

Capitola City Council

Agenda Report



Meeting: March 13, 2025

From: Community Development Department

Subject: Annexation Request for 1610 Bulb Avenue

Recommended Action: Authorize the Mayor to sign a letter to the Local Agency Formation Commission in support of or opposition to the annexation of 1610 Bulb Avenue into Capitola city limits.

Background: On October 20, 2022, the Planning Commission reviewed a conceptual review application for an assisted-living facility with integrated memory care at 3720 Capitola Road and 1610 Bulb Avenue. The property at 3720 Capitola Road is located within the Community Commercial (C-C) zoning district. The property at 1610 Bulb Avenue is located within the County of Santa Cruz and is currently zoned as residential.

The original 2022 application was for an assisted living facility that included 80 rooms within a four-story building. The building was situated toward the front of the property, along the frontage of Capitola Road, with an outdoor patio and trellised entryway adjacent to the sidewalk. Parking was proposed behind the building, with vehicle access from Bulb Avenue, a residential street.

The applicant sought an increase to the maximum floor area ratio (FAR) and height standards in accordance with Capitola Municipal Code Chapter 17.88: Incentives for Community Benefits. With a qualified community benefit, the C-C zone maximum height can increase from 35 feet to 50 feet and the maximum floor area ratio can increase from 1.0 to 2.0. Such increases require the City Council to find the project provides community benefits that advance the goals of the General Plan, can be accommodated by existing public services and infrastructure, and minimizes adverse impacts to neighboring properties. The applicant was seeking an increase in the FAR to approximately 1.65 and the height to 50 feet.

There was significant public comment in opposition to the project, which included concerns about vehicle noise (ambulances), traffic, privacy, tree removal, and general incompatibility with a single-family neighborhood along Bulb Avenue. After receiving public comment and discussion, the Planning Commission provided feedback that the project did not appear to include an eligible community benefit.

Following the Planning Commission meeting, the applicant reversed the building orientation by moving the surface parking and primary entrance toward Capitola Road (away from the neighborhood). The room count increased from 80 rooms to 93 rooms and could accommodate 97 residents.

On January 25, 2024, the City Council reviewed the updated application and informed the applicant it would not qualify for the community benefit designation.

On January 27, 2025, the owner of 1610 Bulb Avenue submitted a request for the property to be annexed into the Capitola city limits without a development proposal for the property.

Discussion: The City received a request to annex 1610 Bulb Avenue into the Capitola city limits. The owner is requesting the property be zoned Community Commercial (CC) to match the zoning of the adjacent property at 3720 Capitola Road. The application does not include a development proposal for the property.

The parcel at 1610 Bulb Avenue has a frontage 85 feet wide along Bulb Avenue and is 160 feet deep. 3720 Capitola Road is a rectangle with 177 feet of frontage along Bulb Avenue and 160 feet along Capitola Road. The adjacent property at 3744 Capitola Road (Pono Hawaiian Kitchen & Tap) extends the full depth of both 1610 Bulb Avenue and 3720 Capitola Road. If the City were to annex 1610 Bulb Avenue, the City limit would align with the adjacent property at 3744 Capitola Road.

The applicant has already submitted an annexation application to the Local Agency Formation Commission (LAFCO). LAFCO will not move forward with the application unless the City provides a “will-serve” letter to the applicant or LAFCO, in which the City states it is willing to provide services to the subject area. The site is serviced by the City of Santa Cruz Water Department and County of Santa Cruz Sanitation Department. Both entities provided letters noting that adequate public services and infrastructure are available.

Staff has prepared following list of considerations to assist the City Council in determining whether to support the request for annexation.

Pros of Annexation:

1. **Zoning Consistency and Boundary.** Annexation would allow the property to be rezoned as Community Commercial (C-C) and align with the adjacent 3744 Capitola Road (Pono Grill).
2. **City Control Over Development.** Annexation would give the City authority over land use decisions, ensuring that any future development aligns with Capitola’s General Plan, zoning regulations, and CEQA. The City would be able to condition the approvals on the project and enforce the conditions.
3. **Potential Economic Benefit.** If developed commercially, the larger lot would provide more opportunity for redevelopment and flexibility around design. The property has the potential to generate increased tax revenue, depending on the type of use.

Cons of Annexation:

1. **Unknown Impacts.** Without a development proposal tied to the annexation, future impacts of build out are unknown. Also, the fiscal impact is unclear as the property tax exchange agreement with Santa Cruz County must be negotiated. The City would be responsible for providing municipal services (police, public works, etc.) to the site, which could increase costs without offsetting revenue, depending on the type of use.
2. **Neighborhood Concerns.** During the prior annexation request for an assisted living senior facility, public comment included traffic, circulation, noise, and compatibility concerns.
3. **Complex Approval Process.** The annexation requires approval from the Local Agency Formation Commission (LAFCO), a General Plan amendment, Zoning Map amendment, and CEQA review, making it a time-intensive process. The City would bill all costs for processing the project, including staff, consultant, and legal fees, to the applicant.

Next Steps: If in favor of the annexation, the City Council should authorize the Mayor to send a will-serve letter to the applicant and LAFCO. The applicant would then submit an application for a General Plan update to the City, as State law requires the City to update its general plan and land use designation to reflect the proposed annexation of the subject parcel. State law requires a California Environmental Quality Act (CEQA) analysis (evaluating potential impacts on factors like air quality, water resources, traffic, land use, and wildlife) reflecting the proposed annexation to be recorded. While the current review of the parcel with no development may warrant a Notice of Exemption, the City may require additional environmental analysis of future development before adopting a CEQA determination and authorizing annexation.

Fiscal Impact: In accordance with State law, any application requesting an annexation must include an adopted property tax exchange agreement between the affected parties. The County and City must adopt similar resolutions indicating the amount of property tax funds currently being collected by the County within the subject territory that will be transferred to the City. This can be divided multiple ways, including a 50-50 split, 80-20, or a 0 percent transfer. The property tax determination is based on the existing property tax at the time of the annexation. The project development details are not needed for the ratification of the property tax exchange agreement.

Attachments:

1. Proposed Annexation Boundary
2. Applicant's Project Narrative

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Julia Gautho, City Clerk; Samantha Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager