

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF HOUSING POLICY DEVELOPMENT**

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January 12, 2024

Katie Herlihy, Director  
Community Development Department  
City of Capitola  
420 Capitola Avenue  
Capitola, CA 95010

Dear Katie Herlihy:

**RE: City of Capitola's 6<sup>th</sup> Cycle (2023-2031) Adopted Housing Element**

Thank you for submitting the City of Capitola's (City) housing element that was adopted November 9, 2023 and received for review on November 15, 2023. Pursuant to Government Code section 65585, the California Department of Housing and Community Development (HCD) is reporting the results of its review. In addition, HCD considered comments from PerkinsCoie on behalf of Merlone Geier Partners pursuant to Government Code section 65585, subdivision (c).

The adopted element addresses many statutory requirements that were described in HCD's October 3, 2023; however, revisions will be necessary to substantially comply with State Housing Element Law (Gov. Code, § 65580 et seq). The revisions needed to comply with State Housing Element Law are as follows:

1. *An inventory of land suitable and available for residential development, including vacant sites and sites having realistic and demonstrated potential for redevelopment during the planning period to meet the locality's housing need for a designated income level, and an analysis of the relationship of zoning and public facilities and services to these sites. (Gov. Code, § 65583, subd. (a)(3).)*

*Identify actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services...(Gov. Code, § 65583, subd. (c)(1).)*

**Suitability of Nonvacant Sites and Zoning for Lower-Income Households:** The element includes sites in the R-1 zone (with a maximum density of 8.7 du/ac) with existing congregational or educational uses currently listed as sites appropriate to meet the lower-income RHNA. The element mentions that recent legislation (SB 4) would allow development at appropriate densities (at least 20 units per acre). However, densities should be based on locally adopted densities.

As a result, the element should either provide an analysis based on factors such as market demand, financial feasibility, and development experience within identified zones, remove the sites or add programs to rezone the sites at appropriate densities, including meeting all by right requirements pursuant to Government Code section 65583.2, subdivisions (h) and (i).

In addition, the element must still evaluate the extent existing uses impede additional development. To address this requirement, the element should demonstrate the potential for redevelopment based on current market demand for the existing use, existing leases or contracts that would perpetuate the existing use or prevent additional residential development and other indicators of property turnover such as property for sale, vacancy, abandoned space, structural conditions, expressed interest in residential development, lack of improvements and frequent turnover. This analysis can be done on a site-by-site, corridor, or other planning area basis.

Publicly-Owned Sites: The element now generally discusses why publicly-owned sites were chosen but should still discuss their suitability for development in the planning period, including status, anticipated schedule, and any known barriers to development in the planning period. Based on the outcomes of this analysis, programs should be added or modified to comply with surplus land act requirements, if applicable, target numerical objectives consistent with the inventory and commit to a schedule of actions to facilitate development, including alternative actions, if necessary, by a specified date.

Electronic Sites Inventory: For your information, pursuant to Government Code section 65583.3, the City must submit an electronic sites inventory with its adopted housing element. The City must utilize standards, forms, and definitions adopted by HCD. While the City submitted the sites inventory in the appropriate form, any changes to the inventory should be reflected in the form and the form should be re-submitted as part of adoption. The City can reach out to HCD at [sitesinventory@hcd.ca.gov](mailto:sitesinventory@hcd.ca.gov) for technical assistance.

Programs: Based on the results of a complete sites inventory and analysis, the City may need to add or revise programs to address a shortfall of sites or zoning available to encourage a variety of housing types. In addition, the element should be revised, as follows:

- *Program 1.7 (Shopping/Commercial Center Redevelopment)*: While the element now includes actions to evaluate whether the Capitola Mall site redevelopment is achievable, an evaluation should instead evaluate whether redevelopment will occur in the planning period. In addition, as part of establishing land use policies, zoning and development standards, the Program should commit to establishing heights that encourage redevelopment.

- *Program 1.1 (Adequate Housing Sites):* As part of establishing incentives to encourage lot consolidation, the Program should commit to establishing density incentives.
2. *An analysis of potential and actual governmental constraints upon the maintenance, improvement, or development of housing for all income levels, including... (Gov. Code, § 65583, subd. (a)(5).)*

*Address and, where appropriate and legally possible, remove governmental and nongovernmental constraints to the maintenance, improvement, and development of housing, including housing for all income levels and housing for persons with disabilities... (Gov. Code, § 65583, subd. (c)(3).)*

Other Locally Adopted Ordinances – Incentives for Community Benefit: While the element now discusses the discretionary process for incentives, it should still evaluate impacts on housing supply and cost. The analysis should particularly address the impacts on costs for providing community benefits and add or modify programs, as appropriate.

Program 3.4 (Housing for Persons with Disabilities): The Program now appears to limit zoning and permit procedure changes to licensed group homes for seven or more persons. However, the Program should clearly commit to permit group homes for seven or more persons in all zones allowing residential uses and similar to other residential uses of the same type in the same zone. These amendments should be completed regardless of licensing.

The element will meet the statutory requirements of State Housing Element Law once it has been revised, re-adopted, if necessary, submitted and reviewed by HCD to substantially comply with the above requirements pursuant to Government Code section 65585.

Public participation in the development, adoption, and implementation of the housing element is essential to effective housing planning. Throughout the housing element process, the City should continue to engage the community, including organizations that represent lower-income and special needs households, by making information regularly available and considering and incorporating comments where appropriate. Please be aware, any revisions to the element must be posted on the local government's website and to email a link to all individuals and organizations that have previously requested notices relating to the local government's housing element at least seven days before submitting to HCD.

Several federal, state, and regional funding programs consider housing element compliance as an eligibility or ranking criteria. For example, the CalTrans Senate Bill (SB) 1 Sustainable Communities grant, the Affordable Housing and Sustainable Communities program, and HCD's Permanent Local Housing Allocation consider housing element compliance and/or annual reporting requirements pursuant to Government Code section 65400. With a compliant housing element, the City will meet housing element requirements for these and other funding sources.

For your information, some general plan element updates are triggered by housing element adoption. HCD reminds the City to consider timing provisions and welcomes the opportunity to provide assistance. For information, please see the Technical Advisories issued by the Governor's Office of Planning and Research at: <https://www.opr.ca.gov/planning/general-plan/guidelines.html>.

HCD appreciates the hard work and dedication the City's housing element team provided during the update and review. We are committed to assisting the City in addressing all statutory requirements of State Housing Element Law. If you have any questions or need additional technical assistance, please contact Jose Ayala, of our staff, at [Jose.Ayala@hcd.ca.gov](mailto:Jose.Ayala@hcd.ca.gov).

Sincerely,



Paul McDougall  
Senior Program Manager