



[PDF] MGP 3.14.26 Comment Letter

From Jamas Gwilliam <jgwilliam@merlonegeier.com>

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To Herlihy, Katie (kherlihy@ci.capitola.ca.us) <kherlihy@ci.capitola.ca.us>

Cc City Council <citycouncil@ci.capitola.ca.us>

 2 attachments (228 KB)

Outlook-xkmdk0fs; Capitola Comment Letter-MGP 3.14.26.pdf;

Katie,

Please find attached a follow up comment letter based on the staff report for Monday's meeting.

See you tomorrow.

Jamas Gwilliam
Managing Director

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March 14, 2026

BY ELECTRONIC MAIL

Katie Herlihy
Community and Economic Development Director
City of Capitola
420 Capitola Ave
Capitola, CA 95010

kherlihy@ci.capitola.ca.us

**Re: Proposed General Plan and Zoning Code Amendments Relating to Capitola Mall;
March 16, 2026 Special Meeting of the Capitola City Council**

Dear Ms. Herlihy:

On behalf of Merlone Geier Partners (MGP), we would like to thank City staff for their professional and collaborative approach during this process. We appreciate that many of our technical recommendations have been incorporated into the revised Staff Report and Zoning Code Amendments, including the inclusion of street rights-of-way and public easements in density calculations, the clarification of a site-wide deviation process, and the reduction of the perimeter zone to 75 feet along 41st Avenue and Capitola Road. These changes significantly improve the technical feasibility of redeveloping the Mall site.

However, as the Council considers the "pending direction" for Tier 2 and Tier 3 development minimums, we urge you to adopt the thresholds recommended in our March 11th letter, which are directly supported by the Keyser Marsten Associates (KMA) January 2026 analysis. We also wish to address several points raised in recent public comment letters to ensure the final code remains a viable tool for redevelopment.

1. Market-Responsive Development Thresholds

To ensure the Tier 2 incentive structure is usable, requirements must align with current market demand as identified in the KMA report and provide necessary design flexibility:

- **Hotel Keys and Meeting Space:** KMA's findings suggest that 85 keys represent a feasible minimum consistent with an Upper-Midscale hotel, which typically supports approximately 2,550 square feet of meeting space. Tying Tier 2 to an "Upscale" prototype (120+ rooms and 4,000+ sf of meeting space) jeopardizes the incentive structure because market demand for that level of service is not guaranteed at this location. We also think that staff's recommendation to base the meeting space on 25-30 sf per hotel room is reasonable given the number of hotel rooms is yet to be determined.
- **Commercial Retail & Fiscal Balance:** While some public comments express concern about reducing the Mall's retail footprint, the KMA analysis concludes that supportable demand for *new* specialty retail is specifically in the 25,000–35,000 square foot range.

Setting retail minimums higher than what the market can support would lead to empty storefronts rather than fiscal stability.

- **Building Height and Perimeter Zone:** We appreciate the staff recommendation to reduce the perimeter zone width to 75 feet. However, as noted in our March 11th recommendation table, we urge the Council to permit a building height of 75 feet within this 75-foot perimeter zone for Tier 2 and Tier 3 projects. This adjustment is critical for achieving the density goals of the mixed-use tiers while maintaining a high-quality urban design. There is no basis or justification for the 65' maximum within that 75' perimeter zone setback, especially under a Tier 2 or Tier 3 project that is required to deliver on the hotel, open space, affordable housing and commercial minimum requirements that are going to reduce the amount of buildable land area for market rate housing. Placing this unsubstantiated minimum may have unintended consequences of disincentivizing the Tier 2 or Tier 3 alternatives.
- **Commercial Ground Floor Height Minimums:** We would ask that the City Council reference our March 12, 2026 letter and associated exhibits demonstrating a 14' floor-to-ceiling height along with our ongoing concerns with requiring any minimum greater than that dimension. Simply changing the reference from floor-to-floor to floor-to-ceiling does not adequately address this seemingly minor issue that can have major implications.

2. Addressing Community Feedback and Project Feasibility

We have reviewed the public comment letters and offer the following developer perspectives:

- **Hotel Permitting (Conditional Use Permit vs. Permitted by Right):** Commenters have urged the City to maintain a CUP requirement for hotels. However, the "permitted by right" status in Tiers 2 and 3 is a critical incentive necessary to offset the high costs and risks of hospitality development, especially given the new deed restriction requirement for phasing. Adding discretionary uncertainty could disincentivize a hotel project from proceeding, resulting in zero new hotel tax (TOT) revenue.
- **Unit Mix and Mandates:** We strongly support the Staff Report's position against resident-proposed mandates for specific unit mixes (e.g., 25% 2-bedroom) or minimum average unit sizes. Such rigid standards reduce development flexibility, increase construction costs, and conflict with Housing Element goals to facilitate production. The unit mix and unit sizes (along with amenity space, parking ratios, etc.) will all be vetted during the project design development and building permit phases which will play out over multiple phases. Maintaining flexibility to adapt to the market demands at the time each building proceeds is important.
- **Open Space Quality:** To address concerns that open spaces may be too small, we note that the code already requires a central gathering place of at least 12,000 square feet for large sites. Furthermore, our recommendation to include rights-of-way in density calculations actually encourages developers to dedicate more land for public use without being penalized.

3. Sharrow Lanes and Site Safety (Section 17.57.050.A.2.f)

We continue to believe the current draft is too restrictive regarding bicycle circulation. Limiting sharrow lanes only to streets abutting ground-floor commercial is unnecessary and creates unsafe conditions where existing retail and surface parking remain. As demonstrated at our Village at San Antonio project, Class II bike lanes traversing through retail parking lots—with constant vehicle turning movements—are infeasible and unsafe. Sharrows provide a standard, flexible tool

to connect perimeter streets while maintaining safety in high-conflict areas and are widely used in projects of this scale and scope. The staff report argument that greater density on the site somehow necessitates dedicated bike-lanes running through the site, is not supported. More residents means more pedestrians. Bikes should navigate slowly through this project. Providing a dedicated bike lane sends a false message to bikers that they have the right-of-way. Sharrows, when incorporated with other traffic calming measures, is the right approach for these types of projects.

4. Bike Parking

The proposed amendments reference the bicycle parking requirements contained in Capitola Municipal Code §17.76.080. While the provision establishes minimum bicycle parking ratios intended to support alternative transportation, we recommend that the City incorporate additional flexibility in how these requirements are satisfied for large mixed-use and residential redevelopment projects such as Capitola Mall potentially with a new section in 17.57 related to the mall property requirements or design standards.

Experience from numerous coastal California communities—including Santa Cruz, Monterey, and other jurisdictions within Santa Cruz County—demonstrates that rigid application of high bicycle parking ratios often results in significant over-supply of bicycle parking facilities that remain underutilized.

As a result, many jurisdictions have implemented approaches that focus on providing convenient, high-quality bicycle parking while allowing flexibility in quantity and configuration, particularly for large mixed-use or residential projects.

Recommended Implementation Approach

To ensure the bicycle parking standards achieve their intended purpose while maintaining project feasibility and efficient site planning, we recommend the City clarify that bicycle parking requirements may be satisfied through a combination of the following design strategies, without requiring a formal modification or deviation:

- **Baseline Resident Bicycle Parking Ratio:** For residential uses within large mixed-use redevelopment projects, a baseline provision of approximately 0.5 long-term bicycle parking spaces per dwelling unit and 1 short-term space per 20 units would provide a practical and reasonable standard for bicycle storage that reflects observed demand in comparable coastal residential environments. Importantly, projects should be permitted to scale bicycle parking capacity up or down over time by utilizing convertible storage areas within the development. This approach allows projects to respond to actual bicycle usage patterns rather than installing large amounts of unused infrastructure at the time of initial construction that end up being passed on to residents in the form of higher rent to justify the cost associated with excessive bike parking space that may never be used.
- **Flexible Configuration of Long-Term Bicycle Parking:** Long-term bicycle parking requirements should be permitted to be satisfied through a range of secure storage options including:
 - private residential garages
 - secure bicycle storage rooms within residential buildings
 - vertical or stacked bicycle racks
 - bicycle storage integrated within residential storage lockers
 - distributed bicycle storage areas within parking garages or building cores

- Allowing these configurations is consistent with best practices used in nearby jurisdictions (Santa Cruz, Monterrey, etc.) and ensures bicycle parking remains accessible, convenient, and secure while minimizing inefficient use of expensive parking / building area.
- **Distributed Bicycle Parking Facilities:** For large mixed-use redevelopment sites such as Capitola Mall, bicycle parking should be allowed to be distributed across multiple buildings or parking areas within the site, rather than concentrated in a single location. This approach improves usability and reflects the scale and circulation patterns of master-planned redevelopment projects.
- **Recognition of Private Storage as Bicycle Parking:** Consistent with practices commonly accepted in Santa Cruz and other coastal jurisdictions, private residential storage areas or garages should be allowed to count toward long-term bicycle parking requirements when they provide adequate space for bicycle storage.
- **Visitor Bicycle Parking:** Short-term bicycle parking should be focused near primary building entrances, commercial areas, and public spaces where visitor bicycle access is most likely to occur, rather than applied uniformly throughout the project.
- **Benefits of This Approach:** Providing flexibility in how bicycle parking requirements are satisfied will encourage practical and usable bicycle storage rather than oversized, underutilized bike rooms; support efficient building design and ground-floor activation within mixed-use environments; align with observed bicycle utilization patterns in coastal residential communities; and remain fully consistent with the City's broader goals of promoting multimodal transportation.

Clarifying these implementation options within the code will allow projects to comply with the bicycle parking requirements without the need for project-specific modifications or deviations, providing greater certainty for both applicants and City staff during project review.

We look forward to a productive discussion and ongoing collaboration.

Sincerely,



James Gwilliam
Managing Director
Merlone Geier Partners