



# Capitola Mall Redevelopment Land Use Study

## Overview

### I. BACKGROUND

The City of Capitola is a small, 1.6 square-mile seaside community located along Monterey Bay in Santa Cruz County. Soquel Creek generally bisects the community in a northwest-southeasterly direction, with residences and community and regional-serving commercial uses to the west of the creek, and a mixture of residences and small shops and businesses along the east side of the creek.

Capitola was originally founded in 1869 as California's first seaside resort. Incorporated as a city in 1949, the village area remains California's oldest coastal resort and includes one of the region's most active beaches. Most of the growth in Capitola occurred in the 1970s as the community annexed surrounding land and residential growth accelerated. Capitola's fortunes improved dramatically as the 1975 General Plan was drafted. In a controversial move, the city annexed 38 acres of the 41<sup>st</sup> Avenue Brown Bulb Ranch property. Sutter Hill Development Company then built a shopping center to be known as the Capitola Mall. The annexation was approved in March 1975, and the mall opened in 1977. Proposition 13 passed in 1976. Capitola benefited as revenue for cities shifted from property taxes to sales taxes.

A \$35 million mall expansion doubled the retail shopping area in 1988. 41<sup>st</sup> Avenue was widened in the shopping district to a six-lane boulevard, attracting new businesses and a number of smaller shopping centers. The opening of the Capitola Auto Center further increased tax revenue base, allowing the city to move with confidence toward the new millennium in 2001. Today 41<sup>st</sup> Avenue is the most traveled street in Santa Cruz County.

In 2013, the city adopted a new General Plan, a focus of which is the redevelopment of the Forty-First Avenue corridor and the Capitola Mall. During the General Plan update, workshops were conducted to focus on 41<sup>st</sup> Avenue and the Capitola Mall area. The outcome of the workshops was a draft Re-Visioning Plan for the area including goals, policies, and actions to actualize the long-term transformation of Capitola Mall into a more pedestrian-friendly commercial district with improved regional transportation and high-quality architecture and outdoor amenities attractive to shoppers and families. The General Plan also calls for enhancing the Capitola Mall and 41<sup>st</sup> Avenue corridor as regional and local retail, entertainment, and dining destination.

In 2019, the majority owner of the Capitola Mall, Merlone Geier Partners (MGP), submitted a conceptual design for the redevelopment of the 31.44 acres of property MGP owns within the 46.16-acre Capitola Mall Site. The concept included approximately 339,131 square feet of commercial space, including retail, restaurants, fitness, and entertainment uses, for a net reduction of approximately 34,320 square feet. Also, 637 multi-family residential units were included within two buildings; one five-story building and one seven-story building with a height of 85 feet. Both buildings were designed to have retail and residential uses "wrapped" around

two parking garages. The concept included the reconfiguration of access to the site and the creation of an internal street grid pattern within the site. An active main street with angled parking, wide sidewalks, spaces for outdoor dining, informal seating, and landscaping was included as part of the project.

In November of 2019, the Planning Commission and City Council provided feedback on the conceptual design. Feedback was generally very supportive with requests for some design modifications and the addition of a hotel to mitigate the costs for City services associated with the 637 residential units. MGP continued to work on the project following the conceptual review application, authorizing the City to begin work on portions of the third-party environmental analysis of the site. In the summer of 2020, MGP notified City staff to stop work on the environmental analysis due to the pandemic. MGP has more recently communicated that the Capitola Mall is not a priority site due to development opportunities at other locations.

The Capitola Mall Redevelopment Land Use Study will identify land use and planning tools to support mall redevelopment as expressed within the Capitola General Plan. Future development of the Capitola Mall will be subject to the Capitola Municipal Code, including applicable zoning, development standards, parking standards, and an overlay zone that provides incentives in exchange for community benefits. The study will look at the existing municipal code and provide options for improvements to the existing code and suggestions on new land use tools that could assist in the redevelopment of the Capitola Mall.

## II. SCHEDULE

The Capitola Mall Redevelopment Land Use Study will be completed by the end of year 2023. The consultant's proposed schedule will be an important consideration when evaluating proposals. The City's tentative schedule is as follows:

- City Council Approval: September 14, 2023
- Signed Contract and Notice to Proceed: September 18, 2023
- Completed Study November 30, 2023
- Presentation to Committee December 2023
- Presentation to City Council January 2024

## III. SCOPE OF SERVICES

The following list of tasks is to be completed by the consultant:

**Step One. Analyze Existing Code.** City staff will provide a summary of the existing municipal code relative to Capitola Mall redevelopment and an estimated projection of buildout. The following sections of code will be included in the summary:

1. Chapter 17.24 Commercial and Industrial Zoning Districts (Regional Commercial Zone)
2. Chapter 17.48 Height, Setbacks, and Floor Area

3. Chapter 17.76 Parking and Loading
4. Chapter 17.88 Incentives for Community Benefits

The Consultant will review the staff summary and identify standards in each chapter that support or inhibit the redevelopment of the Capitola Mall.

**Step Two. Summary of Alternative Land Use Tools.** Provide a menu of alternative land use tools the City could implement to help incentivize mall redevelopment. Each alternative should include an overview of the land use tool, strengths/weaknesses of the alternative, effect on the existing baseline build-out, effect on local discretion, economic impact to the City, examples from other communities, and the approximate cost and time to implement. The summary should conclude with a draft recommendation on the best alternative(s) for implementation.

**Step Three. Presentation to Committee.** The analysis of the study and draft recommendation will be presented to a Mall Redevelopment Technical Committee. The committee will be formed by staff and be comprised of technical experts. The technical committee will provide feedback on the draft study and recommendation.

**Step Four. Recommendation to City Council.** The final draft of the analysis and recommendations will be presented to City Council. The study may require minor modifications/edits based on the City Council feedback. The study will be utilized by Capitola staff to inform future decisions related to mall redevelopment strategies.

#### **IV. DELIVERABLES:**

The deliverable will be a Capitola Mall Redevelopment Land Use Study and at a minimum include the following:

1. Summary of strengths/weaknesses of existing code relative to mall redevelopment
2. Provide a menu of land use alternatives the City could implement to support mall redevelopment. Each alternative should include an overview of the land use tool, strengths/weaknesses of the alternative, effect on local discretion, examples from other communities, effect on the baseline build-out estimate, economic impact to the City, and the approximate cost and time to implement.
3. Draft report with recommendation(s) on the best alternative for implementation.
4. Remote presentation to technical committee.
5. Final report
6. Remote presentation to City Council.