

**Herlihy, Katie (kherlihy@ci.capitola.ca.us)**

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**From:** Clark Cochran <clark.e.cochran@gmail.com>  
**Sent:** Wednesday, March 11, 2026 11:30 AM  
**To:** City Council  
**Subject:** Don't Make the Same Mistakes as Los Gatos

Los Gatos had an orchard developed into a subdivision called the North 40 with about 800 dwelling units. They are townhomes, condos and apartments, with 67 designated as affordable. The developer was allowed to set open space zoning as being roads, sidewalks, and planting strips. I'm told owners are now selling because there is no open space for residents, especially children, to be outside.

Our proposed Mallcity will be much larger and denser but the mini parklets won't provide any real open space. We have focused on the needs of the developer and the needs of the city, but I have yet to hear focus on the needs of the residents. Using my guesstimate numbers, 2,000 occupants could mean 400 children of which 200 might be too young to ride their bikes to other parts of our city. Where will they be able to go outside? Same for adults to watch their young children and enjoy just being outside in beautiful weather. Many tiny open spaces won't allow any activities. 85 foot high buildings will only allow a glimpse of sunlight at midday. Let's try to keep as large an open space as possible. No need for anything fancy. Grass would be adequate. Anything more would be a bonus.

If we are forced to "Manhattanize" Capitola, make it livable. Let's do it right and not make the same mistakes as Los Gatos.

- Clark Cochran  
Resident and Homeowner

## Herlihy, Katie (kherlihy@ci.capitola.ca.us)

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**From:** Kevin Maguire <kmaguire831@gmail.com>  
**Sent:** Wednesday, February 25, 2026 10:20 AM  
**To:** Herlihy, Katie (kherlihy@ci.capitola.ca.us); Westman, Susan; Gerry Jensen; Goldstein, Jamie (jgoldstein@ci.capitola.ca.us); Melinda Orbach; Clarke, Joe; Margaux Morgan; City Clerk  
**Subject:** [PDF] Capitola Mall – Fiscal Balance, Retail Replacement, and Objective Standards  
**Attachments:** Capitola Comparison Table and ODS.pdf

Dear Mayor and Councilmembers,

Thank you again for the time and seriousness each of you has brought to the Mall zoning discussion. After reviewing the City's adopted budget, ACFR, prior 41st Avenue studies, and the recent staff reports, I would like to respectfully raise several structural questions that I believe are critical to long-term fiscal sustainability and balanced redevelopment. (@Katie how can we view the full Kosmot report and the Keyser Marsten reports)

### 1. Retail Replacement vs. "New" Retail Demand

The Mall site currently contains approximately 537,000 square feet of retail space in active use, supporting dozens of businesses and serving as a major regional sales tax generator. The Keyser Marston analysis references 25,000–35,000 square feet of **new** supportable retail demand along 41st Avenue. There is currently 60 out of 77 potential business at the Mall right now. Excluding Sears/Spirit: 115,000; Macy's 101,000; Target 98,120; Kohls 75,000. Occupied space is 147,849. With about 40,000 square feet of available space.

Can the City clarify whether that figure was intended as incremental new demand in addition to existing supply, or as replacement for the current Mall footprint? If redevelopment reduces retail from over 500,000 square feet to a minimum of 35,000–40,000 square feet, that represents a profound shift in land use and revenue structure.

Given that sales tax comprises roughly 46% of General Fund revenues, the retail-to-residential balance is not simply a design issue — it is a structural fiscal issue.

### 2. Fiscal Modeling Transparency

Before final zoning standards are locked in, it would be helpful for the public to understand:

- Assumed rent levels and valuation assumptions for projected housing units
- Estimated annual property tax yield per unit
- Sales tax projections under different retail replacement scenarios
- Service cost assumptions tied to population growth
- Phasing assumptions for construction-related revenue shortfalls
- 20-year fiscal modeling scenario. Projected long-term fiscal impact at full buildout.
- If Housing increase service demand, how will the city align revenue to avoid structural deficits?
- Clarity on the 50% reduction in needed police resources?

- Based on the City of Capitola regular employee salary chart, only the City Manager, some Mid-Management, Chief of Police, and Department heads could afford Market rate rents.

The budget narrative notes future structural imbalances related to pension growth. It is therefore essential that Mall redevelopment strengthens, rather than destabilizes, the City's long-term fiscal position. (pension growth and employment costs will continue to rise with more headcounts, inflation and trying to pay a quality wage)

### **3. Mixed-Use Balance and Phasing**

If hotel and commercial uses are critical for fiscal resilience, are there phasing mechanisms that ensure meaningful commercial and hotel components are delivered alongside, rather than after, large residential phases?

Additionally, current conference space programming (4,000 sq ft | aprox. 65x60 feet ) appears modest relative to regional competitors such as The Grove at the Santa Cruz Boardwalk (20,000 sq ft). If the goal is meaningful TOT growth, this component may warrant reevaluation.

Comparison to Santana Row, with an equal footprint of 42 acres. is home to ~615 luxury rental apartments, ~219 privately-owned condominiums, more than 50 shops, ~30 restaurants, A movie theatre, Spas and salons. Santana Row functions as a walkable retail/dining hub, not just apartments above shops.

The Hotel Valencia Santana Row has ~215 rooms. And Office / Other User, there is ~ 1 million+ sq ft of office space in Class A buildings adjacent to Santana Row, which integrates daytime employment with retail and residential.

### **4. Objective Design Standards as Guardrails**

With ministerial pathways likely to apply, objective standards become the City's primary tool for shaping outcomes. Other California cities have used measurable standards to protect community character and fiscal balance. Capitola may wish to consider:

- Minimum average unit size requirements
- Required percentage of 2- and 3-bedroom units (see attachment)
- Retail frontage and minimum commercial depth requirements
- Mandatory plaza or public open space minimum square footage
- Phasing triggers tied to infrastructure certification
- Height step-backs above defined street edges
- Commercial heights of 18 feet floor to floor, maybe compromise on internal streets down to 14 feet. 18 Feet is the standard; many major restaurants and commercial spaces require 17-20 feet.

These standards must be measurable, clear, and legally defensible — but they are essential if the City is to guide this transformation responsibly.

Our goal is to understand housing compliance. And to ensure that redevelopment strengthens Capitola's fiscal durability, preserves commercial vitality, and protects long-term service capacity.

This site will shape our City for generations. Thoughtful calibration now will prevent difficult consequences later.

As most of you know, I am born and raised here. My grandparents moved here in 1965. On my father's side, they have been in Santa Cruz since the 1940's. And I would love for my children to live here, my friends that are teachers to live here.

Thank you for your leadership and for continuing to engage in these complex issues.

Best,  
Kevin Maguire

## 2 Visual Comparison Table

### Current vs. Proposed Conceptual Scenarios

Category	Current Mall	Tier 2 (Conceptual)	Tier 3 (Conceptual Upper Range)
Acres	~37-42	~37-42	~37-42
Retail Sq Ft	~537,000	25,000-40,000 minimum	35,000-40,000 minimum
Number of Retail Businesses	59+ (more incl. anchors)	~12-18 estimated	~15-20 estimated
Housing Units	0	~1,200-1,400	~1,700-2,000+ possible
Population Impact (est.)	N/A	2,000-3,000	3,000-5,000+ depending on mix
Conference Space	N/A	~4,000 sq ft	~4,000 sq ft
Major Sales Tax Driver	Yes	Significantly reduced	Significantly reduced
Primary Revenue Shift	Sales tax dominant	Property tax shift	Property tax dominant

“Sales tax = 46% of General Fund revenue”

### **3 Examples of Strong Objective Design Standards in California**

Here are real-world examples where cities used measurable standards in large redevelopment areas:

#### **San Diego – Complete Communities**

- Required minimum commercial frontage percentages
- Required minimum active-use ground floor depth
- Objective step-back requirements above certain heights
- Affordable housing incentives tied to additional FAR

#### **Mountain View – East Whisman Precise Plan**

- Required minimum 10%–20% 2+ bedroom units in large projects
- Required average unit size minimums in certain subareas
- Retail frontage requirements along key corridors
- Measurable block-length maximums

#### **San Jose – Urban Village Plans**

- Ground floor commercial depth minimums (e.g., 50 feet)
- Required pedestrian paseo spacing
- Measurable façade articulation intervals
- Minimum public open space square footage per unit

#### **Santa Monica – Downtown Community Plan**

- Required percentage of family-sized units
- Height step-backs triggered at defined feet
- Mandatory ground-floor transparency percentages

#### **Redwood City – Downtown Precise Plan**

- Required hotel incentives tied to additional height
- Retail activation requirements along primary streets
- Maximum building length before façade break

## **How Capitola Could Adapt This**

### **1. Unit Mix (Objective + Measurable)**

- Minimum 25% of units must be 2+ bedrooms
- Minimum 10% must be 3-bedroom units
- Minimum average unit size of 850–900 sq ft (if legally vetted)

This controls population density per acre without reducing unit count.

### **2. Affordable Housing Lever**

- Require higher affordability percentage for 100% residential projects
- Offer height/FAR bonus only if hotel or meaningful commercial included

Tilt economics toward mixed-use.

### **3. Retail Protection**

- Minimum commercial square footage per phase
- Ground floor commercial depth of 40–60 feet on primary streets
- Required active frontage on at least 60–75% of perimeter

### **4. Phasing Triggers**

- Infrastructure certification before occupancy of each 300–500 unit increment
- Commercial delivery before final residential phase
- Public safety staffing ratio trigger

### **5. Building Form Controls**

- Step-back above 55–65 feet on perimeter streets
- Maximum building length before 40–60 foot articulation break
- Minimum public plaza of X square feet per acre

Mayor Morgan & Council Members  
Capitola City Council  
420 Capitola Ave,  
Capitola, CA 95010



March 11, 2026

Dear Mayor Morgan & Councilmembers,

On behalf of the over 8,500 hospitality members of UNITE HERE Local 19 and the 60,000 members of the Monterey/Santa Cruz Building and Construction Trades Council, we write to express the importance of ensuring responsible development in the Capitola Mall Development Project. Our members are excited about a project that can respond to the housing crisis and bring more economic development and tax dollars to Capitola. However, we urge the Council to hold off on approving the proposed Zoning Code Amendments on Monday, March 16<sup>th</sup> as there are still many conversations to be had regarding how this development will be beneficial to the community and the City.

As the City prepares to enact significant changes to its Zoning Code, it risks depriving itself of the tools that are currently in place to ensure responsible development of hotels. One critical concern with the proposal is that it would make hotels permitted by right, eliminating the conditional use permit requirement.

The current conditional use permit requirement allows the City Council to ensure consistency with the general plan and attach conditions of approval to achieve that.<sup>1</sup> It also allows for community engagement with the public hearing requirement and maintains necessary oversight to make sure that hotel developments would not be “detrimental to the public health, safety, and welfare.”<sup>2</sup> These existing requirements were set in place to ensure responsible hotel development in Capitola. This is especially important because hotels potentially bring significant numbers of low-wage jobs to the city and increase the already-high demand for affordable housing.

The proposed Zoning Code Amendments go beyond the stated goal of supporting housing, providing significant incentives for a hotel while also stripping away the City’s current permitting oversight. These revisions were made for “increased flexibility for Hotel development” in response to comments from the property owner and the City’s desire to

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<sup>1</sup> 17.124.070. Findings for Approval. Chapter 17.124 USE PERMITS, Capitola Municipal Code.  
<https://www.codepublishing.com/CA/Capitola/#!/Capitola17/Capitola17124.html#17.124>

<sup>2</sup> Ibid.

incentivize hotel development.<sup>3</sup> The proposal includes many incentives for hotel development, including the higher allowed FAR and the more than doubling the maximum height.<sup>4</sup> Given these aforementioned incentives, it is not necessary for the City to impose further restrictions on its own power to ensure responsible hotel development by eliminating its conditional use permitting for the hotel, all while maintaining conditional use for residential development. Staff cited that maintaining the residential conditional use will “enable the City to ensure a mall redevelopment project that complies with objective standards and CEQA and minimizes potential community impacts.”<sup>5</sup> Why should these standards not be applied to hotel development in the Zoning Update?

**We ask the City Council to hold off on passing the current proposal until conversations have been had about how this development will be beneficial for the community, including with the hotel’s permitting.** The developer has not yet submitted a proposal for the hotel, so reducing its permitting requirements as an incentive without knowledge of what the hotel proposal is would risk streamlining the process of careless hospitality development.

**The current Zoning Code Amendment proposal should be adjusted so that hotel use continues to require conditional use permits, allowing the City to continue working towards community-oriented development in Capitola.** The city should retain its discretion in considering the impacts of hotel development on the community. **If the City is to allow a hotel project, it should require a study to ensure that it will not create a negative impact on the community or exacerbate the shortage of affordable housing.**

We recognize that the hotel development is important to the City’s budget and we are aligned with City goals of developing a project that is beneficial for the City, the community, and the workers at this project. We hope you will take the time on Monday to maintain strong guardrails to ensure that the future project is consistent with this goal. We are happy to work with you and the developer before then to continue this conversation.

Thank you.

Sincerely,

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<sup>3</sup> Special City Council Meeting Packet. February 23, 2026, pg. 29, <https://mccmeetings.blob.core.usgovcloudapi.net/capitolaca-pubu/MEET-Packet-f6877abf2c3f421784777cab1a307b39.pdf>

<sup>4</sup> Ibid. Pg. 27 & 53.

<sup>5</sup> Special Planning Commission Meeting Agenda. October 30, 2025, pg. 14 <https://mccmeetings.blob.core.usgovcloudapi.net/capitolaca-pubu/MEET-Packet-c57df39de501436788b0c69c9c743eff.pdf>



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