ORDINANCE NO. ____

AN ORDINANCE OF THE CITY OF CAPITOLA TO ADOPT AMENDMENTS TO AMEND TITLE 17, ZONING CODE, OF THE CAPITOLA MUNICIPAL CODE TO REPEAL AND REPLACE CHAPTER 17.88: INCENTIVES FOR COMMUNITY BENEFITS; RELOCATE EXISTING VILLAGE HOTEL INCENTIVES TO NEW CHAPTER 17.90: INCENTIVES FOR A VILLAGE HOTEL WITH COMMUNITY BENEFITS; AMEND CHAPTER 17.74: ACCESSORY DWELLING UNITS; REPEAL CHAPTER 9.08: TATTOO ESTABLISHMENTS; MAKE RELATED AMENDMENTS FOR BODY ART STUDIOS TO CHAPTER 17.20:MIXED USE AND CHAPTER 17.24 COMMERCIAL AND INDUSTRIAL ZONING DISTRICTS, CHAPTER 17.96: SUPPLEMENTAL REGULATIONS; AND 17.160 GLOSSARY; AND FINDING THAT ADOPTION OF THE ORDINANCE IS EXEMPT FROM CEQA

WHEREAS, on August 22, 2024, the City Council adopted amendments to the 2023-2031 Housing Element of the General Plan ("Housing Element") and Addendum to the General Plan Final Environmental Impact Report;

WHEREAS, on August 30, 2025, the California Department of Housing and Community Development ("HCD") certified the Housing Element;

WHEREAS, the Housing Element identifies Zoning Code Chapter 17.88 (Incentives for Community Benefits) as a constraint to housing production and calls for the City to establish objective standards for projects that provide community benefits;

WHEREAS, in 2025, the state enacted AB 1154 and SB 543 which revise the process and timeframe for cities to review and act on accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs), modify owner occupancy requirements for JADUs, and clarify ADU provisions which also apply to JADUs;

WHEREAS, Municipal Code Chapter 9.08 (Tattoo Establishments), adopted in 1962, states that "It is unlawful to maintain or conduct a tattoo establishment or to maintain and conduct a tattooing business in the city.";

WHEREAS, on May 7, 2026, staff met with California Coastal Commission staff to review proposed amendments to Chapter 17.88 (Incentives for Community Benefits) related to the Capitola Village Hotel and, based on the information provided Coastal staff provided direction to move the Capitola Village Hotel community benefits into a separate chapter of the code and not make changes to the standards;

WHEREAS, on June 4, 2026, the Planning Commission held a study session to provide feedback on proposed amendments to Chapter 17.88 (Incentives for Community Benefits), Chapter 17.74 (Accessory Dwelling Units), and Municipal Code Chapter 9.08 (Tattoo Establishments);

WHEREAS, on July 29, 2026, staff met with the California Department of Housing and Community Development (HCD) to review proposed amendments to Chapter 17.88

and, based on this information, HCD expressed preliminary support for the proposed amendments;

WHEREAS, notice of the amendments availability was mailed and public review drafts were made available on August 14, 2026, in compliance with California Coastal Act public participation requirements and applicable state law;

WHEREAS, Chapter 17.88 amendments are exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code 21080.085 which states that CEQA does not apply to a rezoning that implements the schedule of actions contained in an approved housing element, the proposed ADU amendments are exempt from CEQA pursuant to Public Resources Code section 21080.17 and CEQA Guidelines section 15282(h) which exempts adoption of ordinances implementing state law regarding accessory dwelling units, and the proposed body art studios amendments are categorically exempt from CEQA. The body art studio amendments restricts zoning and cap a highly specific type of retail/service business to a maximum of three storefronts. Currently, personal service uses are allowed in commercial and mixed use zoning districts, and the proposed amendments add body art establishments as a similar allowed use subject to operational standards. Individual body art establishment projects will be evaluated under CEQA; therefore,it can be seen with certainty that there is no possibility that the adoption of the proposed amendments will have a significant effect on the environment. (CEQA Guidelines, 14 Cal. Code of Regs. Section 15061(b)(3));

WHEREAS, at a duly noticed public hearing on August 20, 2026 the Planning Commission recommended the City Council adopt the Municipal Code Amendments.

BE IT ORDAINED by the City of Capitola as follows:

Section 1: The above findings are adopted and incorporated herein.

Section 2: Pursuant to Capitola Municipal Code Section 17.144.040 and 17.144.060 and based on substantial evidence in the record:

a) The proposed Zoning Code Amendments are consistent with the General Plan, including the Housing Element and Land Use Element and any applicable specific plan as provided by Government Code Section 65860.

b) The proposed Amendments will not be detrimental to the public interest, health, safety, convenience, or welfare of the City.

c) The proposed Amendments are internally consistent with other applicable provisions of the Zoning Code.

Section 3: The City Council has considered the Amendments' consistency with the certified Local Coastal Program (LCP) and finds the Zoning Code Amendments in conformity with and adequate to carry out the certified Land Use Plan.

Section 4: Title 17 (Zoning) and Chapter 9.08 (Tattoo Establishments) of the Capitola

Municipal Code is amended as set forth in the following exhibits attached hereto and incorporated herein:

- Exhibit A: Repealing Chapter 17.88 (Incentives for Community Benefits and Adopting a new Chapter 17.88 (Incentives for Community Benefits) and relocating existing Village Hotel incentives to a new Chapter 17.90 (Incentives for a Village Hotel with Community Benefits)
- Exhibit B: Amendments to Chapter 17.74 (Accessory Dwelling Units)
- Exhibit C: Repeal of Chapter 9.08 (Tattoo Establishments), New Section 17.96.080 (Body Art Studios), and amendments to 17.20 (Mixed Use Zoning Districts), Chapter 17.24 (Commercial and Industrial Zoning Districts), and define body art studios in Chapter 17.160 (Glossary)

Section 5: Environmental Review.

The City Council finds that:

- The Chapter 17.88 Amendments are exempt from the California Environmental Quality Act (CEQA) pursuant to Public Resources Code 21080.085, which states that "This division does not apply to a rezoning that implements the schedule of actions contained in an approved housing element pursuant to subdivision (c) of Section 65583 of the Government Code." Here, the Housing Element's Program 1.4 calls for the City to update the Zoning Code to facilitate housing production by removing constraints in the City's community benefits program and establishing new objective standards and approval criteria. Because the proposed Chapter 17.88 amendments implement this action, its adoption is exempt from CEQA.
- The ADU Amendments are exempt from CEQA pursuant to Public Resources Code section 21080.17 and CEQA Guidelines section 15282(h), which exempts adoption of ordinances implementing state law regarding accessory dwelling units.
- The Body Art Studios Amendments are categorically exempt from CEQA because it can be seen with certainty that there is no possibility that the adoption of the proposed Amendments will have a significant effect on the environment. (CEQA Guidelines, 14 Cal. Code of Regs. Section 15061(b)(3)). Currently, personal service uses are allowed in commercial and mixed use zoning districts, and the proposed amendments add body art establishments as a similar allowed use subject to operational standards.

Section 6: Effective Date.

This Ordinance shall be in full force and effect thirty (30) days from its passage and adoption except that it will not take effect within the coastal zone until certified by the California Coastal Commission. This Ordinance shall be transmitted to the California Coastal Commission and shall take effect in the coastal zone immediately upon certification by the California Coastal Commission or upon the concurrence of the Commission with a determination by the Executive Director that the Ordinance adopted by the City is legally adequate.

Section 7: Severability.

The City Council hereby declares every section, paragraph, sentence, cause, and

phrase of this ordinance is severable. If any section, paragraph, sentence, clause, or phrase of this ordinance is for any reason found to be invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the validity or constitutionality of the remaining sections, paragraphs, sentences, clauses, or phrases.

Section 8: Certification.

The City Clerk shall cause this ordinance to be posted and/or published in the manner required by law.

This Ordinance was introduced at the meeting of the City Council on the 10th day of September, 2026, and was adopted at a regular meeting of the City Council on the ___ day of _____, 2026, by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:

_____

Margaux Morgan, Mayor

Attest: _____
Julia Gautho, City Clerk