

Capitola City Council

Agenda Report



Meeting: October 10, 2024

From: Community Development Department

Subject: Capitola Mall Redevelopment Land Use Study

Recommended Action: Receive a presentation by Kosmont Companies on the findings of the Capitola Mall Redevelopment Land Use Study.

Background: The Capitola Mall has been a key commercial and economic hub for the City since its opening in 1977. It is located along the 41st Avenue corridor in the Regional Commercial Zoning District. In recent years, changes in the retail industry, including the decline of large-format retail stores, have led to the need for a re-envisioning of the mall site. In response to this challenge, the City's 2013 General Plan identified the redevelopment of the mall and the surrounding 41st Avenue corridor as a priority, with the goal of transforming the area into a mixed-use, pedestrian-friendly district.

In 2019, Merlone Geier Partners (MGP), the majority owner of the mall, submitted an initial redevelopment plan for conceptual review, which included a mix of residential and commercial uses. The City Council and Planning Commission provided initial feedback, expressing general support for the concept while recommending the inclusion of a hotel to offset the public service costs associated with new residential units. In 2020, the project was withdrawn due to the Covid-19 Pandemic and the shifting economy.

In 2023, in an effort to support redevelopment, the City initiated the Capitola Mall Redevelopment Land Use Study (Study). On September 14, 2023, the City Council approved an agreement with Kosmont Companies to complete the Study. The Study was originally set for completion in early 2023 but was delayed due to requirements from the California Department of Housing and Community Development (HCD). Specifically, HCD required that the City update the Housing Element to commit to increasing the height limit and floor area ratio (FAR) for the mall site to ensure the economic feasibility of residential development. Kosmont Companies provided economic analysis, supporting a height increase of up to 75 feet and more flexibility in FAR to remove parking garages from the calculation. The commitments are included in the City's certified Housing Element

Discussion: The Study focuses on identifying tools and strategies that can assist the City in supporting the future redevelopment of the Capitola Mall. It emphasizes that the City's land use and zoning regulations will play a crucial role in shaping future redevelopment.

Several land use incentives are identified in the study to assist with attracting and retaining commercial development in a mixed-use environment. These include:

- Fee Waivers
- Bonus Residential Floor Area/Height Limits
- Local Tax Sharing Agreement
- EIFD/CFD Special District Fundings
- Infrastructure Cost Support (Bonds/Grants)
- Public Parking Structures

Kosmont Companies provided examples from other communities that have successfully redeveloped large mall sites using a combination of residential and commercial uses. These examples illustrate how flexible zoning, public-private collaboration, and the strategic use of incentives can lead to successful redevelopment outcomes.

Also attached is the 2019 report prepared by Kosmont Companies evaluating the economic impact of Merlone Geier's initial redevelopment proposal. While that project is no longer under consideration, the report provides background information about the fiscal impacts of redevelopment on the City.

Fiscal Impact: There is no fiscal impact associated with receiving this report.

Attachments:

1. Capitola Mall Redevelopment Land Use Study
2. Kosmont Companies 2019 Capitola Town Square – Analysis of Fiscal Impact

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Approved By: Jamie Goldstein, City Manager