

Capitola City Council

Agenda Report



Meeting: September 14, 2023

From: Community Development Department

Subject: Mall Redevelopment Land Use Study

Recommended Action: Authorize the City Manager to execute an agreement with Kosmont Companies for the Capitola Mall Redevelopment Land Use Study in the amount of \$25,000.

Background: The Capitola Mall opened in 1977 and occupies 46.16 acres between 41st Avenue, Capitola Road, and Clares Street. The Capitola Mall is the only enclosed shopping center in Santa Cruz County and is majority-owned by Merlone Geier Partners (MGP).

In 2019, 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. The concept also included 637 multi-family residential units within two buildings: one five-story building and one seven-story building, with a maximum 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 the summer of 2019, City staff issued a Request for Proposals (RFP) to assess the economic cost/benefit analysis of the mall redevelopment conceptual design. On August 22, 2019, the City Council approved a Professional Services Agreement with Kosmont Companies in the amount of \$63,000 to review the mall development proposal and conduct a feasibility and fiscal analysis of the project. Funding for the agreement was provided by a developer deposit, which was provided as a part of the development application. Kosmont Companies developed a fiscal impact analysis which identified tools to increase and diversify potential revenues, including building a new hotel on the site, establishing a Community Facilities District, or enactment of an entertainment tax.

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 as a result of the COVID-19 Pandemic. MGP has more recently communicated with staff that MGP is focusing on other priorities at this time.

Discussion: During the Fiscal Year 2023-2024 budget hearing, the City Council allocated \$25,000 of general funds to identify strategies to support mall redevelopment and directed staff to create a committee to focus on mall redevelopment.

The proposed Capitola Mall Redevelopment Land Use Study will analyze the existing Capitola Municipal Code relative to mall redevelopment, provide a menu of alternative land use tools the City could implement to support mall redevelopment, outline pros and cons of each option, and conclude with a draft recommendation on the best alternative(s) for implementation.

Staff plans to form a technical committee to help review the alternatives presented by Kosmont. The technical committee will be comprised of local experts with experience in land use, real estate, mixed-

use development, or retail/housing development; and will provide feedback on the draft study and recommendation. The technical committee meetings will be open to the public.

The following is the scope of services to be completed by the consultant:

Step 1. 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 Consultant will review the staff summary and identify standards in each chapter that support or inhibit the redevelopment of the Capitola Mall. 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

Step 2. 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 3. Presentation to Committee: The analysis of the study and draft recommendation will be presented to a technical committee. The technical committee will provide feedback on the draft study and recommendation.

Step 4. Recommendation to City Council: The final draft of the analysis and recommendations will be presented to the City Council. The study may require minor modifications/edits based on the City Council's feedback. The study will be utilized by Capitola staff to inform future decisions related to mall redevelopment strategies.

The City's Administrative Policy III-4: Purchasing and Procurement Policy allows sole source consultant services in cases where a consulting firm is a highly recognized authority in a field or specialty or has unique specific knowledge regarding the project. Staff recommends executing a Professional Services Agreement with Kosmont Companies as a sole source procurement. Kosmont Companies has extensive prior knowledge regarding the land use and economics of the Capitola Mall. An overview including history, scope, and deliverables is included as Attachment 1.

Fiscal Impact: The adopted FY 2023-24 General Fund Budget has allocated \$25,000 for a Capitola Mall Redevelopment Land Use Study to identify public/private partnership opportunities to support mall redevelopment.

Attachments:

1. Capitola Mall Redevelopment Land Use Study overview, scope, and deliverables
2. Draft Agreement
3. Sole Source Memo

Report Prepared By: Katie Herlihy, Community Development Director

Reviewed By: Julia Moss, City Clerk; Sam Zutler, City Attorney

Approved By: Jamie Goldstein, City Manager