

Capitola City Council

Agenda Report

Meeting: May 14, 2026

From: Public Works Department

Subject: Bay Avenue Corridor Project Update & Rule 20A Coordination



Recommended Action: Receive an update regarding the Bay Avenue Corridor Project, including completed outreach, available funding opportunities, and Rule 20A utility undergrounding coordination; confirm whether to continue coordinating corridor improvements with underground utility work; and provide direction on which project components to advance.

Background: Bay Avenue is one of the City's most important transportation corridors, providing access between Highway 1, residential neighborhoods, schools, commercial centers, senior housing, and Capitola Village. The corridor serves both local and regional traffic and has longstanding challenges related to congestion, pedestrian crossings, bicycle comfort, turning conflicts, and aging overhead utility infrastructure.

Over the last several years, the City has evaluated multiple approaches to improve safety and operations along Bay Avenue, including temporary quick-build measures at Bay Avenue and Hill Street, corridor traffic analysis, and conceptual long-term intersection improvements.

On February 27, 2025, the City Council reviewed the Bay Avenue Corridor Study prepared by Kimley-Horn and identified the roundabout-based concept as the preferred long-term strategy for key intersections along the corridor. At that meeting Council authorized additional outreach, concept refinement, and preliminary right-of-way review to better position the project for future implementation and grant opportunities. This direction reflects a series of Council discussions over multiple meetings, informed by technical analysis and community input.

This report provides an update on work completed since that direction and seeks Council input regarding implementation strategy, project sequencing, and coordination with underground utility improvements.

Work Completed Since February 27, 2025: Following Council authorization, staff and the City's consultant team completed stakeholder outreach meetings, public engagement efforts, corridor review, and concept refinement. Outreach included more than 10 meetings with corridor businesses and property owners, Bay Avenue senior housing residents, public meetings, and online comment opportunities.

Public feedback reflected a range of viewpoints. Common themes included support for safer crossings, improved pedestrian access, reduced vehicle speeds, and long-term investment in the Bay Avenue corridor. Concerns included congestion, construction impacts, business access, and comparisons to the prior temporary quick-build lane reduction at Bay Avenue and Hill Street.

In September 2025, Council directed staff to remove the quick-build project at Bay Avenue and Hill Street following significant community feedback. The quick-build was a temporary, striping-based pilot. The proposed improvements are fully engineered, based on detailed traffic analysis, and include permanent geometric changes such as intersection reconstruction and defined pedestrian crossings.

Corridor Operations and Congestion: Bay Avenue functions as a major connection to State Route 1 and serves regional traffic in addition to local circulation. As a result, peak-period congestion is largely influenced by regional traffic patterns associated with access to Highway 1 and is expected to persist under any feasible local intersection configuration. The purpose of the Bay Avenue Corridor Project is not to eliminate congestion, but to improve safety, predictability, and multimodal access along the corridor.

Improvements such as reduced conflict points, clearer pedestrian crossings, and traffic calming may improve corridor function, even where congestion remains during peak periods. The corridor study also

evaluated signalized intersection alternatives; however, based on the analysis, roundabouts were identified as the preferred long-term option due to improved traffic operations, reduced delay, and safety benefits.

The original corridor concept assumed coordinated improvements at multiple intersections. While phased implementation remains possible, advancing individual components independently may limit the overall effectiveness of the corridor improvements.

PG&E Rule 20A Utility Undergrounding Coordination: The Bay Avenue corridor also presents an opportunity to coordinate transportation improvements with underground utility work. Rule 20A work credits allow California local governments to fund overhead-to-underground power line conversions. New allocations under this program stopped after 2022. As of December 31, 2025, the City's reported Rule 20A work credit balance was approximately \$3 million, which may be applied toward eligible underground utility work subject to utility program rules, participation, and final cost accounting.

The prior sequencing concept anticipated delaying final roadway restoration so restoration could occur as part of the ultimate corridor improvement project. If corridor improvements do not proceed in the near term, separate final restoration work may be required, easement acquisition may need to proceed independently, and available credits may not fully offset future undergrounding and restoration costs.

Not all utilities have confirmed participation, which may affect final coordination and cost responsibilities. Utility easements needed for undergrounding may overlap with or relate to easements that would be beneficial for corridor transportation improvements. Coordinated acquisition may improve efficiency.

The Rule 20A undergrounding program is being phased out, and available Bay Avenue credits represent the City's only opportunity to utilize this funding source for utility undergrounding. If the City does not move forward with undergrounding on Bay Avenue this funding source will not remain available in the future.

Funding and Implementation Considerations: The City has obtained funding resources available to support project advancement, including \$500,000 in Regional Transportation Improvement Program (RTIP) funding and \$250,000 in Federal Highway Infrastructure Project funding. These funds may support design, right-of-way activities, matching requirements, or phased construction.

Advancing the project improves the City's ability to position these funds effectively and remain competitive for future state and federal grant opportunities. Should the project scope be revised, staff can research the feasibility of reallocating project funding to other roadway-related Council priorities.

Project Components and Implementation Approach: To support Council direction, the Bay Avenue Corridor Project can be understood as a set of coordinated components. The proposed improvements include defined pedestrian crossings and reduced vehicle speeds, which are key factors in improving pedestrian safety. These components were previously considered as part of a single, integrated corridor project, but may be advanced individually or in combination based on Council direction.

- Roundabout at Bay Avenue and Hill Street: Reconstruct the skewed intersection into a single-lane roundabout to improve safety and operations. This location has a history of non-fatal pedestrian collisions and complex vehicle movements.
- Roundabout at Bay Avenue and Capitola Road: Reconstruct the intersection into a single-lane roundabout to reduce conflicts and improve traffic flow. This location has a history of non-fatal pedestrian collisions, and the corridor has documented bicycle collisions at and near intersections.
- Utility Undergrounding (Rule 20A): Underground overhead utilities near the Capitola Road intersection to support roadway improvements, improve aesthetics, and minimize future roadway disruption associated with utility work.
- Corridor Lighting, Striping, and Signing Improvements: Upgrade lighting and pavement markings to improve visibility, wayfinding, and overall corridor safety.
- Mid-Block Pedestrian Crossing (Center Street): Install a pedestrian crossing to improve safe access across Bay Avenue where crossing demand exists.

Advancing these components together provides the greatest benefit in terms of safety, cost efficiency, and overall corridor function. However, individual components may be advanced based on Council priorities, funding strategy, or implementation timing.

Fiscal Impact: No immediate construction appropriation is requested with this item. Existing external funds may support future phases of the project, subject to Council direction and future budget actions.

The project currently includes \$250,000 in Federal Highway Infrastructure Project funding, which must be used on Bay Avenue construction and requires a non-federal match of approximately \$65,000.

The City also has \$500,000 in Regional Transportation Improvement Program (RTIP) funding, which may be used in whole or in part for Bay Avenue construction, used as matching funds for grant applications, or reallocated to other eligible transportation projects.

Additional local funding may be required depending on the final scope, phasing, and implementation of selected project components.

Attachments:

1. Bay Avenue Corridor Study (February 2025)
2. Current Corridor Concept Layout
3. Correspondence Received Since March 2026

Alignment with 2025-2029 Strategic Plan Priority: Accountable Government; Community Safety; Economic Opportunity; Healthy Families, Community, and Environment; Sustainable Infrastructure

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