

From: Kevin Maguire <kmaguire831@gmail.com>
Sent: Tuesday, September 9, 2025 5:27 PM
To: Gerry Jensen; Margaux Morgan; Clarke, Joe; Westman, Susan; City Clerk
Subject: Agenda Item 9 A Capitola Mall Update and Amendment to Agreement with Ben Noble Planning

A few questions and comments about Agenda item 9A.

In the original draft plan for the Capitola Mall site, we had 734 total units, with 477 of them affordable. That meant nearly two-thirds of the homes were affordable, and only 257 were market-rate. After HCD's intervention, the final certified plan flipped that balance completely.

Affordable units actually **dropped by 121**, down to 356, while market-rate units skyrocketed by over 1,100, up to 1,422. Instead of 734 total units, the Mall block now carries 1,777, more than a thousand extra units. What began as a plan for 65% affordable housing has been watered down to just 20% affordable. This shift doesn't serve Capitola's housing needs, it serves developer feasibility at the expense of our community.

On Feasibility & State Requirements

1. Can staff explain why the City accepted HCD's position that affordable housing at the Mall was "not feasible" at 65%, but feasible only if paired with over 1,400 market-rate units?
2. What assumptions were used in the economic feasibility study? Were those assumptions based on Capitola's real housing market (sales prices and rents) or on statewide generic models?
3. If market-rate homes at the Mall end up priced above what Capitola households can afford, how is that "feasible housing" for our community?

On RHNA vs. Overbuilding

4. Capitola's total RHNA allocation is 1,336 units. Why are we planning **1,777 units at just the Mall**, more than the entire city's requirement?
5. Is it true that the "extra" market-rate units are not required by RHNA but were added solely to make the numbers pencil out for a developer's return on investment?
6. "How does adding more than 1,100 extra market-rate units beyond Capitola's RHNA allocation serve the purpose of state housing law, which is supposed to prioritize affordable housing?"

On Accountability & Oversight

7. Once HCD certified our Housing Element in August 2024, can HCD legally force Capitola to change its numbers again? Or is certification supposed to give us stability for this cycle?
8. Did the City negotiate with HCD to protect local control, or simply accept the 80% market-rate requirement?
9. What guarantees exist that the affordable units will actually be built—and not just the market-rate?

On Community Impacts

10. What analysis has been done on the infrastructure and service impacts (traffic, water, schools, public safety) of 1,777 units at the Mall?
 11. How will this massive market-rate increase affect the City's ability to provide services, given that market-rate apartments generate far less tax revenue than the retail they replace?
 12. If voters rejected a fire station bond last year, how can we possibly fund the additional fire, police, and public health services needed for thousands of new residents?
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Questions we need answers to:

- The City met RHNA with its first draft (734 units, heavy on affordable).
- HCD forced the City to inflate market-rate units 4X, while actually reducing affordable housing.
- This is about developer profit models, not housing needs.
- Capitola is being pushed into overbuilding far beyond its RHNA requirement, without a plan to fund the impacts.

Kevin Maguire
Capitola