

Development and Design Review

Agenda Report



Meeting: March 5, 2026

From: Community Development Department

Address: 1475 41st Avenue and 1404 38th Avenue

Project Description: Minor Design Permit, Conditional Use Permit, Sign Permit, and Coastal Development Permit No. 25-0464 for the remodel (including exterior façade upgrades) of an existing tenant space within the King’s Plaza Shopping Center (former Rite Aid) to accommodate Vehicle Sales (Tesla) and designated employee parking located at 1475 41st Avenue (APN 034-151-20) and 1404 38th Avenue (APN 034-164-41), within the Community-Commercial (CC) zoning district (the “Project”). This project is located within the Coastal Zone and requires a Coastal Development Permit which is not appealable to the California Coastal Commission.

Recommended Action: Staff recommend the Planning Commission:

- 1) Find the Project exempt from the California Environmental Quality Act (“CEQA”), and
- 2) Consider Permit #25-0464, and approve the Coastal Development Permit, Minor Design Permit, Sign Permit, and Conditional Use Permit pursuant to the findings and analysis included in the staff report and subject to the Conditions of Approval.

Property Owner: King’s Plaza Shopping Center LLC

Representative: Julie Ortiz, Tesla Inc.

Applicant Proposal: The application consists of a Coastal Development Permit, Design Permit, Sign Permit, and Conditional Use Permit for a new Tesla Auto Dealership. A detailed project operation letter and project plans are included as Attachments 1 through 5.

Vehicle Sales in the CC Zone requires a Conditional Use Permit (CUP) and must consist of a majority of new vehicles. “Vehicle sales and rental” is defined by Capitola Municipal Code (CMC) §17.160.020 as “an establishment for the retail sales or rental of new or used vehicles. Includes the sale of vehicle parts and vehicle repair; provided that these activities are incidental to the sale of vehicles.” The proposal includes a showroom for the display of vehicles for sale . The Project also proposes an automobile maintenance area (incidental to the sale of the vehicles), five demonstration vehicles on site for customers to test drive, and a dedicated vehicle storage area for purchased vehicles. The vehicle storage area is proposed at 1404 38th Avenue on an adjacent lot under the same ownership and is incidental to vehicle sales. Five designated parking spaces for test drive vehicles will be located along the store frontage. Designated employee parking will be located behind the building. Pursuant to CMC§17.76.040.A.3, a CUP is required for designated parking spaces for exclusive use within the integrated commercial complex.

The project proposal consists of exterior façade upgrades on an existing commercial storefront and interior renovation for vehicle sales and services. Exterior modifications to an existing commercial structure that do not increase the floor area of the structure require a Minor Design Permit, pursuant to CMC Table 17.120-1.

The King’s Plaza Shopping Center has a Master Sign Program (MSP) and all new signs are subject to the Program. The MSP requires Planning Commission approval of a wall sign in excess of 75 square feet for the suite Tesla will occupy. A sign permit is required for the 156 square foot Tesla wall sign located over the entryway.

Background: King's Plaza is approximately 12.5 acres with over 600 linear feet fronting Capitola Road and over 800 linear feet fronting 41st Avenue. The tenant mix within King's Plaza includes a movie theater, grocery store, hardware store, restaurants, and other retail uses. The Planning Department received the subject application on September 15, 2025. Tesla plans to occupy the tenant space previously occupied by Rite Aid Pharmacy. Rite Aid Pharmacy permanently closed in late 2023 as part of a broad series of store closures by the nation chain.

Development and Design Review: On February 11, 2026, Development and Design Review staff reviewed the application and provided the applicant with the following direction:

Public Works Representatives, Erika Senyk and Kailash Mozumder: Erika Senyk informed the applicant all initial Public Works comments have been addressed with the project submittal. The required standard detail was included to the current set of plans under review and all stormwater comments have been addressed. Conditions of approval were provided to the Planning Department staff. Kailash Mozumder informed the applicant the interface with the public right-of-way at 38th Avenue does not currently comply with ADA. The project will need to comply with current ADA standards.

Contract Building Official, Lihn Tran: Linh Tran had reviewed the plans and had no specific conditions for the project.

Principal Planner, Gina Paolini: Gina Paolini noted the changes to the front entryway and updates to the landscaping plan to address the Design Review completed by RRM Design Group. Also, staff discussed the shake plate recommended by RRM and public works advised it should not be a requirement of the project.

Discussion: King's Plaza is located on the southwest corner of the intersection of 41st Avenue and Capitola Road. The project site is located in the Community Commercial (CC) zone district. The area immediately surrounding the project site is characterized by a variety of land uses, including Regional Commercial (C-R) to the north across Capitola Road, CC to the east across 41st Avenue, and Multi-Family Residential (RM-H) parcels to the south and west.

As stated above, the project includes a Minor Design Permit for exterior modifications, a Conditional Use Permit for the change of use to vehicle sales and request for designated parking spaces, and a sign permit for the new anchor tenant sign in excess of 75 square feet.

Sign Permit: Ten signs are proposed for the Tesla dealership, including: one wall sign, three tenant signs in three existing monument signs, and six designated parking signs. All signs must comply with the master sign program (MSP) for the shopping center.

Wall Sign: One wall sign is proposed for Tesla. Under the MSP, Suite E/F must comply with the following standards, and the sign must be approved by the Planning Commission:

1. Maximum Size: 170 square feet.
2. Maximum Letter Height: 5 feet 2 inches
3. Maximum Sign Height: 5 feet 6 inches
4. New wall signs for a major tenant or theater site which is larger than 75 feet shall require Planning Commission review and approval.
5. Illumination is allowed within lettering and logo only. Backgrounds must be solid and may not be illuminated

The proposed wall sign complies with the MSP, as it is 156 square feet in size, has a maximum letter height of 4 feet, and illumination is limited to the lettering.

Monument Signs: The application includes three double-sided tenant signs on three existing multi-tenant monument signs. The MSP specifies the following for these signs:

1. Monument signs may have a maximum of six tenants on them.
2. No tenant shall be on more than one monument sign on 41st Avenue.
3. No tenant shall be on more than one monument sign on Capitola Road.
4. No tenant shall be on more than one monument sign on 38th Avenue.
5. Monument signs shall use illumination within the lettering and logo only. The background must be solid and may not be illuminated.

The proposed Tenant signs for monuments B, C and D comply with the MSP.

On-Site Directional Signs: The project is proposing on-site directional signage for the employee parking, Tesla test drive area, and tow away signage. On-site directional signs are not included in the Master Sign Program for King’s Plaza; therefore, all directional signage would comply Section 17.80.050 of the CMC. No sign shall exceed three feet in height or six square feet in area. The proposed on-site directional signs comply with the CMC.

Table 1 provides the proposed signage details for the project:

Table 1- Project Signage Details							
Sign	Store Frontage	Quantity	Proposed Sign Area	Proposed Sign Height	Proposed Letter Height	Proposed Logo Height	Master Sign Program Compliance
Capitola Road Sign B-panel insert	170 feet	Double sided	11 square feet	12 inches	N/A	N/A	Complies
38 th Avenue Sign C-panel insert	170 feet	Double sided	7 square feet	15 inches	N/A	N/A	Complies
41 st Avenue Sign D-panel insert	170 feet	Double sided	27 square feet	33 inches	N/A	N/A	Complies
Wall Sign	170 feet	1	156 square feet	48 inches	48 inches	N/A	Complies
Pole Mounted-Employees Only	170 feet	1	4 square feet	24 inches	N/A	N/A	Complies (directional signage)
Pole Mounted-Test Drive Vehicle	170 feet	5	7.5 square feet	18 inches	N/A	N/A	Complies (directional signage)

Conditional Use Permit: Vehicle sales and designated parking spaces require a CUP. Tesla proposes to occupy 21,440 square feet of tenant space (formerly Rite Aid) and included the following operational plan for the vehicle sales:

- Customer operating sales hours 10:00 AM to 7:00 PM daily.
- Service hours 8:00 AM to 7:00 PM, Monday through Saturday, and 11:00 AM to 5:00 PM on Sundays.
- Tesla anticipates two service shifts with a maximum of 21 employees (certified technicians and service support staff) working a shift at any given time. The first shift will be from 7:00 AM to 4:00 PM and the second shift will be from 3:00 PM to 11:00 PM.
- A total of five (5) demonstration vehicles on-site for customers wanting to conduct a test drive.
- Three to four vehicle delivery from sales per week.

- A total of 14 work bays for vehicle service. Tesla anticipates a maximum of eight vehicle repairs at any time. Most service repairs can be handled within an hour or two. Five loaner vehicles will be available on-site.
- Majority of the customer sales will be by appointment. Tesla anticipates a maximum of 15
- customer sale appointments at any time.

Pursuant to CMC §17.124.060, when evaluating a Conditional Use Permit, the Planning Commission shall consider the following underlined characteristics of the proposed use:

A. Operating characteristics (hours of operation, traffic generation, lighting, noise, odor, dust, and other external impacts).

Hours of operation are similar to other tenants within the shopping plaza. The project is designed to have adequate on-site circulation and the traffic generated by the proposed use would not impose an undue burden on surrounding streets.

Tesla vehicles do not have an internal combustion engine and do not have fuel tanks, exhaust system, motor oil, or other components that require storage or use of hazardous materials. Service will be limited to software updates, tire replacement and balancing, alignment, topping off water, and the occasional battery replacement. Two new service bay doors are to be installed on the south building elevation to accommodate the new service center. The noise associated with this service center would be minimal, however do to the neighboring residential uses the day/night average noise levels should be under 60 decibels pursuant to the Capitola General Plan Table SN-1. Any new development which has decibels above 60 Ldn, require a detailed analysis of the noise reduction. To ensure noise levels are compliant with the General Plan, the following conditions are included:

Conditions No. 25: The vehicle service center shall not exceed noise levels of sixty dBA as measured from the property line of a residentially zoned property. The service center shall not exceed noise levels of seventy dBA measured from all other property lines. Prior to issuance of building permit, A licensed acoustical engineer shall certify that the improvements within the building and the building itself will attenuate all noise occurring within the building so that the noise level outside of the building does not exceed 60 decibels during any period. If the study finds noise levels will exceed 60 decibels, the licensed acoustical engineer shall provide necessary mitigation measures to insure that exterior noise levels do not exceed 60 decibels, with possible mitigation including but not limited to insulating and enclosing necessary mechanical devices and and/or insulating the actual structure.

Conditions No. 26: All exterior doors, including maintenance doors, shall remain closed except when a vehicle is entering or exiting the service center.

Tesla operation plan includes three to four vehicle delivery of new vehicles per week. To ensure vehicle deliveries do not impact neighboring residential uses, the following condition is included:

Condition No. 24: Hours for deliveries to the store shall be limited to 6:00 A.M. – 10:00 P.M. to minimize noise impacts to neighboring residents. Delivery vehicles shall not be permitted to remain at idle during non-delivery hours, shall utilize the loading zone at the rear of the property, and shall not stop or park within 200 feet of residential property boundaries.

The project does not include new lighting. Any new roof mounted equipment would be required to be screened for the project.

Condition No. 12: Air-conditioning equipment or other mechanical equipment shall be screened from view and shall operate within allowable city-permitted decibel levels of 60 Ldn. Additional details showing equipment locations and any mechanical screens shall be shown on the building permit plans.

B. Availability of adequate public services and infrastructure.

Adequate public services and infrastructure exist at the site.

C. Potential impacts to the natural environment.

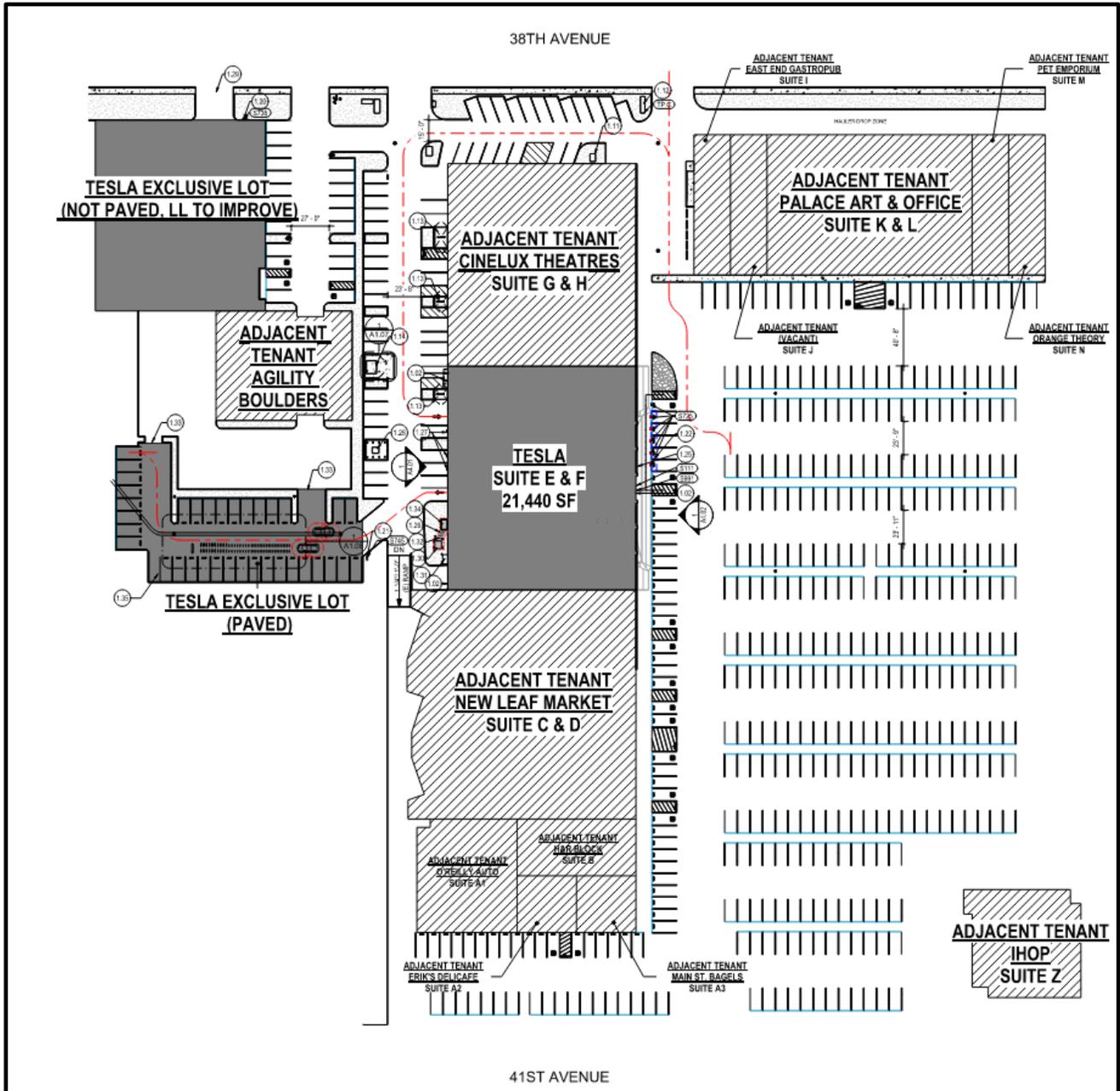
The vehicle sales will be a tenant improvement within a prior retail establishment in Suites E/F of King's Plaza. The suite was previously occupied by RiteAid. The property at 1404 38th Avenue which is proposed for the vehicle storage lot had previously been utilized as a commercial space for the hardware store pick up of large items and more recently for staging of construction projects within and around the shopping center. The proposed project is exempt pursuant to the California Environmental Quality Act (CEQA) Sections 15301 and 15304, which is described in the CEQA section below.

D. Physical suitability of the subject site for the proposed use in terms of design, location, operating characteristics, shape, size, topography.

The size and shape of the property are adequate for the proposed use, as the site would be able to accommodate the proposed use and associated parking, traffic, and circulation without creating detrimental effects on adjacent properties. The proposed modifications to the existing building and site are limited to signs, paint, windows, and landscaping. Capitola Public works and the Building Official have reviewed the site improvement plans and determined that the project would comply with applicable City codes. The parking demand study prepared for the project determined that there would be adequate parking for the proposed use.

Parking: The proposed vehicle sales establishment will be located in an integrated commercial complex with multiple land uses existing within the site. Pursuant to CMC §17.76.050.E.1, a parking demand study was prepared by a consultant contracted through staff for review by the Planning Commission. The Planning Commission may approve the shared parking for multiple land uses within a development site if the study demonstrates there will be no substantial conflict between the multiple land uses principal hours of operation and periods of peak demand. Figure 1 provides the proposed site and parking layout.

Figure 1: Proposed Site and Parking Layout



A parking demand study was completed by Kimley-Horn, dated February 17, 2026, which analyzed the parking demand for the previous pharmacy use and the proposed parking demand for the Tesla dealership (Attachment 6).

Kimley-Horn used the following methodology when determining whether the parking supply available at the King's Plaza Shopping Center is sufficient to accommodate the anticipated parking demand generated by the proposed Tesla dealership.

1. Conducted a parking occupancy survey at the King's Plaza Shopping Center during a weekend peak period (Saturday) to determine the existing parking demand in the general location of the proposed project.
2. Estimated the parking demand for the proposed Tesla dealership based on the operational plan provided by Tesla.

3. Compared the Tesla parking demand to Rite Aid (previous land use) and typical Auto Dealership parking demand.
4. Assessed whether the available parking supply at King's Plaza is sufficient to accommodate the anticipated parking demand from the proposed Tesla dealership.

The operational details for the proposed Tesla dealership differ from a typical auto dealership, as Tesla has a limited number of models to choose from and therefore less inventory. Consequently, the anticipated parking demand was estimated based on the specific operational characteristics provided by the applicant. Table 2 provides the estimated parking demand for the proposed Tesla dealership.

Table 2: Parking Demand Estimate					
Land Use	Description	ITE Land Use Code¹	Quantity (square foot)	Average Parking Rate	Estimated Parking Demand
Rite Aid	Pharmacy/Drugstore Without Drive-Through Window	880 ²	21,440	2.46	53
Typical Auto Dealership	Automobile Sales (New)	840 ³	21,440	3.06	66
Tesla	Sale Customers	Not Applicable	21,440	See Note 4	15
	Demo Vehicles				5
	Vehicle Repair				8
	Loaner Vehicles				5
	Service and Sale Employees per Shift				21
	Delivery				4
	Subtotal				
Notes:					
<ol style="list-style-type: none"> 1. Parking demand rates from Institute of Transportation Engineers (ITE) - Parking Generation Manual 6th Edition, unless otherwise noted. 2. ITE-880 Pharmacy/Drugstore without Drive-Through Window was used to estimate the parking demand. Weekday average parking rate which is higher than the Saturday parking rate was used for conservative case analysis. 3. ITE-840 Automobile Sales was used to estimate the parking demand. Saturday Peak Hour parking rate is not available for ITE 840- Automobile Sales (New), therefore ratio of Saturday parking rate to weekday parking rate for ITE 845 Motorcycle Sales, was used to estimate the Saturday parking rate for Automobile Sales. 4. Parking demand for the proposed Tesla Center was estimated based on the operational details provided by the Client. 					

The study concluded the following:

- The highest observed parking occupancy at King's Plaza Shopping Center on a weekend (Saturday) afternoon is only 52%. This indicates an abundance of available parking spaces (324 spaces) to accommodate both the current demand and the projected demand from the proposed Tesla Center.
- With the addition of the 58 spaces required for the Tesla Center, the estimated parking occupancy at King's Plaza Shopping Center would increase from 52% to 61%. Despite this increase, there will still be a significant number of available parking spaces (266 spaces) to accommodate the parking demand for other land uses.
- Ample parking spaces (184 spaces - 44%) are available within Zone B (i.e., parking area in front of the proposed Tesla Center) under existing conditions which will accommodate Tesla Center parking demand.

- The anticipated peak parking demand for the Tesla Center is approximately 58 spaces based on the information provided. This demand is 5 spaces higher than the parking needs of the previous occupant, Rite Aid, and 8 spaces less than is typically expected for an automobile sales showroom.
- Tesla intends to use designated parking areas on the south side of King's Plaza Shopping Center behind the Tesla Center for employee parking (21 spaces), loaner vehicles (5 spaces), and sales delivery vehicle parking (4 spaces). This allocation reduces the anticipated parking demand from 58 spaces to 28 spaces in front of the Tesla Center where the public parking is located.
- Additionally, it is expected that some employees and customers will arrive at the Tesla Center using alternative modes of transportation such as public transit, biking, and ride-sharing services like Uber and Lyft. These alternative travel modes have not been included in the calculations above. Alternative mode shift will further decrease the anticipated parking demand for the Tesla Center.

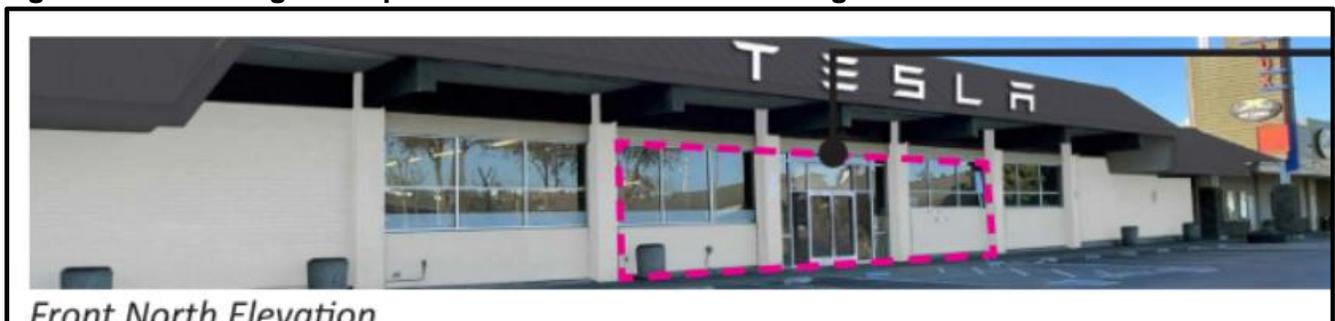
Design Review: Design Permits for commercial projects are typically reviewed by a City-contracted design professional prior to review and action by either the Community Development Director or Planning Commission. RRM Design Group was contracted by the City to complete the third-party review architectural evaluation of the project in accordance with CMC Section 17.120.070 (Design Review Criteria). RRM Design Group prepared a detailed evaluation for the project dated January 23, 2026 (Attachment 7).

Site Planning: The applicant provided site plan indicates visitors for vehicle service will park in the parking lot in front of Tesla. Once vehicle intake is completed, an employee will drive the vehicle around the building to either enter the building service area at the rear or park behind the building. RRM suggested additional wayfinding signs at the front and back of the building to help direct customers. Additional signs are not proposed at this time but could be accommodated through the MSP.

In an effort to accommodate electric vehicle users visiting the future Tesla, RRM Design Group recommended that the applicant provide electric charging stations at the parking spaces directly adjacent to the commercial storefront or elsewhere on the property. Tesla does not currently have charging stations at the site but plans to install three charging stations adjacent to the service center with this project.

Architecture: Minimal changes to the building mass are proposed as part of the project. RRM Design Group recommended that the applicant look for opportunities to incorporate entry elements to further enhance the overall commercial shopping center through further exterior renovations, particularly along the north elevation. This could include an emphasized primary entry or other pedestrian focused design interventions. It was also recommended that the applicant look for opportunities to modify the current storefront window application to create a more engaging storefront. Potential design interventions to accomplish this could be replacing the existing windows (Figure 2). Lastly, it was recommended that the applicant explore applying a color such as the accent red to the proposed roll-up doors shown on the South Exterior Elevations on Sheet A4.01.

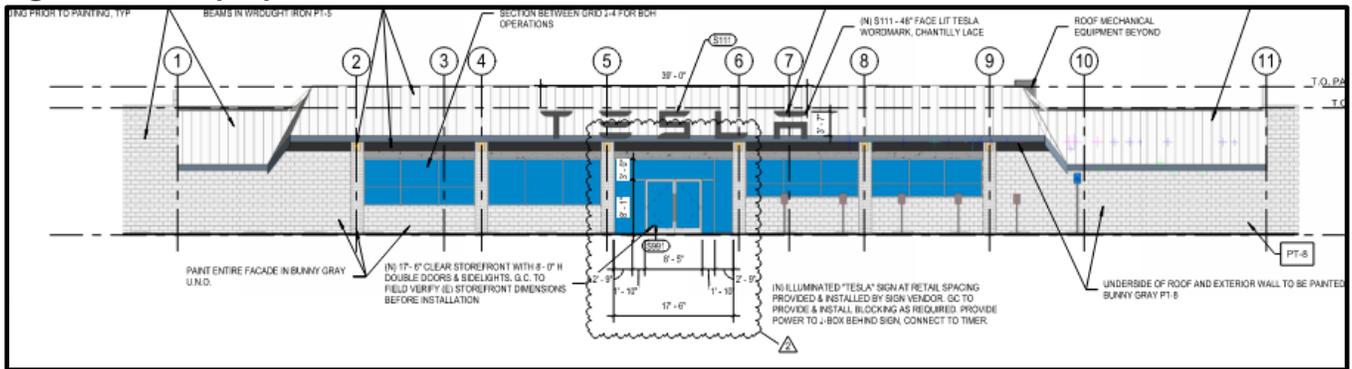
Figure 2: RRM Design Group recommended storefront change



Tesla employs a specific location strategy when determining where to locate a facility. Locations are chosen for high visibility, focusing on premium shopping centers and high-traffic area. They have been increasingly utilizing "Big Box" retail conversions to expand service capacity, while keeping costs down. The current application proposes converting a former "Rite Aid" retail space that has been vacant since 2023.

The applicant considered the RRM Design Group recommendations and revised the project plans to replace the full section of glazing where the storefront doors are located to help reduce mullions (Figure 3). The exterior of the building will be refreshed, with the roof to be painted a wrought iron color, the body of the building to be a bunny gray, and the "TESLA" signage to be Chantilly lace. Also, the landscape beds in the parking lot behind the store will be spruced up and unhealthy trees replaced.

Figure 3: Tesla proposed storefront modifications

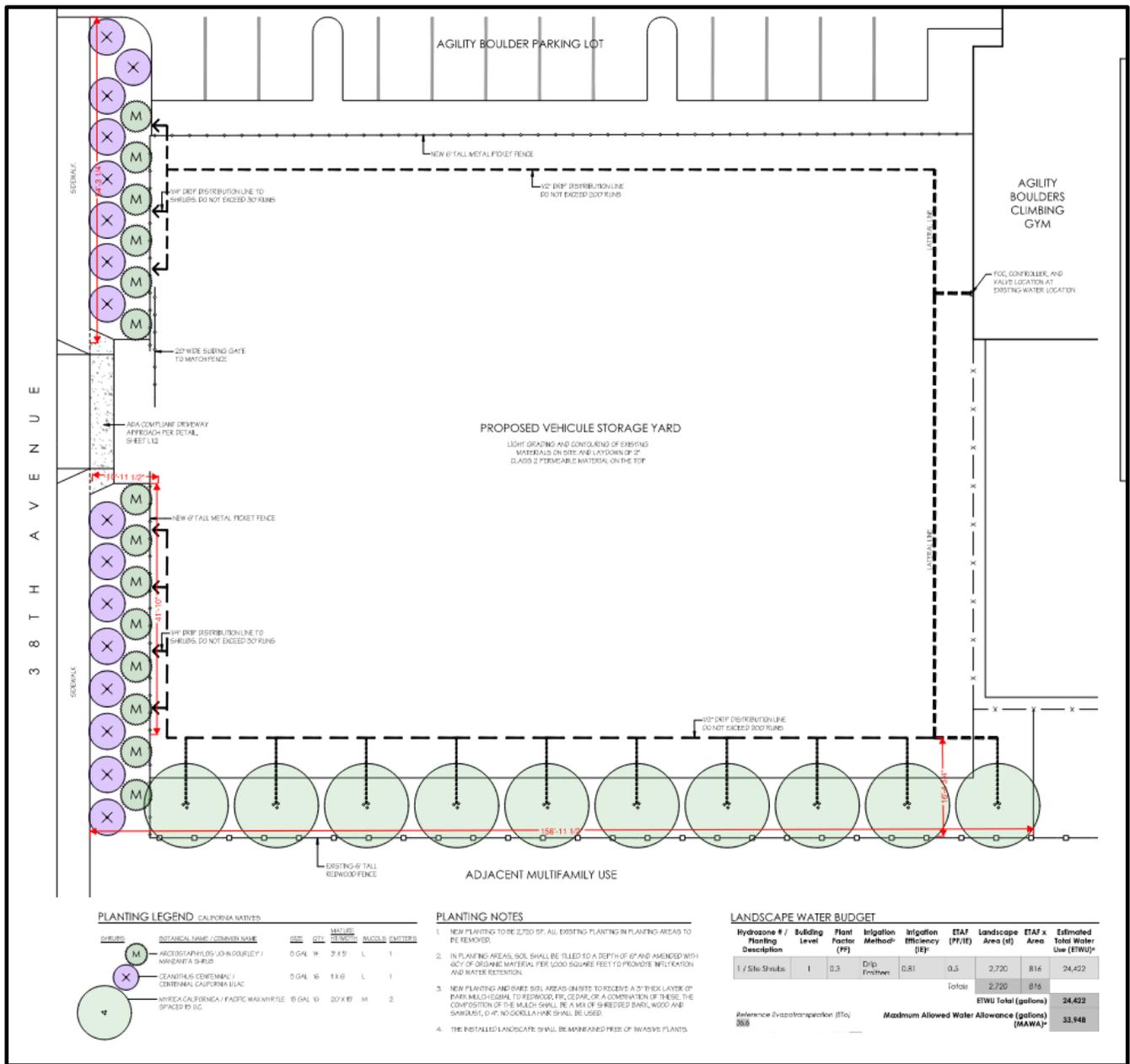


The application complies with the City’s design standards while working within the confines of the existing structure.

Vehicle Storage Lot and Landscaping: There is established landscaping within King’s Plaza. The project includes a vacant lot located at 1404 38th Avenue for exclusive use by Tesla for the storage of vehicles. The vehicle storage area is graded and will have a compacted gravel surface to accommodate dealership vehicle storage and will incorporate a variety of landscaping on the west (38th Avenue) and south edges. The storage area will be fenced with a 6-foot-tall metal picket fence, and a 20-foot-wide sliding gate.

Pursuant to CMC Section 17.120.070.M, landscaping is an integral part of the overall project design, is appropriate to the site and structures, and enhances the surrounding area. In addition, the CC zone district requires minimum landscape requirements of five percent within the front/street setback areas. For the vehicle storage lot proposed on 38th Avenue, 876 square feet (5% of 17,346) of landscaping is required. The project will be providing the required perimeter landscaping, with significant planting along 38th Avenue with a mix of 14 Manzanita Shrubs and 16 Centennial California Lilac. Ten Pacific Wax Myrtle will be planted between the lot and the multifamily property located to the south providing a natural screen. The landscape plan includes 2,720 square feet of landscaping, exceed the requirement with 15 percent. Figure 4 provides the proposed landscape details, which exceeds the City’s landscape buffer requirements.

Figure 4: Proposed Storage Lot Landscaping



Kings Plaza Parking Area: RRM Design Group recommended that the applicant refresh and replace dying landscaping along the south and east property line of the lot. Additionally, they noted the existing paved lot to be used for employee parking could benefit from replacing dead trees, installing ground cover or mulch to the landscape beds, and removing existing graffiti around the exterior of the lot.

In accordance with CMC Section 17.72.070 (Landscape Maintenance), the City has conditioned the project (Condition No. 17) that the landscaped areas along the south and east property line and existing paved lot for employee parking be maintained, with the following corrections:

1. Ground cover. Mulch or similar cover material shall be added to the soil surface in all landscape areas around the employee parking lot.

2. Replacement of Dead or Dying Plants. Plants that are dead or severely damaged or diseased shall be replaced by the property owner.

The project will be required to comply with the following condition:

Condition No. 22. The site and improvements shall be well maintained and kept free of litter, debris, weeds and graffiti. Any graffiti shall be removed within 72 hours of discovery in a manner which retains the existing color and texture of the original wall or fence as most practically feasible.

California Environmental Quality Act (CEQA): This project is listed among the classes of projects that have been determined not to have a significant adverse effect on the environment. Therefore, the project is categorically exempt from the provisions of CEQA pursuant to Sections 15303 (New Construction or Conversion of Small Structures) not involving the use of significant amounts of hazardous substances where all necessary public services and facilities are available and the surrounding area is not environmentally sensitive. The Community Development Director has further determined that none of the six exceptions to the use of a categorical exemption apply to this project (CEQA Guidelines Section 15300.2).

Coastal Development Permit Findings:

- A. The project is consistent with the LCP land use plan, and the LCP implementation program.**
The proposed project conforms to the City's certified Local Coastal Plan (LCP) land use plan and the LCP implementation program.
- B. The project maintains or enhances public views.**
The project will not have an impact on public views, as no permanent structures are proposed at 1404 38th Avenue, and Kings Plaza is developed with existing structures that will not be enlarged.
- C. The project maintains or enhances vegetation, natural habitats and natural resources.**
The project site does not contain coastal vegetation, habitats, or resources; therefore, there would be no impact on these resources.
- D. The project maintains or enhances low-cost public recreational access, including to the beach and ocean.**
The project is not located adjacent to the beach or ocean, and does not provide public recreation access. There would be no impact to recreation access from the project.
- E. The project maintains or enhances opportunities for visitors.**
The Tesla Dealership will serve Santa Cruz County and surrounding coastal communities. The project will not impact visitor opportunities.
- F. The project maintains or enhances coastal resources.**
The proposed project will not impact coastal resources, as the project is located inland adjacent to commercial development.
- G. The project, including its design, location, size, and operating characteristics, is consistent with all applicable design plans and/or area plans incorporated into the LCP.**
The Tesla Dealership will fill a void within Kings Plaza which occurred when Rite Aid (an anchor tenant) vacated the site in December 2023. Tesla will add to the City's economic base. The project is consistent with the LCP and will not obstruct public access and has no impact on recreation or visitor opportunities and experiences.

- H. The project is consistent with the LCP goal of encouraging appropriate coastal development and land uses, including coastal priority development and land uses (i.e., visitor serving development and public access and recreation).**

See G above.

Design Permit Findings:

- A. The proposed project is consistent with the general plan, local coastal program, and any applicable specific plan, area plan, or other design policies and regulations adopted by the city council.**

The Community Development Department, Development and Design Review Committee, RRM Design Group, and Planning Commission have reviewed the project. The proposed project, as conditioned, is consistent with local long range and implementation planning documents. The project complies with the City's Design Review Criteria.

- B. The proposed project complies with all applicable provisions of the zoning code and municipal code.**

The Community Development Department, Design and Development Review Committee, and Planning Commission have reviewed the project. The proposed project complies with all development standards of the CC zoning district. The proposed project complies with all applicable requirements of local law and is conditioned to comply with any relevant approvals and permits from the City of Capitola.

- C. The proposed project has been reviewed in compliance with the California Environmental Quality Act (CEQA).**

The project is categorically exempt from the provisions of CEQA pursuant to Sections 15303 (New Construction or Conversion of Small Structures) not involving the use of significant amounts of hazardous substances where all necessary public services and facilities are available and the surrounding area is not environmentally sensitive. None of the six exceptions to the use of a categorical exemption apply to this project (CEQA Guidelines Section 15300.2). The project will not have a significant adverse effect on the environment.

- D. The proposed development will not be detrimental to the public health, safety, or welfare or materially injurious to the properties or improvements in the vicinity.**

The proposed development will not have an impact on public health, safety, and welfare. The buildings will be fire sprinkled and will be served by all necessary public utilities.

- E. The proposed project complies with all applicable design review criteria in CMC Section 17.120.070 (Design Review Criteria).**

The Community Development, Design and Development Review Committee, RRM Design Group, and Planning Commission have reviewed the project. The proposed project and supporting improvements will comply with the applicable design review criteria as described by RRM Design Group.

Conditional Use Permit Findings:

- A. The proposed use is allowed in the applicable zoning district.**

The Tesla vehicle sales with ancillary vehicle storage area, the designated five (5) parking spaces for test drive vehicles and exclusive lot for employee parking within the integrated commercial complex are allowed with the issuance of a Conditional Use Permit, which are permitted within the CC zone district.

B. The proposed use is consistent with the general plan, local coastal program, zoning code, and any applicable specific plan or area plan adopted by the city council.

The Community Development Department, Design and Development Review Committee, and Planning Commission have reviewed the project. The proposed project complies with all development standards of the CC zoning district. The proposed project complies with all applicable requirements of local law and is conditioned to comply with any relevant approvals and permits from the City of Capitola.

C. The location, size, design, and operating characteristics of the proposed use will be compatible with the existing and planned land uses in the vicinity of the property.

The Community Development, Design and Development Review Committee, RRM Design Group, and Planning Commission have reviewed the project. The proposed project and supporting improvements will comply with the applicable design review criteria as described by RRM Design Group.

D. The proposed use will not be detrimental to the public health, safety, and welfare.

The proposed project, with the implementation of the attached Conditions of Approval, will not have an impact on public health, safety, and welfare, and all designated parking areas will be appropriately signed for exclusive use.

E. The proposed use is properly located within the city and adequately served by existing or planned services and infrastructure.

The proposed use is within the City and is adequately served by existing infrastructure.

Conditions of Approval:

General Conditions

1. The project approval consists of a Coastal Development Permit, Design Permit and Conditional Use Permit for the remodel of an existing tenant space within the King's Plaza Shopping Center (former Rite Aid) to accommodate a Tesla auto dealership, and associated signage located at 1475 41st Avenue (APN 034-151-20) and vehicle storage area at 1404 38th Avenue (APN 034-164-41). Coastal Development Permit, Design Permit and Conditional Use Permit No. 25-0464, are approved as indicated on the final plans reviewed and approved by the Planning Commission on March 5, 2026, except as modified through conditions imposed by the Planning Commission during the hearing.
2. This permit shall expire 24 months from the date of issuance unless exercised. The applicant shall have an approved building permit and construction underway before this date to prevent permit expiration. Applications for extension may be submitted by the applicant prior to expiration pursuant to Municipal Code section 17.156.080.
3. Prior to construction, a building permit shall be secured for any new construction or modifications to structures authorized by this permit. Final building plans shall be consistent with the plans approved by the Planning Commission. All construction and site improvements shall be completed according to the approved plans.
4. At the time of submittal for building permit review, the Conditions of Approval must be printed in full on the construction plans.
5. During construction, any construction activity shall be subject to a construction noise curfew, except when otherwise specified in the building permit issued by the City. Construction noise shall be prohibited between the hours of nine p.m. and seven-thirty a.m. on weekdays. Construction noise shall be prohibited on weekends with the exception of Saturday work between nine a.m. and four p.m. or emergency work approved by the building official. §9.12.010B.

6. Prior to issuance of a Certificate of Occupancy, compliance with all conditions of approval shall be demonstrated to the satisfaction of the Community Development Director. Upon evidence of non-compliance with conditions of approval or applicable municipal code provisions, the applicant shall remedy the non-compliance to the satisfaction of the Community Development Director or shall file an application for a permit amendment for Planning Commission consideration. Failure to remedy a non-compliance in a timely manner may result in permit revocation.
7. The planning and infrastructure review and approval are transferable with the title to the underlying property so that an approved project may be conveyed or assigned by the applicant to others without losing the approval. The permit cannot be transferred off the site on which the approval was granted.
8. During construction, the project applicant shall designate a “disturbance coordinator” who will be responsible for responding to any local complaints regarding construction noise or activity. The coordinator (who may be an employee of the general contractor) will determine the cause of the complaint and will require that reasonable measures warranted to correct the problem be implemented. The name and telephone number of the disturbance coordinator shall be conspicuously posted at the construction site fence and on any notifications sent to neighbors. The sign/banner must also list an emergency after-hours contact number for emergency personnel.
9. Green Waste is the City’s exclusive hauler for recycling and disposal of construction and demolition debris. For all debris boxes, contact Green Waste. Using another hauler may violate City Code Section 8.04 and result in Code Enforcement action.

Planning Department Conditions

10. Prior to making any changes to the approved plans, modifications must be specifically requested and submitted in writing to the Community Development Department. Any significant changes to the size or exterior appearance of the structure shall require Planning Commission approval.
11. Prior to issuance of a building permit, all Planning fees associated with Permit #25-0464 shall be paid in full.
12. Air-conditioning equipment or other mechanical equipment shall be screened from view and shall operate within allowable city-permitted decibel levels of 60 Ldn. Additional details showing equipment locations and any mechanical screens shall be shown on the building permit plans.
13. Outdoor luminaires shall be energy-efficient fixtures controlled by motion sensors and incorporate cut-off controls and outdoor lighting controls. Outdoor lighting shall comply with all relevant standards pursuant to Municipal Code Section 17.96.110, including that all outdoor lighting shall be shielded and directed downward such that the lighting is not directly visible from the public right-of-way or adjoining properties.
14. Prior to issuance of a building permit, the Building Permit plans will be routed for plan approval to the following entities: Santa Cruz County Sanitation Department, Soquel Creek Water District and Central Fire Protection District.

15. The Applicant or permittee shall defend, indemnify, and hold harmless the City of Capitola, its agents, officers, and employees from any claim, action, or proceeding against the City of Capitola or its agents, officers, or employees to attack, set aside, void, or annul an approval of the Planning Commission, City Council, Community Development Director, or any other department, committee, or agency of the City concerning a development, variance, permit, or land use approval; provided, however, that the Applicant's or permittee's duty to so defend, indemnify, and hold harmless shall be subject to the City's promptly notifying the Applicant or permittee of any said claim, action, or proceeding and the City's full cooperation in the Applicant's or permittee's defense of said claims, actions or proceedings.
16. Prior to occupancy, the Landscape Architect shall certify in writing that the landscaping and irrigation has been installed in accordance with all aspects of the approved landscape plans, subject to final approval by the Community Development Director.
17. Pursuant to CMC Section 17.72.070 (Landscape Maintenance), the property owner shall replace dead and dying plants, and add mulch to the landscaped areas along the south and east property line and existing paved lot for employee parking, as required by the Community Development Director. All planting shall be maintained, as required by CMC Section 17.72.070.
18. At time of submittal for demolition and/or building permit review, the applicant shall include a demolition work of scope statement and a demolition plan clearly identifying all areas of walls and floors to be demolished. The City may require a letter from a structural engineer. Any modifications to the demolition plans, including modifications to the scope of work, means and methods of demolition/construction, or changes to the framing, windows, or any other exterior elements shall be submitted to the Building Department for review and approval prior to proceeding with demolition and/or construction. In the course of construction, the City may require additional plans as they deem necessary.
19. Any sign illumination must be screened from direct view, so that the illumination does not shine into adjacent property or distract motorists or pedestrians.
20. Wall signs shall use illumination within the lettering and logo only. The background must be solid and may not be illuminated.
21. All sign illumination must comply with the standards of the sign ordinance and municipal code. Animated signs and moving lights are prohibited. No sign shall have an intensity of more than fifty foot-candles as measured from the ground level.
22. The site and improvements shall be well maintained and kept free of litter, debris, weeds and graffiti. Any graffiti shall be removed within 72 hours of discovery in a manner which retains the existing color and texture of the original wall or fence as most practically feasible.
23. All loading must take place on-site. No loading may take place in the street or block any sidewalk.
24. Hours for deliveries to the store shall be limited to 6:00 A.M. – 10:00 P.M. to minimize noise impacts to neighboring residents. Delivery vehicles shall not be permitted to remain at idle during non-delivery hours, shall utilize the loading zone at the rear of the property, and shall not stop or park within 200 feet of residential property boundaries.

25. The vehicle service center shall not exceed noise levels of sixty dBA as measured from the property line of a residentially zoned property. The service center shall not exceed noise levels of seventy dBA measured from all other property lines. Prior to issuance of building permit, A licensed acoustical engineer shall certify that the improvements within the building and the building itself will attenuate all noise occurring within the building so that the noise level outside of the building does not exceed 60 decibels during any period. If the study finds noise levels will exceed 60 decibels, the licensed acoustical engineer shall provide necessary mitigation measures to insure that exterior noise levels do not exceed 60 decibels, with possible mitigation including but not limited to insulating and enclosing necessary mechanical devices and and/or insulating the actual structure. All exterior doors, including maintenance doors, shall remain closed except when a vehicle is entering or exiting the service center.
26. Tesla shall maintain the Capitola location as a point-of-sale retail outlet in accordance with the provisions of the California Sales and Use Tax Regulations now in effect and as amended from time to time.

Public Works Department Conditions

27. Applicant shall notify the Public Works Department 24 hours in advance of the commencement of work. A pre-construction inspection must be conducted by the grading official, or appointed staff to verify compliance with the approved erosion and sediment control plan. All BMPs, sediment and erosion control measures shall be installed prior to the start of construction and shall be maintained throughout project duration.
28. During construction, any construction activity shall be subject to a construction noise curfew, except when otherwise specified in the building permit issued by the City. Construction noise shall be prohibited between the hours of 9:00 p.m. and 7:30 a.m. on weekdays. Construction noise shall be prohibited on weekends with the exception of Saturday work between 9:00 a.m. and 4:00 p.m. or emergency work approved by the building official. §9.12.010B.
29. Keep work site clear of debris and be aware of tracking mud, dirt, gravel into the street, and sweep daily, cover all stockpiles and excavation spoils. Practice Capitola Public Works Department good housekeeping and maintain temporary construction BMPs.
30. Prior to project final, any areas onsite with disturbed soils or denuded of vegetation must be stabilized or replanted so as to inhibit erosion by wind or water and are consistent with the project's approved drainage plan.
31. Prior to project final, all driveway approaches, curb, gutter, or sidewalk shall meet current Accessibility Standards. Any cracked or broken driveway approaches, curbs, gutters, or sidewalks must be identified, documented, and replaced per Public Works Standard Details. All areas that require replacement will be done per the Public Works Standard Details and to the satisfaction of the Public Works Department. A pre-construction inspection by Public Works staff is required to review and approve these conditions. All replaced features shall meet current Accessibility Standards. Public Works Standard Details can be accessed on the City's website:
<https://www.cityofcapitola.org/publicworks/page/standard-details-public-works>

32. Prior to any work in the City right-of-way (most often roads and sidewalks), an encroachment permit shall be acquired by the contractor performing the work. No material or equipment storage may be placed in the City right-of-way. To apply for an encroachment permit, please visit the City's website: <https://www.cityofcapitola.org/publicworks/page/encroachment-permits>
33. Encroachment Permits – all proposed work interfacing with the public right of way or outside of the limits of the private property will require an Encroachment Permit review. Standard Encroachment Permit – any work in the City right-of-way. Revocable Encroachment Permit – any work between the limits of the private property and City right-of-way.

Attachments:

1. Project Operation Letter
2. 1475 41st Avenue - Project Plans
3. 1475 41st Avenue – Sign Plans
4. 1404 38th Avenue – Site Plan
5. 1404 38th Avenue – Landscape Plan
6. 1475 41st Avenue – Kimley-Horn Parking Study Technical Memorandum
7. 1475 41st Avenue - RRM Design Review Memo – January 23, 2026

Report Prepared By: Gina Paolini, Principal Planner

Report Reviewed By: Rosie Wyatt, Deputy City Clerk; Leila Moshref-Danesh, City Attorney's office

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