



[PDF] Santa Cruz Input on Capitola Mall Zoning - Item 6A on 2/5/26 Agenda

From Santa Cruz YIMBY <santacruzylimby@gmail.com>

Date Tue 2/3/2026 5:59 PM

To PLANNING COMMISSION <planningcommission@ci.capitola.ca.us>

Cc Herlihy, Katie (kherlihy@ci.capitola.ca.us) <kherlihy@ci.capitola.ca.us>; Sesanto, Sean <ssesanto@ci.capitola.ca.us>; hello@santacruzylimby.org <hello@santacruzylimby.org>; bnoble@bnplanning.com <bnoble@bnplanning.com>

 1 attachment (193 KB)

Santa Cruz YIMBY Input on Capitola Mall Zoning Code - Agenda 6A.pdf;

Hello Commissioners,

Please find attached Santa Cruz YIMBY's input on agenda item 6A regarding Capitola Mall Zoning.

Thank you all for your service and commitment to the community,

Rafa Sonnenfeld

Janine Roeth

volunteer leads, Santa Cruz YIMBY



To: Capitola Planning Commission
From: Santa Cruz YIMBY
Date: February 3, 2026
Re: Capitola Mall Zoning Code Amendments - Agenda item #6A

Dear Planning Commissioners,

Santa Cruz YIMBY supports the revitalization of the Capitola Mall. To ensure this transformation proceeds without unnecessary legal or procedural delays, we urge the Commission to refine the current proposal before it moves to the City Council.

1. Prevent Multi-Month Coastal Commission Delays

The current draft strikes Section 17.82.020.B(1) to apply new objective standards to the Mixed-Use Village and Industrial districts.

- The Problem: Because these districts are in the Coastal Zone, including them in this ordinance triggers a mandatory certification process by the California Coastal Commission. This is a notoriously lengthy process that could stall the Mall redevelopment—which is located entirely outside the Coastal Zone—for a year or more.
- The Solution: The Mall should not be tied to this procedural bottleneck. We recommend striking the Mixed-Use Village and Industrial districts from this ordinance so Mall redevelopment can proceed immediately.

2. Align with HCD Technical Guidance (See Appendix)

We have attached technical guidance from the California Department of Housing and Community Development (HCD) dated January 30, 2026. Please review these State recommendations directly. As of this draft, the City has not yet fully implemented HCD's core instructions intended to facilitate housing, including:

- Permit Certainty: HCD recommended replacing the discretionary Conditional Use Permit (CUP) with a Minor Use Permit (MUP) or Site Plan Review to promote approval certainty. The City's proposed modification still gives the city the discretion to do whatever they want with the CUP as written. We suggest "...the City's review of a Conditional Use Permit for residential development on the Capitola Mall property shall ~~focus on~~ be limited to requiring conditions related to the following considerations," which is more in line with HCD's recommendation.
- Fiscal Impact Analysis (FIA): HCD recommended exempting all 100% *residential* projects from the FIA to prevent inappropriate density reductions, not just 100% *affordable* residential projects. HCD also recommends, "The City should also add language stating that anticipated increases in City expenditures generated by residential projects/projects components at buildout cannot be used to justify a reduction in the residential units/residential floor area in a proposed project."

3. Address the Zoning Contradiction and Parcel Inclusion

Santa Cruz YIMBY submitted a Technical Assistance Request to HCD that covered some of the same concerns as the guidance the City recently received. Our request additionally addressed the City's proposed maximum density on Mall parcels; while HCD did not include this in their January 30 response, we believe the City must proactively address the underlying legal contradiction in the current draft:

- The Two-Way Trap:
If the Housing Element's 48 du/acre assumption was only feasible with these new standards, the City has effectively admitted the previous zoning was insufficient. Consequently, this must be treated as a shortfall rezoning that missed the December 2024 deadline. Under state law, this status imposes additional restrictions that prohibit the underlying zoning from allowing non-residential uses.
Conversely, if 48 du/acre was already feasible, then imposing a new density cap and fiscal/design constraints is a downzoning requiring a No Net Loss analysis. The proposed 20 du/acre cap on the two Mall parcels excluded from the housing element is also a new downzoning/constraint on housing development that must be analyzed under SB 330's no net loss rule.
- Parcel Consistency: Program 1.7 explicitly requires the City to: *"Define 'Capitola Mall' as all properties between Clares Street, 41st Avenue and Capitola Road.* Parcels 034-031-40 and 034-031-67 are part of the Mall area and must be subject to the newly allowed height and FAR increases (75 foot height limit and FAR of 2.0), and Mall objective standards, to remain consistent with Housing Element Program 1.7.

Recommendations:

We respectfully request that the Planning Commission at the February 5th meeting:

- De-couple the Coastal Zone districts (Mixed-Use Village and Industrial) from this ordinance to protect the Mall's redevelopment timeline.
- Fully implement the attached HCD recommendations, specifically by strengthening the discretionary CUP to promote approval certainty and exempting all 100% residential development from the FIA.
- Apply the greater height and FAR limits to all Mall parcels, including those currently excluded, to maintain consistency with the Housing Element Program 1.7.

Sincerely,
Rafa Sonnenfeld
Janine Roeth
Volunteer Leads, Santa Cruz YIMBY

Appendix: HCD Technical Guidance Email (January 30, 2026)

From: Thomas, Xjvirr@HCD [redacted]

Sent: Friday, January 30, 2026 2:14 PM

To: Herlihy, Katie [redacted]; Heaton, Brian@HCD [redacted]; McDougall, Paul@HCD [redacted]

Cc: Ben Noble [redacted]; Phillips, Eric S. [redacted] Herrera, Fidel@HCD [redacted]

Subject: RE: Technical Complaint Follow-Up

Good Afternoon Katie,

Thank you for the email and for sitting down with us the other day to discuss the City's plans for the Capitola Mall area. After discussing the matter with Brian, Paul, and our Section Chief over Housing Element Implementation (Fidel Herrera), HCD would like to see the following changes/refinements be added to the code amendments that will be presented to your Planning Commission February 5. The following build upon the suggestions made by the City your previous email:

City Suggestion 1: Insert additional references throughout the draft code to emphasize the purpose of the amendments are to facilitate a mixed-use housing development and support for housing (and particularly affordable housing) production consistent with the Housing Element's programs.

- HCD Response Recommendation: In the Land Use Regulation section, clarifying that more certain parameters could be granted for Conditional Use Permit (CUP) submittals for affordable housing projects or projects that consist of majority of residential units. We recognize the need for discretion with such a large and complex property but also suggest adding parameters on the CUP process to promote approval certainty. This could be accomplished via an alternative permit type such as a Minor Use Permit (MUP) or Site Plan Review that provides an applicant more certainty than the existing CUP process. The CUP process could also be refined to provide decision-making parameters such as access, circulation, etc. The idea is to focus the deliberation and not rove into unnecessary areas. If not amenable to this approach, consider other approaches to promote approval certainty in the CUP process. This would demonstrate a predictable and prioritized permitting pathway for residential developments which syncs the City's proposed actions with the commitments made in Program 1.7 of the Housing Element.

City Suggestion 2: Clarify that the "deviation" section of the objective standards is only applicable to projects that are not eligible for or do not seek incentives, concessions, or waivers under the state density bonus law and that a request for a deviation (outside of the state density bonus law context) means that the project is not consistent with applicable, objective standards without concluding that no state streamlining laws are applicable (17.57.040.B).

- HCD Response Recommendation: The City should reconsider the necessity of the provision at 17.57.040(B)(2) altogether. It is redundant (and possibly confusing for applicants and decision makers) to state that a housing development project is not eligible for the benefits and protections of state housing law for which it does not qualify. HCD recommends rephrasing it to a positive, such as, "Requesting a deviation does not limit a housing development project's ability to use the benefits and protections of State housing laws for which it is eligible, including

specifically State Density Bonus Law incentives, concessions, and development standard waivers.”

City Suggestion 3: To reduce entitlement costs, waive Fiscal Impact Analysis (FIA) requirements for stand-alone 100% affordable housing projects. Consider whether an FIA waiver may also be appropriate for projects that include a minimum threshold of commercial development (17.24.035.E).

- HCD Response Recommendation: Exempting 100% affordable housing projects from the requirement to provide an FIA is a good start. However, HCD recommends that the City reconsider the benefit of requiring FIAs for any 100% residential projects. It’s well known that ongoing costs to provide services (e.g., police, fire, etc.) to residential land uses generally exceeds the tax revenue generated by these uses. Without directive language in the municipal code, decisionmakers might inappropriately attempt to reduce residential unit counts in mixed-use projects in an attempt to make the projects revenue neutral (per 17.24.035 (E)(2)(c), which relates to need to “offset any negative fiscal impacts”. As you are aware, the Housing Accountability Act strictly limits the ability of a local government to reduce the density of a qualifying housing development project. To best implement Housing Element Implementation Program 1.7, the City should exempt all 100% residential projects from this requirement. The City should also add language stating that anticipated increases in City expenditures generated by residential projects/projects components at buildout cannot be used to justify a reduction in the residential units/residential floor area in a proposed project.

Thank you



Xjvrr Thomas

HCD Specialist II

Housing & Community Development

[redacted]