

Capitola Mall Zoning Code Amendments

City Council

March 16, 2026





Presentation Overview

- **Part 1:** Project Background
- **Part 2:** Additional information on:
 - Merlone Geier Partners 2/23/2026 letter
 - Merlone Geier Partners 3/15 letter
 - Items identified by City Council on 2/23/2026 meeting



What is a Housing Element?

Long range plan which identifies:

- Housing Needs
- Housing Constraints
- Goals, Policies, and Objectives
- Housing Programs
- Sites Inventory



Housing Element Background

- Updated Housing Element adopted 2024
- Housing Element programs require Zoning Code Amendments
- Zoning Code amendments: adopted in 2024
- Residential Multifamily (RM) zone amendments: adopted in September 2025
- Mall Zoning Code amendments: in process



Housing Element Background

Capitola Mall Zoning Amendments:

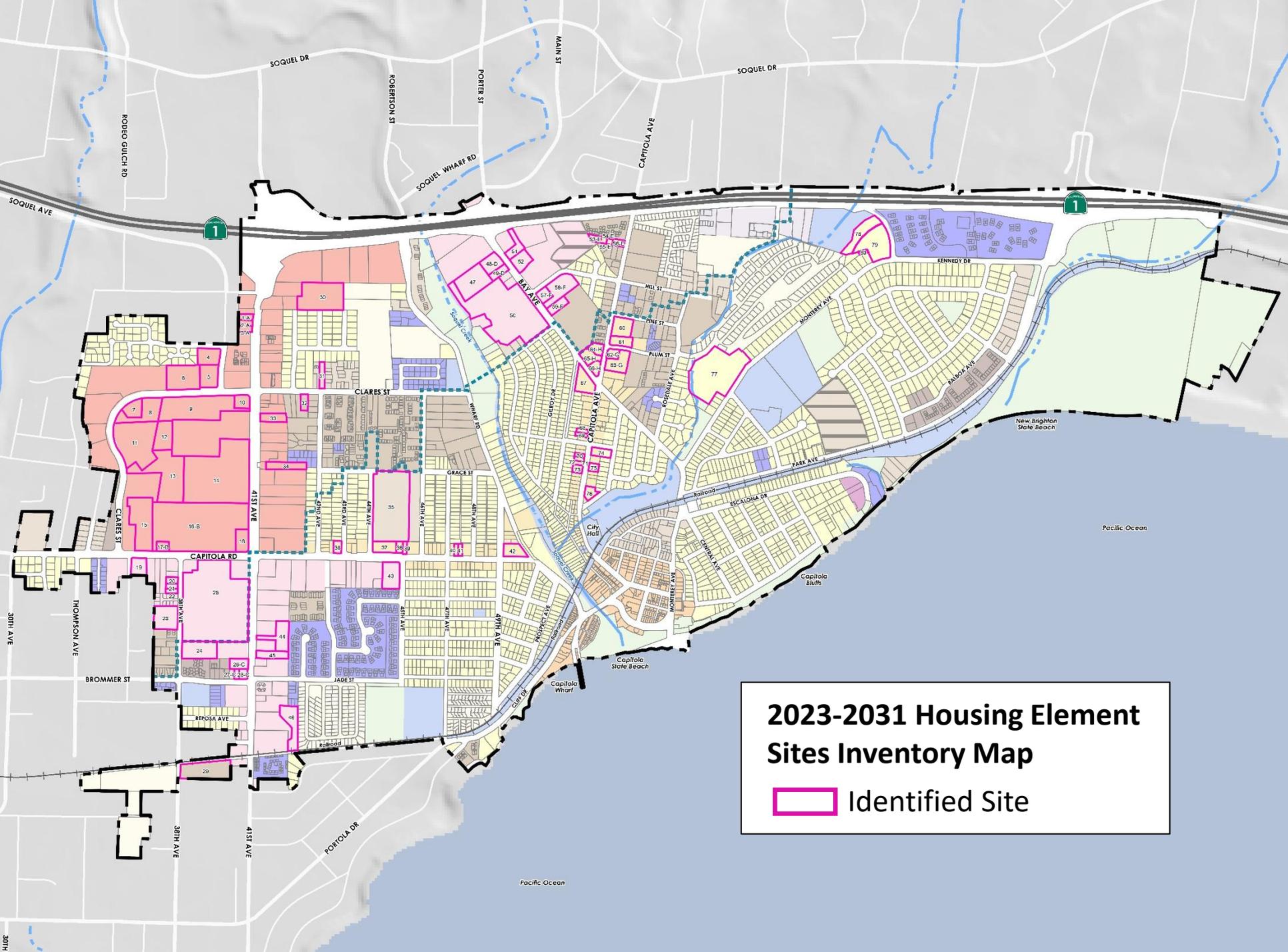
- Align with Housing Element Sites Inventory
- Implement Program 1.7 (Shopping/Commercial Center Redevelopment)



Housing Element Sites Inventory

- The Housing Element must identify adequate sites to accommodate regional housing needs allocation (RHNA) for 8-year planning period
- Capitola's 2023-2031 RHNA:

Income Level	Percent of Area Median Income	RHNA	
		Units	Percent
Extremely Low	Up to 30%	215	16%
Very Low	31% to 50%	215	16%
Low	51% to 80%	282	21%
Moderate	81% to 120%	169	14%
Above Moderate	More than 120%	455	34%
Total	-	1,336	-



**2023-2031 Housing Element
Sites Inventory Map**

 Identified Site



Housing Element Sites Inventory

Sites Inventory

Location	Housing Units
Entire Block	1,777
MGP Properties	1,126

Housing Element Programs 1.6 & 1.7



1. Develop land use policies to facilitate shopping center redevelopment with a strong sense of urban design cohesion
2. Establishes Capitola Mall as all properties between Clares St, 41st Ave, and Capitola Rd.
3. Building height up to 75 feet for Mall Redevelopment
4. Define “Mall Redevelopment” to mean a mix of uses including residential and retail/commercial components
5. Exclude parking garages from project FAR calculations
6. Adopt objective development standards to facilitate mall redevelopment



State Housing Laws

By-Right Approvals

- SB 35 (2017)
- AB 2011 and SB 6 (2023)

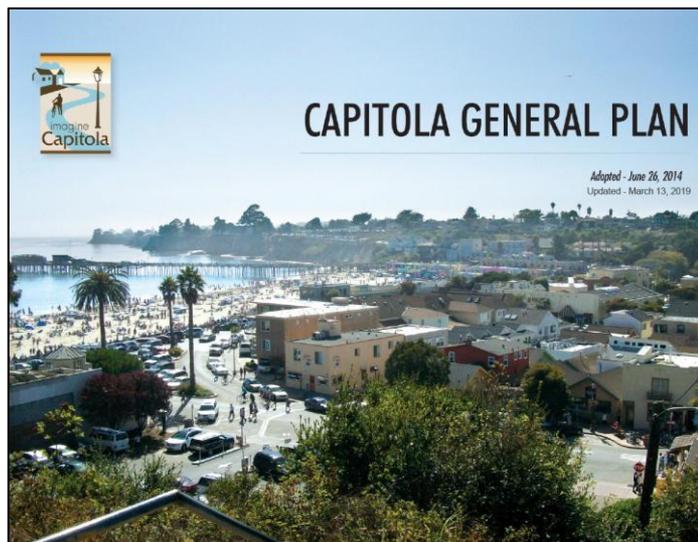
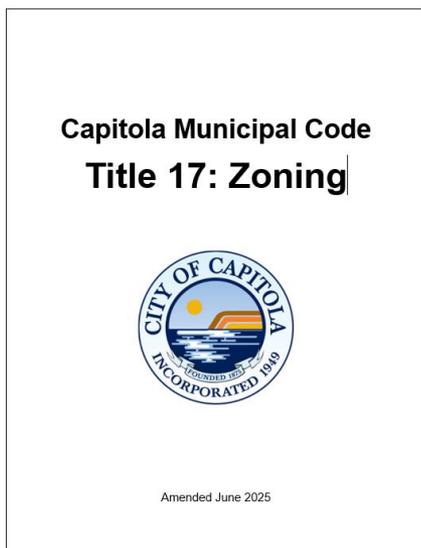
Other Limitations

- Housing Accountability Act
- Housing Crisis Act (SB 330, 2019)
- Builder's Remedy



Current Amendments

- Municipal Code Title 17: Zoning Code
- General Plan Land Use Element





Meetings & Public Outreach

2025

- October 23 City Council reviews workplan
 - September 11 City Council adopts modified streamlined workplan
 - October 2 Planning Commission (PC) Work Session
 - October 8 Community Meeting
 - Oct & Nov Stakeholder Meetings
 - October 30 PC Work Session
 - Nov 19 PC Work Session – Partial draft
 - December 4 PC 1st Draft
- 2026
- February 5 PC 2nd Draft – Recommend to CC
 - February 23 CC 1st Draft - Continued
 - March 16 CC 2nd Draft



General Plan Amendment

Land Use Element Amendment

- Mall property has maximum FAR of 2.0 for residential and mixed-use development in compliance with objective standards.

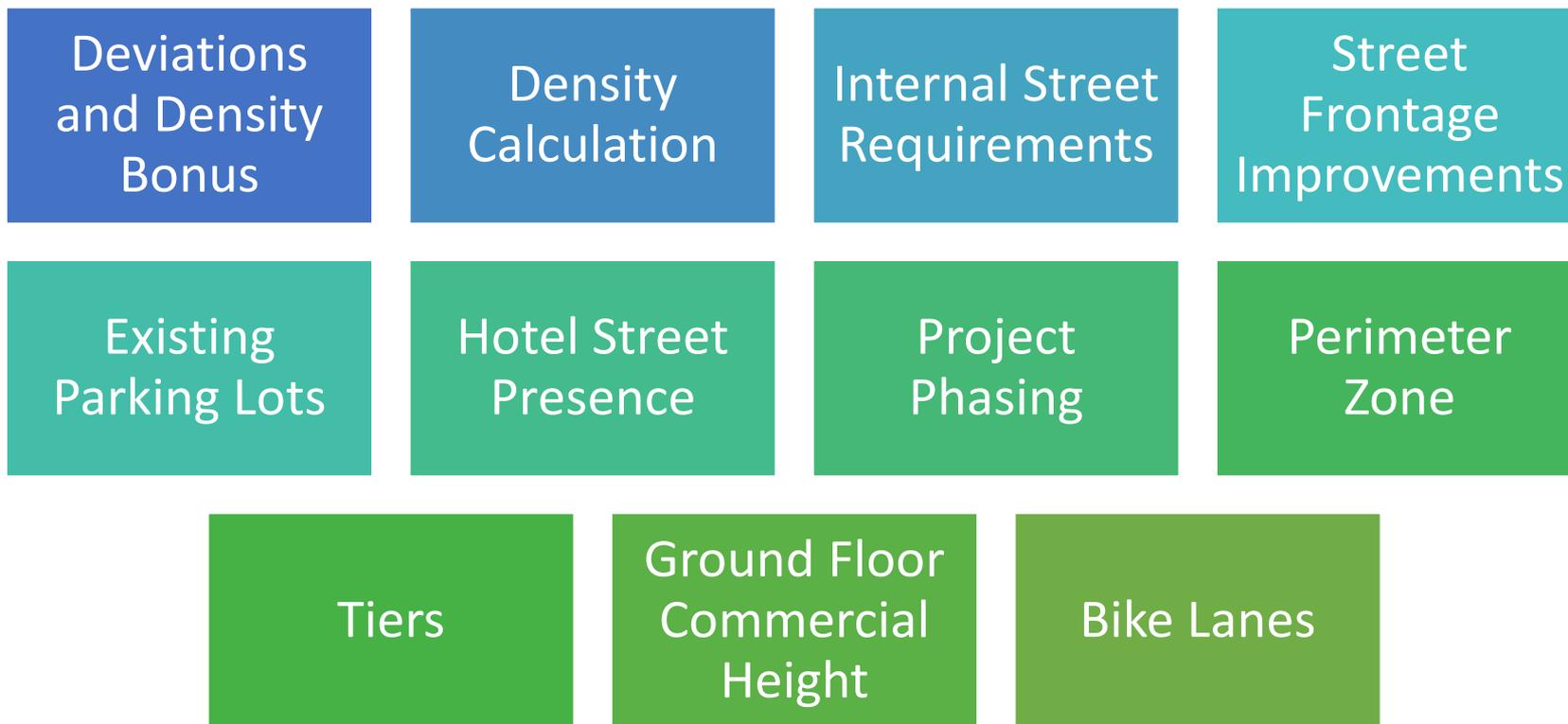


Presentation Part 2

- Merlone Geier Partners 2/23/2026 letter
- Merlone Geier Partners 3/15 letter
- Items identified by City Council on 2/23/2026 meeting



MGP 2/23 Comment Letter





MGP 3/15 Comment Letter

Deviations and Density Bonus ✓	Density Calculation ✓	Internal Street Requirements ✓	Street Frontage Improvements ✓
Existing Parking Lots ✓	Hotel Street Presence ✓	Project Phasing ✓	Perimeter Zone
Tiers	Ground Floor Commercial Height	Bike Lanes	Bike Parking <i>New</i>



Tiers

Tiers 1



100% Housing Development

No Commercial

Must be allowed on Regional Commercial site
pursuant to California State Law

Tiers 2 & 3



Zoning
Incentives

Community
Benefits

Height

Housing

Floor Area

Hotel

Density

Meeting Space

Parking

Retail



Tiers	1	2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Min. Density (du/ac)	20	20	20	20	20	20	20	20	20
Max Density (du/ac)	48	48	48	53	53	53	53	53	53
Perimeter Zone									
41 st Ave. (ft)	125	125	75	75	125	75	125	75	125
Capitola Rd. (ft)	125	125	75	75	125	75	125	75	125
Clares St. (ft)	125	125	125	125	125	125	125	125	125
Perimeter Height	55	65	75	65	65	75	65*	75	55
Core Height	75	75	85	85	85	85	85	85	85
Open Space	5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Affordable Housing	20%	20%	20%	20%	20%	20%	20%	20%	20%
Commercial sf	0	30k	25k	35k	40k	35k	200k	200k	200k
Hotel Rooms	0	85	85	120	125	120	0	0	0
Meeting Space sf	0	3k	2.5k	4k	4k	4k	0	0	0

Tiers	1	2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Min. Density (du/ac)	20	20	20	20	20	20	20	20	20
Max Density (du/ac)	48	48	48	53	53	53	53	53	53
Perimeter Zone									
41 st Ave. (ft)	125	125	75	75	125	75	125	75	125
Capitola Rd. (ft)	125	125	75	75	125	75	125	75	125
Clares St. (ft)	125	125	125	125	125	125	125	125	125
Perimeter Height	55	65	75	65	65	75	65*	75	55
Core Height	75	75	85	85	85	85	85	85	85
Open Space	5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%	2.5%
Affordable Housing	20%	20%	20%	20%	20%	20%	20%	20%	20%
Commercial sf	0	30k	25k	35k	40k	35k	200k	200k	200k
Hotel Rooms	0	85	85	120	125	120	0	0	0
Meeting Space sf	0	3k	2.5k	4k	4k	4k	0	0	0



Minimum Hotel & Meeting Space

Tiers	1		2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW	
Hotel Rooms	0	85	85	120	125	120	0	0	0	
Meeting Space	0	3k	2.5k	4k	4k	4k	0	0	0	

KMA - Capitola Mall Retail and Hotel Market Overview:

- Hotel may exceed market average revenues with a strong operator and brand
- No recommendation on specific room count
- 85-room hotel - typical and likely supported by market demand
- 25 – 30 sf of meeting space per hotel room



Minimum Hotel & Meeting Space

Tiers	1		2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW	
Hotel Rooms	0	85	85	120	125	120	0	0	0	
Meeting Space	0	3k	2.5k	4k	4k	4k	0	0	0	

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

*25 – 30 sf of meeting space per hotel room



Minimum Commercial Area

Tiers	1	2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Commercial Minimum sf	0	30k	25k	35k	40k	35k	200k	200k	200k

KMA - Capitola Mall Retail and Hotel Market Overview:

- Mall properties continue to have strong redevelopment potential
- Residential & hotel help overall retail environment within block
- Retail demand strongest in food and beverage, smaller tenants
- New retail development between 25,000 and 35,000 sf



Fiscal Analysis



Fiscal Impact Analysis \$

Estimates incremental change to City revenues and expenditures generated by development application

Tool for City to understand impacts and plan mitigation to offset any projected negative fiscal impact

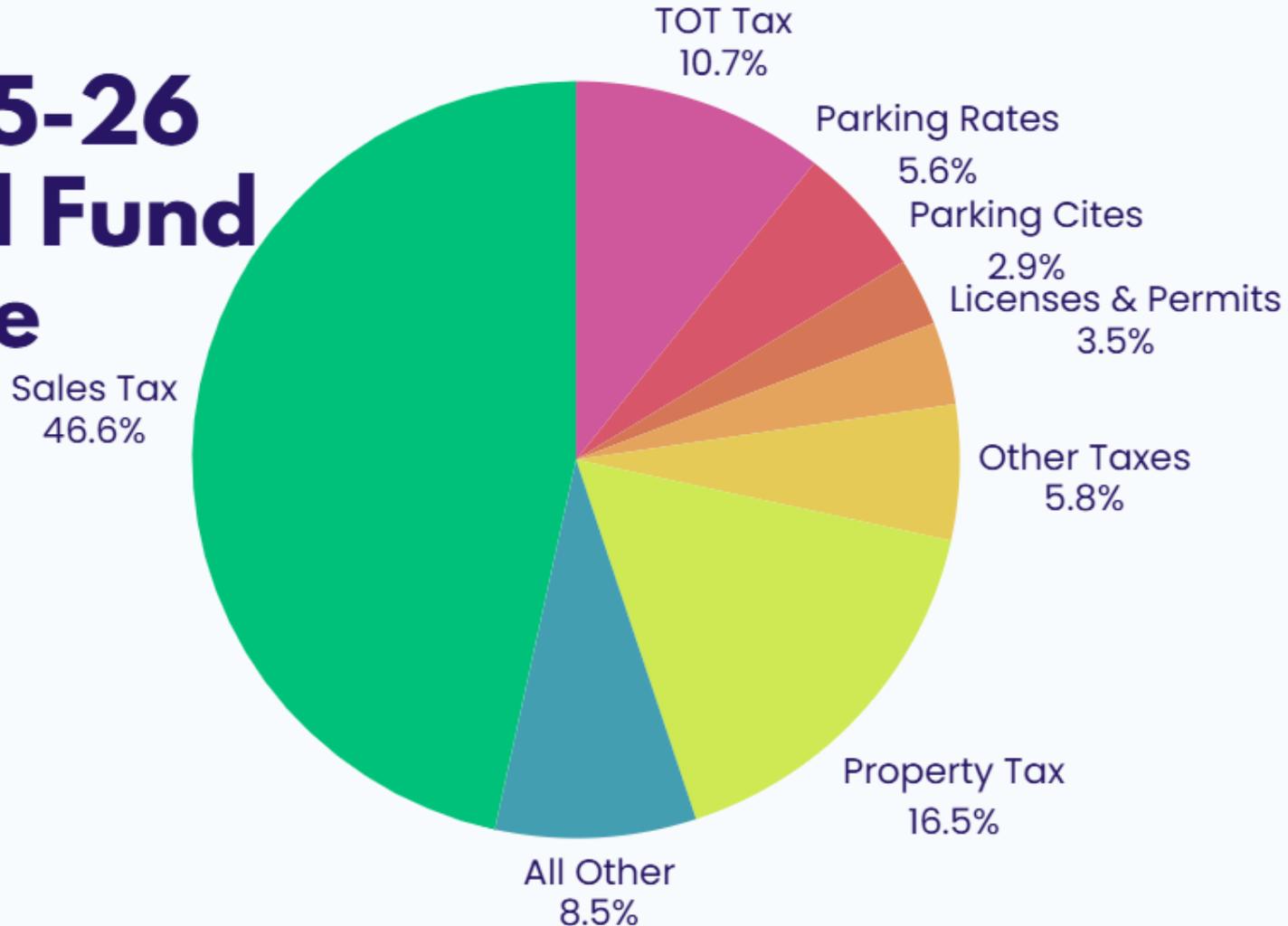
100% Affordable Developments exempt from FIA

Cannot be used as basis to deny or reduce density

Why is City Considering Fiscal Impacts?



FY 2025-26 General Fund Revenue



Tiers – Fiscal Analysis



Tiers	1	2		3A			3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Max Density (du/ac)	48	48	48	53	53	53	53	53	53
Units	1,256	1,256	1,256	1,326	1,326	1,326	1,326	1,326	1,326
Commercial	0	30k	25k	35k	40k	35k	200k	200k	200k
Hotel Rooms	0	85	85	120	125	120	0	0	0
Meeting Space	0	3k	2.5k	4k	4k	4k	0	0	0
Revenue	.5M	1.5M	1.4M	1.9M	2.0M	1.9M	2.0M	2.0M	2.0M
Cost	1.2M	1.2M	1.2	1.5M	1.3M	1.3M	1.3M	1.3M	1.3M
Economic Impact	-750k	300k	200k	500k	700k	600k	700k	700k	700k



Fiscal Analysis: Tier 2

- Mall Revenue \$1.5M

Sales Tax, TOT, Property Tax, Motor Vehicle In Lieu, Gas Tax, Secondary Economics, etc.

New Revenue	1,966,830
- <u>Lost Existing Revenue</u>	- <u>470,552</u>
Net Revenue	\$1,496,277

- Mall Expenditure \$1.2M

2019 cost per person (\$785) with decrease demand for Police and Public Works, adjusted for inflation

2019 FIA (Kosmont) Cost: \$785
Less 50% Police & 75% Public Works: \$504
Plus 29% Inflation
<u>2026 Updated Cost \$650:</u>
\$1,225,509

- Net Fiscal Impact \$270k

1,496,277
- <u>1,225,509</u>
\$270,768



PC Tier 2 Fiscal Analysis: Household Size

Household Size (1.5 persons)

- Net new Revenue \$1.5 million
- New Expenditures: \$1.2 million
- Net impact: \$270k

Household Size (2.1 persons)

- Net new Revenue \$1.67 million
- New Expenditures: \$1.71 million
- Net impact: -\$40k

Changing household size by 0.6 people impacts net project impacts in each Tier by approximately -\$300k



Example allocations of additional Tier 2 Mall \$1.5M model revenue

- 50% increase in Police patrol force, or
- 100% increase Public Works Crew, or
- Mix of new Officers, PW Crew and outreach staff

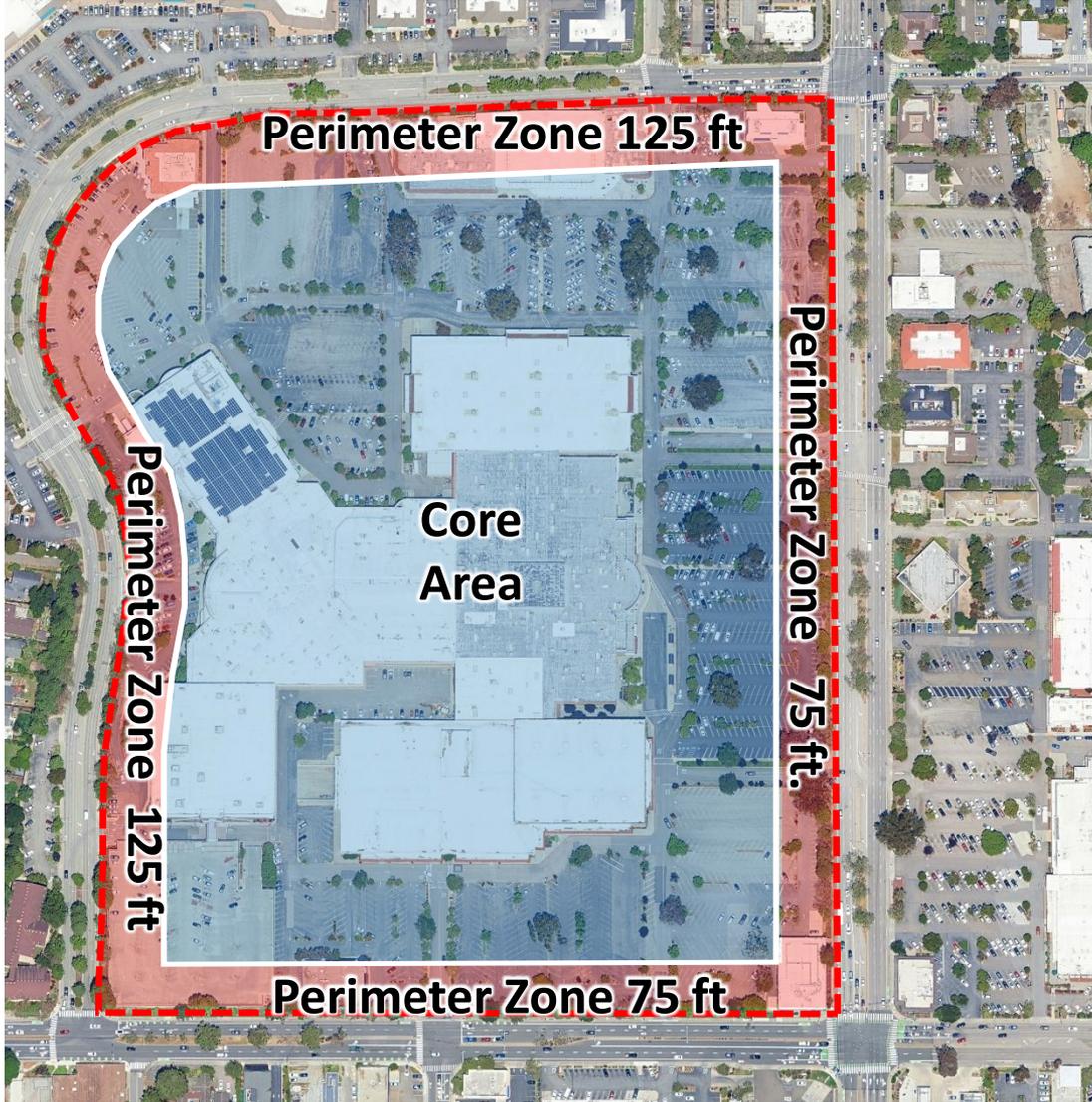
Shown for example purposes only - not specific staffing proposals. Future decisions regarding service levels would be subject to future City Council action, City service needs, and actual City revenues



Perimeter Building Height



Perimeter Building Heights



Perimeter Zone:
125 feet from
Clares St

75 feet from
41st Avenue
Capitola Rd



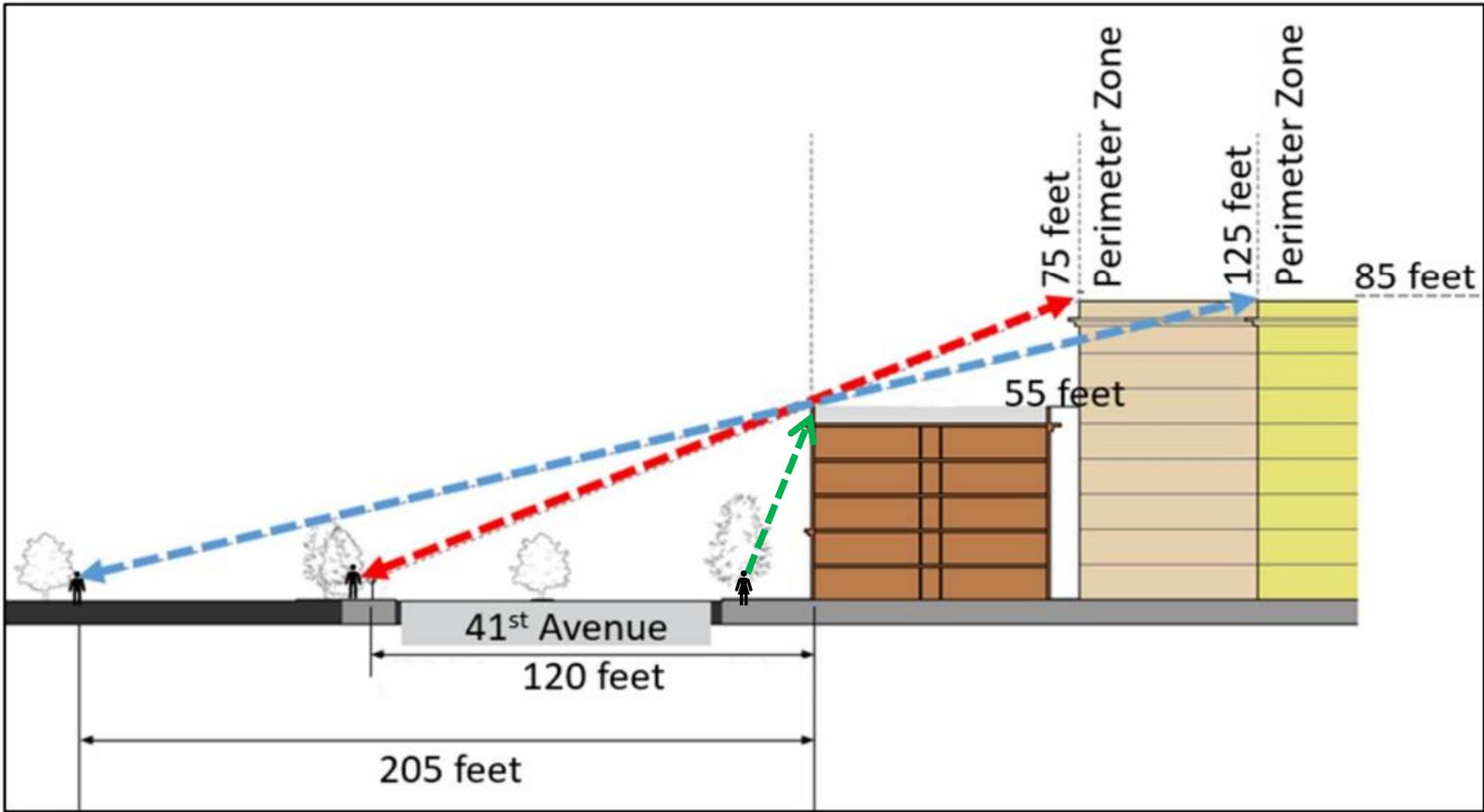
Perimeter Building Heights

Tiers	1	2			3A		3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Perimeter Height	55	65	75	65	65	75	65*	75	55
Core Height	75	75	85	85	85	85	85	85	85

MGP: Request to increase perimeter height to 75 feet

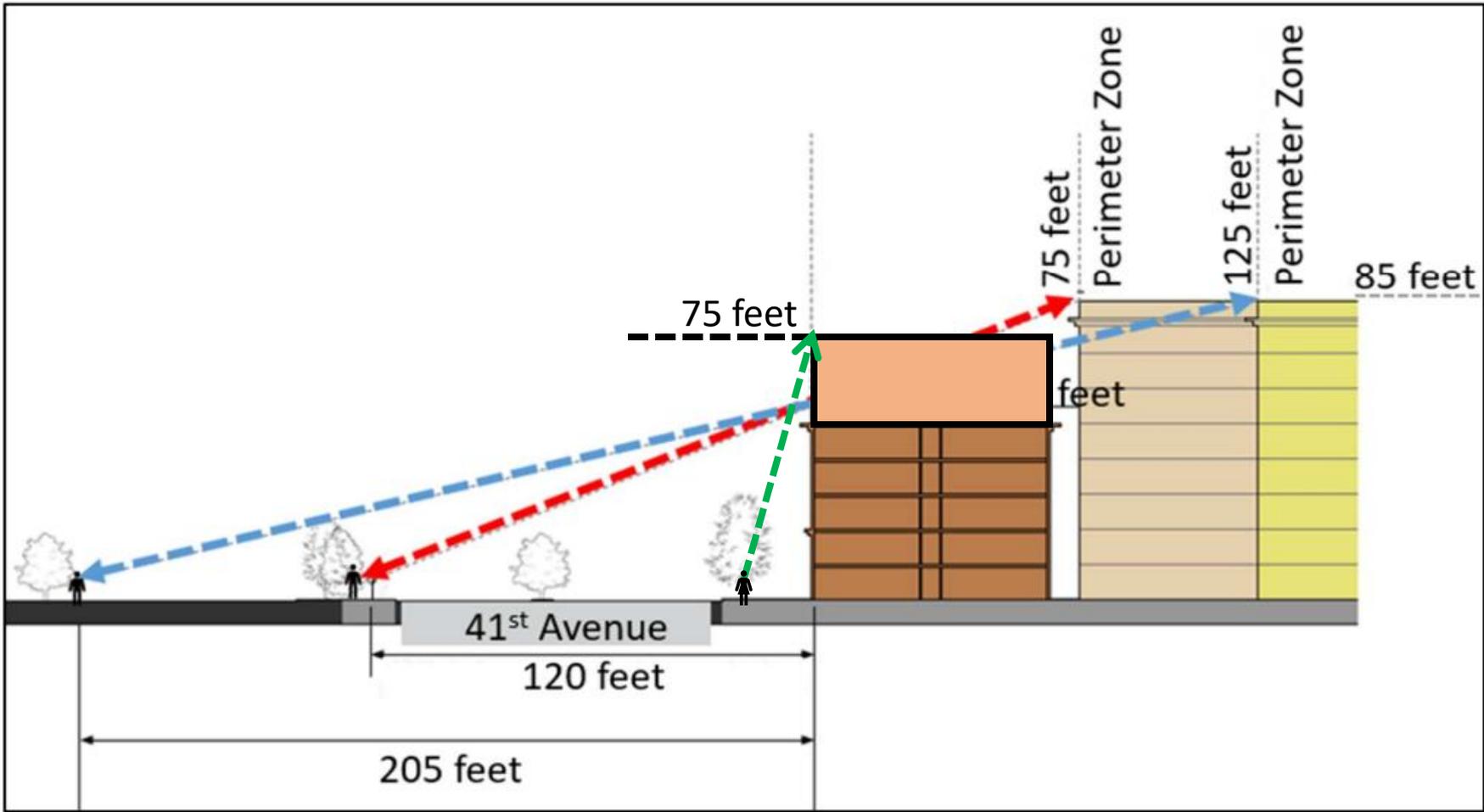


Perimeter Building Heights





Perimeter Building Heights





Perimeter Building Heights

Tiers	1	2			3A		3B		
	All	PC	MGP	SW	PC	MGP	PC	MGP	SW
Perimeter Height	55	65	75	65	65	75	65*	75	55
Core Height	75	75	85	85	85	85	85	85	85

Perimeter Height Staff Recommendation:

Tier 1: 55 feet

Tier 2 & 3: 65 feet



Ground Floor Commercial



Ground Floor Commercial

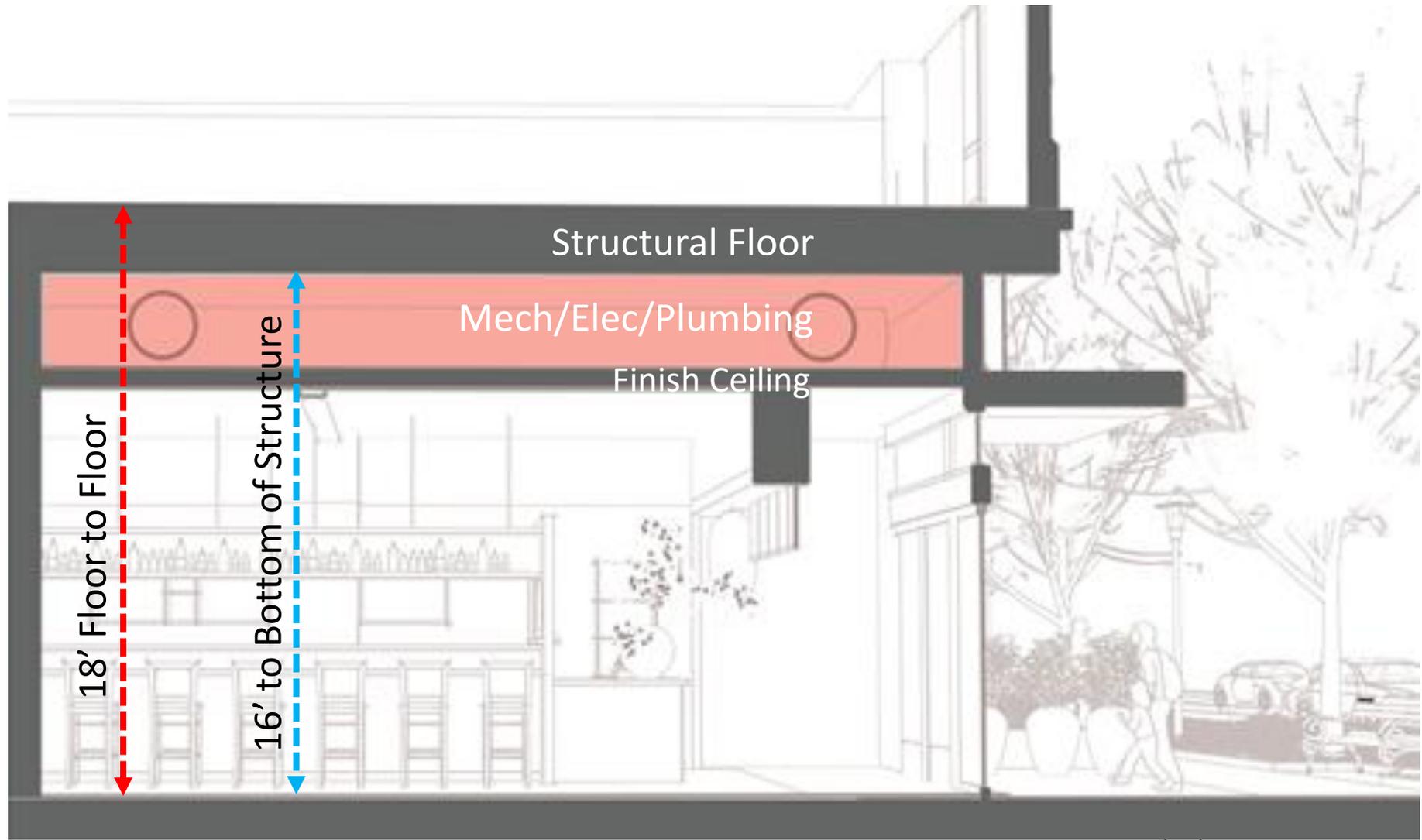
MGP: Reduce ground floor height, measured floor to floor, for non-restaurant and hotel uses to 16 feet

Original Code: 18 feet floor to floor minimum

Intent of High Ceilings:

- Flexibility of Tenant Space
- Market Competitiveness - Retailer specifications
- Natural light and better storefronts to attract and retain quality tenants
- Expect less commercial but require higher quality

Ground Floor Commercial



Structural Floor

Mech/Elec/Plumbing

Finish Ceiling

18' Floor to Floor

16' to Bottom of Structure

Ground Floor Commercial



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

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

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



Bike Lanes





Bike Lanes

MGP: Allow sharrows throughout project

Draft: Bike lanes required on all internal streets, except sharrows allowed in front of commercial uses.



Bike Lanes

46 acre block / 31.5 owned by MGP

Today: No streets, no bike lanes, no housing

In future: Most dense neighborhood in Capitola

General Plan “As a long-term vision for Capitola Mall, support the addition of a new interior street within the mall property lined with sidewalk-oriented retail, outdoor dining, and pedestrian amenities. This new street should be connected with the existing street network surrounding the Mall property to enhance mall access for all modes of transportation”



Bike Lanes

Staff Recommendation:

No changes to Planning Commission recommendation.

- Continue to require bike lanes on new internal streets.
- Limit sharrows to areas in front of commercial only.
- Deviation section of code would apply and provide flexibility if warranted.



Bike Parking

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

Long Term Parking – Must be secured.

Secured: Storage room, fenced area with gate, viewed by attendant or security camera, visible from employee work area.



Bike Parking

Staff Recommendation: Review multifamily bike parking requirements citywide with next zoning code updates.



Project Phasing

Step 1:

Deed restrict on parcel w hotel and/or commercial

Step 2 Options:

- Certificate of Occupancy Phasing, OR
- Annual fee payments



Project Phasing

Option 1: Certificate of Occupancy Phasing

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



Project Phasing

Option 2: Annual Fee Payments

- (1) Tier 2 or Tier 3 project enter a contract to pay an annual fee to the City per market rate unit for which a Certificate of Occupancy has been issued.
- (2) Fee amount calculated during the entitlement within the Fiscal Impact Analysis in a form approved by the City Attorney.
- (3) First payment due one year after the issuance of Certificate of Occupancy, and annually thereafter.

Staff Recommendation:

- 1) Adopt a resolution amending the General Plan Land Use Element;
- 2) Introduce for first reading, by title only, waiving further reading, an ordinance amending Capitola Municipal Code Title 17: Zoning; and
- 3) Adopt a resolution authorizing submittal to the California Coastal Commission for the certification of an amendment to the Local Coastal Program.