%	0.5%	357,468	428,266	19.8%	1.2%
Information	2,820	1,241	-56.0%	-5.3%	399,404	470,228	17.7%	1.1%
Finance and insurance	2,050	2,231	8.8%	0.6%	555,393	617,872	11.2%	0.7%
Real estate and rental and leasing	1,372	1,458	6.3%	0.4%	239,505	282,329	17.9%	1.1%
Professional and technical services	3,464	4,423	27.7%	1.6%	681,717	1,058,850	55.3%	3.0%
Management of companies and enterprises	2,739	1,796	-34.4%	-2.8%	222,758	206,697	-7.2%	-0.5%
Administrative and waste services	2,901	3,768	29.9%	1.8%	607,205	990,603	63.1%	3.3%
Educational services	685	1,523	122.3%	5.5%	151,773	258,400	70.3%	3.6%
Health care and social assistance	8,661	10,535	21.6%	1.3%	989,256	1,370,176	38.5%	2.2%
Arts, entertainment, and recreation	1,820	1,880	3.3%	0.2%	178,185	249,880	40.2%	2.3%
Accommodation and food services	7,847	9,668	23.2%	1.4%	942,624	1,301,831	38.1%	2.2%
Other services, except public administration	2,964	4,214	42.2%	2.4%	457,272	717,920	57.0%	3.1%
<b>TOTAL</b>	<b>78,974</b>	<b>81,395</b>	<b>3.1%</b>	<b>0.2%</b>	<b>10,456,364</b>	<b>13,162,596</b>	<b>25.9%</b>	<b>1.5%</b>

Source: ADE, data from U.S. Census ZIP Code Business Patterns, and IMPLAN CEW county employment database. Data does not include public sector and self-employment.

**TABLE A-3  
COMPARISON OF EMPLOYMENT TRENDS IN SANTA CRUZ COUNTY AND CALIFORNIA, 2001-2007**

Industry	Santa Cruz County				California			
	2001	2007	Percent Change (1992 - 2007)	Annual Growth Rate	2001	2007	Percent Change (1992 - 2007)	Annual Growth Rate
Agriculture, forestry, fishing and hunting	8,074	7,885	-2.3%	-0.2%	383,789	386,656	0.7%	0.1%
Mining	40	107	167.5%	8.5%	23,601	24,926	5.6%	0.5%
Utilities	114	117	2.6%	0.2%	54,440	57,883	6.3%	0.5%
Construction	4,804	5,369	11.8%	0.9%	774,010	888,109	14.7%	1.2%
Manufacturing	8,988	6,285	-30.1%	-2.9%	1,780,544	1,452,825	-18.4%	-1.7%
Wholesale trade	3,374	4,373	29.6%	2.2%	652,986	715,908	9.6%	0.8%
Retail Trade	14,001	13,072	-6.6%	-0.6%	1,572,113	1,683,237	7.1%	0.6%
Transportation and Warehousing	1,562	1,450	-7.2%	-0.6%	440,071	428,266	-2.7%	-0.2%
Information	2,534	1,241	-51.0%	-5.8%	527,212	470,228	-10.8%	-0.9%
Finance and insurance	2,101	2,231	6.2%	0.5%	565,644	617,872	9.2%	0.7%
Real estate and rental and leasing	1,946	1,458	-25.1%	-2.4%	266,402	282,329	6.0%	0.5%
Professional and technical services	5,283	4,423	-16.3%	-1.5%	968,088	1,058,850	9.4%	0.7%
Management of companies and enterprises	2,154	1,796	-16.6%	-1.5%	291,905	206,697	-29.2%	-2.8%
Administrative and waste services	4,043	3,768	-6.8%	-0.6%	950,395	990,603	4.2%	0.3%
Educational services	1,179	1,523	29.2%	2.2%	211,427	258,400	22.2%	1.7%
Health care and social assistance	9,432	10,535	11.7%	0.9%	1,201,549	1,370,176	14.0%	1.1%
Arts, entertainment, and recreation	1,903	1,880	-1.2%	-0.1%	225,490	249,880	10.8%	0.9%
Accommodation and food services	10,213	9,668	-5.3%	-0.5%	1,134,613	1,301,831	14.7%	1.2%
Other services, except public administration	4,008	4,214	5.1%	0.4%	586,913	717,920	22.3%	1.7%
<b>TOTAL</b>	<b>85,753</b>	<b>81,395</b>	<b>-5.1%</b>	<b>-0.4%</b>	<b>12,611,192</b>	<b>13,162,596</b>	<b>4.4%</b>	<b>0.4%</b>

Source: ADE, data from U.S. Census ZIP Code Business Patterns, and IMPLAN CEW county employment database. Data does not include public sector and self-employment.

### A.3 ASSESSING REGIONAL ECONOMIC ROLES

As part of the 2007 Economic Development Strategic Plan, ADE assessed the roles that different economic sectors have within the regional economy by ranking the industries in Santa Cruz County on the basis of two key economic indicators—job growth and employment concentration relative to the State of California. The recent performance and economic roles for specific industries within the region helps to identify potential target industries and serves as one indicator of the types of businesses that have market potential for locating at the City Hall site. This section updates the findings from that study to include the employment trend data for 2005, 2006, and 2007. At the time of the analysis, the 2008 data was not yet available at a detailed three-digit NAICS code level shown in Tables A-4 and A-5. The economic roles based on these indicators fall into four categories, which are described as follows:

**Growing Economic Base Industries:** These industries have shown recent job growth and have an above-average employment concentration. They constitute the strength of the economy and represent opportunities for growth in other areas such as supplier industries.

**Emerging Industries:** These sectors have shown recent job growth, but still have a below-average employment concentration. These industries represent potential future growth opportunities because they have not yet accumulated a high concentration of employment. Industries in this category could be considered attractive business attraction targets.

**Declining Economic Base Industries:** These industries have an above-average concentration of employment, but have shown recent job losses. They represent strong industries in a region that have shown some recent vulnerability and could be considered business retention targets.

**Declining Non-Base Industries:** These industries have shown recent job losses and have below-average employment concentration. They do not have an especially notable regional presence and do not have growth prospects as strong as the industries in the other categories.

Table A-4 shows the economic roles that various industries had between 1992 and 2007, while Table A-5 shows these roles using a shorter growth interval between 2001 and 2007.

#### GROWING ECONOMIC BASE INDUSTRIES

For the period between 1992 and 2007, the growing economic base industries were largely concentrated in visitor-serving sectors such as accommodations, recreation services, and food service. Other growing base industries included livestock, health care industries, transportation and warehousing, and some manufacturing sectors.

Because the overall employment base stagnated between 2001 and 2007, the range of growing economic base industries during this period was more limited. Most of the tourism related industries lost employment during this time. Other highly concentrated industries such as construction, health care, and some agriculture and manufacturing sectors continued to grow during this period.

Typically, growing economic base industries represent the strength of a region and the likeliest target industries. For the City Hall site, the performance of the tourism sectors is an important consideration.

## **EMERGING INDUSTRIES**

Emerging industries are considered good business attraction and expansion targets because they represent future potential and could eventually transition into the leading economic base industries for a locality or region.

The industries in Santa Cruz County that showed employment growth between 1992 and 2007, but had not yet generated a high employment concentration include several manufacturing sectors, as well as transportation support, information services, financial services, professional services, educational services, and repair sectors. This represents a diverse group of potential industry targets for Capitola and the City Hall site in particular, based on the longer-term growth trends. When looking at the period between 2001 and 2004, the emerging industries comprise a narrower range that are mostly in manufacturing, information services, financial services, educational services, and repair sectors.

## **DECLINING ECONOMIC BASE INDUSTRIES**

The declining economic base industries with above-average employment concentrations and job losses between 1992 and 2007 include food processing, management services, and crop production. However, the more recent short-term trend between 2001 and 2007 shows that several tourism-oriented industries lost employment and could be considered potentially vulnerable, even though the tourism trade had a net revenue increase during this time.

Despite these recent trends, including the potential effects from the current economic downturn, tourism industries will likely remain highly concentrated in Santa Cruz County, and a very important part of the Capitola economy. As the tourism sector recovers, it will likely remain a significant leading driver of the economy in Santa Cruz County.

## **DECLINING NON-BASE INDUSTRIES**

The range of industries in the region with lower concentrations of employment and declining employment between 1992 and 2007 are generally in utilities, manufacturing, transportation, information services, rental services, waste management, and performing arts industries. Between 2001 and 2007, the declining industries also included sectors in financial services, professional services, and administrative and management services.

This is an important consideration for Capitola, in assessing the areas with the best opportunities for diversification. The job losses at the regional level have cut across several different manufacturing and information services sectors. The lower-than-average concentrations of these industries throughout Santa Cruz County indicate that pursuing these types of businesses might not work for the City Hall site and Capitola as a whole.

**TABLE A-4**  
**ECONOMIC ROLES OF INDUSTRIES IN SANTA CRUZ COUNTY BY NAICS CODE, 1992-2007**

<b>Declining Economic Base Industries</b>		<b>Growing Economic Base Industries</b>	
212	Mining (except Oil and Gas)	112	Animal Production
111	Crop Production	114	Fishing, Hunting and Trapping
311	Food Manufacturing	325	Chemical Manufacturing
551	Management of Companies and Enterprises	333	Machinery Manufacturing
		424	Merchant Wholesalers, Nondurable Goods
		487	Scenic and Sightseeing Transportation
		493	Warehousing and Storage
		621	Ambulatory Health Care Services
		622	Hospitals
		623	Nursing and Residential Care Facilities
		624	Social Assistance
		713	Amusement, Gambling, and Recreation Industries
		721	Accommodation
		722	Food Services and Drinking Places
		812	Personal and Laundry Services
		813	Non-Profit Organizations
<b>Declining Non-Base Industries</b>		<b>Emerging Industries</b>	
115	Support Activities for Agriculture and Forestry	113	Forestry and Logging
213	Support Activities for Mining	312	Beverage and Tobacco Product Manufacturing
221	Utilities	314	Textile Product Mills
313	Textile Mills	315	Apparel Manufacturing
316	Leather and Allied Product Manufacturing	322	Paper Manufacturing
321	Wood Product Manufacturing	331	Primary Metal Manufacturing
323	Printing and Related Support Activities	332	Fabricated Metal Product Manufacturing
326	Plastics and Rubber Products Manufacturing	335	Electrical Equipment, Appliance, and Component Manufacturing
327	Nonmetallic Mineral Product Manufacturing	423	Merchant Wholesalers, Durable Goods
334	Computer and Electronic Product Manufacturing	425	Wholesale Electronic Markets and Agents and Brokers
337	Furniture and Related Product Manufacturing	488	Support Activities for Transportation
339	Miscellaneous Manufacturing	492	Couriers and Messengers
481	Air Transportation	512	Motion Picture and Sound Recording Industries
483	Water Transportation	515	Broadcasting (except Internet)
484	Truck Transportation	518	Data Processing, Hosting and Related Services
485	Transit and Ground Passenger Transportation	523	Securities, Commodity Contracts, and Other Financial Investments and Related Activities
511	Publishing Industries (except Internet)	524	Insurance Carriers and Related Activities
517	Telecommunications	531	Real Estate
519	Other Information Services	541	Professional, Scientific, and Technical Services
522	Credit Intermediation and Related Activities	561	Administrative and Support Services
532	Rental and Leasing Services	611	Educational Services
562	Waste Management and Remediation Services	712	Museums, Historical Sites, and Similar Institutions
711	Performing Arts, Spectator Sports, and Related Industries	811	Repair and Maintenance

Source: ADE, data from IMPLAN CEW county employment database

Notes: The comparison region for Santa Cruz County is California.

**TABLE A-5  
ECONOMIC ROLES OF INDUSTRIES IN SANTA CRUZ COUNTY BY NAICS CODE, 2001-2007**

<b>Declining Economic Base Industries</b>		<b>Growing Economic Base Industries</b>	
551	Management of Companies and Enterprises	111	Crop Production
311	Food Manufacturing	112	Animal Production
624	Social Assistance	114	Fishing, Hunting and Trapping
713	Amusement, Gambling, and Recreation Industries	212	Mining (except Oil and Gas)
721	Accommodation	237	Heavy and Civil Engineering Construction
722	Food Services and Drinking Places	325	Chemical Manufacturing
812	Personal and Laundry Services	333	Machinery Manufacturing
		424	Merchant Wholesalers, Nondurable Goods
		444	Building Material and Garden Equipment Dealers
		487	Scenic and Sightseeing Transportation
		493	Warehousing and Storage
		621	Ambulatory Health Care Services
		623	Nursing and Residential Care Facilities
<b>Declining Non-Base Industries</b>		<b>Emerging Industries</b>	
113	Forestry and Logging	314	Textile Product Mills
115	Support Activities for Agriculture and Forestry	332	Fabricated Metal Product Manufacturing
221	Utilities	337	Furniture and Related Product Manufacturing
312	Beverage and Tobacco Product Manufacturing	339	Miscellaneous Manufacturing
313	Textile Mills	425	Wholesale Electronic Markets and Agents and Brokers
315	Apparel Manufacturing	452	General Merchandise Stores
316	Leather and Allied Product Manufacturing	481	Air Transportation
321	Wood Product Manufacturing	512	Motion Picture and Sound Recording Industries
322	Paper Manufacturing	515	Broadcasting (except Internet)
323	Printing and Related Support Activities	519	Other Information Services
324	Petroleum and Coal Products Manufacturing	522	Credit Intermediation and Related Activities
326	Plastics and Rubber Products Manufacturing	523	Securities and Related Activities
327	Nonmetallic Mineral Product Manufacturing	525	Funds, Trusts, and Other Financial Vehicles
331	Primary Metal Manufacturing	611	Educational Services
334	Computer and Electronic Product Manufacturing	712	Museums, Historical Sites, and Similar Institutions
335	Electrical Equipment Manufacturing	811	Repair and Maintenance
336	Transportation Equipment Manufacturing		
423	Merchant Wholesalers, Durable Goods		
484	Truck Transportation		
485	Transit and Ground Passenger Transportation		
488	Support Activities for Transportation		
492	Couriers and Messengers		
511	Publishing Industries (except Internet)		
517	Telecommunications		
518	Data Processing, Hosting and Related Services		
524	Insurance Carriers and Related Activities		
531	Real Estate		
532	Rental and Leasing Services		
533	Lessors of Nonfinancial Intangible Assets		
541	Professional, Scientific, and Technical Services		
561	Administrative and Support Services		
562	Waste Management and Remediation Services		
711	Performing Arts, Spectator Sports, and Related Industries		

Source: ADE, data from IMPLAN CEW county employment database.

Notes: The comparison region for Santa Cruz County is California.



## A.4 OFFICE MARKET

One of the early considerations for the City Hall site was assessing its potential as an office location. As noted in the 2009 41<sup>st</sup> Avenue Revitalization study, the office market in the Capitola market has held up very well despite the recession, and has a much lower vacancy rate than the countywide average.

However, there have been discussions about potential office projects on other sites, which would address the existing market demand for office space in Capitola. Moreover, Capitola Village's existing economic role largely serves the visitor market, and adding offices to the City Hall site would not help to strengthen or expand upon that role. Only if space can be accommodated at the City Hall site after other options for other uses have been exhausted should offices be pursued.

As the recessionary conditions have worsened, the office vacancies have increased substantially in the Mid-County area, which potentially limits the near-term prospects for new office uses. According to NAI/BT Commercial, the vacancy rate for office/R&D spaces in Mid-County stood at 7.7 percent in the 3<sup>rd</sup> quarter of 2009. This was a substantial increase from the 4.3 percent vacancy rate from one year earlier, although it still remains much lower than the 12.9 percent countywide average.<sup>2</sup> It should be noted that these vacancy rates are higher than the rates previously reported because the data now combines R&D space with office space.

## A.5 VISITOR MARKET

Capitola serves an important role within the Santa Cruz County tourism market, with Capitola Village as a common destination for visitors to the region. Visitor spending for the county as a whole totaled about \$657 million in 2007.<sup>3</sup> For the five-year period between 2002 and 2007, this visitor spending increased by an average of 1.7 percent annually in inflation-adjusted dollars.

This growth was largely driven by increased spending on accommodations and food service, the two largest spending categories for visitors. Retail sales by visitors during this period fell by an annual average rate of 2.0 percent.

The recession that began in late-2007 has impacted the tourism market as a whole, and that trend might show up when the 2008 visitor spending data becomes available for Santa Cruz County. However, Santa Cruz County might also benefit from a trend towards vacations closer to home, due to its proximity to the Bay Area.

Even though Capitola Village constitutes a relatively small portion of the city's overall retail sales, it is the primary visitor-serving asset. This specific role means that strong consideration should be given for the City Hall site to be used for expanding and serving the visitor market. Potential uses would include lodging, retail space, and restaurant space.

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<sup>2</sup> NAI BT Commercial; *Santa Cruz Office Report*, Third Quarter 2009.

<sup>3</sup> Dean Runyan Associates; *Travel Impacts by County, 1992 to 2008*; April 2009.

## A.6 HOTEL MARKET

Although the regional lodging market has seen a decline in room occupancy, Capitola has historically been undersupplied, relative to its attractiveness as a visitor destination. In particular, the Village has a very limited supply of hotel rooms, and Capitola does not have any provisions for business travelers such as conference space. In addition, the boutique hotel market and high-end markets remain unserved in Santa Cruz County. A new Fairfield Inn development along 41<sup>st</sup> Avenue is scheduled for completion in mid-2010. This hotel is targeted to business and leisure travelers.

In addition, the former Capitola Theatre site has been identified as a potential location for a hotel, which would help to meet a long-standing need in the Village. The City Hall site could also serve as a location for a hotel, especially if the configuration calls for meeting spaces and dining facilities.

For the Monterey Bay area as a whole, the occupancy rate has generally stayed above 60 percent on an annual basis since 2003, and the average room rates have steadily increased every year. However, for the year-to-date through July 2009, the occupancy rate for the region has dipped below 60 percent, and the average room rate has declined by about 12 percent.<sup>4</sup> The feasibility for developing new hotels will be lower than is typical for this market until the economy recovers and overnight visits increase.

The economic role of new hotel rooms in the Village would be twofold – first, it would expand the potential visitor base for Capitola Village, which has seen declining business revenues even as the countywide tourism economy was recovering. Second, it would support a substantial fiscal benefit to the City itself. Because the transient occupancy tax revenues are not shared with the County and other tax districts, the City stands to gain a much greater revenue return with an expansion in lodging.

## A.7 RETAIL MARKET

The City's retail base is largely dominated by the regional retail centers along 41<sup>st</sup> Avenue. These regional retail uses have been particularly hard hit by the economic downturn. During the last fiscal year, the overall taxable sales in Capitola declined by more than 15 percent.

The City Hall site would not be well suited to regional retail uses, but it might remain a suitable location for retail or food service uses that cater to the visitor market. The retail uses would be interconnected with and benefit from other potential activities at the City Hall site such as additional parking capacity and hotel development.

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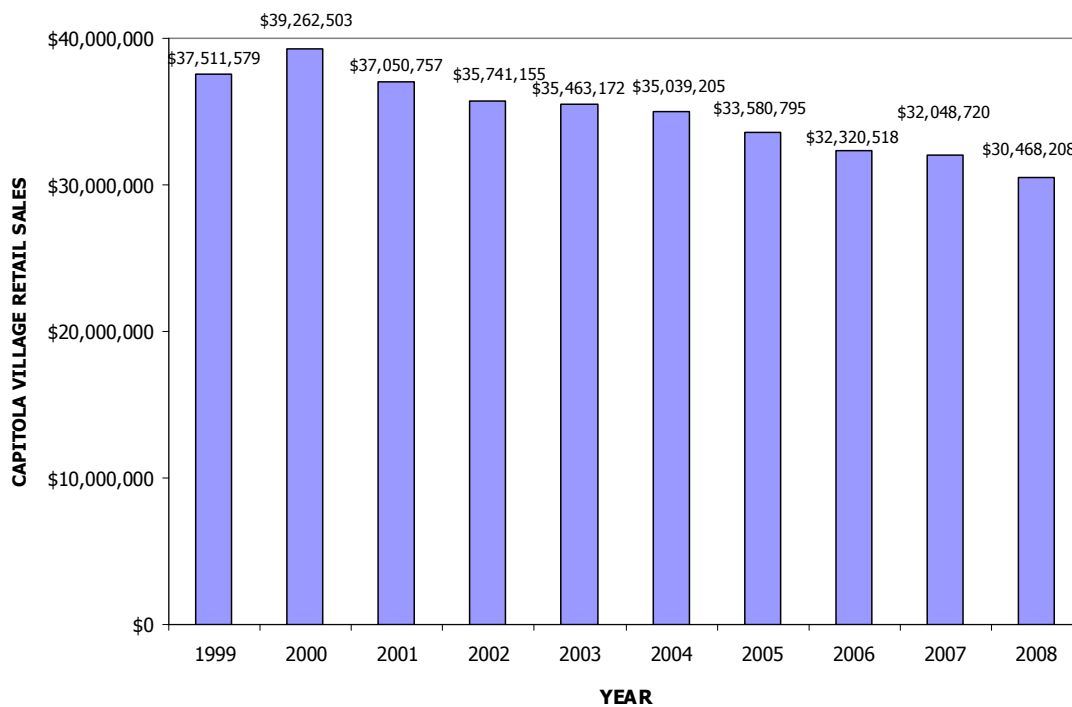
<sup>4</sup> Smith Travel Research.

## CAPITOLA VILLAGE RETAIL TRENDS

The City Hall site serves as a primary gateway into Capitola Village, and currently provides most of the available parking spaces for the Village. Aside from the scenic beauty of the waterfront, the Village itself is primarily a destination for eating out, with restaurants and take out establishments generating about two-thirds of the total retail sales in the area. The food service market has also been a growing part of the regional visitor-serving economy. Other well represented store types in the Village include apparel stores and specialty retail.

Despite Capitola Village's continued prominence as visitor destination, the retail sales have steadily declined since 2000 in real dollar terms.<sup>5</sup> Even though the current economy downturn has also affected the Village, the sales decline between 2007 and 2008 was less than 5.0 percent. This means that Capitola Village held its sales much better than the rest of the city did.

**FIGURE A-1**  
**CAPITOLA VILLAGE**  
**INFLATION-ADJUSTED RETAIL SALES TREND, 1999 TO 2008 (THOUSANDS)**



Source: ADE, Inc., data from City of Capitola and Board of Equalization

Note: Data is adjusted for inflation using the CPI. The data includes both taxable sales and the estimated nontaxable sales.

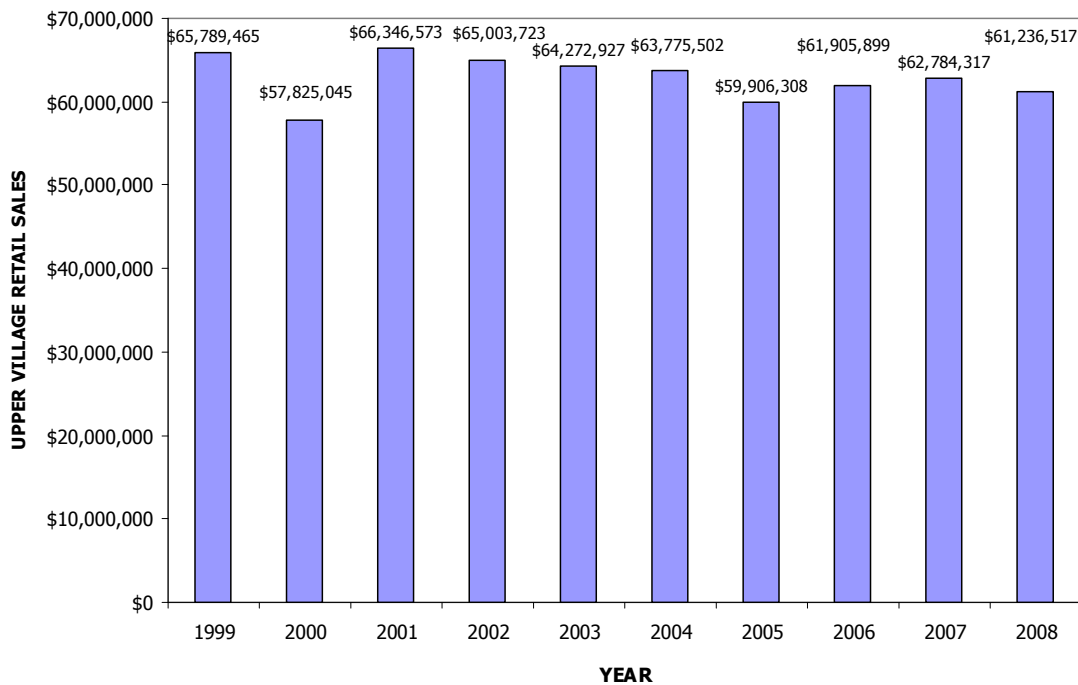
<sup>5</sup> All of the retail sales data was adjusted for inflation using the California Consumer Price Index for all urban consumers. In addition, the retail sales include the taxable sales in addition to an estimate of sales from nontaxable items.

## UPPER VILLAGE RETAIL SALES TRENDS

The Upper Village primarily serves as a destination for local-serving retail uses such as grocery stores and drug stores. The area also includes some unique specialty food stores and specialty retail establishments that potentially appeal to visitors headed towards the waterfront.

The Upper Village accounted for \$61 million in retail sales in 2008. This is down by about 7.7 percent from the real dollar peak sales of \$66 million in 2001. However, it represents a decline of only about 2.4 percent from 2007. As with Capitola Village, the Upper Village held its sales levels much better than the regionally oriented retail businesses elsewhere in Capitola. The largely local orientation of the Upper Village's anchor stores likely helped to sustain the sales even during recessionary conditions.

**FIGURE A-2  
UPPER VILLAGE  
INFLATION-ADJUSTED RETAIL SALES TREND, 1999 TO 2008 (THOUSANDS)**



Source: ADE, Inc., data from City of Capitola and Board of Equalization

Note: Data is adjusted for inflation using the CPI. The data includes both taxable sales and the estimated nontaxable sales.

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# APPENDIX B: ADDITIONAL ANALYSIS OF CIVIC CENTER USES

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## B.1 SITE RELOCATION OPTIONS

If the City decides to relocate the existing City Hall functions to an alternate location, the options within the City of Capitola are relatively limited. This is because Capitola is largely built out with relatively expensive properties. In consultation with City staff, the project team assessed the potential for some properties that met the City's needs.

These properties are listed as follows:

- Capitola Inn site
- Bay and Capitola Avenue corner site
- Grimes/Redtree Upper Village property
- McGregor site

### CAPITOLA INN SITE

This 3.1-acre property is located at 822 Bay Avenue (APN 036-341-02) and currently occupied by the 56-room Capitola Inn. The site is in the Upper Village and somewhat secluded from the vehicular traffic along Bay Avenue. The hotel development does not occupy the entire parcel and there is significant vacant land on the premises.

The site acreage is large enough to accommodate these existing functions, as well as the 7,000 to 9,000 square feet needed for a library. Since the site is outside of the flood zone, it could also be used to accommodate the 6,700 square feet needed for a fire station.

This site was considered as a potential acquisition target for the City because the facility had fallen into disrepair and appeared to be used for residential occupancy. These factors significantly reduced the viability of Capitola Inn as a lodging option to serve the tourism market. In addition, the large size of the lot meant that a City Hall facility could be constructed at a lower cost with no need for structured parking. Any underutilized parcel could also be further subdivided and sold off to help defray the site development costs.

In September 2009, the property sold for \$5 million, which is virtually unchanged from the price that the property sold for back in 1999. At an average price of \$1.6 million per acre, this sale amount was below the recent market value for other non-residential properties sold in Capitola, and about on par with the average for northern Santa Cruz County. This indicates either a sign of a weak market, or other factors such as ownership-specific issues that might have forced the sale for that price, or the relatively hidden location of the site. This recent transaction means that the site is likely no longer viable in the short-term for acquisition by the City, and will either continue in its current use or serve as the location for a future private development.

## **BAY AND CAPITOLA AVENUE CORNER PARCEL**

This 0.9-acre site is located at 601 Bay Avenue (APN 035-301-01). The parcel is currently used for a Union Bank branch. The site acreage is slightly smaller than the current City Hall site and is located at a highly visible street intersection.

The site acreage can accommodate the existing City Hall functions, as well as a potential library site, however the surface parking might not be sufficient to support a new City Hall and a library. In this case, the site development would need to include underground parking, which increases the development costs.

This site was considered for acquisition because of its central location. However, it maintains a viable current use and the site is not currently on the market. The public records indicate that the parcel last changed hands in 2003, and has a current assessed valuation of \$2.3 million.

## **GRIMES/REDTREE UPPER VILLAGE PROPERTY**

This 0.5-acre site is located adjacent to the Nob Hill Food shopping center (APN 035-381-01). The lot is currently vacant and has been actively considered by the current ownership for an office building. This site would not be an option for acquisition by the City, but would serve as a potential site for the City to lease office space, either on an interim or semi-permanent basis.

If a suitable building can be built on the site, then the existing City Hall functions could potentially be moved into that location. The location would not likely accommodate the library and fire station uses. The site could also be utilized as a space if City Hall is reconstructed on the existing site.

## **MCGREGOR SITE**

This 4.3-acre site is owned by the City and located along McGregor Drive next to Highway 1. The location is currently vacant and had previously served as a site for park-and-ride shuttles to the beach during the summer months.

The parcel is located in a heavily wooded area and a property survey done in 2007 found that only about one acre of the site is buildable.<sup>6</sup> The site has been strongly considered for hotel development, and the City has received interest from private developers. The site has also been the subject of public discussions for other public uses such as a skate park. Because of its remote location, the site is less effective as a City Hall site. In addition, the wooded terrain and proximity to New Brighton State Beach would potentially make for an interesting visitor destination.

The advantage to the site is that the City would not need to pay for acquisition costs. But, the disadvantages with the site's remoteness and potential for other uses makes it less desirable as a site for relocating City Hall.

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<sup>6</sup> Friny, Linda; *Mid-County Post*; "Capitola Investigating Small Hotel for McGregor Lot Park"; October 16, 2007.

## B.2 CIVIC CENTER CASE STUDIES

In order to help identify potential options for implementing a City Hall relocation and redevelopment project in Capitola, the project team contacted several small-to-medium sized cities that have undertaken their own civic center projects over the past decade.<sup>7</sup> These projects entail a multitude of different directives and ways of financing these projects. This section contains a series of case studies that summarize the general characteristics of these civic center projects, and identifies the implementation actions taken to complete them.

### RICHMOND CIVIC CENTER

The City Administrative and Hall of Justice buildings sustained earthquake damage and deemed seismically unsafe. The renovation project calls for a complete overhaul of these buildings, as well as improvements to the Civic Auditorium. The City staff has operated out of temporary leased facilities for the last five years, and anticipates completion of the Civic Center project in two years. The project has been delayed due to financial problems with the City. The total cost of the renovation totals about \$100 million, and it was primarily financed with bonds.

**TABLE B-1  
RICHMOND CIVIC CENTER**

Renovation, Expansion, Relocation	Renovation ... three buildings in existing 6 city-block Civic Center campus
Impetus	Earthquake damage
Project	Multiple rounds of design submission for comprehensive Civic Center campus ... two buildings completely renovated, one auditorium aesthetically updated
Ownership	Land and building: City owned
Financing	Bonds
Timetable	7 years
Square Footage	N/A
Cost	\$100 M

### CHOWCHILLA CITY HALL

Chowchilla recently relocated its new City Hall across the street from the old building. The new City Hall building originally operated as a furniture store, and after the furniture store closed it was renovated into a retail shell to accommodate a grocery store that never moved into the building. The site sat vacant for ten years until the owners put it up for sale in 1998. The City purchased the property for \$425,000 in 2001 and extensively remodeled the structure. The process took longer than expected and City staff worked out of trailers for two years. The staff moved into the new 23,000 SF City Hall building in 2006.

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<sup>7</sup> The League of California Cities keeps track of all the communities that have proposed or completed civic center projects.



The renovation project cost \$6.2 million, and was financed by multiple sources, including bonds and RDA funds.

Private placement bonds utilize departmental repayment allocated on a per square-foot occupied basis. Revenue from quasi-governmental organizations such as the Chamber of Commerce also repay the bonds.

Redevelopment funds were used for offsite improvements such as parking lots, lighting, drainage, and landscaping. RDA funds cannot be used to directly build/renovate municipal facilities.

Developer impact fees made up a smaller funding source. The downturn in the economy reduced the availability of funds.

Enterprise funds were another smaller funding source.

The old City Hall (4,500 SF) became the new Parks and Recreation building, and façade improvements were added in order to visually link both buildings into a Civic Center campus. Future improvements include parking facilities, removal of a frontage road, and remodeling of a court building.

The new City Hall was built to accommodate 50 years of growth. Two extra spaces (1,500 SF each) are available for lease. Currently, the only outside tenant is the Chamber of Commerce. The City has also considered bringing Parks and Recreation into the new City Hall building so that they can lease out the old City Hall site in its entirety.

**TABLE B-2  
CHOWCHILLA CITY HALL**

Renovation, Expansion, Relocation	Relocation/Renovation
Impetus Project	Consolidation and growth accommodation Beginning phases of a Civic Center campus ... new building across the street, old building renovated, more improvements to come
Ownership	Land and building (old): City owned Land and building (new): City owned
Financing	Bonds and RDA funding Developer fees Enterprise funds
Timetable	5 years
Square Footage	23,000 SF
Cost	\$6.2 M
Other Considerations	Overbuilt facility – extra space in new building being leased until needed by City

## OAKLEY CIVIC CENTER

Oakley is a newly incorporated city that wanted to consolidate municipal services that previously spread across the city. The Civic Center project consisted of two phases. Phase I entailed construction of two 7,500 SF buildings, and required three years of construction. Phase II began as space in the new buildings started to fill up. The second phase consisted of one 15,000 SF buildings that would house the new City Council chambers and another 7,500 SF for city administration. This building opened in early-2008. The project also included construction of a “grassy knoll” outdoor park, and amphitheater.

The land was originally owned by the redevelopment agency, and they transferred the site to the City due to restrictions on RDA participation in building municipal facilities. The Civic Center project cost a total of \$11 million, and was funded entirely by debt (certificates of participation) issued against pending development fees. The City has 11,000 homes that have been approved for construction but not yet built. The fees have been paid or have been borrowed against future payments. These fees are also sufficient to fund the upcoming Senior Center, Teen Center, and Public Library.

The City saved money on the project by going with a “design build” process in which plans are reworked on-site as construction happens. This avoids having to resubmit plans and re-estimate costs on multiple changes. This type of process is not often used in California.

**TABLE B-3  
OAKLEY CIVIC CENTER**

Renovation, Expansion, Relocation Impetus	Relocation Consolidation
Project	Desire to construct a Civic Center campus ... 2 phases ... I: two 7,500 SF buildings II: one 15,000 SF building
Ownership	Land: Redevelopment Agency transferred to City prior to construction Buildings: City owned
Financing	Developer fees
Timetable	3+ years
Square Footage	30,000 SF
Cost	\$11 M
Other Considerations	Utilized a “design build” process

## RIPON CITY HALL

The City of Ripon embarked on its City Hall expansion project once the building became outdated and insufficient for their current needs. The project tripled the size of City Hall by expanding the existing building onto an adjacent lot already owned by the City. Once the new City Hall was completed, the old City Hall building was renovated for the Police Department. The project was financed with savings from the general fund.

**TABLE B-4  
RIPON CITY HALL**

Renovation, Expansion, Relocation Impetus Project	Renovation/Expansion Insufficient space, consolidation and outdated facilities 2 phases ... I: expansion onto adjacent lot II: renovation of old building
Ownership	Land and building (old): City owned Land and building (new): City owned
Financing	General fund savings
Timetable	N/A
Square Footage	N/A ... expansion tripled SF

## RANCHO CORDOVA CITY HALL

Rancho Cordova is a newly incorporated city near Sacramento. After incorporation, City staff had to use temporary facilities that they leased from the Fire Department. The planning process for the new City Hall took a long time with seven different plans submitted. Once the plan was selected, the City purchased the land and built a two-story 80,000 SF building. City departments occupy about 70 percent of the building, with the remaining 30 percent leased out to tenants such as the Chamber of Commerce and other community groups.

The City also built a second phase 15,000 SF building in which 50 percent of the space is currently occupied by outside tenants. The City intentionally built the facilities larger than needed in order to generate rent revenue and allow for future expansion. Both buildings are LEED certified, but the facilities manager is not aware of any tax breaks or subsidies that accompanied the effort.

The City Hall project was financed using a tax-free government loan. Conditions on this loan stipulated that only certain city organizations may occupy the building. However, soon after construction, the City refinanced, which removed the tenancy restrictions.

**TABLE B-5  
RANCHO CORDOVA**

Renovation, Expansion, Relocation Impetus Project	Relocation ... new City ... no previous City Hall Needed a City Hall 7 different design submissions 2 phases ... I: 80,000 SF building II: 15,000 SF building
Ownership	Land and building (interim): Leased from Fire Department Land and building (new): City owned
Financing	Tax free government loan (strings attached) ... refinanced (cut strings)
Timetable	N/A
Square Footage	95,000 SF
Other Considerations	*Overbuilt facility – extra space in new building is being leased until needed by city * New building is LEED certified

## PATTERSON CITY HALL

Until the City of Patterson moved into their new City Hall, they had leased 1,800 to 2,500 SF of temporary space in a downtown storefront location for 10 years. The new City Hall was built on the former site of a historic hotel. When the hotel burned down, the City purchased the land and turned the site into open space when it could not afford to rebuild the structure. Seven years after purchasing the land, the City raised enough money to reconstruct the historic hotel as a new 3-story 4,000 SF City Hall. The façade is an exact replica of the former hotel.

The money for the project was raised entirely from facility impact fees on new development. The original project estimates had a cost of \$3.5 million, but that cost eventually went up to \$5 million. The cost increase resulted from the oddly shaped lot, and the desire to exactly recreate a historic façade with a modern interior and large basement. The choice of the architect was driven more by their ability to recreate the structure than their cost effectiveness.

The City feels that the costs could have been further kept in check if not for the construction occurring in the middle of a building boom in the Central Valley. As a result, the project only received two contractor bids. In slower economic conditions, the City likely would have received a higher number of bids.

**TABLE B-6  
PATTERSON**

Renovation, Expansion, Relocation Impetus	Relocation
Project	Needed a proper City Hall ... desire to rebuild historic landmark
Ownership	Reconstruction of the façade of a burned down historic hotel
Financing	Land and building (old): Leased
Timetable	Land and building (new): City owned
Square Footage	Facility impact fees
Cost	3+ years
Other Considerations	4,000 SF
	\$5 M
	Excess cost due to specific nature of project ... site and architecturally specific, limited contractor bids

## YUCAIPA CIVIC CENTER

This project entailed the construction of a new City Hall building as well as a Civic Center park. The total budget for the two projects totaled about \$7 million.

**TABLE B-7  
YUCAIPA**

Renovation, Expansion, Relocation Impetus	Renovation/Construction of a City Hall and Civic Center Park
Project	
Ownership	
Financing	
Timetable	City Hall: 1.25 years
Square Footage	Civic Center Park: 1.5 years
Cost	20,000 SF
Other Considerations	\$7 M

## PROPOSED LAKE ELSINORE CIVIC CENTER

In 2007, the City sponsored a design competition for a proposed \$90 million civic center relocation project. This competition resulted in 21 entries and three designs selected as finalists. The City intended for this project to serve as a showcase for green-building technologies, sustainable development, and historic preservation standards. The planned development would combine the post office and city offices under one roof.

However, the City shelved the process in November 2007 due to economic uncertainty and controversy over the designs that came out of the competition. The proposed financing plan would have incorporated future bond allocation, New Markets Tax Credits, the general fund, impact fees, other government contributions, and any other grants or contributions available to other sources.

More recently, the City's redevelopment agency purchased a 7-acre site for \$4.1 million. This site was acquired due to lower land costs, and the City intends to use for downtown redevelopment. Potential uses still include a future civic center project. City and downtown association officials expressed support for the City continuing to acquire land parcels, especially in a down market, for future civic projects (not just the civic center).

# APPENDIX C: ADDITIONAL CITY HALL SITE DEVELOPMENT CONSIDERATIONS

## C.1 COST COMPARABLES FOR SITE ACQUISITION AND LEASING

### COMPARABLE SALES PRICE

In order to ascertain some of the potential tradeoffs for different site acquisition and leasing options, ADE acquired the property transaction records for all of the non-residential properties that changed hands during calendar years 2007 and 2008 in northern Santa Cruz County (encompassing the area inclusive of Scotts Valley, Santa Cruz, Capitola, and the adjacent unincorporated communities).

These property records indicate that the average non-residential property in the local area sold for approximately \$1.5 million per acre, or \$35 per square foot, as shown in Table C-1. The value of the acreage will obviously vary considerably by location and by use. Altogether, the cumulative acreage of these transactions totaled about 97 acres.

It should be noted that these transactional values include the value of the site improvements, which can vary considerably from site to site. Some transactions are more for the development potential of the land itself than for the building on the site, while others account for the income potential generated by the existing buildings on the site.

**TABLE C-1  
AVERAGE SALES PRICE FOR NORTHERN SANTA CRUZ COUNTY PROPERTY TRANSACTIONS (BASED ON LOT AREA), 2007 TO 2008**

Land Use	Sales Price	Acreage	Lot Square Footage	Average Sale Price Per Acre	Average Sale Price Per SF
Commercial	\$48,230,115	20.5	892,283	\$2,354,526	\$54
Office	\$30,540,000	10.3	447,013	\$2,976,028	\$68
Institutional	\$5,889,000	3.9	171,626	\$1,494,670	\$34
Vacant	\$11,535,500	2.5	109,336	\$4,595,817	\$106
Other	\$21,235,000	53.7	2,338,606	\$395,533	\$9
Hotel	\$10,575,000	2.0	86,684	\$5,314,070	\$122
Mobile Home	\$445,000	2.9	126,760	\$152,921	\$4
Parking Lot	\$18,483,500	1.3	56,628	\$14,218,077	\$326
Right of Way	\$1,086,000	0.3	10,890	\$4,344,000	\$100
<b>Total</b>	<b>\$148,019,115</b>	<b>97.3</b>	<b>4,239,826</b>	<b>\$1,520,750</b>	<b>\$35</b>

Source: ADE, Inc., data from Dataquick and Loopnet.

Within Capitola, the number of property transactions was relatively low. Among those properties that did sell during this period, the average transaction price was nearly \$4.4 million per acre, as

shown in Table C-2.<sup>8</sup> Clearly this is substantially greater than the countywide average, and based on a much smaller sample of transactions.

However, as noted earlier, the Capitola Inn site (which is not included in these calculations) recently sold for \$5 million, at an average price per acre of \$1.6 million. This would price that property about on par with the average for the surrounding communities and well below what Capitola properties had been selling for.

**TABLE C-2  
SALES PRICES FOR CAPITOLA PROPERTY TRANSACTIONS, 2007 TO 2008**

<b>Site (Use)</b>	<b>Sales Price</b>	<b>Acreage</b>	<b>Lot Square Footage</b>	<b>Sale Price Per Acre</b>	<b>Sale Price Per SF</b>
1066 41st Avenue (Vacant Commercial)	\$6,880,000	1.85	80,586	\$3,718,919	\$85
2185 41st Avenue (Retail)	\$749,000	0.21	9,148	\$3,566,667	\$82
207 Esplanade (Retail)	\$800,000	0.18	7,841	\$4,444,444	\$102
911 Capitola Avenue (Commercial)	\$4,570,000	0.51	22,216	\$8,960,784	\$206
Vacant Miscellaneous	\$3,000	0.08	3,485	\$37,500	\$1
Vacant Miscellaneous	\$900,000	0.33	14,375	\$2,727,273	\$63
<b>Total</b>	<b>\$13,902,000</b>	<b>3.16</b>	<b>137,650</b>	<b>\$4,399,367</b>	<b>\$101</b>

Source: ADE, Inc., data from Dataquick and Loopnet.

### SAMPLE OF ASKING PRICES (LEASE AND SALE PROPERTIES)

In early-2009, the project team identified the commercial property listings for northern Santa Cruz County. Because of how the listings were classified, the information typically given only included the building square footage, and did not commonly identify the site acreage. With this information, the typical sale price per square foot for non-residential buildings ranged from \$208 to \$400 per square foot.

**TABLE C-3  
AVERAGE ASKING PRICE FOR NORTHERN SANTA CRUZ COUNTY PROPERTIES (BASED ON BUILDING SQUARE FOOTAGE)**

<b>Land Use</b>	<b>Sales Price</b>	<b>Building Square Footage</b>	<b>Average Sale Price Per SF</b>
Commercial	\$36,982,710	110,314	\$335
Office	\$29,827,900	142,280	\$210
Institutional	\$24,000,000	60,052	\$400
Hotel	\$6,095,000	24,500	\$249
Religious	\$1,995,000	9,600	\$208

Source: ADE, Inc., data from Loopnet.

For leased properties, the sample of buildings offered for lease identified a countywide average of \$20 to \$25 per square foot for offices and retail commercial spaces. When looking only at properties in Capitola, the average asking price for leased office space came out to around \$19

<sup>8</sup> Property transactions do not include the sale from a lot classified as a religious use, and two small vacant lots whose transactional values were considered outliers.

per square foot, while retail commercial buildings were asking \$30 per square foot, which is notably higher than the county average.

In addition, the Capitola listing that was located inside the Village had an asking price of \$43 per leased square foot, which is much higher than the city and county averages. If this asking price is reflective of the prevailing market demand, then it provides an indicator of how much more value the Village location adds to a building space.

**TABLE C-4  
AVERAGE ASKING LEASE RATE FOR NORTHERN SANTA CRUZ COUNTY  
AND CAPITOLA PROPERTIES**

Land Use	Average Asking Annual Lease Rate per SF
Office	\$20
Retail Commercial	\$25
Office (Capitola Only)	\$19
Retail Commercial (Capitola Only)	\$30
Retail Commercial (Capitola Village Property)	\$43

Source: ADE, Inc., data from Loopnet.

## C.2 POTENTIAL COSTS FOR DIFFERENT DEVELOPMENT OPTIONS

Considering the multiple development options for the City Hall and Pacific Cove parking lot site, there is also a wide range of potential costs that go along with them. In each case, the development cost itself carries an annual cost to finance the project. However, they also include other potential funding sources that can reduce the costs. This section provides a more detailed examination of the different costs and revenues that the City would need to balance as it considers different development, redevelopment, leasing, and relocation options.

### PARKING STRUCTURE COST SCENARIOS

The development of the parking garage is potentially the most complex and expensive transaction that would be potentially proposed for the City Hall and Pacific Cove parking lot site. As noted in the introductory section, the existing parking shortfall and potential future needs would create sufficient demand for between 548 and 1,022 parking spaces.

The Pacific Cove parking lot could potentially provide most of these spaces with a three or four-level parking structure.<sup>9</sup> For purposes of this analysis, the assumed parking configuration will include 800 parking spaces. An 800-space structure would create a building height comparable to the existing site elevations and leave additional air space for development on top of the parking structure.

As shown in Table C-5, the construction cost for a three-level parking structure would range between \$12.7 and \$17.6 million. These costs are based on different calculation methods. One method uses a standard benchmark cost based on a construction cost of \$53 per square foot and

<sup>9</sup> Based on site observation conducted by Mogavero Notestine Associates.



300 square feet per parking space, while the other cost scenarios are based on construction cost benchmarks of \$17,000 and \$22,000 per parking space.

Using debt financing, this project would result in an annual payment ranging from \$728,700 to \$1.1 million. This would be the maximum financial liability, assuming a 30-year term and 4.0 percent interest. It is unlikely that the City would move forward with this type of project using 100 percent debt financing.

Financial resources, aside from City revenues, applied for at the time of construction would potentially reduce the construction cost. These resources include construction grants from EDA and CDBG, and an in-lieu fee payment program.

The resources would also potentially include the sale of air rights over the parking structure for construction of an additional building. For a 35,000 square foot floor space, the analysis established a potential selling price of approximately \$649,000. The value is based on the recent selling price for the Capitola Inn, and could be considered on the low side for Capitola.

With the potential construction cost reductions in place, and assuming the maximum amount can be procured from the grant sources, the remaining funding gap ranges between \$4.8 to \$9.7 million, with an annual payment that ranges from \$307,300 to \$677,000.

The City could address the remaining funding gap by drawing from parking revenues. The existing parking meter revenue fund accrues approximately \$100,000 per year, which represents approximately 1/6 of the parking revenue from the Village. On average, parking meters in the Village generate about \$3,000 per year. Parking meters in the Pacific Cove parking lot generate about \$250 per year. Assuming spaces in the new parking structure generated revenue at the same rate as the current spaces in the Pacific Cove parking lot, a new 800 space structure would generate an additional \$200,000 annually. The revenues will also vary depending on whether revenues can be increased with higher meter rates and going to an electronic payment system.

Assuming that the parking structure revenues are used to fund debt to build the parking structure, this would leave a potential funding gap ranging from \$107,300 to \$477,000 annually.

Additional revenues could potentially come from other sources. For example, attraction of hotel to the City Hall and Pacific Cove site could potentially generate between \$219,000 and nearly \$493,000 of transient occupancy tax (TOT) annually.<sup>10</sup> If applied towards the debt service, this would potentially eliminate the remaining funding gap. In addition, implementation of a parking district could result in approximately \$100,000 of additional revenue annually.

This scenario does not assume any costs for the annual operations and maintenance of the parking structure.

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<sup>10</sup> Transient Occupancy Tax calculation is based on attraction of 40 to 90 hotel rooms to the site, with an average annual occupancy rate of 75 percent and an average room rate of \$200 per night.

**TABLE C-5  
COST AND REVENUE SCENARIO FOR 800-SPACE PARKING STRUCTURE  
(NO SALE OF CITY HALL SITE)**

<b>Parking Structure</b>	<b>Estimated Payment (\$53/SF)</b>	<b>Estimated Payment (\$17,000/ space)</b>	<b>Estimated Payment (\$22,000/space)</b>
Parking Spaces	800	800	800
Square Feet	240,000		
Construction Cost	\$12,720,000	\$13,600,000	\$17,600,000
Interest Rate	4.0%	4.0%	4.0%
Term (Years)	30	30	30
<b>Annual Payment</b>	<b>\$728,727</b>	<b>\$779,142</b>	<b>\$1,114,791</b>
<b>Potential Construction Cost Reduction</b>			
Proceeds From Parking Air Rights	\$648,963	\$648,963	\$648,963
Construction Grant - EDA (Maximum)	\$2,000,000	\$2,000,000	\$2,000,000
Construction Grant - CDBG (Maximum)	\$2,000,000	\$2,000,000	\$2,000,000
CDBG/EDA Predevelopment Grants (Maximum)	\$300,000	\$300,000	\$300,000
In-Lieu Fee Program (Maximum)	\$3,000,000	\$3,000,000	\$3,000,000
<b>Cost Reduction (Maximized Grant Value)</b>	<b>\$7,948,963</b>	<b>\$7,948,963</b>	<b>\$7,948,963</b>
<b>Funding Gap (Surplus) With Cost Reduction</b>			
<b>Revised Annual Payment</b>	<b>\$4,771,037</b>	<b>\$5,651,037</b>	<b>\$9,651,037</b>
<b>Potential Meter Revenue</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$200,000</b>
<b>Funding Gap (Surplus) With Meter Revenue</b>	<b>\$107,343</b>	<b>\$164,032</b>	<b>\$477,028</b>

Source: ADE, Inc.

Table C-6 shows the cost and revenue scenario for an 800-space parking garage that includes the cost reduction that would come from the sale of the City Hall site. This scenario assumes that the sale of the City Hall site would attract revenue of approximately \$1.5 million. The scenarios that assume the sale of the City Hall site also presume that the City Hall functions will need to relocate off-site.

With the sale from the City Hall site added into the cost reductions, the annual payment ranges from \$29,300 to \$371,700.

**TABLE C-6  
COST AND REVENUE SCENARIO FOR 800-SPACE PARKING GARAGE  
(INCLUDING SALE OF CITY HALL SITE)**

<b>Parking Structure</b>	<b>Estimated Payment (\$53/SF)</b>	<b>Estimated Payment (\$17,000/space)</b>	<b>Estimated Payment (\$22,000/space)</b>
Parking Spaces	800	800	800
Square Feet	240,000		
Construction Cost	\$12,720,000	\$13,600,000	\$17,600,000
Interest Rate	4.0%	4.0%	4.0%
Term (Years)	30	30	30
Annual Payment	\$728,727	\$779,142	\$1,114,791
<b>Potential Construction Cost Reduction</b>			
Proceeds From City Hall Site Sale	\$1,501,884	\$1,501,884	\$1,501,884
Proceeds From Parking Air Rights	\$648,963	\$648,963	\$648,963
Construction Grant - EDA (Maximum)	\$2,000,000	\$2,000,000	\$2,000,000
Construction Grant - CDBG (Maximum)	\$2,000,000	\$2,000,000	\$2,000,000
CDBG/EDA Predevelopment Grants (Maximum)	\$300,000	\$300,000	\$300,000
In-Lieu Fee Program (Maximum)	\$3,000,000	\$3,000,000	\$3,000,000
<b>Cost Reduction (Maximized Grant Value)</b>	<b>\$9,450,847</b>	<b>\$9,450,847</b>	<b>\$9,450,847</b>
<b>Funding Gap (Surplus) With Cost Reduction</b>	<b>\$3,269,153</b>	<b>\$4,149,153</b>	<b>\$8,149,153</b>
<b>Revised Annual Payment</b>	<b>\$229,334</b>	<b>\$291,066</b>	<b>\$571,670</b>
<b>Potential Meter Revenue</b>	<b>\$200,000</b>	<b>\$200,000</b>	<b>\$200,000</b>
<b>Funding Gap (Surplus) With Meter Revenue</b>	<b>\$29,334</b>	<b>\$91,066</b>	<b>\$371,670</b>

Source: ADE, Inc.

## NEW CITY HALL SITE BUILDING

As shown in Table C-7, the cost of constructing a 30,000 square foot building on the City Hall site would cost between \$7.5 and \$13.2 million. This building configuration assumes that City Hall functions would remain in the same location with a new building.

At 30,000 square feet, the building would have enough space to accommodate existing City Hall functions and a new library. With just the City Hall functions, about 15,600 square feet can be leased out, with 8,600 square feet available for lease if the library is included.

The annual payment for the building will range from \$429,700 to \$765,200, assuming no cost reductions and 100 percent debt financing.

Assuming that the ground floor space can be leased for about \$37 per square foot (and remaining space leased for \$19 per square foot), this would potentially bring revenue of \$313,900 to \$488,900 annually. This leaves a remaining gap ranging from a \$59,200 surplus to a \$442,300 payment annually.

**TABLE C-7  
COST AND REVENUE SCENARIO FOR NEW CITY HALL SITE BUILDING WITH  
LEASABLE SPACE**

<b>Parking Structure</b>	<b>30,000 SF City Hall Site Building - Low</b>	<b>30,000 SF City Hall Site Building - High</b>
Construction Cost per SF	\$250	\$440
Square Feet	30,000	30,000
Construction Cost	\$7,500,000	\$13,200,000
Interest Rate	4.0%	4.0%
Term (Years)	30	30
<b>Annual Payment</b>	<b>\$429,674</b>	<b>\$756,226</b>
Civic Center Square Footage (With Library)	21,400	21,400
Civic Center Square Footage (No Library)	14,400	14,400
Leasable Square Footage (With Library)	8,600	8,600
Leasable Square Footage (No Library)	15,600	15,600
Ground Floor Leasable Area (With Library)	8,600	8,600
Other Leasable Area (With Library)	0	0
Ground Floor Leasable Area (No Library)	11,000	11,000
Other Leasable Area (No Library)	4,600	4,600
Lease Amount Per SF (Ground Floor Uses)	\$37	\$37
Lease Amount Per SF (Other Floors)	\$19	\$19
<b>Potential Revenue</b>		
<b>Ground Floor Lease Revenue (With Library)</b>	\$313,900	\$313,900
<b>Ground Floor Lease Revenue (No Library)</b>	\$401,500	\$401,500
<b>Other Leasable Area (No Library)</b>	\$87,400	\$87,400
<b>Lease Revenue (With Library)</b>	\$313,900	\$313,900
<b>Lease Revenue (No Library)</b>	\$488,900	\$488,900
<b>Funding Gap (Surplus) - With Library</b>	\$115,774	\$442,326
<b>Funding Gap (Surplus) - No Library</b>	(\$59,226)	\$267,326

Source: ADE, Inc.

## DEVELOPMENT OF NEW OFF-SITE CITY HALL

The scenario described in Table C-8 assumes that City Hall will relocate to an off-site location. The development costs are similar to the existing site scenario described in Table C-7, except that it does not assume any excess building spaces for lease and includes potential site acquisition costs.

The construction cost will depend on the construction cost assumption and whether the new City Hall will include a library and/or fire station. For a 14,400 square foot building that only serves existing City Hall functions, the development cost ranges from \$3.6 million to \$6.3 million. Adding the library increases the cost to a range between \$5.4 million and \$10.3 million. Adding the fire station uses bumps up the cost range to \$5.3 million and \$13.2 million.

Overall, the annual payment will range between \$206,200 and \$595,600, assuming no cost reductions and 100 percent debt financing.

Potential cost reductions include CDBG and EDA grants of up to \$2 million, and the existing library fund of \$2.6 million. It should be noted that the library fund only applies to those scenarios that include the library in the development, and this fund can only be used to the extent that the new library provides a benefit to the redevelopment area. The maximized cost reduction will range from \$2.3 million to \$4.9 million.

With these cost reductions in place, the annual payment gap ranges from \$25,800 to \$478,000 for the construction cost.

However, because the City does not currently own most of the potential sites for relocating City Hall, the development scenarios also need to include the cost for site acquisition. Naturally, the site acquisition cost will depend on where the site is located and how large a site the City acquires. Using an assumption of \$5 million for site acquisition, the annual payment gap increases to a range between \$312,200 to \$764,500.

**TABLE C-8  
COST AND REVENUE SCENARIO FOR NEW OFF-SITE CITY HALL SITE BUILDING**

<b>Parking Structure</b>	<b>New City Hall Building - Low</b>	<b>New City Hall Building - High</b>	<b>New City Hall Building With Library - Low</b>	<b>New City Hall Building With Library - High</b>
Construction Cost per SF	\$250	\$440	\$250	\$440
Square Feet	14,400	14,400	21,400	23,400
Construction Cost	\$3,600,000	\$6,336,000	\$5,350,000	\$10,296,000
Interest Rate	4.0%	4.0%	4.0%	4.0%
Term (Years)	30	30	30	30
<b>Annual Payment</b>	<b>\$206,243</b>	<b>\$362,988</b>	<b>\$306,501</b>	<b>\$589,856</b>
<b>Potential Construction Cost Reduction</b>				
Library Fund	\$0	\$0	\$2,600,000	\$2,600,000
CDBG/EDA Construction Grants	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
CDBG/EDA Predevelopment Grants (Maximum)	\$300,000	\$300,000	\$300,000	\$300,000
<b>Total Cost Reduction</b>	<b>\$2,300,000</b>	<b>\$2,300,000</b>	<b>\$4,900,000</b>	<b>\$4,900,000</b>
<b>Revised Funding Gap for Construction</b>	<b>\$1,300,000</b>	<b>\$4,036,000</b>	<b>\$450,000</b>	<b>\$5,396,000</b>
<b>Revised Annual Payment</b>	<b>\$74,477</b>	<b>\$231,222</b>	<b>\$25,780</b>	<b>\$309,136</b>
<b>Site Acquisition Cost</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>
<b>Revised Funding Gap With Site Acquisition</b>	<b>\$6,300,000</b>	<b>\$9,036,000</b>	<b>\$5,450,000</b>	<b>\$10,396,000</b>
<b>Revised Annual Payment With Site Acquisition</b>	<b>\$360,926</b>	<b>\$517,671</b>	<b>\$312,230</b>	<b>\$595,585</b>
<b>Parking Structure</b>	<b>New City Hall/Fire Building - Low</b>	<b>New City Hall/Fire Building - High</b>	<b>New City Hall/Fire Building With Library - Low</b>	<b>New City Hall/Fire Building With Library - High</b>
Construction Cost per SF	\$250	\$440	\$250	\$440
Square Feet	21,100	21,100	28,100	30,100
Construction Cost	\$5,275,000	\$9,284,000	\$7,025,000	\$13,244,000
Interest Rate	4.0%	4.0%	4.0%	4.0%
Term (Years)	30	30	30	30
<b>Annual Payment</b>	<b>\$302,204</b>	<b>\$531,879</b>	<b>\$402,461</b>	<b>\$758,747</b>
<b>Potential Construction Cost Reduction</b>				
Library Fund	\$0	\$0	\$2,600,000	\$2,600,000
CDBG/EDA Construction Grants	\$2,000,000	\$2,000,000	\$2,000,000	\$2,000,000
CDBG/EDA Predevelopment Grants (Maximum)	\$300,000	\$300,000	\$300,000	\$300,000
<b>Total Cost Reduction</b>	<b>\$2,300,000</b>	<b>\$2,300,000</b>	<b>\$4,900,000</b>	<b>\$4,900,000</b>
<b>Revised Funding Gap for Construction</b>	<b>\$2,975,000</b>	<b>\$6,984,000</b>	<b>\$2,125,000</b>	<b>\$8,344,000</b>
<b>Revised Annual Payment</b>	<b>\$170,437</b>	<b>\$400,112</b>	<b>\$121,741</b>	<b>\$478,026</b>
<b>Site Acquisition Cost</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>	<b>\$5,000,000</b>
<b>Revised Funding Gap With Site Acquisition</b>	<b>\$7,975,000</b>	<b>\$11,984,000</b>	<b>\$7,125,000</b>	<b>\$13,344,000</b>
<b>Revised Annual Payment With Site Acquisition</b>	<b>\$456,886</b>	<b>\$686,561</b>	<b>\$408,190</b>	<b>\$764,476</b>

Source: ADE, Inc.

## CITY HALL LEASE OPTION

As another option, the City could elect to rent space for City Hall. Depending on the square footage, the annual lease payment would range from \$288,000 to \$602,000, assuming a lease rate of \$20 per square foot. If City Hall is rebuilt on the current site, this expense would need to be added to the overall cost assumption.

**TABLE C-9  
COST SCENARIO FOR LEASING SPACE**

<b>Off-Site Civic Center Lease</b>	<b>City Hall</b>	<b>City Hall With Library</b>	<b>City Hall/Fire Building With Library</b>
Square Footage	14,400	23,400	30,100
Lease Amount Per SF	\$20	\$20	\$20
<b>Annual Payment</b>	<b>\$288,000</b>	<b>\$468,000</b>	<b>\$602,000</b>

Source: ADE, Inc.

**CITY OF CAPITOLA  
PROFESSIONAL SERVICES AGREEMENT**  
City Hall Site Needs Assessment and Alternatives Analysis Report  
Consultant Name Here

THIS AGREEMENT is entered into on [Date], by and between the City of Capitola, a Municipal Corporation, hereinafter called "City" and [Consultant], hereinafter called "Consultant".

WHEREAS, City desires certain services described in Appendix One and Consultant is capable of providing and desires to provide these services;

NOW, THEREFORE, City and Consultant for the consideration and upon the terms and conditions hereinafter specified agree as follows:

**SECTION 1  
Scope of Services**

The services to be performed under this Agreement are for an Assessment of City Hall Site Needs and an Alternatives Analysis Report, as further detailed in Appendix One.

**SECTION 2  
Duties of Consultant**

All work performed by Consultant, or under its direction, shall be sufficient to satisfy the City's objectives for entering into this Agreement and shall be rendered in accordance with the generally accepted practices, and to the standards of, Consultant's profession.

Consultant shall not undertake any work beyond the scope of work set forth in Appendix One unless such additional work is approved in advance and in writing by City. The cost of such additional work shall be reimbursed to Consultant by City on the same basis as provided for in Section 4.

If, in the prosecution of the work, it is necessary to conduct field operations, security and safety of the job site will be the Consultant's responsibility excluding, nevertheless, the security and safety of any facility of City within the job site which is not under the Consultant's control.

Consultant shall meet with the Community Development Director, called "Director," or other City personnel, or third parties as necessary, on all matters connected with carrying out of Consultant's services described in Appendix One. Such meetings shall be held at the request of either party hereto. Review and City approval of completed work shall be obtained monthly, or at such intervals as may be mutually agreed upon, during the course of this work.

**SECTION 3  
Duties of the City**

City shall make available to Consultant all data and information in the City's possession which City deems necessary to the preparation and execution of the work, and City shall actively aid and assist Consultant in obtaining such information from other agencies and individuals as necessary.

The Director may authorize a staff person to serve as his or her representative for conferring with Consultant relative to Consultant's services. The work in progress hereunder shall be reviewed from time to time by City at the discretion of City or upon the request of Consultant. If the work is satisfactory, it will be approved. If the work is not satisfactory, City will inform Consultant of the changes or revisions necessary to secure approval.



#### SECTION 4 **Fees and Payment**

Payment for the Consultant's services shall be made upon a schedule and within the limit, or limits shown, upon Appendix Two. Such payment shall be considered the full compensation for all personnel, materials, supplies, and equipment used by Consultant in carrying out the work. If Consultant is compensated on an hourly basis, Consultant shall track the number of hours Consultant, and each of Consultant's employees, has worked under this Agreement during each fiscal year (July 1 through June 30) and Consultant shall immediately notify City if the number of hours worked during any fiscal year by any of Consultant's employees reaches 900 hours. In addition, each invoice submitted by Consultant to City shall specify the number of hours to date Consultant, and each of Consultant's employees, has worked under this Agreement during the current fiscal year.

#### SECTION 5 **Changes in Work**

City may order major changes in scope or character of the work, either decreasing or increasing the scope of Consultant's services. No changes in the Scope of Work as described in Appendix One shall be made without the City's written approval. Any change requiring compensation in excess of the sum specified in Appendix Two shall be approved in advance in writing by the City.

#### SECTION 6 **Time of Beginning and Schedule for Completion**

This Agreement will become effective when signed by both parties and will terminate on the earlier of:

- The date Consultant completes the services required by this Agreement, as agreed by the City; or
- The date either party terminates the Agreement as provided below.

Work shall begin on or about August 28, 2023.

In the event that major changes are ordered or Consultant is delayed in performance of its services by circumstances beyond its control, the City will grant Consultant a reasonable adjustment in the schedule for completion provided that to do so would not frustrate the City's objective for entering into this Agreement. Consultant must submit all claims for adjustments to City within thirty calendar days of the time of occurrence of circumstances necessitating the adjustment.

#### SECTION 7 **Termination**

City shall have the right to terminate this Agreement at any time upon giving ten days written notice to Consultant. Consultant may terminate this Agreement upon written notice to City should the City fail to fulfill its duties as set forth in this Agreement. In the event of termination, City shall pay the Consultant for all services performed and accepted under this Agreement up to the date of termination.

#### SECTION 8 **Insurance**

Consultant shall procure and maintain for the duration of the contract and for **1** years thereafter, insurance against claims for injuries to persons or damages to property which may arise from or in

connection with the performance of the work hereunder by the Consultant, his agents, representatives, or employees.

**Minimum Scope of Insurance**

Coverage shall be at least as broad as:

1. Insurance Services Office Commercial General Liability coverage (Occurrence Form CG 0001).
2. Insurance Services office Form Number CA 0001 covering Automobile Liability, Code 1 (any auto).
3. Workers' Compensation insurance as required by the State of California, and Employer's Liability Insurance.
4. Professional (Errors and Omissions) Liability insurance appropriate to the consultant's profession. Architects' and engineers' coverage shall include contractual liability.

**Minimum Limits of Insurance**

Consultant shall maintain limits no less than:

- |  |   |
|--|---|
| 1. General Liability:<br>(including operations, products and completed operations) | <b>\$1,000,000</b> per occurrence and <b>\$2,000,000</b> in aggregate (including operations, for bodily injury, personal and property damage. |
| 2. Automobile Liability:   | <b>\$1,000,000</b> per accident for bodily injury and property damage.  |
| 3. Employer's Liability Insurance  | <b>\$1,000,000 per accident for bodily injury and property damage.</b>  |
| 4. Errors and Omissions Liability:<br>Limits                                       | <b>\$1,000,000</b> per claim and <b>\$2,000,000</b> in the aggregate.   |

**Other Insurance Provisions**

The commercial general liability and automobile liability policies are to contain, or be endorsed to contain, the following provisions:

1. The City of Capitola, its officers, officials, employees and volunteers are to be covered as additional insured's as respects: liability arising out of work or operations performed by or on behalf of the Consultant or automobiles owned, leased, hired or borrowed by the Consultant.
2. For any claims related to this project, the Consultant's insurance coverage shall be primary insurance as respects the City, its officers, officials, employees and volunteers. Any insurance or self-insurance maintained by the City, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.
3. Each insurance policy required by this clause shall be endorsed to state that coverage shall not be canceled except after prior written notice has been given to the City.

### ***Acceptability of Insurers***

Insurance is to be placed with insurers with a current A.M. Best's rating of no less than A:VII, unless otherwise acceptable to the City.

### ***Waiver of Subrogation***

Contractor hereby agrees to waive rights of subrogation which any insurer of Contractor may acquire from Contractor by virtue of the payment of any loss. Contractor agrees to obtain any endorsement that may be necessary to affect this waiver of subrogation. **The Workers' Compensation policy shall be endorsed with a waiver of subrogation in favor of the City of Capitola** for all work performed by the Contractor, its employees, agents and subcontractors.

### ***Verification of Coverage***

Consultant shall furnish the City with original certificates and amendatory endorsements affecting coverage by this clause. The endorsements should be on forms provided by the City or on other than the City's forms provided those endorsements conform to City requirements. All certificates and endorsements are to be received and approved by the City before work commences. The City reserves the right to require complete, certified copies of all required insurance policies, including endorsements affecting the coverage required by these specifications at any time.

## **SECTION 9 Indemnification**

For General Services: To the fullest extent permitted by law, Consultant agrees to indemnify, defend, and hold harmless the City, its directors, officers, employees from and against any and all claims, demands, actions, liabilities, damages, judgments, or expenses (including attorneys' fees and costs) arising from the acts or omissions of Consultant's employees or agents in any way related to the obligations or in the performance of services under this Agreement, except for design professional services as defined in Civil Code § 2782.8, and except where caused by the sole or active negligence, or willful misconduct of the City.

For Design Professional Services under Civil Code §2782.8: To the fullest extent permitted by law, Consultant agrees to indemnify, defend, and hold harmless the City, its directors, officers, and employees from and against any and all claims, demands, actions, liabilities, damages, or expenses (including attorneys' fees and costs) arising from the negligence, recklessness, or willful misconduct of the Consultant, Consultant's employees, or agents in any way related to the obligations or in the performance of design professional services under this Agreement as defined in Civil Code §2782.8, except where

caused by the sole or active negligence, or willful misconduct of the City. The costs to defend charged to the Consultant relating to design professional services shall not exceed the Consultant's proportionate percentage of fault per Civil Code §2782.8. and against all claims, damages, losses, and expenses including attorney fees arising out of the performance of the work described herein, caused in whole or in part by any negligent act or omission of the Consultant, Consultant's employees, agents or subcontractors, except where caused by the active negligence, sole negligence, or willful misconduct of the City.

SECTION 10  
**Civil Rights Compliance/Equal Opportunity Assurance**

Every supplier of materials and services and all consultants doing business with the City of Capitola shall be in compliance with the applicable provisions of the Americans with Disabilities Act of 1990, and shall be an equal opportunity employer as defined by Title VII of the Civil Rights Act of 1964 and including the California Fair Employment and Housing Act of 1980. As such, consultant shall not discriminate against any person on the basis of race, religious creed, color, national origin, ancestry, disability, medical condition, marital status, age or sex with respect to hiring, application for employment, tenure or terms and conditions of employment. Consultant agrees to abide by all of the foregoing statutes and regulations.

SECTION 11  
**Legal Action/Attorneys' Fees**

If any action at law or in equity is brought to enforce or interpret the provisions of this Agreement, the prevailing party shall be entitled to reasonable attorney's fees in addition to any other relief to which he or she may be entitled. The laws of the State of California shall govern all matters relating to the validity, interpretation, and effect of this Agreement and any authorized or alleged changes, the performance of any of its terms, as well as the rights and obligations of Consultant and the City.

SECTION 12  
**Assignment**

This Agreement shall not be assigned without first obtaining the express written consent of the Director after approval of the City Council.

SECTION 13  
**Amendments**

This Agreement may not be amended in any respect except by way of a written instrument which expressly references and identifies this particular Agreement, which expressly states that its purpose is to amend this particular Agreement, and which is duly executed by the City and Consultant. Consultant acknowledges that no such amendment shall be effective until approved and authorized by the City Council, or an officer of the City when the City Council may from time to time empower an officer of the City to approve and authorize such amendments. No representative of the City is authorized to obligate the City to pay the cost or value of services beyond the scope of services set forth in Appendix Two. Such authority is retained solely by the City Council. Unless expressly authorized by the City Council, Consultant's compensation shall be limited to that set forth in Appendix Two.

SECTION 14  
**Miscellaneous Provisions**

1. *Project Manager.* Director reserves the right to approve the project manager assigned by Consultant to said work. No change in assignment may occur without prior written approval of the City.
2. *Consultant Service.* Consultant is employed to render professional services only and any payments made to Consultant are compensation solely for such professional services.
3. *Licensure.* Consultant warrants that he or she has complied with any and all applicable governmental licensing requirements.
4. *Other Agreements.* This Agreement supersedes any and all other agreements, either oral or in writing, between the parties hereto with respect to the subject matter, and no other agreement, statement or promise related to the subject matter of this Agreement which is not contained in this Agreement shall be valid or binding.
5. *City Property.* Upon payment for the work performed, or portion thereof, all drawings, specifications, records, or other documents generated by Consultant pursuant to this Agreement are, and shall remain, the property of the City whether the project for which they are made is executed or not. The Consultant shall be permitted to retain copies, including reproducible copies, of drawings and specifications for information and reference in connection with the City's use and/or occupancy of the project. The drawings, specifications, records, documents, and Consultant's other work product shall not be used by the Consultant on other projects, except by agreement in writing and with appropriate compensation to the City.
6. *Consultant's Records.* Consultant shall maintain accurate accounting records and other written documentation pertaining to the costs incurred for this project. Such records and documentation shall be kept available at Consultant's office during the period of this Agreement, and after the term of this Agreement for a period of three years from the date of the final City payment for Consultant's services.
7. *Independent Contractor.* In the performance of its work, it is expressly understood that Consultant, including Consultant's agents, servants, employees, and subcontractors, is an independent contractor solely responsible for its acts and omissions, and Consultant shall not be considered an employee of the City for any purpose.
8. *Conflicts of Interest.* Consultant stipulates that corporately or individually, its firm, its employees and subcontractors have no financial interest in either the success or failure of any project which is, or may be, dependent on the results of the Consultant's work product prepared pursuant to this Agreement.
9. *Notices.* All notices herein provided to be given, or which may be given by either party to the other, shall be deemed to have been fully given and fully received when made in writing and deposited in the United States mail, certified and postage prepaid, and addressed to the respective parties as follows:

CITY  
CITY OF CAPITOLA  
420 Capitola Avenue  
Capitola, CA 95010  
831-475-7300

CONSULTANT

By: \_\_\_\_\_  
Benjamin Goldstein, City Manager

By: \_\_\_\_\_

Dated: \_\_\_\_\_

Dated: \_\_\_\_\_

Approved as to Form:

\_\_\_\_\_  
Samantha Zutler, City Attorney

**APPENDIX ONE**  
**Scope of Services**

## **APPENDIX TWO Fees and Payments**

Consultant will provide invoices to the City for all services and expenses on a monthly basis. City will endeavor to pay all invoices within 30 days of receipt. The total amount billed by Consultant and paid by City pursuant to this agreement shall not exceed \$\_\_\_\_\_ without written advance authorization from the City.

Consultant hereby represents and warrants, based upon Consultant's independent determination of the time and labor, including overtime, which will be required to perform said services, that Consultant will provide all said services at a cost which will not exceed the maximum price set forth in this agreement for Consultant's services. Consultant hereby assumes the risk that Consultant will perform said services within this maximum price constraint and Consultant acknowledges that its inability to do so shall not excuse completion of the services and shall not provide a basis for additional compensation.

Salary expenses include the actual direct pay of personnel assigned to the project (except for routine secretarial and account services) plus payroll taxes, insurance, sick leave, holidays, vacation, and other fringe benefits. The percentage of compensation attributable to salary expenses includes all of Consultant's indirect overhead costs and fees. For purposes of this Agreement, Consultant's salary expenses and non-salary expenses will be compensated at the rates set forth in the fee schedule attached to this appendix and in accordance with the terms set forth therein. Non-salary expenses include travel, meals and lodging while traveling, materials other than normal office supplies, reproduction and printing costs, equipment rental, computer services, service of subconsultants or subcontractors, and other identifiable job expenses. The use of Consultant's vehicles for travel shall be paid at the current Internal Revenue Service published mileage rate.

Salary payment for personnel time will be made at the rates set forth in the attached fee schedule for all time charged to the project. Normal payroll rates are for 40 hours per week. Consultant shall not charge the City for personnel overtime salary at rates higher than those set forth in the attached fee schedule without the City's prior written authorization.

In no event shall the total fee charged for the scope of work set forth in Appendix One exceed the total budget of \$\_\_\_\_\_, without specific, written advance authorization from the City.

Payments shall be made monthly by the City, based on itemized invoices from the Consultant which list actual costs and expenses. Such payments shall be for the invoice amount. The monthly statements shall contain the following affidavit signed by a principal of the Consultant's firm:

"I hereby certify as principal of the firm of Consultant Name Here, that the charge of \$\_\_\_\_\_ as summarized above and shown in detail on the attachments is fair and reasonable, is in accordance with the terms of the Agreement dated Month   , 2023, and has not been previously paid."