



To: Capitola Planning Commission

Date: October 4, 2023

Subject: **Agenda Item 5.C, Citywide Housing Element Update.**

Santa Cruz YIMBY advocates for abundant housing at all levels of affordability to meet the needs of a growing population in Santa Cruz County. We support sustainable growth, including along transportation corridors and activity centers and a commitment to lower Vehicle Miles Traveled by housing people near services and jobs.

The Housing Element is an opportunity for Capitola to address the housing crisis on its own terms. We want Capitola to have a compliant Housing Element that meets the 6th cycle RHNA, but more importantly, we want commitments to policies and programs that result in more affordable housing throughout the city.

Santa Cruz YIMBY provided detailed comments on the Housing Element drafts and had conversations with both Capitola's Community Development office and California Housing and Community Development (HCD). Our past comments are posted on our [Housing Element webpage](#).

We urge the Planning Commission to recommend additional changes to the Housing Element. Capitola must do more to address the constraints on housing development, incentivize key projects such as the Capitola Mall and others along transit corridors, and ensure equitable distribution of affordable housing throughout the city.

Capitola must do more to identify and address constraints on housing development, especially affordable housing.

Add review and revision of the Incentives for Community Benefit Ordinance to Program 1.4 Mixed-use Developments

- In an attempt to incentivize development, Capitola expands the application of their Incentives for Community Benefit to more sites in the Sites Inventory. It has not incentivized any development where it already applies. Program 1.4 does not go far enough to address development constraints and enable mixed-use development.

- Capitola must analyze development constraints and make changes to the Incentives for Community Benefits Ordinance based on a feasibility study.
- The expected land use study for Capitola Mall can inform how to change this ordinance and more broadly affect other mixed-use sites on the inventory.

Include an economic analysis in Program 2.8 Inclusionary Housing Ordinance

- In 2021, after rezoning, Capitola completed an Affordable Housing Fee Feasibility Assessment which concluded that with current conditions, NO rental development pencils out: “Even without any inclusionary requirements or in-lieu/impact fee obligations, rental development appears to fall somewhat short of industry-standard return thresholds.”
- Capitola must analyze the zoning and development standards as constraints which affect economic feasibility of affordable housing development.
- This is especially critical as Capitola plans for 50% of units on nearly every parcel in the Site Inventory to be affordable for very-low or low income households to meet their RHNA.

Capitola can decrease processing time and costs for projects using Objective Standards

“Objective standards increase approval certainty and decrease processing time and costs for projects by allowing developers to design to clear standards prior to initial submittal, rather than having to change the design to meet City requirements later in the process.” (Capitola draft Housing Element, Page 3-15)

Ensure use of Objective Standards in Incentives for Community Benefit Ordinance

- The Incentives for Community Benefits Ordinance requires discretionary review by the Planning Commission and the City Council. We urge you to update the Ordinance to rely on Objective Standards for mixed-use residential developments. This will remove uncertainty and reduce project time and costs.

Ensure use of Objective Standards in any new overlay zones, including the Program 1.8 Religious Facility Housing

- The Housing Element includes development of housing on congregational sites, especially in the low-density eastern section of Capitola. We urge you to rely on Objective Standards for multifamily and mixed-use residential developments to remove uncertainty and reduce project time and costs.

Capitola must strengthen the commitment to transit-oriented development

Add a stronger, proactive program to pursue the Capitola Mall as a planned high-quality transit stop.

- Despite being home to the Capitola Mall Transit Center, Capitola lacks any current or planned high quality transit stops. In the 2040 MTP/SCS the Capitola Mall was identified as such a site, however, it was subsequently removed in the 2045 MTP/SCS. Capitola should commit to working with AMBAG in the 2050 MTP/SCS (scheduled for June 2026) to designate the Capitola Mall as a planned high quality major transit stop. This designation would incentivize more sustainable, affordable, and equitable development in an area identified for large amounts of new housing in the 6th RHNA cycle.
- The Site Inventory plans for housing along transit corridors such as 41st Ave and Capitola Rd. A high-quality transit stop at the Capitola Mall can help Capitola/affordable housing developers in securing additional funding, e.g. through grant programs that focus on transit-oriented development or reduction of green-house gasses.¹

Develop local implementation ordinances for additional transit-oriented development state laws.

- As one example, AB 2011 incentivizes affordable housing development on commercial properties. The City should include a program to develop a local implementation ordinance to incentivize the affordable housing on sites along the transit corridors that make up much of the City's site inventory.

Capitola Mall

The Capitola Mall ("Mall") is critical to Capitola's current plan to meet its 6th cycle goals and much of our earlier input focused on concerns about development standards as constraints and the inadequacy of incentives for this project. We know that the Capitola City Council has recently approved a contract for a land use study to remove barriers to the Mall project. We look forward to that report.

We do think the projected affordability of 50% low income is unrealistic and note that if the project misses this affordable target, Capitola has a daunting task to identify other sites under the No Net Loss law.

¹ Examples: [California Invests \\$757 Million to Create Affordable Housing and Clean Transportation](#); [Santa Cruz METRO Announces \\$38.6M State Funding Award to Support Transit and Affordable Housing Projects](#)