

Capitola City Council

Agenda Report



Meeting: February 8, 2024

From: Community Development Department

Subject: Housing Element Update

Recommended Action: Provide preliminary direction to staff regarding amendments to Programs 1.6 and 1.7 of the recently adopted Housing Element that would provide additional incentives for Capitola Mall redevelopment, including a maximum height of 75 feet and an exception for parking garages from the floor area ratio calculation.

Background: On November 9, 2021, the City Council unanimously adopted the 6th Cycle Housing Element and authorized staff to submit the document to the State Department of Housing and Community Development (HCD) for Certification. On January 12, 2024, staff received comments from HCD recommending further items be addressed prior to HCD certification (Attachment 1). In addition to requests for clarification and analysis in certain areas, the HCD letter specifically asks the City to “commit to establishing heights that encourage redevelopment” and modifications to Chapter 17.88: Incentives for Community Benefits to “remove governmental constraints to the development of housing.”

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.

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.

Discussion: Capitola Municipal Code Chapter 17.88: Incentives for Community Benefits establishes incentives of additional height and floor area ratio in exchange for community benefits (Attachment 2). The City’s Municipal Code provides incentives for redevelopment of the Capitola Mall because it qualifies as a community benefit. The current incentives include increasing the maximum permitted building height from 40 to 50 feet and maximum permitted floor area ratio from 1.5 to 2.0 on the Mall site (CMC § 17.88.050.).

The Housing Element identifies 645 housing units on the Capitola Mall sites, 419 of which are affordable. The City’s Housing Element consultants confirmed the development of 645 units can be

accommodated within a height limit of 50 feet and a floor area ratio of 2.0. However, the Mall redevelopment project may not be economically feasible under the current development standards with 419 of the units required to be affordable. The Mall owner, through public comment letters on the Housing Element, has indicated that an increase in the maximum permitted building height for the mall site to 75 feet would improve project feasibility. A height limit of 60 - 75 feet could result in 1,000 - 1,300 total units.

The Mall owner also requested an exception to the floor area ratio calculation to exclude parking garages. This modification would incentivize onsite parking. At a time when the state is decreasing/removing parking requirements, having incentives for parking in the code may assist in the development of onsite parking. The visual impacts of parking garages can be mitigated through objective design standards.

On February 1, 2024, the Planning Commission held a work session and discussed HCD input regarding Chapter 17.88: Incentives for Community Benefits. The Commission expressed unanimous support for the request to increase the height limit to 75 feet and add an exception for parking garages from the floor area ratio to encourage redevelopment of the Capitola Mall. The Planning Commission also supported adding design mitigations that include: stepping the massing of the building from the street frontage, wrapping parking garages into the site architecture, and limiting the 75-foot height to the Mall site.

Based on City Council direction regarding how to address HCD's comments, staff can add further narrative to the Housing Element Resources chapter as well as Programs 1.6 and 1.7 regarding the redevelopment of the Mall site, potentially including a commitment to update the Municipal Code to allow for increased height on the Mall site.

Following the Council's direction, staff intends to publish the updated Housing Element with the latest amendments on the City website for public review and submit the updated version to HCD with a request for expedited, conditional approval. Staff will also provide an update to the Planning Commission and City Council regarding the updated public review draft.

HCD will have up to 60 days to review the updated housing element and provide conditional redlines of recommended changes. Staff will then schedule the updated Housing Element, including the HCD recommended redlines, for review and recommendation by the Planning Commission and adoption by City Council. Adoption is estimated in late spring or early summer due to HCD's 60-day review period and public notice requirements.

Fiscal Impact: None

Attachments:

1. January 12, 2024 HCD Letter
2. Chapter 17.88 Incentives for Community Benefits
3. Merlone Geier letter dated November 8, 2023

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