

Capitola City Council

Agenda Report



Meeting: March 26, 2026

From: Community and Economic Development Department

Subject: Capitola Mall and Objective Standards Zoning Code Amendments

Recommended Action: Adopt an ordinance amending Capitola Municipal Code Title 17: Zoning.

Background: On August 22, 2024, the City Council adopted amendments to the 2023-2031 Housing Element of the General Plan (Housing Element). The Housing Element establishes goals and policies for housing production in Capitola as required by state law. The Housing Element also contains programs with required City actions to implement Housing Element policies. The City must complete these actions by the dates specified for each program.

Housing Element Program 1.7 calls for the City to amend the Zoning Code to facilitate housing production on the Capitola Mall site. Specifically, this program requires the City to:

- Develop land use policies to facilitate shopping center redevelopment with a strong sense of urban design cohesion;
- Define “Capitola Mall” as all properties between Clares Street, 41st Avenue, and Capitola Road;
- Allow for building height up to 75 feet for mall redevelopment;
- Define “mall redevelopment” to mean a mix of uses that includes residential and retail/commercial components;
- Exclude parking garages from the project floor area ratio (FAR) calculations for mall redevelopment; and
- Adopt objective development standards to facilitate mall redevelopment.

As part of Housing Element Program 1.7, the City committed to updating the zoning code with objective development standards to facilitate mall redevelopment and implement Program 1.7 commitments.

On October 2 and October 30, 2025, the Planning Commission held study session to take public comment and provide feedback on draft Zoning Code amendments. On November 19 and December 4, 2025, the Planning Commission reviewed ordinance drafts at noticed public hearings. On February 5, 2026, the Planning Commission adopted a resolution recommending City Council adopt the ordinance.

On February 23, 2026, the City Council at a noticed public hearing reviewed a draft of the Planning Commission recommendation and requested additional information. On March 16, 2026, the City Council unanimously approved the introduction of the ordinance.

Discussion: At the March 16, 2026, meeting, Council requested three amendments to the ordinance as drafted regarding the tiers, qualifying commercial, and bike parking.

State housing law requires the City to allow residential-only development in commercial zones on properties identified in the City’s Housing Element sites inventory. For this reason, the Zoning Code amendments establish a tiered system to incentivize mixed-use redevelopment on the Capitola Mall property.

The following table outlines the three tiers included in the City Council motion:

	Tier 1	Tier 2	Tier 3
Min. Density (du/ac)	20	20	20
Max Density (du/ac)	48	53	53
Perimeter Zone			
41st Ave. (ft)	125	75	75
Capitola Rd. (ft)	125	75	75
Clares St. (ft)	125	125	125
Perimeter Height	55	65*	65
Core Height	75	85	85
Open Space	5%	2.5%	2.5%
Affordable Housing	20%	20%	20%
Commercial sf	0	35,000	200k
Hotel Rooms	0	120	0
Meeting Space sf	0	3,600	0

* A hotel with a height up to 85 feet is allowed in the perimeter zone.

The Council also added the following requirement for the minimum commercial floor area:

The minimum required commercial floor area for a Tier 2 or Tier 3 project shall be occupied by active, publicly accessible commercial, cultural, or entertainment uses open to the general public, including retail sales, restaurants, food and beverage establishments, and similar visitor-serving uses.

Medical offices and clinics and uses that are membership-based personal service uses, including gyms, fitness centers, and yoga studios, shall not count toward the minimum required commercial floor area.

Alternative uses consistent with underlying zoning may be permitted with the issuance of a Conditional Use Permit upon a finding by Planning Commission that the above uses are not viable in the current market

Lastly, the Council directed staff to include an evaluation of Citywide requirements for bicycle parking in the next round of zoning code updates.

Fiscal Impact: There is no fiscal impact associated with adoption of the Zoning Code Amendments. Fiscal impacts from new development allowed by the amendments will be considered through the fiscal impact assessment requirement included in the proposed amendments.

Attachments:

Attachment 1. Capitola Mall Zoning Amendments Ordinance

Attachment 1A. Capitola Mall Zoning Amendments

Alignment with 2025-2029 Strategic Plan Priority: Accountable Government; Attainable Housing; Economic Opportunity; Healthy Families, Community, and Environment.

Report Prepared By: Katie Herlihy, Community and Economic Development Director

Reviewed By: Rosie Wyatt, Deputy City

Approved By: Jamie Goldstein, City Manager