



Capitola Mall Frequently Asked Questions

1. The City of Capitola is updating the zoning code for the Capitola Mall. How can stay informed and participate.

You can learn more about the Capitola Mall zoning code updates and how to participate on the City dedicated webpage. For more information, view the webpage at: <https://www.cityofcapitola.org/communitydevelopment/page/capitola-mall-zoning-code-amendments>.

You can also sign up for notification on the Capitola Mall on the City's website. For more information, view the webpage at: <https://www.cityofcapitola.org/newsletter/subscriptions>.

2. Has the City undergone previous planning efforts to assist in redevelopment at the Capitola Mall?

Yes. Here is a list of previous planning efforts toward mall redevelopment since 2010:

- 2010 Zoning Code: Reduce parking & allowed residential in mixed use
- 2011 41st Avenue / Capitola Mall Re-Visioning Plan
- 2013 General Plan Update
- 2018 Zoning Code: Increase height and floor area, allow horizontal mixed use, and decreased parking
- 2019 Processed 2019 Mall Redevelopment Conceptual Review Application – Withdrawn due to Pandemic
- 2022 Zoning Code: Introduced objective standards for multifamily and mixed use
- 2024 Housing Element Update
- 2024 Updated Zoning Code to removed barriers to housing production

3. Where can I view the City's existing Zoning Code and Zoning Map?

The City's zoning code is Title 17 of the Capitola Municipal Code. The Zoning Code may be viewed at this [link](#). The City's Zoning Map may be viewed at this [link](#).



Capitola Mall Frequently Asked Questions

4. Why is the City updating the Capitola Mall zoning now?

The City is updating the zoning at the Capitola Mall to fulfill the commitment made within the 2024 Housing Element. The Capitola Mall block is a key redevelopment site in the housing to accommodate future housing. The City is updating its zoning regulations to include more objective standards to ensure predictable, fair, and transparent review of new development and housing projects.

5. What is the timeline for updating the Mall zoning code?

The Housing Element targets completion of the updates by the end of this year, 2025. The City is currently working on the zoning code updates for the Capitola Mall.

The Planning Commission had a work session on the updates on October 2, 2025. For more information, view webpage at

<https://www.cityofcapitola.org/pc/page/planning-commission-meeting-45>.

A Community Meeting occurred at New Brighton Middle School on October 8, 2025. A summary of the public outreach will be included in the agenda packet for the Special Planning Commission meeting on [October 30, 2025](#).

Special Planning Commission meetings for mall zoning updates are scheduled for [October 30, 2025](#), and [November 19, 2025](#), at 5 pm in City Hall Council Chambers at 420 Capitola Avenue, Capitola, CA. Please note the early 5 pm start.

6. What is the Housing Element?

The Housing Element is one of the seven State-required “elements” or chapters that comprise the City’s General Plan and includes goals, policies, programs to be implemented during the planning period to meet current and future housing needs within the City. The Housing Element provides an analysis of the City’s population, economic, and housing stock characteristics, in addition to a comprehensive evaluation of housing programs and regulations.

State law requires the Housing Element to be updated every eight years in order to remain relevant and reflective of the community’s changing housing needs. The City’s current Housing Element covers the 2023-2031 period (also known as the



Capitola Mall Frequently Asked Questions

sixth cycle), and the State law requires that the City adopt this update by December 15, 2023.

Pursuant to State housing law, a Housing Element document is required to include the following components:

Housing Needs Assessment: Analysis of the City's demographic, household and housing characteristics for the purpose of identifying and analyzing the existing and projected housing needs of a City.

Constraints Analysis: Analysis of potential market, governmental, environmental and infrastructure constraints to the development of housing.

Goals, Policies and Objectives: A statement of goals, policies, quantifiable objectives and financial resources available for the preservation, improvement and development of housing.

Housing Programs: A list of housing programs setting forth actions and timelines for the implementation of established policies and goals set forth in the Housing Element.

Site Inventory: An inventory of resources and constraints relevant to meeting a city's housing needs, including an inventory of adequate sites and zones for future housing development.

[Housing Element Adopted Sites Inventory Map \(link\)](#)

[Housing Element Adopted Sites Inventory List \(link\)](#)

7. What has Capitola committed to in its Housing Element related to the Mall?

There are two programs within the Housing Element related to the Capitola Mall: Program 1.6: Development Regulations and Program 1.7: Shopping Center Redevelopment. These programs include the following deliverables:

1. Define "Mall Redevelopment" to mean a mix of uses including residential and retail/commercial components
2. Develop land use policies to facilitate shopping center Mall Redevelopment with a strong sense of urban design cohesion
3. Increase building height up to 75 feet for Mall Redevelopment
4. Exclude parking garages from project development Floor Area Ratio (FAR) calculations
5. Adopt objective development standards to facilitate Mall Redevelopment

8. What is the Capitola Mall Block?



Capitola Mall Frequently Asked Questions

It is all the properties between Clares Street, 41st Avenue, and Capitola Road. This includes Target, Macy's, Sears, Takara, Olive Garden, Ross, Citibank, and Bank of America.

9. What is an objective standard?

Objective standards are utilized by the City to review development projects without personal or subjective judgment. These are clear, measurable rules that a project must meet, such as building height limits, setbacks, design features, or landscaping requirements. Objective standards are written so that anyone can look at a proposal and determine whether it complies, without personal interpretation.

Recent State housing laws now require that specific types of housing development applications be reviewed only against objective standards. This means that older, subjective design criteria or discretionary design guidelines are no longer enforceable for qualifying housing projects.

For example, an objective design standard might require that a building entryway be recessed five feet from the front façade or windows include a minimum three-inch trim detail. These are measurable requirements, unlike a subjective standard that might say a building should be visually appealing or fit the neighborhood style.

10. What is RHNA?

The Regional Housing Needs Allocation (RHNA) is a state-mandated process that determines how many housing units, by affordability level, each city and county in California must plan for in its Housing Element. RHNA is not a mandate to construct housing. Instead, it requires jurisdictions to identify sufficient sites where housing could reasonably be built to accommodate their share of the region's housing needs.

Capitola's RHNA allocation received prior to starting the Housing Element update:

- 497 low-income units (50 – 80% of Area Median Income)
- 169 moderate-income units (80 – 120% of Area Median Income)
- 455 above-moderate (market-rate) units (Over 120% Area Median Income)
- City Total: 1,336 units

11. How many RHNA sites are identified at the mall?

- 266 low-income units (50 – 80% of Area Median Income)



Capitola Mall Frequently Asked Questions

- 90 moderate income units (80 – 120% of Area Median Income)
- 1,422 above moderate units (Market rate)
- Mall Block Total: 1,777 units

12. How did the number of planned units at the mall end up exceeding the City's overall RHNA allocation?

Between 2023 and 2024, the City prepared multiple drafts of the Housing Element for review. In the first draft, adopted by the City Council on November 9, 2023, there were six* sites listed within the Mall block, the properties bound by Clares Street, 41st Avenue, and Capitola Road. Five* of the six* are owned by Merlone Geier Partners (MGP), the majority owner of the mall site, who own 31 acres of the 46-acre mall site. These six sites were identified to accommodate the following number of units.

- 368 low-income
- 109 moderate-income
- 257 above-moderate

After publishing the initial draft, the City received comments from the State of California's Department of Housing and Community Development (HCD) that the number of affordable units placed on the six Capitola Mall sites was not feasible, as an owner would not receive a fair rate of return from developing a project with only 35% market rate units and 65% below market affordable units.

After State HCD commented that the proposed units were not feasible, the City expanded the sites inventory to include 12 of the 14 properties within the Mall block. State HCD also required the City to demonstrate that the units proposed for the Mall sites were economically feasible to construct.

This economic analysis demonstrated that a developer needed approximately four times the number of market rate units compared to the number of affordable units. Specifically, the analysis determined the following economic feasibility percentages:

- 15% low-income
- 5% moderate-income
- 80% market rate

As a result, to meet Capitola's RHNA requirement for affordable units, the City had to identify more market rate units at the mall block, so that a future developer could



Capitola Mall Frequently Asked Questions

generate enough profit to build the required number of low- and moderate-income homes.

13. Capitola is a “High Opportunity” area. What does this mean?

A “High Opportunity Area” is a neighborhood that provides strong access to good schools, jobs, parks, and public services. Projects in these areas are more likely to receive affordable housing funding because they give residents access to opportunity and long-term stability. The Capitola Mall area has been identified as a high-opportunity location, which means it’s a good place to include new housing options.

14. Does the City have an application from the mall owner to redevelop the site?

At this time, Merlone Geier Partners does not have an active redevelopment proposal for Capitola Mall. MGP is participating in the zoning code updates as a property owner, but is not pursuing a specific project currently. MGP owns 32 acres of the 46 acre site. You can learn more about MGP’s involvement in the zoning code update at <https://capitolamall-community.com>.

15. How will the City accommodate high density development within the Capitola Mall block?

To accommodate the new housing units planned for the Mall site, the City committed in the Housing Element to increasing the maximum building height from 40 feet to 75 feet and to not count parking garages to the maximum building floor area.



Capitola Mall Frequently Asked Questions

16. What types of development does the City expect to see on the mall site?

The City expects that the updated zoning for the Capitola Mall will create a balanced, mixed-use plan that enhances the entire mall block. The vision includes greater connectivity through new internal streets and walkways, safe and comfortable sidewalks and bike lanes, and inviting public spaces with landscaping, plazas, and gathering areas. These improvements are intended to transform the area into a vibrant, walkable district that serves residents, visitors, and shoppers alike.

To accommodate the new housing units planned for the Mall site, the City will update the zoning to allow a maximum building height of 75 feet. This height increase will make it possible to design mid-rise apartment buildings with structured parking, such as podium-style or wrapped parking garages. These designs make more efficient use of land by integrating parking into buildings rather than spreading it across large surface lots.

The redevelopment is also expected to include less commercial space than exists today, reflecting broader trends in retail and the growing role of online shopping. In addition, the City is encouraging the inclusion of a hotel on the site. A hotel would help generate transient occupancy tax (TOT) revenue, which supports City services and helps offset the costs associated with welcoming new residents and visitors.

17. Why is the City increasing building heights to 75 feet instead of taller?

There are several reasons for the 75 foot height limit. The City's Housing Element includes language committing the city to increase height to accommodate new housing and density. The Housing Element estimates a density of 48 units per acre on the Mall site while still maintaining some ground-floor commercial and public open space. This density can be accommodated within the 75 foot height limit.



Capitola Mall Frequently Asked Questions

18. I've noticed a lot of the new housing in Santa Cruz is about 75 – 85 feet. Why is this?

Economics plays a big role. Buildings taller than 85 feet require more complex engineering and construction. Under 75 feet, the lower two floors are typically concrete for strength, fire safety, and seismic stability. The upper five floors are wood-frame (“stick”) construction, which is lighter and less expensive. Going taller would require additional concrete floors or more advanced structural systems, significantly increasing construction costs.

Also, the 75-foot height makes it possible to include structured parking in an efficient, pedestrian-friendly way including podium parking and wrapped parking. With podium parking the parking is located at the base of the building, with housing or commercial uses above. Wrapped parking has parking located internally and “wrapped” so the apartments or shops are seen on the street-facing sides and parking garage is hidden from view. These approaches maximize land use while keeping streetscapes attractive and active.

19. What is Floor Area Ratio (FAR)?

Floor Area Ratio, or FAR, compares the size of a building to the size of the property it's built on. For example, if a property has an FAR of 1.0, that means the total floor area of the building equals the size of the lot. With a FAR of 1.0, a 20,000 square foot lot could have up to a 20,000 square foot building. A higher FAR means more building square footage, such as taller buildings or more compact development, while a lower FAR means less intensive development.

20. What is the FAR for the Capitola Mall?

The Capitola Mall is located in the Regional Commercial (C-R) zoning district which has a maximum FAR of 1.5. However, the Capitola Mall is eligible for Incentives for Community Benefits (Chapter 17.88 of the Zoning Code view [here](#)) which allows Mall redevelopment an increased FAR up to 2.0.



Capitola Mall Frequently Asked Questions

21. The Housing Element requires the City to exclude parking garages from project development Floor Area Ratio calculations. What does this mean?

The Capitola Mall sites will have a FAR of 2.0, that means the total floor area of the building can be two times the size of the lot. For example, on a 100,000 square foot lot on the mall site, they could develop a 200,000 square foot structure. Typically, all area with the buildings is counted toward the floor area. However, with the garage exception to parking garages, the previous example could include a 250,000 square foot building in which 50,000 square feet is a garage.

During the Housing Element update, the mall developer requested that parking garages not count toward the total floor area when calculating FAR. This is common for mixed-use or redevelopment projects because parking structures can add a lot of square footage without adding usable space like housing, offices, or shops. Excluding parking from the FAR encourages better site design and more efficient use of land, allowing new housing, public spaces, and shops to fit within reasonable building sizes while still meeting parking needs.

22. What happens if the City does not update the zoning as required in the Housing Element?

If the City decided not to move forward with the zoning code updates to accommodate increased housing at the Mall site, there could be serious consequences from the State.

In California, every city and county must adopt a State-certified Housing Element and submit an annual progress report showing how it is meeting its housing goals. The Housing Element must include realistic programs and zoning that allow for the number of housing units assigned to the City through the Regional Housing Needs Allocation (RHNA) process.

If Capitola does not complete the required zoning updates, the City's Housing Element may be considered out of compliance with State law. This can result in several significant consequences, including:

- Loss of local control: If the State revokes its certification that the City's Housing Element complies with state law, the City could become subject to the "Builder's Remedy", a State provision that allows developers to propose housing projects of any density or height, even if they do not meet local zoning, so long as a portion of the homes are affordable.



Capitola Mall Frequently Asked Questions

- Loss of eligibility for State grants: The City could lose access to important State and regional funding programs, including housing, infrastructure, transportation, and climate resilience grants.
- Potential legal action: The State Department of Housing and Community Development (HCD) or third parties may take legal action to compel compliance, which could result in court-ordered approvals or penalties.
- Delayed implementation of local priorities: Without compliance, Capitola could lose its ability to guide how and where new housing is built, limiting opportunities to design projects that reflect community goals.

Updating the zoning is therefore essential to maintaining local control, qualifying for funding, and ensuring Capitola meets State housing requirements in a way that best fits the community's character and vision.

23. Can the City add a minimum ground floor commercial FAR for the mall site?

The city can add requirements for ground floor commercial in the zoning code updates; however, the requirements should be drafted to require ground floor commercial only where the city has evidence that such development will be feasible.

The consultant team for the zoning code updates includes an economic development specialist who will be guiding the City in respect to ensuring success with new commercial space. Over the past decade, new brick-and-mortar commercial development has slowed significantly as consumer shopping has shifted online. Retailers are increasingly prioritizing e-commerce platforms, reducing the demand for traditional physical storefronts. As a result, new commercial projects often focus on mixed-use spaces, experiential retail, or smaller footprints, while large traditional retail centers face higher vacancy rates and struggle to attract tenants. The city will analyze retail demand at and around the mall to gauge the likelihood of success for new retail space within the mall.



Capitola Mall Frequently Asked Questions

24. Sales Tax. I have heard that the mall redevelopment will result in a decrease in retail and an increase in housing. What will the impact be on the City's budget.

It depends on the mix of uses proposed on the site. Additional housing units come with a cost due to the services the city provides (police, public works, street improvements, city administration). However, if retail declined but a new hotel were built on the mall site, this could have a significant benefit to the City's budget as hotel generate more tax revenue than retail.

City revenues come in the form of taxes which have different tax rates. For instance, of the 1% property tax collected by the county, the city receives on average 7.5%. Sales tax is 9.25%, of which the city receives 1.5%. A hotel collects TOT tax which is 12% of gross hotel revenue, which all goes directly to the city.

25. Does the City have a citywide utility master plan for water, sewer, storm water, and electricity?

Capitola is not a full service city. The City does not operate water or sanitary sewer utilities. At the Capitola mall, water and sewer are provided by the City of Santa Cruz Water Department and Santa Cruz County Sanitation District, respectively. Also, Zone 5 of the County Flood Control and Water Conservation District maintains the major conveyances of storm water throughout Capitola, while the smaller local storm drains are maintained by the City.

26. Is there recent analysis of water, sewage, and stormwater infrastructure to determine if there is enough capacity for the scale of redevelopment (and new residential development) the City is planning for at the Capitola Mall site?

Each agency has current master planning documents that include capacity planning for redevelopment at the Capitola Mall site. You can view these studies by clicking on the links below

- *Zone 5 Storm Drain Master Plan (Draft 2023):* [link](#)
- *Santa Cruz Water Department Urban Water Management Plan:* [link](#)
- *Sanitation District Sewer System Management Plan:* [link](#)

In addition, the utility agencies presented their system capacity and planning efforts to the Capitola Planning Commission in June 2025. To learn more, read the staff report ([staff report link](#)) or watch the video ([Planning Commission Video](#)).



Capitola Mall Frequently Asked Questions

27. Emergency Services. If the Capitola Mall is redeveloped and population increases, what is the impact on police services?

The City studied the costs associated with population growth at the Mall in 2019. The study showed each new resident cost the City approximately \$305 in police services, and \$785 in total for all City services. While those numbers are now dated, they provide a useful reference point.

Currently, Capitola has 24 sworn officers serving about 10,000 residents (roughly 2.4 officers per 1,000 people). As the community grows, the City will evaluate staffing needs and funding options. Generally, the City would need to add about 2 sworn officers for every 1,000 new residents to maintain current service levels. Generally, the City would need to add about 2 sworn officers for every 1,000 new residents to maintain current service levels, unless the project also includes uses which result in a decrease in service demands.

28. Impact Fees. Does the City have impact fees for road improvements and increased services (police, public works, city administration)?

Capitola collects development impact fees at the time a building permit is issued for new construction. These fees require property owners to pay their fair share of the costs associated with growth and the impacts of new development.

Currently, Capitola charges impact fees for the General Plan, Public Art, and Affordable Housing. The City does not currently have impact fees for streets, public safety, or other City services such as police, public works, or administration.

Historically, larger developments in Capitola were approved through Planned Development applications which included conditions of approval and agreements between a developer and the City. These agreements often included project-specific commitments, such as road improvements or community benefits, in exchange for certain development rights.

However, recent changes in State housing law have limited the City's ability to rely on development agreements or discretionary negotiations for housing projects. Cities are now required to use objective standards, which are clear, measurable rules that can be applied consistently without subjective interpretation. This ensures



Capitola Mall Frequently Asked Questions

that project reviews are transparent, predictable, and compliant with State housing law.

To establish any new impact fees (for example, to help fund roads or public services), the City must first prepare a nexus study. A nexus study demonstrates the legal connection (“nexus”) between new development and the need for additional public facilities or services. The study must also show that the amount of the fee is proportionate to the project’s impact. By law, cities can only collect impact fees that are supported by a documented nexus study, ensuring fees are fair, legally defensible, and tied directly to the impacts of new growth.

29. CEQA: Will the zoning updates for the mall be subject to CEQA?

The zoning updates will likely be exempt from CEQA. SB 131, which took effect in 2025, exempts rezoning that implements the schedule of actions contained in an approved housing element. (PRC § 21080.085) The mall zoning code updates will be amending current zoning regulations to implement Housing Element Program 1.7 for the mall site. As the zoning code updates are drafted for the mall, the City will continue to evaluate this exemption’s application to the potential changes.