

Capitola Mall Zoning Code Amendments

City Council

February 23, 2026





Presentation Overview

- **Part 1:** Project Background
- **Part 2:** Development Standards
- **Part 3:** Objective Standards



What is a Housing Element?

Long range plan which identifies:

- Housing Needs
- Housing Constraints
- Goals, Policies, and Objectives
- Housing Programs
- Sites Inventory



Housing Element Background

- Updated Housing Element adopted 2024
- Housing Element programs require Zoning Code Amendments
- Zoning Code amendments: adopted in 2024
- Residential Multifamily (RM) zone amendments: adopted in September 2025
- Mall Zoning Code amendments: in process



Housing Element Background

Capitola Mall Zoning Amendments:

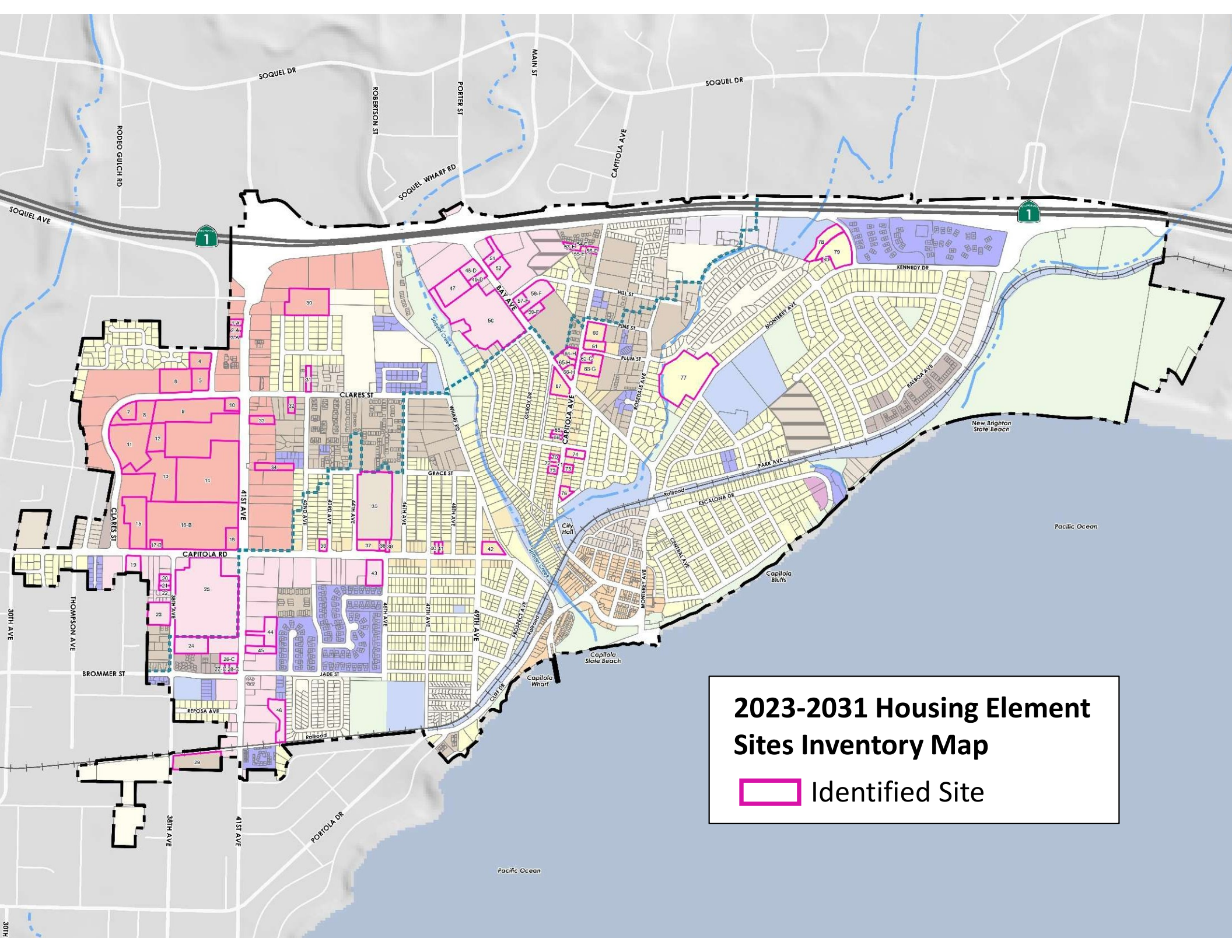
- Align with Housing Element Sites Inventory
- Implement Program 1.7 (Shopping/Commercial Center Redevelopment)




Housing Element Sites Inventory

- The Housing Element must identify adequate sites to accommodate regional housing needs allocation (RHNA) for 8-year planning period
- Capitola’s 2023-2031 RHNA:

Income Level	Percent of Area Median Income	RHNA	
		Units	Percent
Extremely Low	Up to 30%	215	16%
Very Low	31% to 50%	215	16%
Low	51% to 80%	282	21%
Moderate	81% to 120%	169	14%
Above Moderate	More than 120%	455	34%
Total	-	1,336	-



**2023-2031 Housing Element
Sites Inventory Map**

 Identified Site



Housing Element Sites Inventory

Sites Inventory

Location	Housing Units
Entire Block	1,777
MGP Properties	1,126

How did we get here?



Housing Element Sites Inventory

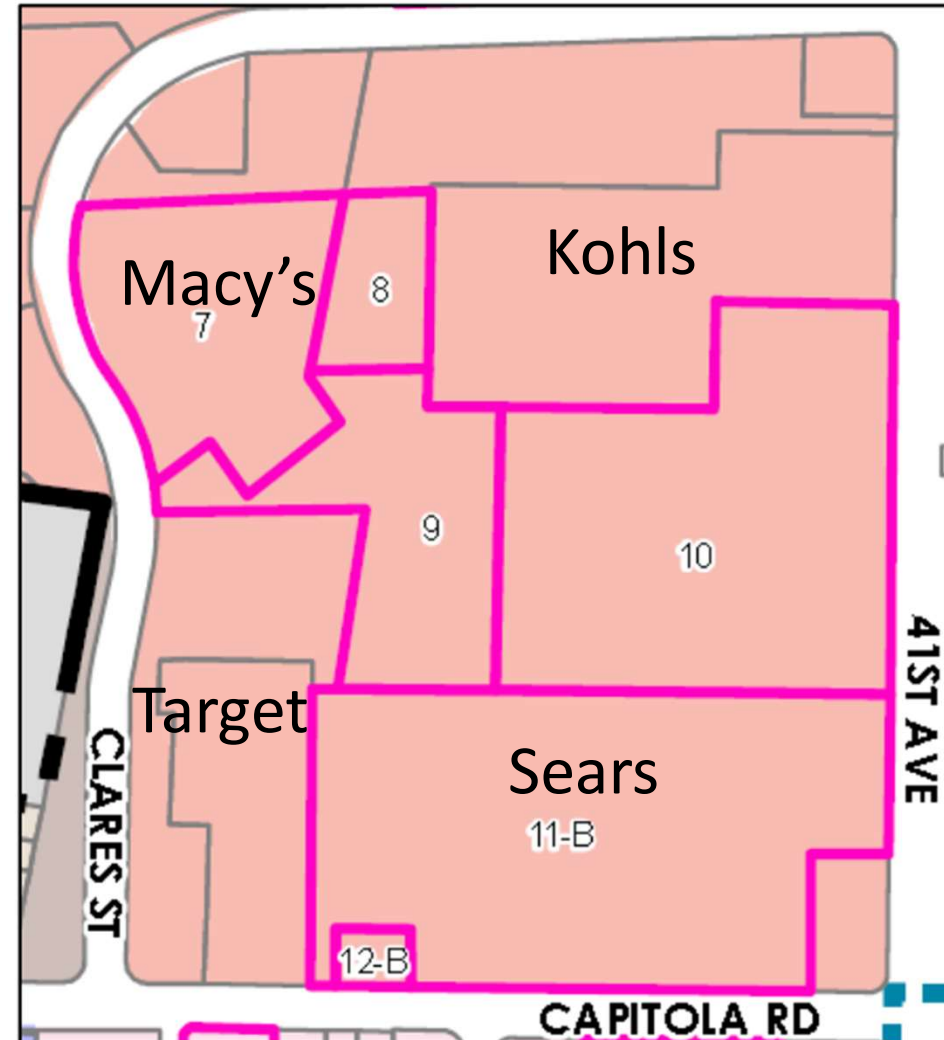
First Draft of Housing Element

Mall Block

6 sites total

(5 of 6 Merlone Geier Partners)

Low	Mod	Market Rate	Total
368	109	257	734





Housing Element Sites Inventory

First Draft of Housing Element

Mall Block

6 sites total

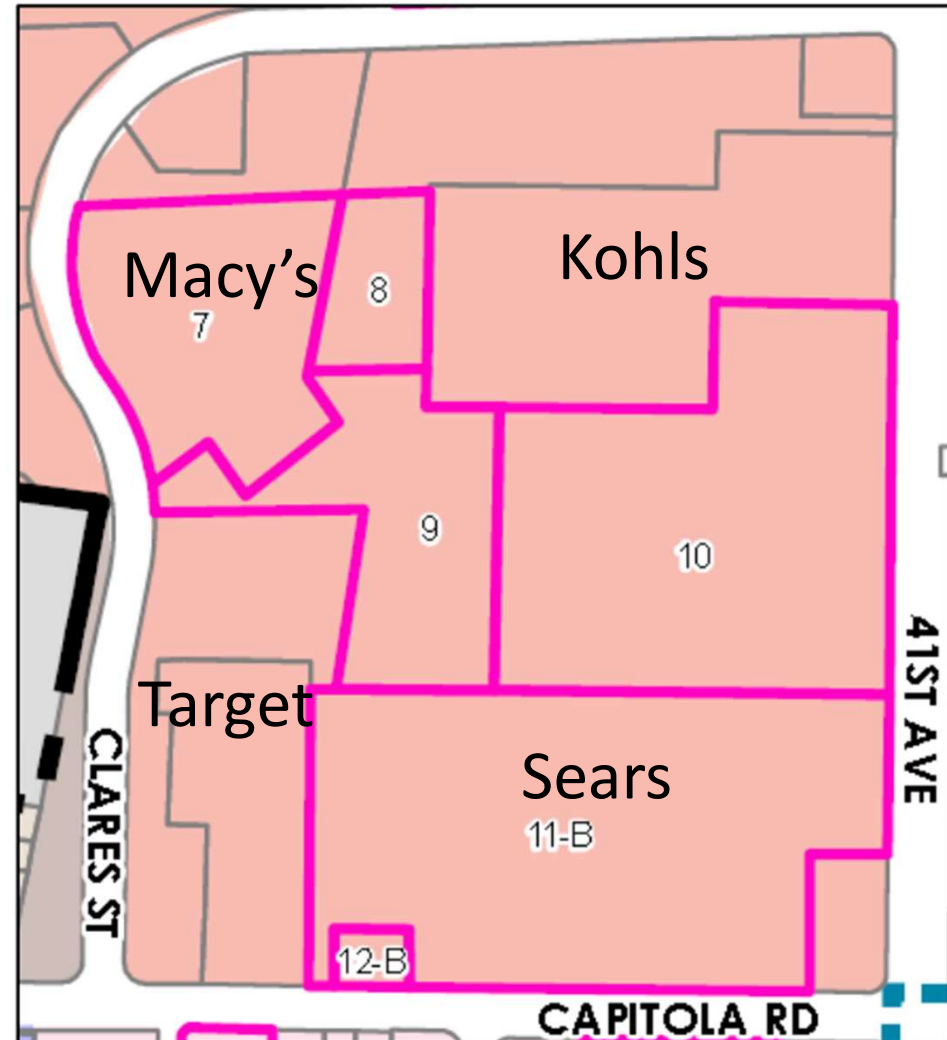
5 of 6 (Merlone Geier Partners)

Low	Mod	Market Rate	Total
368	109	257	734

65%

35%

Not Financially Feasible





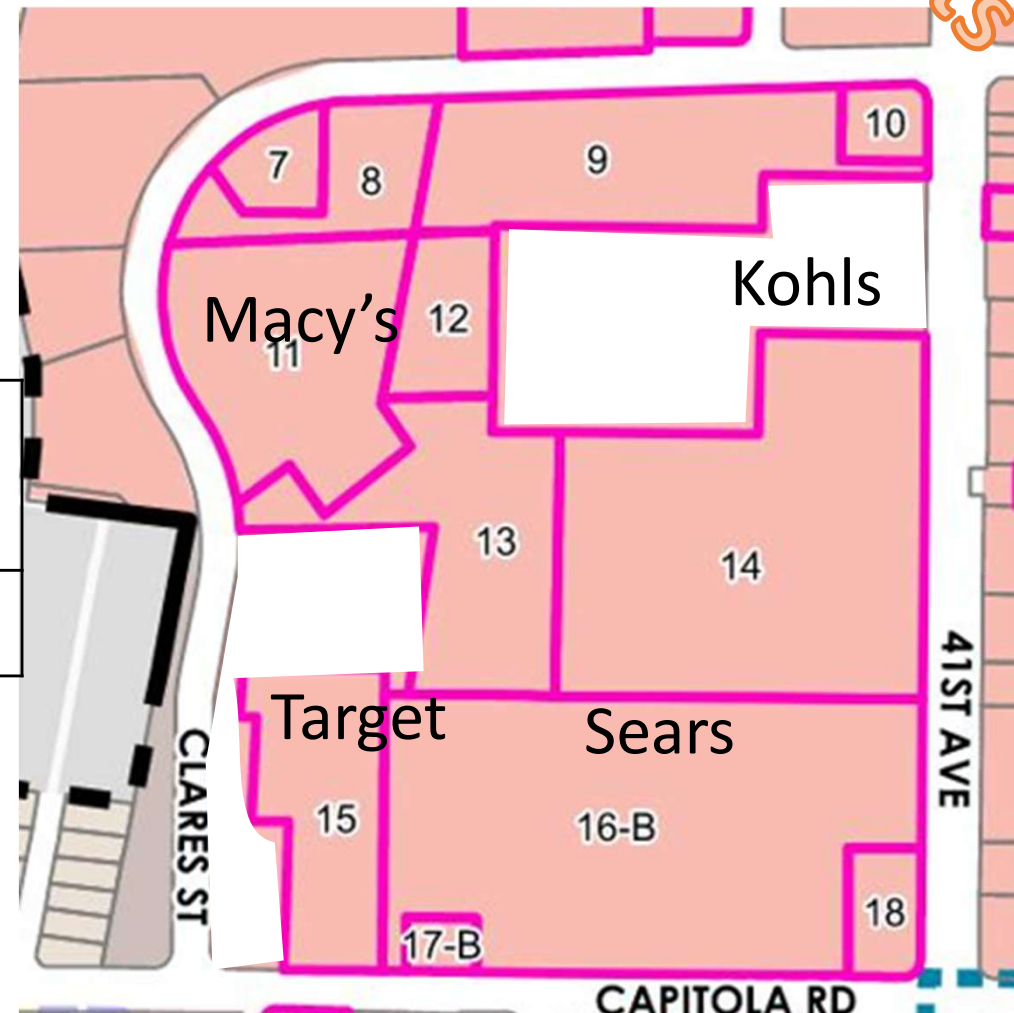
Capitola MALL update

Requirements

Certified Housing Element

Mall Block

10 out of 12 sites included
 5 of 10 (Merlone Geier Partners)



Low	Mod	Market Rate	Total
266	90	1,422	1,777



20%

80%



Housing Element Programs 1.6 & 1.7

1. Develop land use policies to facilitate shopping center redevelopment with a strong sense of urban design cohesion
2. Establishes Capitola Mall as all properties between Clares St, 41st Ave, and Capitola Rd.
3. Building height up to 75 feet for Mall Redevelopment
4. Define “Mall Redevelopment” to mean a mix of uses including residential and retail/commercial components
5. Exclude parking garages from project FAR calculations
6. Adopt objective development standards to facilitate mall redevelopment

State Housing Laws

By-Right Approvals

- SB 35 (2017)
- AB 2011 and SB 6 (2023)
- Builder's Remedy

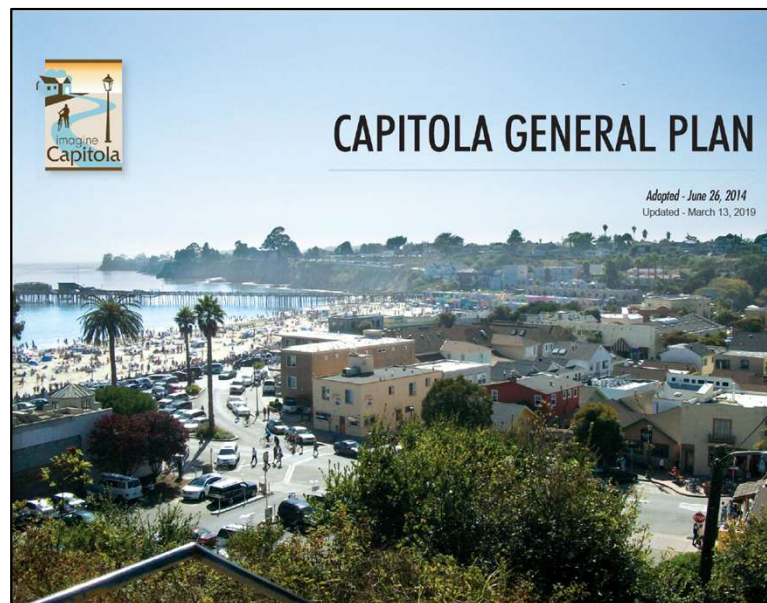
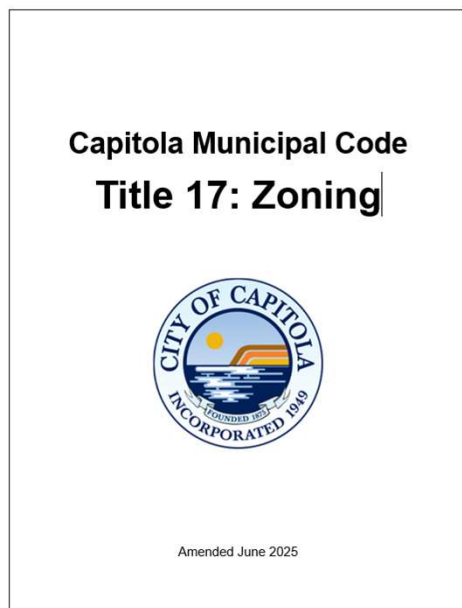
Other Limitations

- Housing Accountability Act
- Housing Crisis Act (SB 330, 2019)



Current Amendments

- Municipal Code Title 17: Zoning Code
- General Plan Land Use Element





Meetings & Public Outreach

2025

2026

- October 23 City Council reviews workplan
- September 11 City Council adopts modified streamlined workplan
- October 2 Planning Commission (PC) Work Session
- October 8 Community Meeting
- Oct & Nov Stakeholder Meetings
- October 30 PC Work Session
- Nov 19 PC Work Session – Partial draft
- December 4 PC 1st Draft
- February 5 PC 2nd Draft – Recommend to CC
- February 23 City Council (CC) 1st Draft



HCD Technical Assistance

- January 13 – HCD contact staff re Technical Assistance request
- January 27 – Staff meets with HCD
- January 30 – HCD letter: 3 items of concern
 1. Clarify parameters of Conditional Use Permit
 2. Redundancy between deviations and state law
 3. Fiscal Impact Analysis
- February 3, 2026 – PC amendments to address HCD item
- February 19, 2026 – Staff meets w HCD. No outstanding issues



General Plan Amendment

Land Use Element Amendment

- Mall property has maximum FAR of 2.0 for residential and mixed-use development in compliance with objective standards.



Presentation Part 2

- Capitola Mall New Development Standard

Height

Floor Area

Parking

Density

Land Use

Inclusionary
Housing

Development
Tiers

Fiscal Impact
Analysis

Permits

Zoning Code Amendments

Existing

- **Chapter 17.24:** Commercial and Industrial Zoning Districts
- **Chapter 17.76:** Parking and Loading
- **Chapter 17.82:** Objective Standards for Multifamily and Mixed-use Residential Development
- **Chapter 17.88:** Incentives for Community Benefits

New

- **Chapter 17.57:** Objective Design Standards for Mall Redevelopment



17.24.35 Capitola Mall Redevelopment Definitions

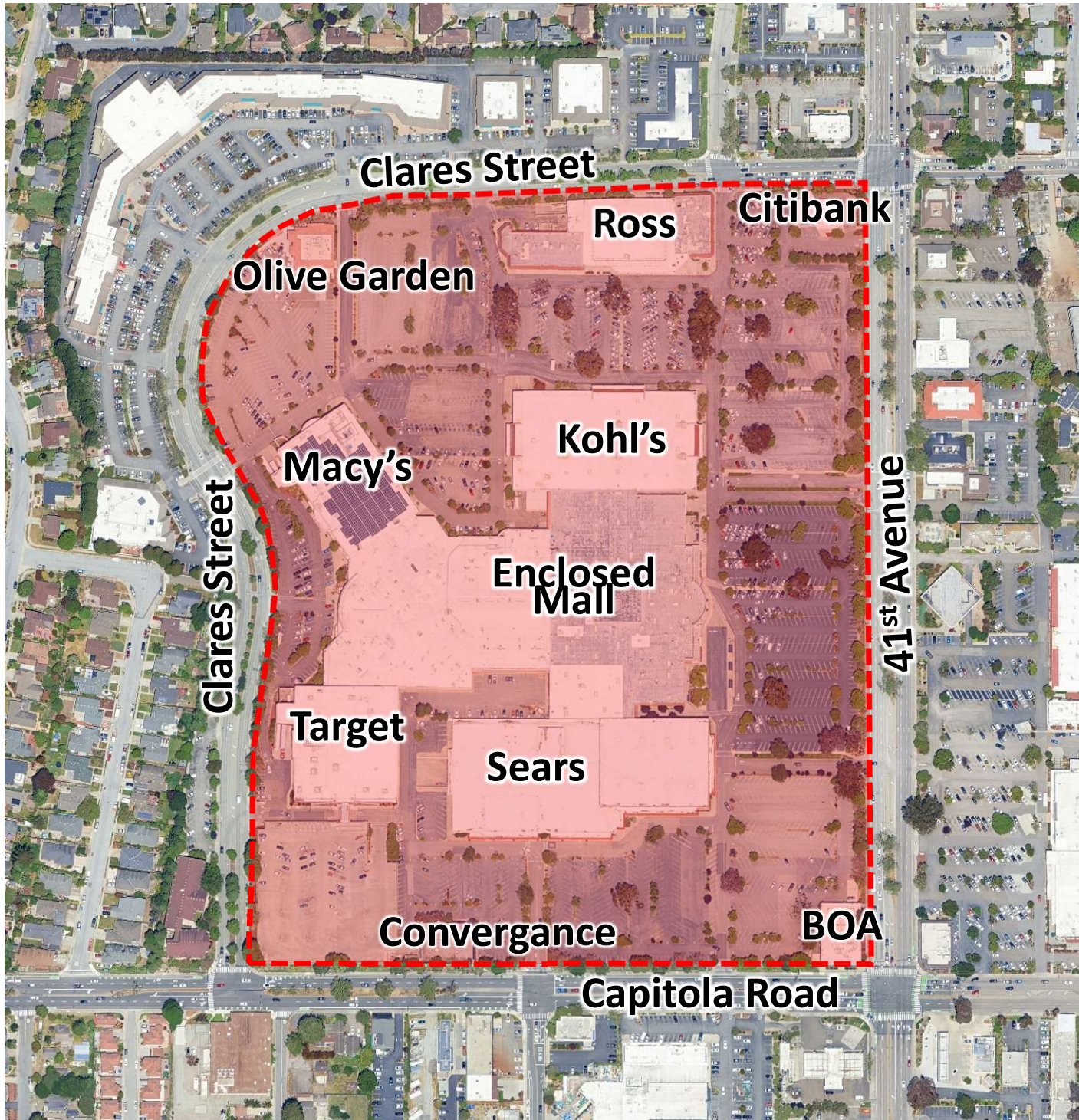
Capitola Mall Property

Capitola Mall Housing Element Site

Perimeter Zone

Core Area

Tier 1, 2, and 3 Projects

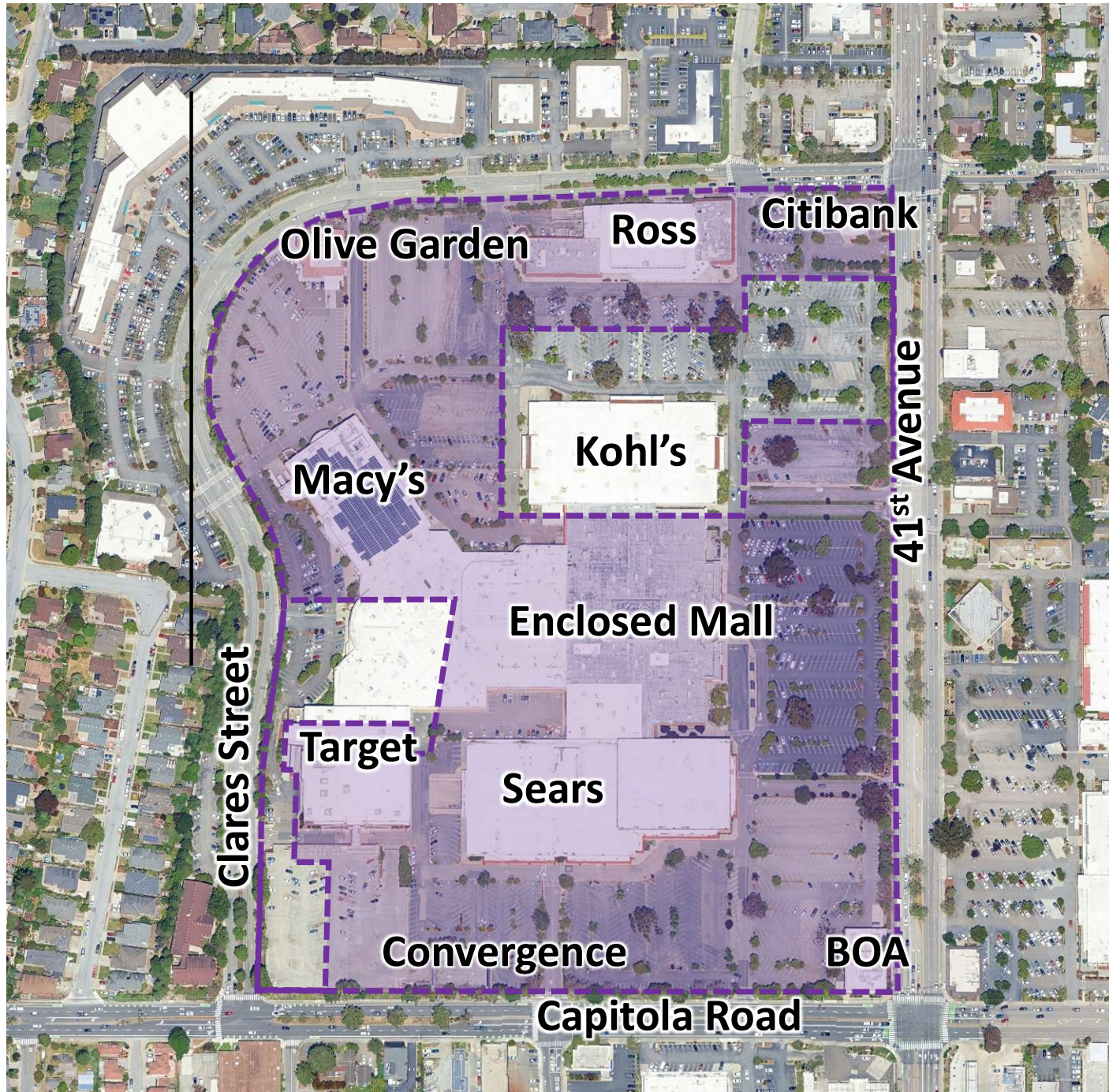


Capitola Mall Properties

Area bound by 41st Avenue, Capitola Road, and Clares Street

Capitola Mall Objective Standards apply to all Capitola Mall properties

46 Acres



Capitola Mall Housing Element Sites

Subject to:

- New Development standards
- New Land use regs
- New Objective Standards

37 acres
1,777 units



Non-Housing Element Sites

Subject to:

- Existing Regional Commercial (CR) Development Standards
- Existing CR Land Use Regs
- New Objective Standards

9 acres
180 units



Mall Redevelopment Tiers

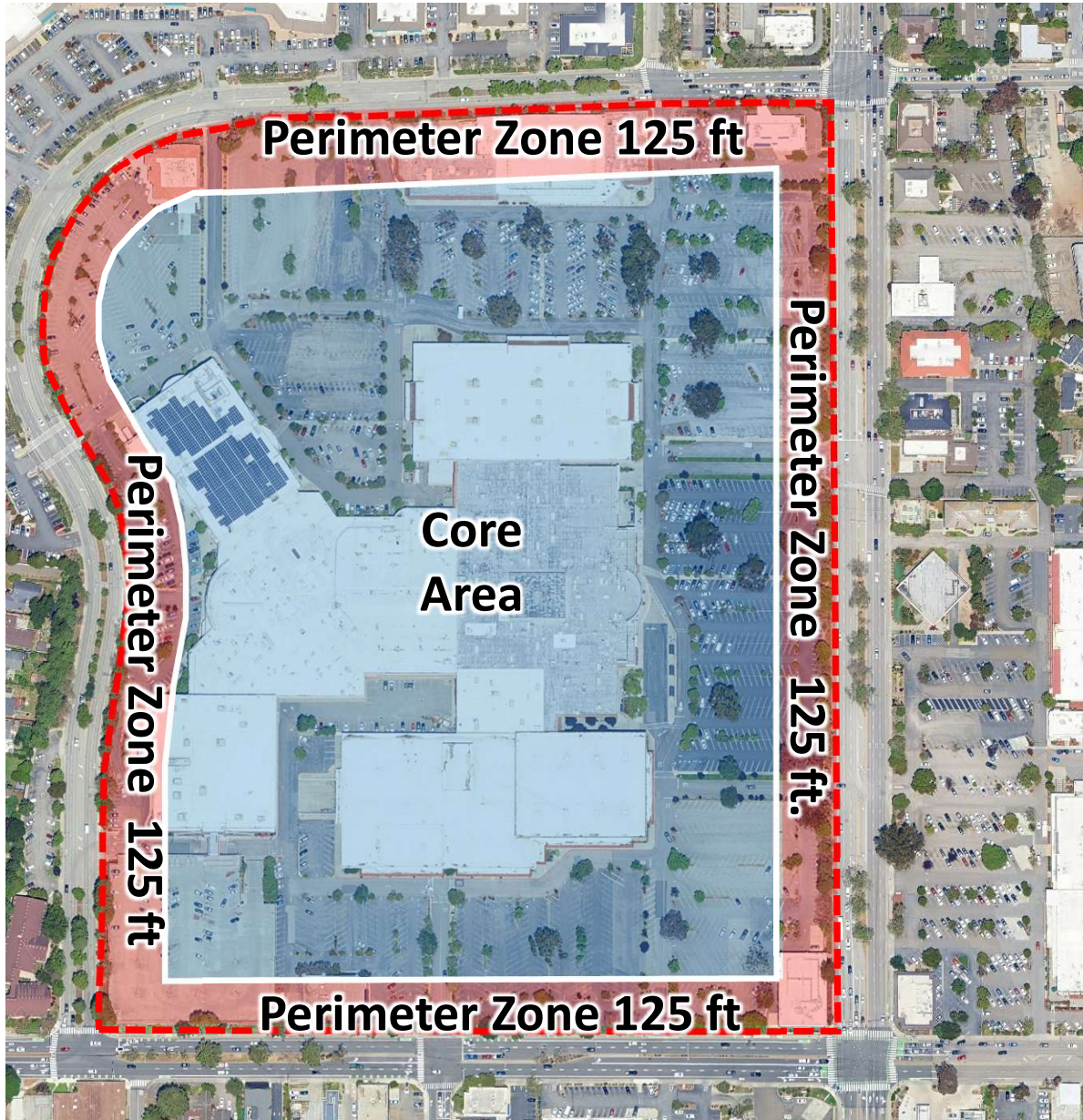
Planning Commission Feb 5 Recommendation	
Tier 1: Height 75 ft. Density 48 du/ac	
Affordable Housing	20%
Tier 2: Height 75 ft. Density 48 du/ac	
Affordable Housing	20%
Hotel Rooms	85
Meeting Space	3,000
Commercial	30,000
Tier 3: Height 85 ft. Density 53 du/ac	
Affordable Housing	20%
Option 3A: Hotel Rooms	125
Meeting Space	4,000
Commercial	40,000
Option 3B: 100% Commercial	200,000



Density

	Tier 1	Tier 2	Tier 3
Density			
Minimum	20 du/ac	20 du/ac	20 du/ac
Maximum	48 du/ac	48 du/ac	53 du/ac

Maximum Height



Perimeter Zone:
125 feet from
41st Avenue
Capitola Rd
Clares St



Maximum Height

	Tier 1	Tier 2	Tier 3
Height			
Perimeter Zone	55 ft	65 ft*	65 ft*
Core Zone	75 ft	75 ft*	85 ft

*85 feet allowed for Hotel in Perimeter Zone

Maximum Building Height Tier 1 & 2

Perimeter Zone:
125 feet from
41st Avenue
Capitola Rd
Clares St

Max Height 75 feet

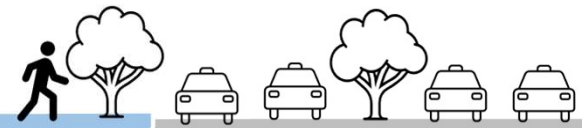


Core Zone

Max Height 55 feet



Perimeter Zone 125 ft



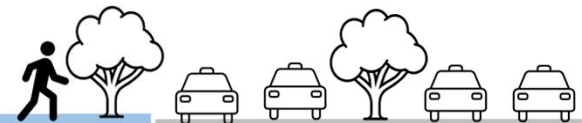
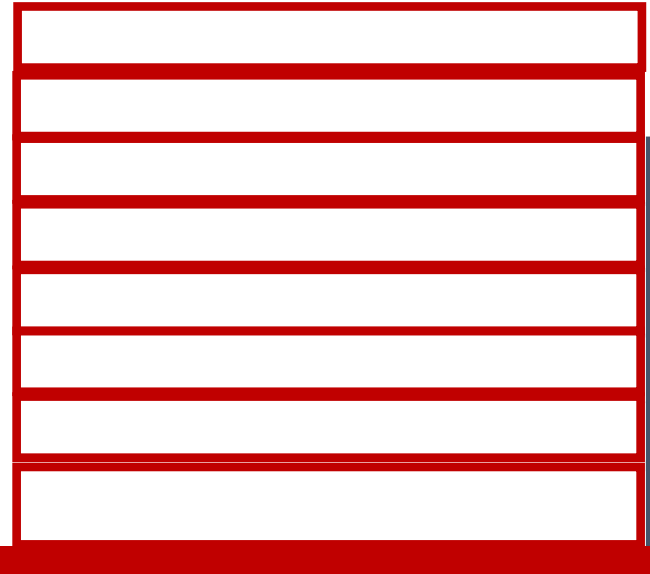
Perimeter Street
41st Avenue
Capitola Rd
Clares Street

Maximum Building Height Tier 3

Perimeter Zone:
125 feet from
41st Avenue
Capitola Rd
Clares St

Max Height 85 feet

Max Height 65 feet



Core Zone

Perimeter Zone 125 ft

Perimeter Street
41st Avenue
Capitola Rd
Clares Street

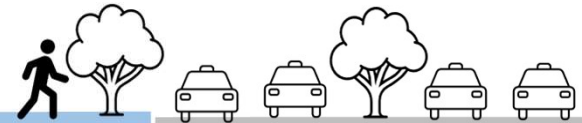
Maximum Building Height Tier 3

Perimeter Zone:
125 feet from
41st Avenue
Capitola Rd
Clares St

Max Height 85 feet

Max Height 65 feet

Building Frontage Zone
20 feet



Core Zone

Perimeter Zone 125 ft

Perimeter Street
41st Avenue
Capitola Rd
Clares Street

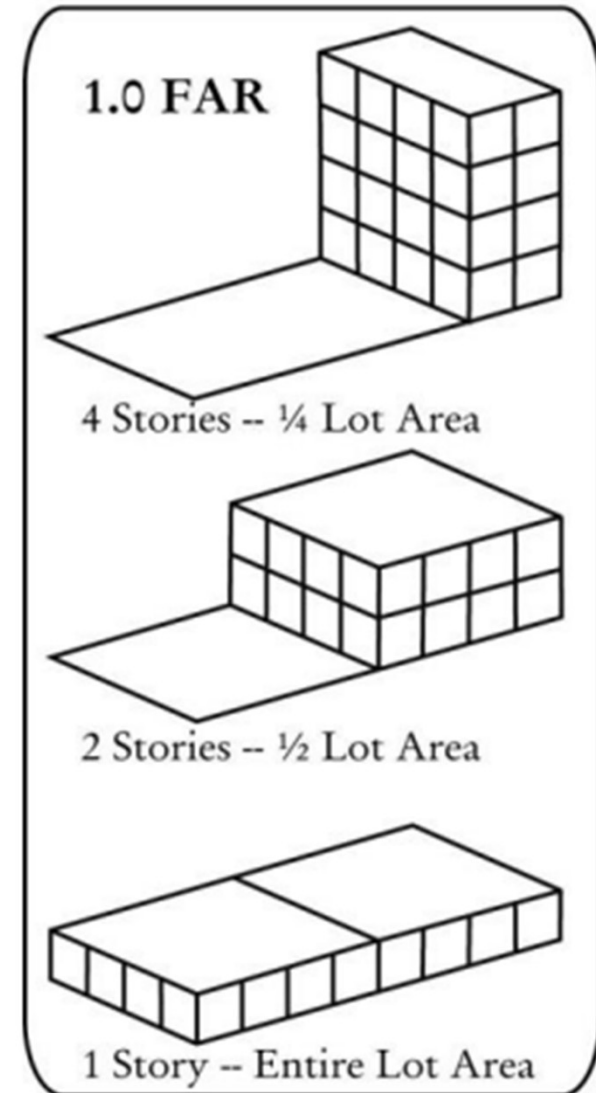


Floor Area

Floor Area Ratio is the ratio of gross building square permitted on a lot to the gross square footage of the lot.

Floor Area Exceptions

- a. All structured parking and hotels
- b. Tier 2 and Tier 3: Rooftop decks





Floor Area Ratio

	Tier 1	Tier 2	Tier 3
Floor Area Ratio	2.0	2.0	2.0

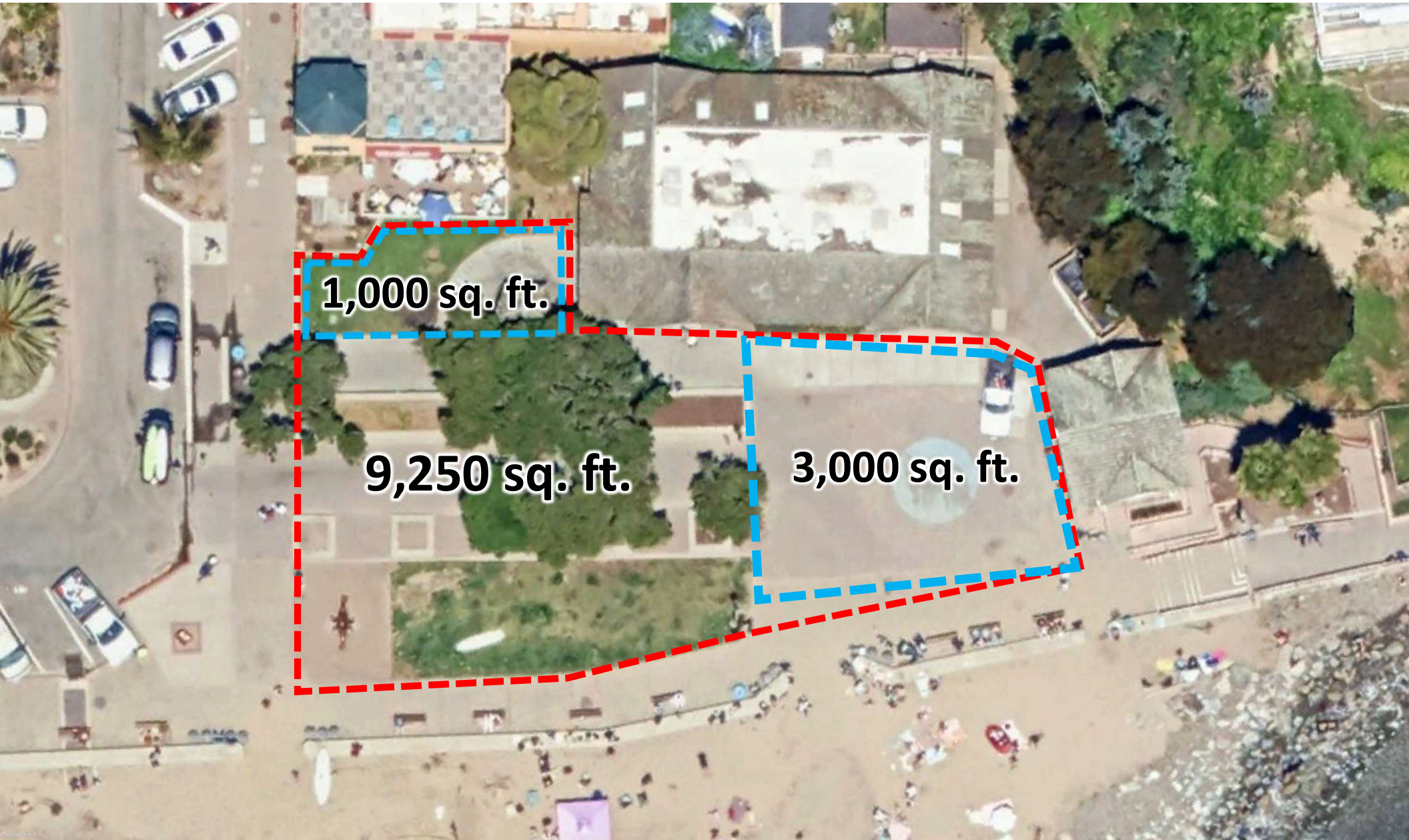


Open Space

	Tier 1	Tier 2	Tier 3
Open Space	5%	2.5 %	2.5 %

3,000 sf minimum size to count toward open space requirement

Esplanade Park, Capitola: 9,250 sq. ft.



1,000 sq. ft.

9,250 sq. ft.

3,000 sq. ft.



Parking

Tier 1: Chapter 17.75 – Parking and Loading

Tier 2 & 3: Mall Mixed Use Parking Requirements

Unit Size	Minimum Space per Unit
Studio	0.8
1 bedroom	1.0
2 bedroom	1.6
3 bedroom	2.0



Inclusionary Housing Requirement

20 % Inclusionary Housing Required

- 15% deed restricted lower income
- 5 % moderate income

Must provide either:

- Onsite Affordable Units
- Dedicated Land ←

Land dedicated to City
or housing developer
approved by City.

In-lieu Payment Not Allowed



Development Standards

	Tier 1	Tier 2	Tier 3
Density Units per Acre	20 min 48 max	20 min 48 max	20 min 53 max
Floor Area Ratio	2.0	2.0	2.0
Height			
Perimeter Zone	55 ft	65 ft*	65 ft*
Core Zone	75 ft	75 ft*	85 ft
Open Space	5%	2.5 %	2.5 %
Density			
Minimum	20 du/ac	20 du/ac	20 du/ac
Maximum	48 du/ac	48 du/ac	53 du/ac

*85 feet allowed for Hotel in Perimeter Zone



Permitted Land Uses

Tier 2 & 3: Following Land Uses are Permitted Uses:



Hotels



Retail Uses



Eating and Drinking Establishments



Commercial Entertainment



Cultural Institutions



Public Safety





Permit Application and Review





Part 3: Objective Design Standards



Objective Design Standards

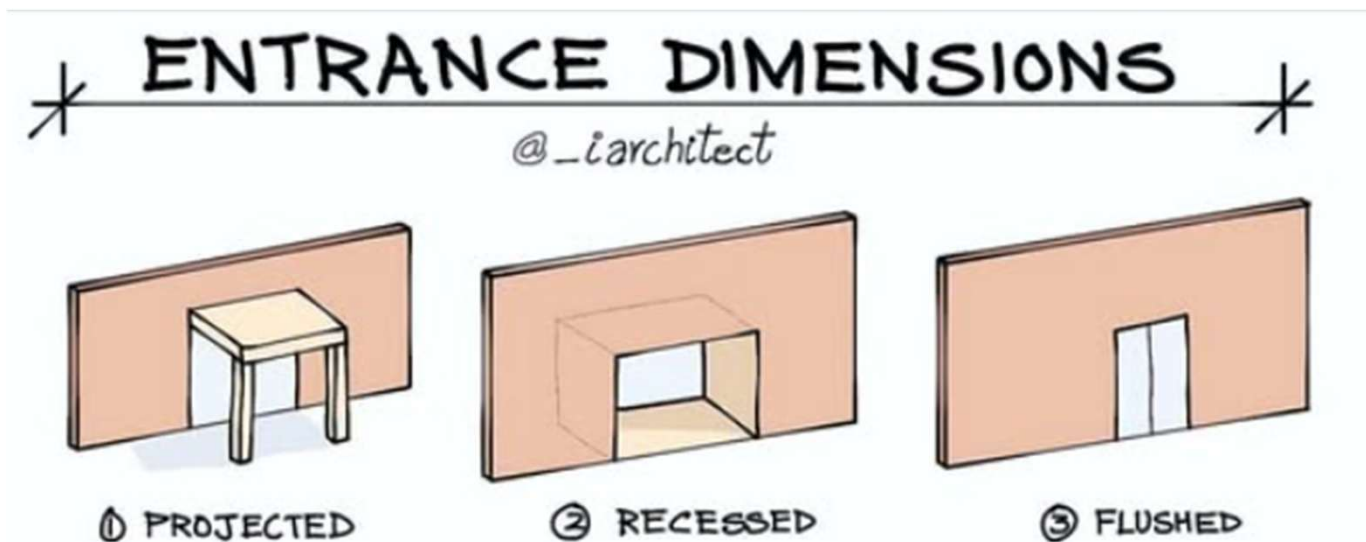
- Standards to review development projects without personal or subjective judgment.
- Clear, measurable rules project must comply with:
 - Height limits, setbacks, design features, open space, landscaping, etc.
- Provides certainty in review for developer.



Objective Design Standards

Subjective Example: The new development must compliment the neighborhood's architectural style.

Objective Example: A commercial building entryway must project or be recessed five feet from the front façade of the building.





Expected Development Types

Merlone Geier properties:

- 6-8 story mid-rise apartment buildings

Other properties (less certain):

- Apartments
- Residential Mixed Use
- Townhomes
- Stand-alone commercial

Objective Design Considerations



Streets and Circulation



Publicly Accessible Open space



Parking and Vehicle Access



Building Placement & Orientation



Building massing



Façade Design



Other Site Features

Streets and Circulation

- New internal streets privately owned and maintained.
- Required locations for new streets intersecting Capitola Road, Clares Street, and 41st Avenue.
- Internal streets connections between perimeter streets.
- Maximum 450 feet block lengths.
- Required internal pedestrian and bicycle circulation system.
- Required perimeter and internal street pedestrian realm frontage improvements.

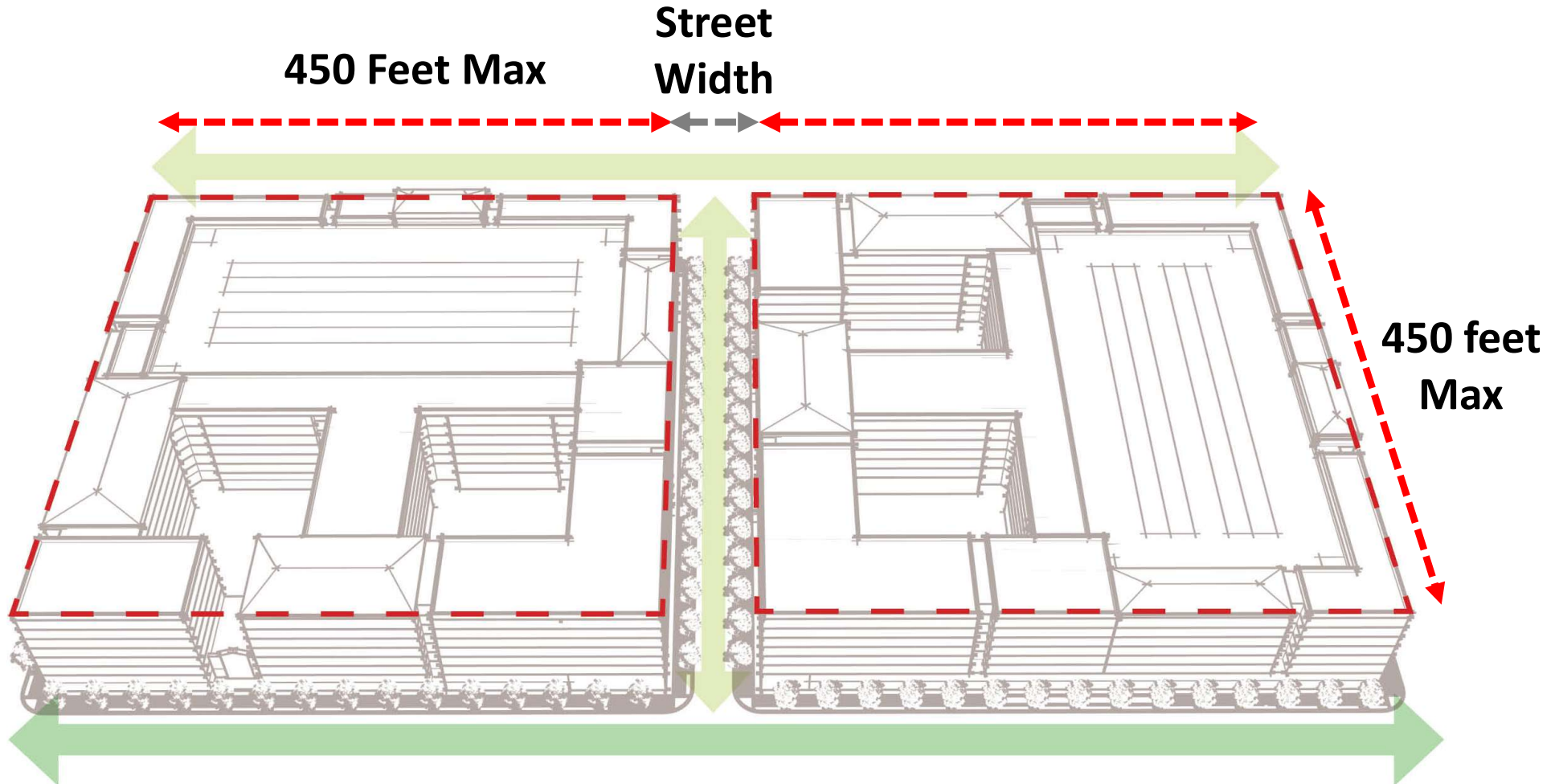


Required locations for new streets intersecting Capitola Road, Clares Street, and 41st Avenue



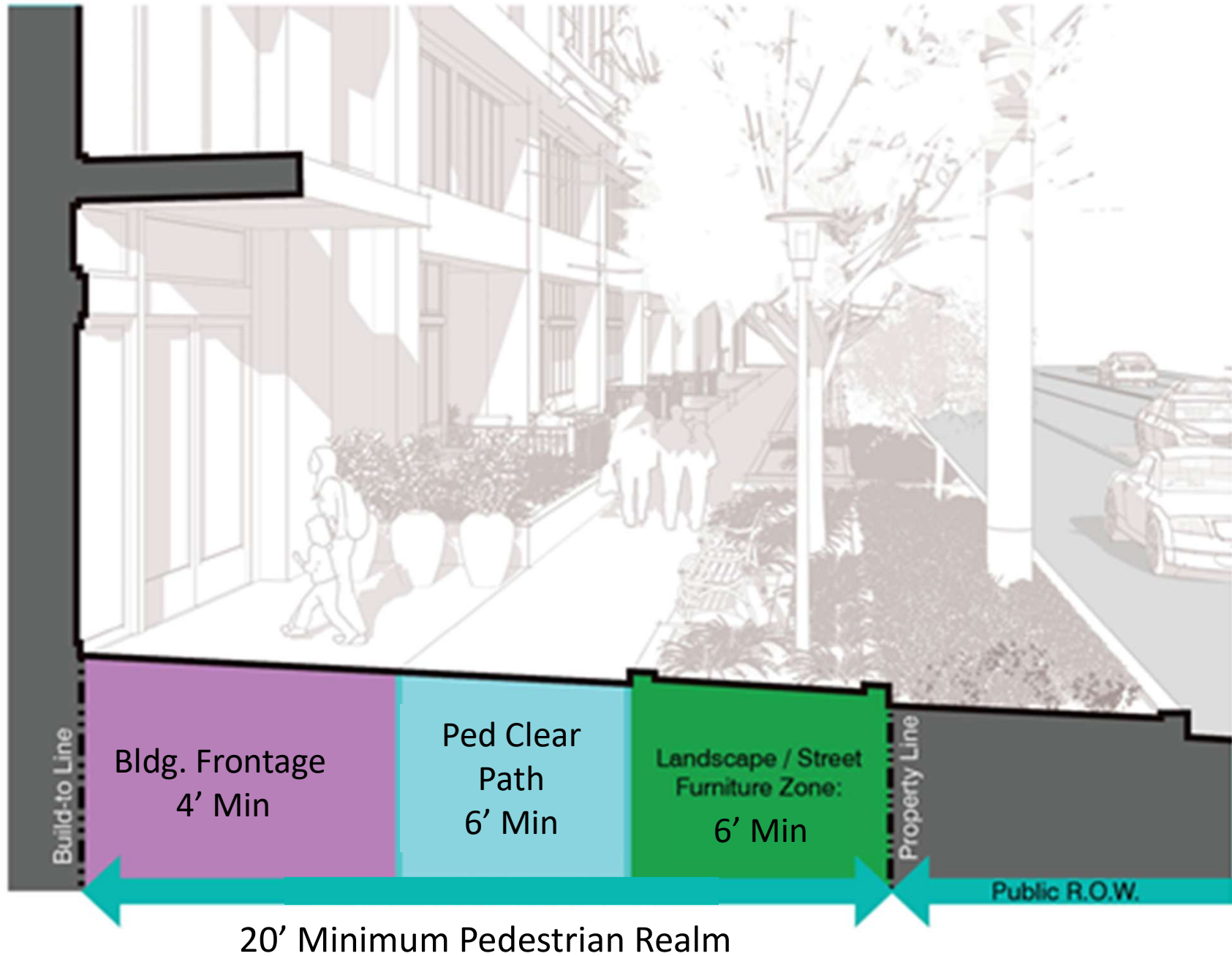


Maximum Block Length: 450 feet

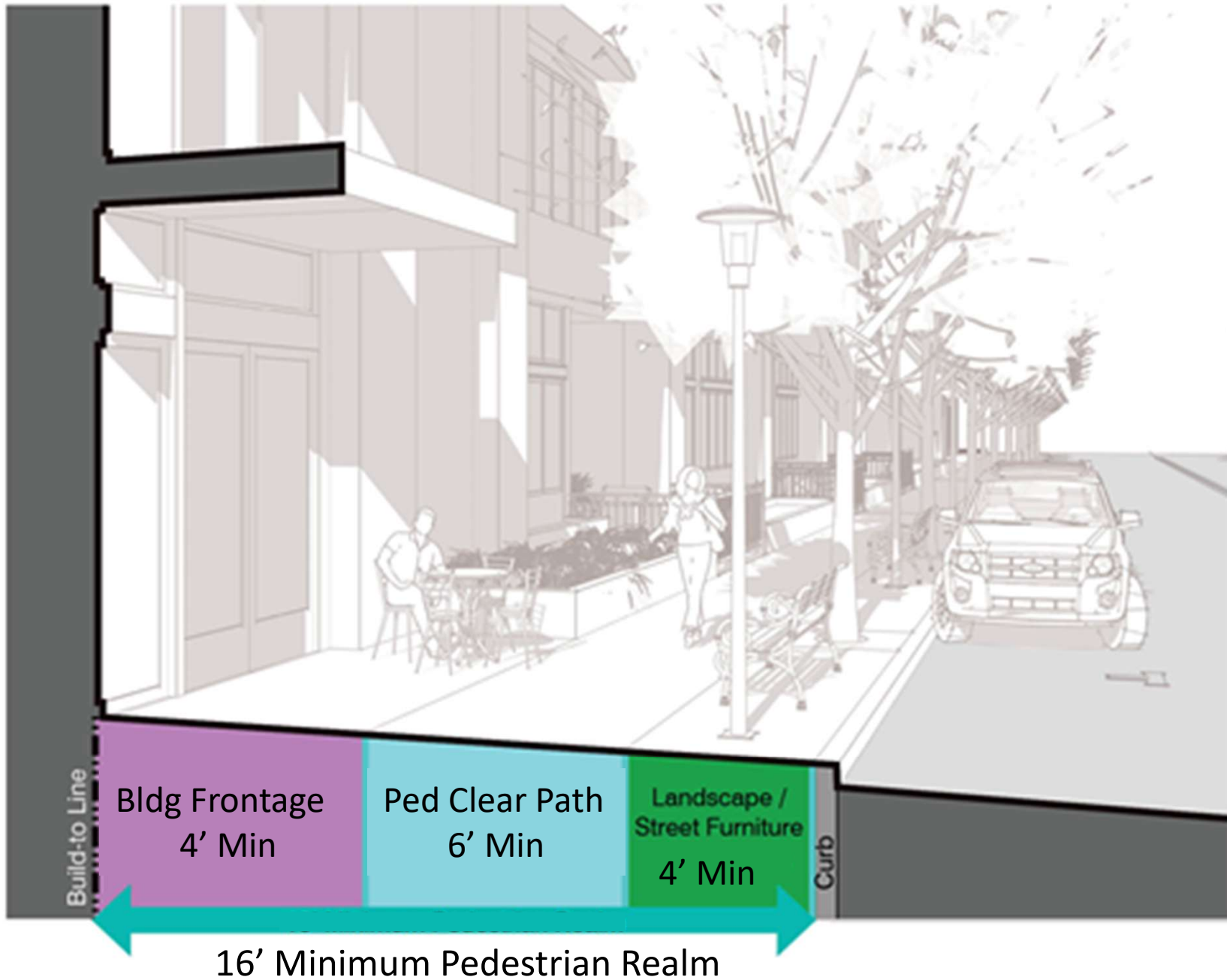




Perimeter Street Frontage



Internal Street Frontage



Publicly Accessible Open Space

Minimum amount of open space:
2.5 percent of site area for Tier 2
and Tier 3 projects and 5 percent
of site area for Tier 1 projects.

Permitted types of open space:
plazas, squares, parks, parklets,
paseos/pedestrian paths.

Required central gathering place
for projects on a site greater than
10 acres

Parking and Vehicle Access

New surface parking prohibited between buildings and internal streets (excluding hotels)

Allow continued use of existing surface parking lots.

Limitations on width and frequency of driveways crossing an internal sidewalk.

Disallowed street-facing garage doors serving individual units.

Structured parking concealed from view.

Building Placement and Orientation

Required building setbacks consistent with pedestrian realm standards for internal and perimeter streets.

Permitted upper-level building projections into required setbacks and frontage zones.

Required entries facing an adjacent street, publicly accessible pathway, or publicly accessible open space.

Building Massing

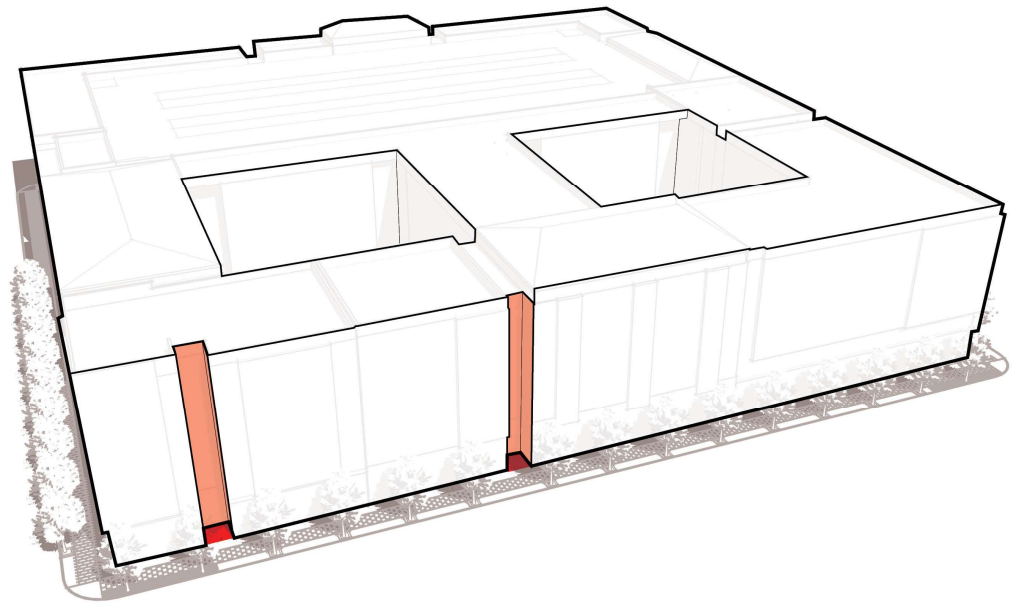
Maximum building length:
450 feet.

Required building massing
breaks for buildings longer
than 260 feet.

Reduced building heights
along perimeter streets
(standard in Chapter 17.24)

Building Massing

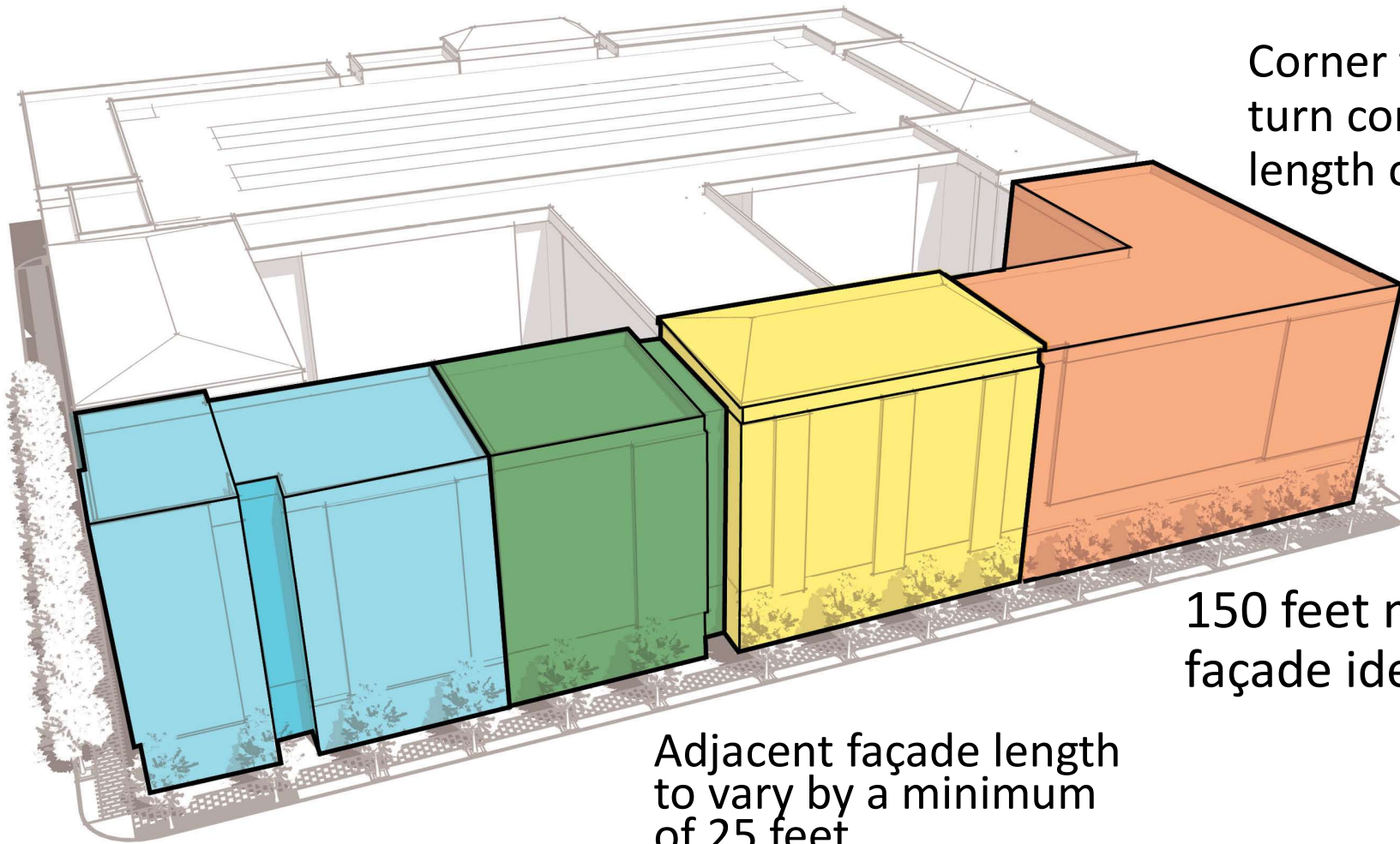
Required 12 inch x 12
inch building massing
breaks for buildings
longer than 260 feet



Façade Design

- Required unique facade identities for building longer than 150 feet.
- Residential ground-floor design standards: transparency, finished floor level, entry design.
- Commercial ground-floor design standards: ground-floor height, transparency, blank wall length, tenant space depth.
- Hotel standard: Minimum one facade must front a street with no surface parking between facade and sidewalk.

Unique Façade Identities



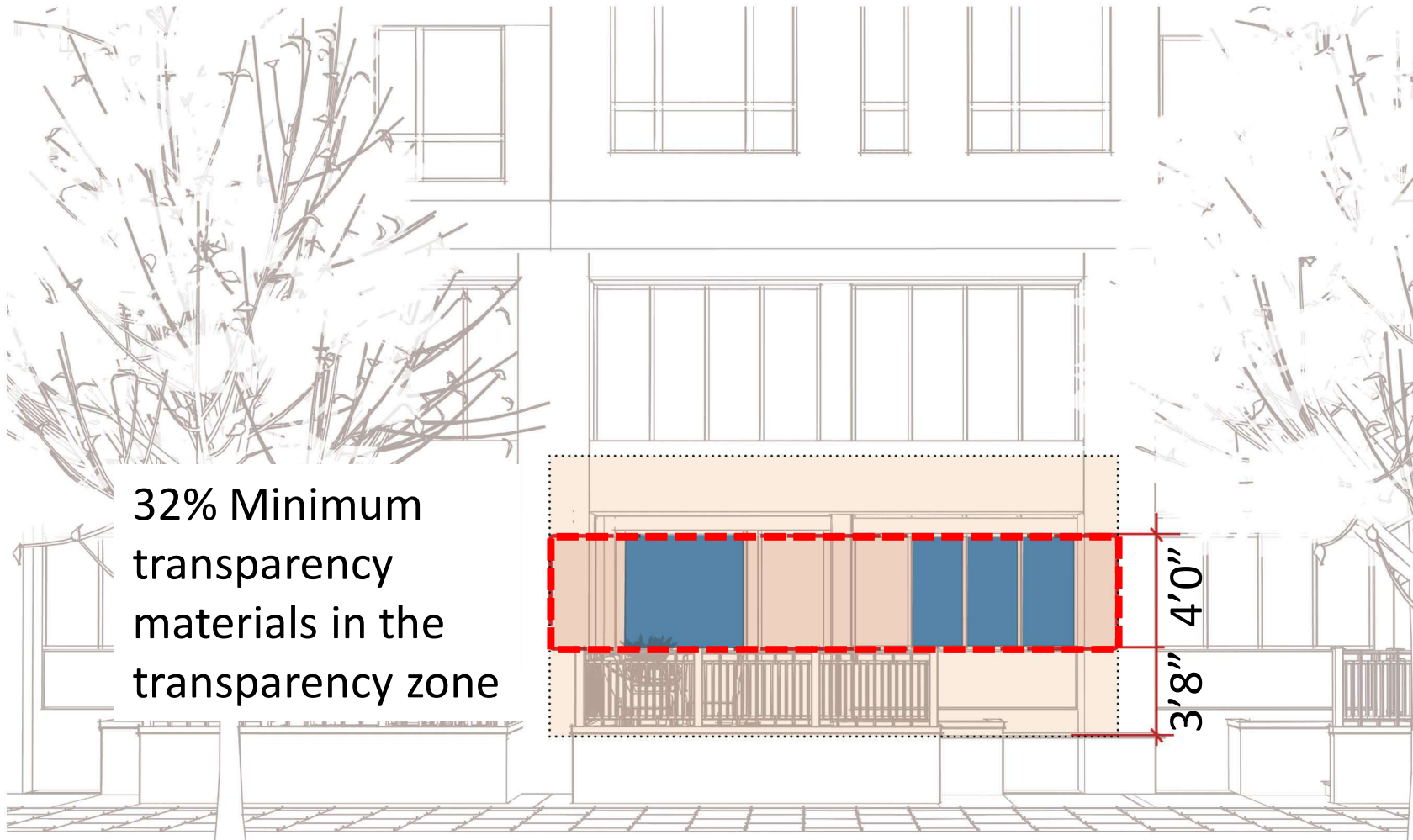
Corner façades must turn corner a minimum length of 40 feet.

150 feet maximum façade identity length

Adjacent façade length to vary by a minimum of 25 feet.

Unique façade: Different exterior material, contrasting color, distinct window pattern, distinct modulation patterns, varied roof and height, unique ground floor

Residential Frontages



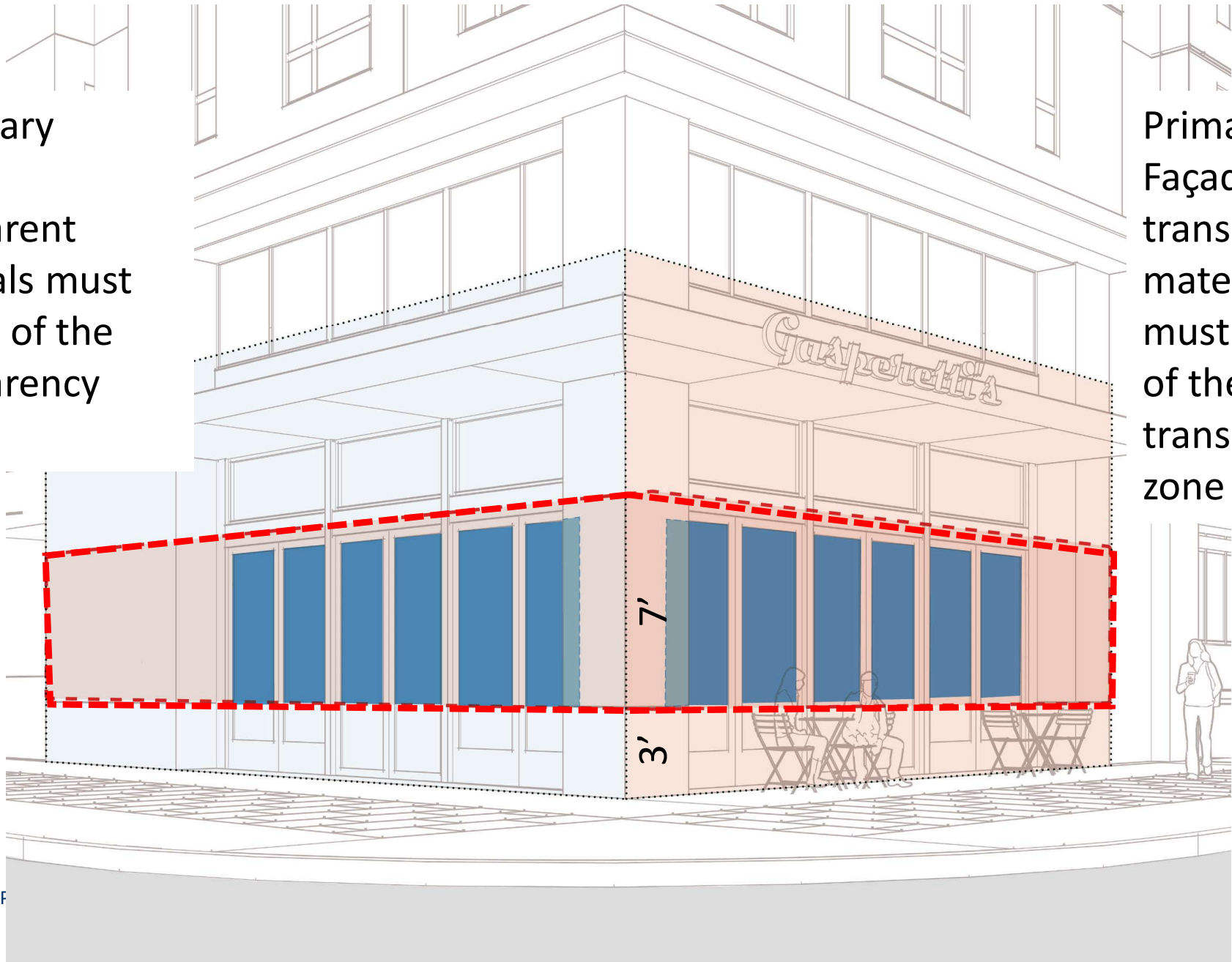
32% Minimum
transparency
materials in the
transparency zone

Commercial Frontages



Secondary
Façade
transparent
materials must
be 40% of the
transparency
zone

Primary
Façade
transparent
materials must be 65%
of the
transparency
zone





Other Site Features

- Refuse storage and collection areas and ground-mounted mechanical equipment screened from view.



Fiscal Impact Analysis \$

Estimates incremental change to City revenues and expenditures generated by development application

Tool for City to understand impacts and plan mitigation to offset any projected negative fiscal impact

100% Affordable Developments exempt from FIA

Cannot be used as basis to deny or reduce density



Why is the City requiring Fiscal Impact Analysis?

- Mall located in Regional Commercial Zone
- Housing units add revenue but overall are additional cost to City
- Fiscal Impact Analysis prepared in 2019 for prior redevelopment proposal

Taxes:

Property Tax: 1% of assessed value, of which City receives 7.47 %

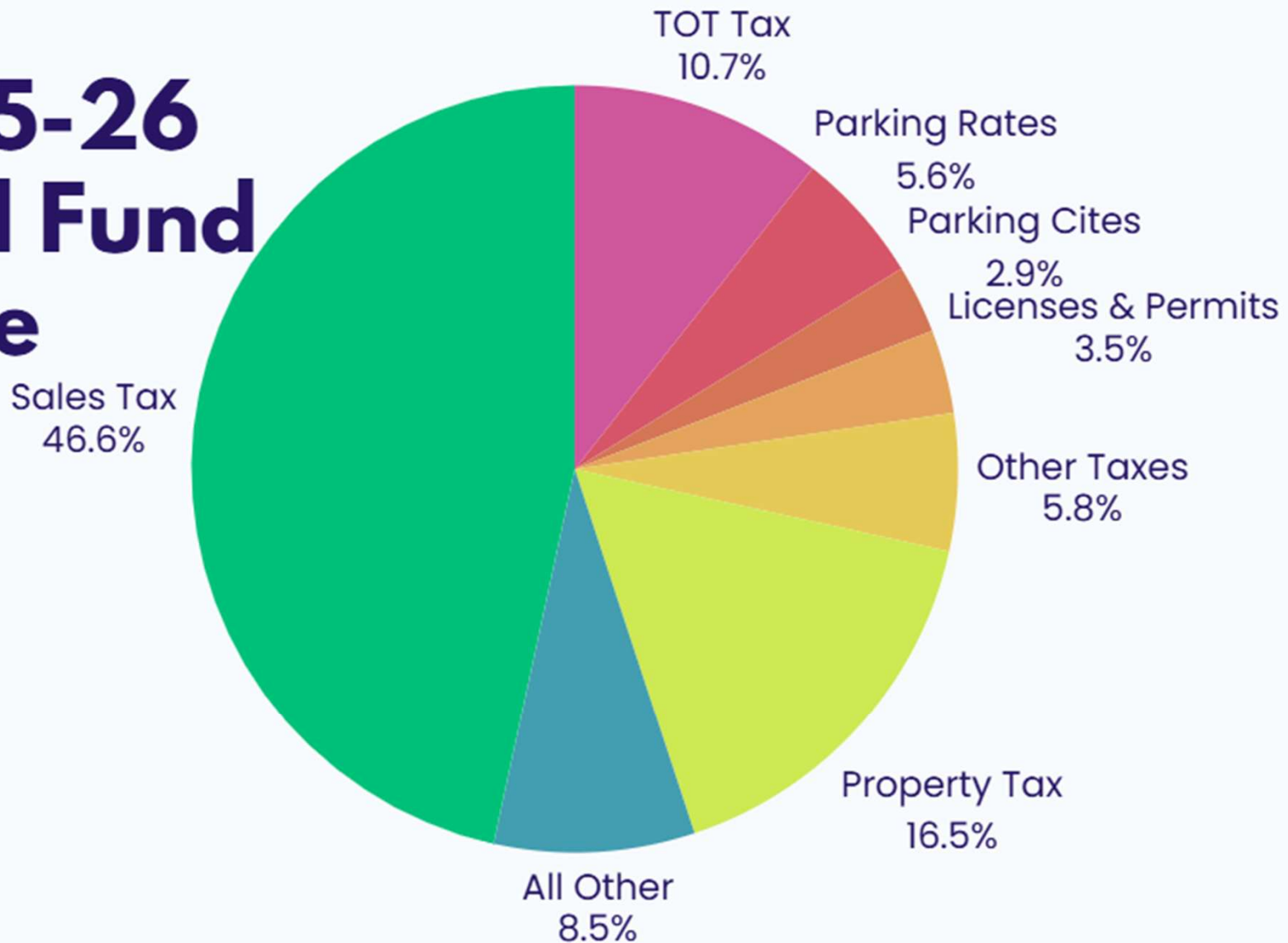
Sales Tax: 9.25%, of which City receives 1.75%

Hotel Transient Occupancy Tax (TOT): 12%, of which City receives 100%

Why is City Considering Fiscal Impacts?



FY 2025-26 General Fund Revenue





Fiscal Analysis

	Redevelopment Scenarios			
	Tier 1	Tier 2	Tier 3A	Tier 3B
Development Assumptions	48 du/ac	48 du/ac	53 du/ac	53 du/ac
New Units	1,256	1,256	1,326	1,326
Specialty Retail	0	30,000 sf	40,000 sf	40,000 sf
General Retail	0	0	0	160,000 sf
New Hotel	0	85 rooms	125 rooms	0
Meeting Space	0	3,000 sf	4,000 sf	0
Fiscal Impact				
Annual Cost - Adjusted Kosmont	\$1,225,509	\$1,225,509	\$1,293,810	\$1,293,365
Annual Revenue Increase	\$448,840	\$1,496,277	\$1,981,392	\$2,053,580
Projected Net Impact	\$(776,669)	\$270,768	\$687,583	\$760,215



Fiscal Analysis: Tier 2

■ Mall Revenue

Sales Tax, TOT, Property Tax, Motor Vehicle In Lieu, Gas Tax, Secondary Economics, etc.

New Revenue	1,966,830
- <u>Lost Existing Revenue</u>	- 470,552
Net Revenue	\$1,496,277

■ Mall Expenditures

2019 cost per person (\$785) with decrease demand for Police and Public Works, adjusted for inflation

2019 FIA (Kosmont) Cost: \$785
Less 50% Police & 75% Public Works: \$504
Plus 29% Inflation
<u>2026 Updated Cost \$650:</u>
\$1,225,509

■ Net Fiscal Impact

1,496,277
- <u>1,225,509</u>
\$270,768

Capitola Mall

Retail and Hotel Market Overview

Kevin Engstrom & Ryan Koyanagi
Keyser Marsten and Associates

**City of
Capitola**

Capitola Mall -
Retail & Hotel
Market
Overview



KEYSER MARSTON
ASSOCIATES



Additional Amendments:

- 1) Incorporate Setback for Street Frontage Improvements (Perimeter Street 20', Internal Streets 16') into development standards table 17.24-6.

Table 17.24-6: Mall Redevelopment Development Standards

	<u>Tier 1 Projects</u>	<u>Tier 2 Mixed-Use Projects</u>	<u>Tier 3 Mixed-Use Projects</u>
<u>Floor Area Ratio</u>	<u>2.0</u>	<u>2.0</u>	<u>2.0</u>
<u>Height, Maximum</u>			
<u>Perimeter Zone</u>	<u>55 ft.</u>	<u>65 ft. [1]</u>	<u>65 ft. [1]</u>
<u>Core Zone</u>	<u>75 ft.</u>	<u>75 ft.</u>	<u>85 ft.</u>
<u>Open Space</u>	<u>5% of site area [2]</u>	<u>2.5% of site area [2]</u>	<u>2.5% of site area [2]</u>
<u>Density</u>			
<u>Minimum</u>	<u>20 du/ac</u>	<u>20 du/ac</u>	<u>20 du/ac</u>
<u>Maximum [3]</u>	<u>48 du/ac</u>	<u>48 du/ac</u>	<u>53 du/ac</u>
<u>Setbacks</u>	<u>See Chapter 17.57</u>	<u>See Chapter 17.57</u>	<u>See Chapter 17.57</u>

Additional Amendments:

2) Apply 85' Height Exception for Hotel to Tier 2 Core Zone.

	Tier 1	Tier 2	Tier 3
Density Units per Acre	20 min 48 max	20 min 48 max	20 min 53 max
Floor Area Ratio	2.0	2.0	2.0
Height			
Perimeter Zone	55 ft	65 ft*	65 ft*
Core Zone	75 ft	75 ft*	85 ft
Open Space	5%	2.5 %	2.5 %
Density			
Minimum	20 du/ac	20 du/ac	20 du/ac
Maximum	48 du/ac	48 du/ac	53 du/ac

Staff Recommendation:

- 1) Adopt a resolution amending the General Plan Land Use Element;
- 2) Introduce for first reading, by title only, waiving further reading, an ordinance amending Capitola Municipal Code Title 17: Zoning with additional amendments as presented by staff; and
- 3) Adopt a resolution authorizing submittal to the California Coastal Commission for the certification of an amendment to the Local Coastal Program.