

Proposed Modifications to Capitola Municipal Code to Implement 2023-2031 Housing
Element for Capitola Mall

A. Objective Housing Element Requirements for Zoning Updates

The Housing Element is clear in stating that the following amendments will be incorporated into the Code by the end of 2025. (2023-2031 Housing Element, pp. 5-10; -11.)

1. *“Establish the Capitola Mall as the Area between Clares Street, 41st Avenue and Capitola Road.”*

These amendments can be included in Section 17.88 describing Capitola Mall.

2. *“Allow for building height up to 75 feet for Mall Redevelopment.”*

MGP’s prior analysis and the Housing Element assume building heights of up to 75 feet. For the avoidance of doubt, the 75 foot height was intended to reflect measurement to the highest occupiable floor level of a building, i.e., the floor of the 8th story of a building. This would allow for a “5 over 3” construction typology which is common for multifamily projects in the region. Anything taller than 8 stories would be considered “high-rise” in the building code for a multifamily building and would require cost implementations that would not be feasible in this location.

These amendments can be included in Chapter 17.88 and described as objective requirements rather than discretionary benefits (see below).

3. *“Define ‘Mall Redevelopment’ to mean a mix of uses that includes residential and retail/commercial components.”*

This amendment can be incorporated into Chapter 17.88, clarifying that a mixed-use project with residential and retail or other commercial uses permitted in the C-R zone constitutes Mall Redevelopment triggering application of “Objective Redevelopment Incentives” as further described below.

4. *“Exclude parking garages from the project FAR calculations.”*

Calculation of FAR can be described in Section 17.88 to exclude parking garages. As previously studied, exclusion of parking garages from FAR is essential to achieving densities contemplated in the Housing Element for the Capitola Mall site.

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B. Objective Standards to Facilitate Mall Redevelopment

The Housing Element states that the City will “adopt objective development standards to facilitate mall redevelopment” by the end of 2025. (2023-2031 Housing Element, pp. 5-10; - 11.)

MGP identifies the following as proposed objective standards to facilitate redevelopment of Capitola Mall consistent with density projections in the Housing Element and market conditions. As with the items described above, MGP believes these requirements can be incorporated into the Code immediately.

1. As further described below, a project that includes “Mall Redevelopment” (as defined above) should be automatically subject to “Objective Redevelopment Incentives” without the exercise of discretion by the Planning Commission or City Council as to whether such incentives should apply. To impose discretion in determining whether these incentives apply would controvert the requirements of the Housing Element.
2. “Objective Redevelopment Incentives” should include the following:
 - a. Elimination of the requirement for a conditional use permit for a mixed-use development.
 - b. Height limit increase (to 75’ of the floor of highest occupiable level of the building).
 - c. Maximum FAR of 2.0, excluding parking structures, which FAR can be transferred within parcels under common ownership within the area defined as the Capitola Mall site. Additional FAR of 0.5 should be permitted to allow for commercial and hospitality uses.
 - d. Elimination of any ground-floor commercial requirement (mixed-use development necessarily requires horizontal mixed-use development even if the project includes standalone residential buildings).
 - e. Parking for multifamily buildings should not be required at levels in excess of 1.25 spaces per unit.

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- f. Step back requirements for buildings should apply only if the building façade is within 100' of an existing single-family residence.
 - g. Horizontal improvement obligations (e.g., street improvements, utilities and dedications) should correspond with a project's impacts and be limited to requirements of adopted capital facilities programs, tentative map conditions of approval and CEQA mitigation measures as applicable.
- 3. The following Code amendments are recommended to spur Mall Redevelopment consistent with the goals of the Housing Element.
 - a. Table 17.24-1 Eating and Drinking Establishments including Bars and Lounges, Mobile Food Vendors, Restaurants and Cafes and Take-Out Food and Beverage should all be Permitted Uses not subject to footnote 2, 6, 11.
 - b. Table 17.24-1 Hotel should be a Permitted Use rather than requiring a CUP, given that the C-R zone is intended to promote commercial uses. Hotels are substantial sources of municipal revenues and major employers, and the City should look to minimize entitlement risk to attract this kind of investment.
 - c. 17.24.030 Dev Standards Table 17.24-3 for height, FAR, parking and landscaped open space requirements should be superseded by Section 17.88 for Mall Redevelopment projects.
 - d. 17.24.040 Residential mixed-use development in commercial zoning districts:
 - i. B.1 Ground floor spaces fronting primary streets in the C-R zone should not be required to contain ground floor retail, restaurant or personal service uses.
 - ii. B.3 Buildings should not be required to be oriented towards a public street if the broader site is broken down by private streets that are publicly accessible.
 - iii. B.8 Ground-floor commercial space should not be required as mentioned above.

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- iv. B.9 Parking Location should allow for surface parking to meet the needs of commercial retail. At Capitola Mall, existing REAs and leases affect the ability to relocate or eliminate surface parking as part of any redevelopment. Parking for purposes of determining required ratios for commercial uses should be treated as shared across the entire project to the extent that there is street parking (angled or parallel) in addition to the surface parking that will remain and may be used for the new retail. A shared parking analysis could be required to demonstrate that sufficient parking will be available.
- v. B.10 Driveways and Curb Cuts - Limits should only apply to curb cuts coming off of public streets.
- e. Parking and Loading: Chapter 17.76.010 – Commercial land uses should all be treated as 820 ITE parked at 4/1,000 if over 100,000sf of shopping center retail is sharing parking rather than evaluated separately.
- f. Objective Standards for Multifamily and Mixed-Use Residential – Chapter 17.82:
 - i. Any standards in Chapter 17.82 should be superseded to the extent they conflict with the Objective Redevelopment Incentives.
 - ii. 17.82.050B.1.a. This standard should not apply to Mall Redevelopment projects where existing surface parking will be retained (see above).
 - iii. 17.82.050B.5.a Landscape strip requirements adjacent to podium parking should not be required for a Mall Redevelopment Project.
 - iv. 17.82.050B.5.b This standard should not apply to Mall Redevelopment Projects.
 - v. 17.82.060.B.1 This standard should be revised to account for a residential building that fronts onto a publicly accessible open space that is deeper than 20 feet.

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- vi. 17.82.060.B.2.b. This standard should be relaxed for a Mall Redevelopment Project and addressed as part of the application.
- vii. 17.82.070.B.1 a and b For Mall Redevelopment projects, massing breaks should be every 80'.
- viii. 17.82.060.B.6 360 degree design should not be required for Mall Redevelopment projects where design will be oriented toward publicly-facing components.

C. Procedure for Implementation of Mall Redevelopment Incentives

The Housing Element states that the City will update Section 17.88 to apply objectively. The City's existing process, for development incentives under Section 17.88 requires planning commission recommendation and City Council approval. These processes were identified as development constraints.

Mall Redevelopment projects should be entitled to rely on Section 17.88 as part of application submittals, with applications reviewed for consistency with the Code including the Mall Redevelopment Incentives without the need for the Planning Commission or Council to evaluate the adequacy of public benefits and to determine whether to approve incentives. Any applications (e.g., tentative maps, CUPs or otherwise) should be reviewed in the normal course as required for such applications without separate discretionary determinations as to the eligibility for incentives.