



**AGENDA**  
**CAPITOLA PLANNING COMMISSION**  
**THURSDAY, NOVEMBER 3, 2011**  
**7:00 P.M. – CITY HALL COUNCIL CHAMBERS**

**1. ROLL CALL AND PLEDGE OF ALLEGIANCE**

Commissioners: Graves, Newman, Routh, Smith and Chairperson Ortiz  
Staff: Community Development Director Johnson  
Senior Planner Bane  
Housing and Redevelopment Planner Foster  
Minute Clerk Uharriet

**2. ORAL COMMUNICATIONS**

**A.** Additions and Deletions to Agenda

**B.** Public Comments

*Short communications from the public concerning matters not on the Agenda.*

**All speakers are requested to print their name on the sign-in sheet located at the podium so that their name may be accurately recorded in the Minutes.**

**C.** Commission Comments

**D.** Staff Comments

**3. APPROVAL OF MINUTES**

**A.** October 20, 2011 Regular Planning Commission Meeting

**4. CONSENT CALENDAR**

*All matters listed under "Consent Calendar" are considered by the Planning Commission to be routine and will be enacted by one motion in the form listed below. There will be no separate discussion on these items prior to the time the Planning Commission votes on the action unless members of the public or the Planning Commission request specific items to be discussed for separate review. Items pulled for separate discussion will be considered in the order listed on the Agenda.*

**NONE**

**5. PUBLIC HEARINGS**

*Public Hearings are intended to provide an opportunity for public discussion of each item listed as a Public Hearing. The following procedure is as follows: 1) Staff Presentation; 2) Public Discussion; 3) Planning Commission Comments; 4) Close public portion of the Hearing; 5) Planning Commission Discussion; and 6) Decision.*

**A. 2205 & 2265 41<sup>st</sup> AVENUE**

**#11-110**

**APN: 034-191-03**

Conditional Use Permit for a medical office use in the CC (Community Commercial) Zoning District.

Environmental Determination: Categorical Exemption

Property Owner: James Fenton Co. Inc, filed 10/17/11

Representative: Dr. Victor Li

**B. 809 BAY AVENUE**

**#10-038**

**APN: 035-021-43**

Six month review of an approved amendment to a Master Use Permit (Nob Hill Center) to relocate the recycling facilities on the site located in the CC (Community Commercial) Zoning District.

Property Owner: Bay Creek Properties / Filed 5/18/10

Representative: Craig French

**C. ZONING AMENDMENTS TO ALLOW SANDWICH BOARD SIGNS IN THE CENTRAL VILLAGE AND NEIGHBORHOOD COMMERCIAL ZONE DISTRICTS**

The Planning Commission shall consider an amendment of the Capitola Municipal Code to allow sandwich board signs in the Central Village and Neighborhood Commercial Zone Districts subject to a City permit and certain conditions and standards. The proposed amendment will expire on November 30, 2012 unless extended by Resolution by the City Council.

**D. REVIEW OF THE 41<sup>ST</sup> AVENUE/CAPITOLA MALL RE-VISIONING PLAN**

The Planning Commission will review, comment, and make recommendations to the City Council on the 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan.

**6. INFORMATIONAL ITEM**

**A. GREENHOUSE GAS EMISSIONS REDUCTION PLANNING**

Receive a briefing on SB 375 and greenhouse gas emissions reduction planning.

**7. DIRECTOR'S REPORT**

**8. COMMISSION COMMUNICATIONS**

**9. ADJOURNMENT**

Adjourn to a Regular Meeting of the Planning Commission to be held on Thursday, December 1, 2011 at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

**APPEALS:** The following decisions of the Planning Commission can be appealed to the City Council within the (10) calendar days following the date of the Commission action: Conditional Use Permit, Variance, and Coastal Permit. The decision of the Planning Commission pertaining to an Architectural and Site Review can be appealed to the City Council within the (10) working days following the date of the Commission action. If the tenth day falls on a weekend or holiday, the appeal period is extended to the next business day.

All appeals must be in writing, setting forth the nature of the action and the basis upon which the action is considered to be in error, and addressed to the City Council in care of the City Clerk. An appeal must be accompanied by a one hundred forty two dollar (\$142.00) filing fee, unless the item involves a Coastal Permit that is appealable to the Coastal Commission, in which case there is no fee. If you challenge a decision of the Planning Commission in court, you may be limited to raising only those issues you or someone else raised at the public hearing described in this agenda, or in written correspondence delivered to the City at, or prior to, the public hearing.

**Notice regarding Planning Commission meetings:** The Planning Commission meets regularly on the 1<sup>st</sup> Thursday of each month at 7:00 p.m. in the City Hall Council Chambers located at 420 Capitola Avenue, Capitola.

**Agenda and Agenda Packet Materials:** The Planning Commission Agenda and complete Agenda Packet are available on the Internet at the City's website: [www.ci.capitola.ca.us](http://www.ci.capitola.ca.us). Agendas are also available at the Capitola Branch Library, 2005 Wharf Road, Capitola, on the Monday prior to the Thursday meeting. Need more information? Contact the Community Development Department at (831) 475-7300.

**Agenda Materials Distributed after Distribution of the Agenda Packet:** Materials that are a public record under Government Code § 54957.5(A) and that relate to an agenda item of a regular meeting of the Planning Commission that are distributed to a majority of all the members of the Planning Commission more than 72 hours prior to that meeting shall be available for public inspection at City Hall located at 420 Capitola Avenue, Capitola, during normal business hours.

**Americans with Disabilities Act:** Disability-related aids or services are available to enable persons with a disability to participate in this meeting consistent with the Federal Americans with Disabilities Act of 1990. Assisted listening devices are available for individuals with hearing impairments at the meeting in the City Council Chambers. Should you require special accommodations to participate in the meeting due to a disability, please contact the Community Development Department at least 24 hours in advance of the meeting at (831) 475-7300. In an effort to accommodate individuals with environmental sensitivities, attendees are requested to refrain from wearing perfumes and other scented products.

**Televised Meetings:** Planning Commission meetings are cablecast "Live" on Charter Communications Cable TV Channel 8 and are recorded to be replayed at 12:00 Noon on the Saturday following the meetings on Community Television of Santa Cruz County (Charter Channel 71 and Comcast Channel 25). Meetings can also be viewed from the City's website: [www.ci.capitola.ca.us](http://www.ci.capitola.ca.us)



**DRAFT MINUTES  
CAPITOLA PLANNING COMMISSION MEETING  
THURSDAY, OCTOBER 20, 2011  
7:00 P.M. – CITY HALL COMMUNITY ROOM**

Chairperson Ortiz called the Regular Meeting of the Capitola Planning Commission to order at 7:03 p.m.

**1. ROLL CALL AND PLEDGE OF ALLEGIANCE**

Commissioners: Graves, Newman, Smith and Chairperson Ortiz  
Absent: Routh  
Staff: Community Development Director Johnson  
Housing Projects Manager Foster  
Intern Marisa Lee  
Minute Clerk Uharriet

**2. ORAL COMMUNICATIONS**

- A. Additions and Deletions to Agenda – NONE
- B. Public Comments - NONE
- C. Commission Comments

Commissioner Graves requested an update on the status of the sign program at 1066 41<sup>st</sup> Avenue.

Commissioner Newman announced the upcoming GPAC meetings on November 12 and 13, 2011.

**D. Staff Comments**

Community Development Director Johnson stated the applicant for 1066 41<sup>st</sup> Avenue is working with the property owners to amend the CC & Rs regarding signs for the commercial spaces. He will submit a sign program at a later date.

**3. APPROVAL OF MINUTES**

- A. September 1, 2011 Regular Planning Commission Meeting

**A MOTION WAS MADE BY COMMISSIONER GRAVES AND SECONDED BY COMMISSIONER SMITH TO APPROVE THE SEPTEMBER 1, 2011 MINUTES WITH CHANGES.**

Commissioner Smith: Page 25, Section 17.21.080:

17.21.080 Height regulations.

No structure shall exceed twenty-seven feet in height in the C-V zone, except when a restoration of a historic building of Capitola exceeding the height limitation is proposed and has been recommended for approval by the planning commission. In any case, such structures shall provide for adequate light and air, and shall provide for considerations of view from adjacent properties. (Ord. 740 § 7, 1992; Ord. 622 Exhibit A (part), 1987)

Commissioner Smith suggested the height regulations be clarified, as it relates to view.

**THE MOTION CARRIED ON THE FOLLOWING VOTE: AYES: COMMISSIONERS GRAVES, SMITH AND CHAIRPERSON ORTIZ. NOES: NONE. ABSENT: ROUTH. ABSTAIN: NEWMAN.**

#### **4. CONSENT CALENDAR**

##### **A. 703 RIVERVIEW DRIVE**

**#11-097**

**APN: 035-042-26**

Coastal Permit and Design Permit to remodel an existing two-story single-family residence in the R-1 (Single-Family Residence) Zoning District. This project requires a Coastal Permit which is appealable to the California Coastal Commission after all possible appeals are exhausted through the City.

Environmental Determination: Categorical Exemption

Property Owner: Steve Goodman & Kathryn Quigg, filed 9/12/11

Representative: Derek Van Alstine

Commissioner Newman complimented Derek Van Alstine, project designer, for presenting the non-conforming calculations in a clear method per the requirements.

**A MOTION WAS MADE BY COMMISSIONER GRAVES AND SECONDED BY COMMISSIONER NEWMAN TO APPROVE PROJECT APPLICATION #11-097 WITH THE FOLLOWING CONDITIONS AND FINDINGS:**

#### **CONDITIONS**

1. The project approval consists of a remodel to an existing two-story single-family residence at 703 Riverview in the R-1 (Single Family Residence) zoning district...
2. Any significant modifications to the size or exterior appearance of the structure must be approved by the Planning Commission.
3. Hours of construction shall be Monday to Friday 7:30 a.m. – 9:00 p.m., and Saturday 9:00 a.m. – 4:00 p.m., per city ordinance.
4. The utilities shall be underground to the nearest utility pole in accordance with PG&E and Public Works Department requirements. A note shall be placed on the final building plans indicating this requirement.
5. The existing curb and sidewalk shall be replaced to the satisfaction of the Public Works Director.
6. An encroachment permit shall be acquired for any work performed in the right-of-way.
7. A drainage plan shall be developed to address the impacts and mitigate any potential erosion from runoff on to the adjacent creek bluff. The plan shall be submitted with the final building plans, to the satisfaction of the Public Works Director. The plan shall improve the drainage collection of runoff over the bank by either:
  - a. Capturing all roof drainage on site and pumping or otherwise diverting the drainage to the curb line of Riverview Drive; or
  - b. Designing a discharge system for all roof drainage to flow evenly over the bank and cliff face toward Sequel Creek.
8. The project shall implement Low Impact Development BMP's outlined in the *Slow it. Spread it. Sink it. Homeowner's Guide to Greening Stormwater Runoff* by the Resource Conservation District

of Santa Cruz County. The applicant shall provide details on the bmp's implemented and with a goal of not allowing more than 25% of total impervious area from discharging directly from the site.

9. The existing front yard landscaping shall remain and be maintained. If through the course of construction the landscaping is damaged and/or removed, a landscape plan shall be submitted and approved by the Community Development Department. The landscape plan shall include the specific number of plants of each type and their size, as well as the irrigation system to be utilized. The front yard landscaping shall be in place prior to final building occupancy.
10. During all grading and subsurface excavations (including utility-line trenching), construction will be halted if significant unexpected, archaeological resources are discovered. For the purpose of this permit, significant archaeological resources shall include the remains of previous Native American living areas or human burials. In the instance of Native American living areas, these objects shall be recorded and mapped by an archaeologist approved by the Community Development Director prior to further excavation on that portion of the site. In the event human burials are discovered during excavation, work shall be halted and the County Coroner, the Northwest Indian Cemetery Protective Association (NICPA) and other appropriate authorities shall be notified. Mitigation measures developed by the applicant and authorized archaeologists as a result of such unanticipated discovery shall be subject to the approval of the Community Development Director.
11. Prior to granting of final occupancy, compliance with all conditions of approval shall be demonstrated to the satisfaction of the Zoning Administrator or Community Development Director.

## **FINDINGS**

- A. The application, subject to the conditions imposed, will secure the purposes of the Zoning Ordinance, General Plan, and Local Coastal Plan.**

Planning Department Staff, the Architectural and Site Review Committee, and the Planning Commission have all reviewed the project. The project generally conforms to the development standards of the R-1 (Single Family Residence) Zoning District. Conditions of approval have been included to carry out the objectives of the Zoning Ordinance, General Plan and Local Coastal Plan.

- B. The application will maintain the character and integrity of the neighborhood.**

Planning Department Staff, the Architectural and Site Review Committee, and the Planning Commission have all reviewed the project. The project generally conforms to the development standards of the R-1 (Single Family Residence) Zoning District. Conditions of approval have been included to ensure that the project maintains the character and integrity of the neighborhood.

- C. This project is categorically exempt under Section 15301 of the California Environmental Quality Act and is not subject to Section 753.5 of Title 14 of the California Code of Regulations.**

This project involves the remodel of an existing single-family residence in the R-1 (single family residence) Zoning District. Section 15301 of the CEQA Guidelines exempts alterations to existing single-family residences in a residential zone.

**THE MOTION CARRIED ON THE FOLLOWING VOTE: AYES: COMMISSIONERS GRAVES, NEWMAN, SMITH AND CHAIRPERSON ORTIZ. NOES: NONE. ABSENT: ROUTH. ABSTAIN: NONE.**

## 5. PUBLIC HEARINGS

### A. 116 STOCKTON AVENUE

#11-093

APN: 035-231-13

Conditional Use Permit for a retail wine store and wine bar with the sale and dispensing of alcohol in the CN (Neighborhood Commercial) Zoning District.

Environmental Determination: Categorical Exemption

Property Owner: Frederic Feldner, owner/filed: 9/1/11

Representative: Tina Metzger

Community Development Director Johnson presented the staff report.

Commissioner Graves commented that the ordinance parking requirements do not incorporate a ratio for tables without chairs or bar areas. He spoke with concerns about the number businesses that distribute alcohol in the Village. He questioned the number of employees for the business and agreed that the proposed hours of operation are limiting for a new business.

Community Development Director Johnson stated that the Commission can make a determination regarding the parking demand for a combination of tables, chairs and bar area.

Commissioner Newman stated that the hours of operation were narrow for a use in the Village.

The public hearing was opened.

Tina Metzger, applicant, was present and available for questions.

Chairperson Ortiz requested the applicant to explain the operation of the business in Southern California that was included in the application. She questioned the number of seats proposed in the floor plan.

Tina Metzger stated that the business in Southern California was a retail business, not a tasting room. There will be six seats, an ADA compliant bar, and a tasting bar. There are no employees at this time. She agreed to extend the hours of operation as suggested, but may not be open during the week nights until 10:00 p.m. unless there are customers.

Commissioner Smith asked the applicant to clarify the accordion window and if cases of wine will be sold.

Tina Metzger stated the accordion window design will allow for an open wall design along the sidewalk façade. She intends on selling both single bottles and full cases of wine.

The public hearing closed.

Commissioner Smith stated the proposed use is a good fit in the Village. There is a potential issue with customers picking up a case of wine at the curb since there is no area to stop in front of this business. She suggested that the driveway adjacent to the building be considered for merchandise pick up.

Commissioner Newman stated that there is no clear parking requirement for an intensification of use in the Village and therefore supported the staff recommendation of no change in the parking requirement.

Chairperson Ortiz suggested the parking be the same as was determined for White Crane Winery and Armida Winery. She supported increasing the hours of operation until 10:00 p.m. during the week so

that the applicant has the ability to be open later without having to return to the Commission for any change.

Community Development Director Johnson suggested the following additional condition:

10. There shall not be any loading or unloading of retail or wholesale deliveries along Stockton Avenue.

**A MOTION WAS MADE BY COMMISSIONER NEWMAN AND SECONDED BY COMMISSIONER GRAVES TO APPROVE PROJECT APPLICATION #11-093 WITH THE FOLLOWING CONDITIONS AND FINDINGS:**

**CONDITIONS**

1. The project approval consists of a Conditional Use Permit for a wine tasting room and related retail shop (*Its Wine Tyme*) to be located at 116 Stockton Avenue.
2. Bread, crackers, and other small items commonly used to cleanse the palate as part of wine tasting shall be permitted. No food preparation, cooking, or food menu shall be allowed.
3. Any significant modifications to the size or exterior appearance of the structure must be approved by the Planning Commission. Similarly, any significant change to the use itself, or the site, must be approved by the Planning Commission.
4. The application shall be reviewed by the Planning Commission upon evidence of non-compliance with conditions of approval or applicable municipal code provisions.
5. Business hours will be limited to Sunday-Wednesday 2:00PM-~~8:00PM~~ 10:00 PM, and Thursday-Saturday 2:00PM-10:00PM.
6. The applicant shall obtain approval for a Sign Permit through the Community Development Department.
7. Outdoor displays, sandwich board and other movable freestanding signs are prohibited.
8. The applicant shall obtain a business license prior to operating the business.
9. Prior to granting of final occupancy, compliance with all conditions of approval shall be demonstrated to the satisfaction of the Zoning Administrator or Community Development Director.
10. There shall not be any loading or unloading of retail or wholesale deliveries along Stockton Avenue.

**FINDINGS**

- A. **The application, subject to the conditions imposed, will secure the purposes of the Zoning Ordinance and General Plan.**

Planning Staff and the Planning Commission have reviewed the project and determined that the proposed business is an allowable use in the CV (Central Village) Zoning District with a Conditional Use Permit. Conditions of approval have been included to carry out the objectives of the Zoning Ordinance, General Plan and Local Coastal Plan.



**B. The application will maintain the character and integrity of the neighborhood.**

Planning Department Staff and the Planning Commission have reviewed the project and determined that the proposed business will provide a needed service to Capitola and will not have a negative impact on the character and integrity of the neighborhood. Conditions of approval have been included to ensure that the project maintains the character and integrity of the area.

**C. This project is categorically exempt under Section 15301 and 15311(a) of the California Environmental Quality Act and is not subject to Section 753.5 of Title 14 of the California Code of Regulations.**

The proposed project involves leasing of a portion of an existing commercial space with no expansion of use beyond what has currently existed. No adverse environmental impacts were discovered during project review by either the Planning Department Staff or the Planning Commission.

**THE MOTION CARRIED ON THE FOLLOWING VOTE: AYES: COMMISSIONERS GRAVES, NEWMAN, SMITH AND CHAIRPERSON ORTIZ. NOES: NONE. ABSENT: ROUTH. ABSTAIN: NONE.**

**B. 115 SAN JOSE AVENUE**

**#11-100**

**APN: 035-221-27**

Conditional Use Permit for a take-out restaurant with the sale and dispensing of alcohol in the CN (Neighborhood Commercial) Zoning District.

Environmental Determination: Categorical Exemption

Property Owner: Peter Dwares, owner/filed: 9/15/11

Representative: Dennis Norton Design

Community Development Director Johnson presented the staff report. He explained that the property owner is applying to secure permits for the vacant space and to attract a tenant through the entitlement process. The application is similar to the development project on Kennedy Drive.

Derek Van Alstine, representative, spoke in support of the application.

The public hearing was opened.

Christine Herberg, owner of Capitola Hotel, submitted a letter in opposition of applicant. She stated that the application is being considered prematurely without a specific business proposed.

The public hearing was closed.

Commissioner Newman stated that it is difficult to approve a use in the abstract without a specific tenant.

Commissioner Smith concurred with Commissioner Newman, noting that an actual tenant will define the space and details necessary for a complete review. She asked the representative if there was any potential tenant at this time.

Commissioner Graves acknowledged the letter the Commission received from the Capitola Hotel. He spoke with concerns about the lack of conditions addressing potential impacts of rooftop equipment. He was not supportive of the application without a specific tenant and use.

Chairperson Ortiz was concerned about the potential issues of use permit to allow a full service bar and only six tables with chairs, with several lineal feet of bar height ledges shown in the floor plan. This application was similar to the permit for the commercial development at Kennedy Drive. She did not support the application with alcohol sales and no specific tenant or use.

Derek Van Alstine, project representative, stated that there is not any potential tenant and this commercial space has been vacant for two years. This project application is an attempt to attract a tenant and reduce the business start up time. He requested the Commission continue the item so that the applicant can reformulate the design.

Chairperson Ortiz was not supportive of continuance. The applicant can appeal the Commission's decision to the City Council. The Planning Commission has unanimously agreed to not support a use permit application with permission to serve alcohol, without a specific tenant.

**A MOTION WAS MADE BY COMMISSIONER NEWMAN AND SECONDED BY COMMISSIONER SMITH TO DENY PROJECT APPLICATION #11-100.**

**THE MOTION CARRIED ON THE FOLLOWING VOTE: AYES: COMMISSIONERS GRAVES, NEWMAN, SMITH AND CHAIRPERSON ORTIZ. NOES: NONE. ABSENT: ROUTH. ABSTAIN: NONE.**

### **C. ZONING AMENDMENTS TO IMPLEMENT HOUSING ELEMENT ACTION ITEMS**

The Planning Commission shall consider amendments to the Capitola Municipal Code to implement action items contained in the 2007-2014 Housing Element. These amendments are as summarized as follows:

1. Amend the Capitola Municipal Code to modify parking, lot size, height, and setback requirements to encourage secondary dwelling units.
2. Amend the Capitola Municipal Code to allow Single Room Occupancy (SRO) and Small Ownership Units (SOU) in the Community Residential, Neighborhood Commercial and Community Commercial Zone Districts.
3. Amend the Capitola Municipal Code to provide Community Development Director approval of reasonable accommodations for persons with disabilities.
4. Amend the Capitola Municipal Code to add emergency shelters as a principally permitted use in the Industrial Park Zone District.
5. Amend the Capitola Municipal Code to specify that transitional and supportive housing is a principally permitted use in all zone districts that allow residential uses.

Community Development Director Johnson introduced Marisa Lee, Intern. He gave a brief overview of the Housing Element action items.

Housing Projects Manager Foster and Intern Marisa Lee presented the staff report.

The Planning Commission echoed the GPAC's concerns about continued mandates from the State and interference in local land use issues.

#### Secondary Dwelling Units

The Commission had strong reservations about modifications to the parking requirements, revisions to setbacks, and allowing second story detached secondary dwelling units, but was supportive of reducing the minimum lot size for secondary dwelling units from 5,000 sq. ft. to 4,000 sq.ft. The Planning Commission suggested the City Council hold public meetings with Depot Hill and Jewel Box neighborhood residents prior to any ordinance adoption, as they would be most impacted by a change in minimum lot size.

### Single Room Occupancy and Small Ownership Units

The Commission was concerned about mixing Single Room Occupancy and Small Ownership Units with commercial uses, but supported the concept of creating small rental and ownership units to be available to lower income households.

### Reasonable Accommodation Policy

The Commission supported the concepts of the proposed ordinance that would to provide an expedited process for persons with disabilities to receive a waiver of development standards for construction projects that would assist with accessibility.

### Emergency Shelters

The Commission supported Emergency Shelters in the Industrial Park (IP) zone district with the additional comments that shelters be held to the same design review and development standards as other industrial projects. Additionally, the Commission suggested that a transportation plan be included as part of permit application requirements.

### Transitional and Supportive Housing

The Commission spoke with concerns about neighborhood compatibility and the potential for an undue concentration in particular neighborhoods.

Kathie Howard, resident in Cliffwood Heights neighborhood spoke with concerns about the proposed requirements for transitional housing. The Cliffwood Heights neighborhood has several transitional homes and would like other neighborhoods share the burden.

## **NO ACTION REQUIRED.**

## **6. DIRECTOR'S REPORT**

Community Development Director Johnson provided the Commission a status update on the following items: Proposed sign ordinance amendment to allow sandwich board signs in the CV and CN district; code enforcement update; building permits were issued for Target. The demolition is currently under way and a banner permit was issued for a period not to exceed 30 days. The anticipated opening is in July 2012.

## **7. COMMISSION COMMUNICATIONS**

Commissioner Graves requested an update on the status of the sign program at 1066 41<sup>st</sup> Avenue. He stated his concerns with the upcoming sandwich board sign ordinance, noting tripping hazards, number of signs and placement issues. He also noted that there are several awnings in the Village that have not been maintained per the conditions of approval and should be replaced.

Chairperson Ortiz questioned the lack of discussion prior to bringing the sandwich board ordinance before the Commission.

Community Development Director Johnson stated that code enforcement of sandwich board signs as been lengthy and difficult. The B.I.A. requested staff assistance in resolving the sign issues and this ordinance is a temporary program.

Chairperson Ortiz stated that any proposed amendments to the sign ordinance should be initiated by a City Council member or Planning Commissioner, not individual members of the business community.

## **8. ADJOURNMENT**

The Planning Commission adjourned the meeting at 9:35 p.m. to a Regular Meeting of the Planning Commission to be held on Thursday, November 3, 2011 at 7:00 p.m., in the City Hall Council Chambers, 420 Capitola Avenue, Capitola, California.

Approved by the Planning Commission on November 3, 2011

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Danielle Uharriet, Minute Clerk



**STAFF REPORT**

TO: PLANNING COMMISSION  
FROM: PLANNING DEPARTMENT  
DATE: OCTOBER 26, 2011 (AGENDA: NOVEMBER 3, 2011)  
SUBJECT: **2205 & 2265 41<sup>st</sup> AVENUE #11-110 APN: 034-191-03**  
Conditional Use Permit for a medical office use in the CC (Community Commercial) Zoning District.  
Environmental Determination: Categorical Exemption  
Property Owner: James Fenton Co. Inc, filed 10/17/11  
Representative: Dr. Victor Li

**APPLICANT'S PROPOSAL**

The applicant is requesting a Conditional Use Permit to operate a medical office/clinic within an existing vacant commercial space located at 2205 and 2265 41<sup>st</sup> Avenue, in the CC (Community Commercial) Zoning District. A professional office use that occupies more than three thousand square feet of building area is consistent with the General Plan and Zoning Ordinance with the issuance of a Conditional Use Permit.

**DISCUSSION**

The applicant is proposing to lease 5,825 square feet of commercial space, formerly occupied by *Wells Fargo*, a financial service use. The proposed medical use is *P.R.I.M.E. Pain Medicine Institute*, a comprehensive pain management clinic currently located at 4140 Jade Street in Capitola. The proposed site is located in the CC (Community Commercial) Zoning District which requires that professional offices that occupy more than three thousand square feet of building area obtain a Conditional Use Permit.

The clinic provides an array of both traditional and alternative medical therapies, and will operate as both an outpatient surgical center and medical office. Procedures to be performed as part of the surgical center include spinal injections, joint injections, as well as other surgical procedures. The practice will include a board certified pain management physician, one physician's assistant/acupuncturist, two laser therapy technicians, and one myofascial release therapist. The facility will operate from 8am-8pm, Monday through Friday.

While there will be extensive interior improvements within the existing one-story building, exterior improvements will be limited to new walkways adjacent to the building. New signage will be provided, but none is proposed as part of this application.

### Parking

Per the Parking Ordinance, medical offices and clinics require one space for each 300 square feet of gross floor area or five spaces per doctor, whichever is greater. With 5,825 square feet, 19 parking spaces would be required based on floor area. Upon review of the use description, one doctor will be located at the clinic, along with several assistants and technicians. Therefore, with 21 parking spaces provided, the proposed use meets the city parking requirements.

### **RECOMMENDATION**

The 41<sup>st</sup> Avenue corridor has been one of the major focuses of the General Plan update that is currently underway. One of the key policies of the *41st Avenue/Capitola Mall Re-Visioning Plan* is to “Limit the amount of non-retail uses within the core commercial areas of the corridor.” While the subject parcel is within the 41<sup>st</sup> Avenue corridor, this particular site is not part of the core retail, and is part of a transitional area proposed for new office or non-retail uses.

Therefore, staff recommends the Planning Commission approve application #11-110, subject to the following conditions and based upon the following findings:

### **CONDITIONS**

1. The project approval consists of a Conditional Use Permit to operate a medical office/clinic within an existing vacant commercial space located at 2205 and 2265 41<sup>st</sup> Avenue.
2. Any significant modifications to the size or exterior appearance of the structure must be approved by the Planning Commission.
3. The application shall be reviewed by the Planning Commission upon evidence of non-compliance with conditions of approval or applicable municipal code provisions.
4. Business hours will be limited to Monday through Friday, 8:00 a.m. – 8:00 p.m.
5. The applicant shall obtain approval for a Sign Permit through the Community Development Department.
6. The applicant shall obtain a business license prior to operating the business.
7. Prior to granting of final occupancy, compliance with all conditions of approval shall be demonstrated to the satisfaction of the Zoning Administrator or Community Development Director.

### **FINDINGS**

- A. **The application, subject to the conditions imposed, will secure the purposes of the Zoning Ordinance and General Plan.**

Planning Staff and the Planning Commission have reviewed the application and determined that the proposed business is an allowable use in the CC Zoning District and, for reasons indicated in the Staff Report, will meet the requirements of Zoning District. Conditions of approval have been included to ensure that the medical use is consistent with the Zoning Ordinance and General Plan.

- B. **The application will maintain the character and integrity of the neighborhood.**

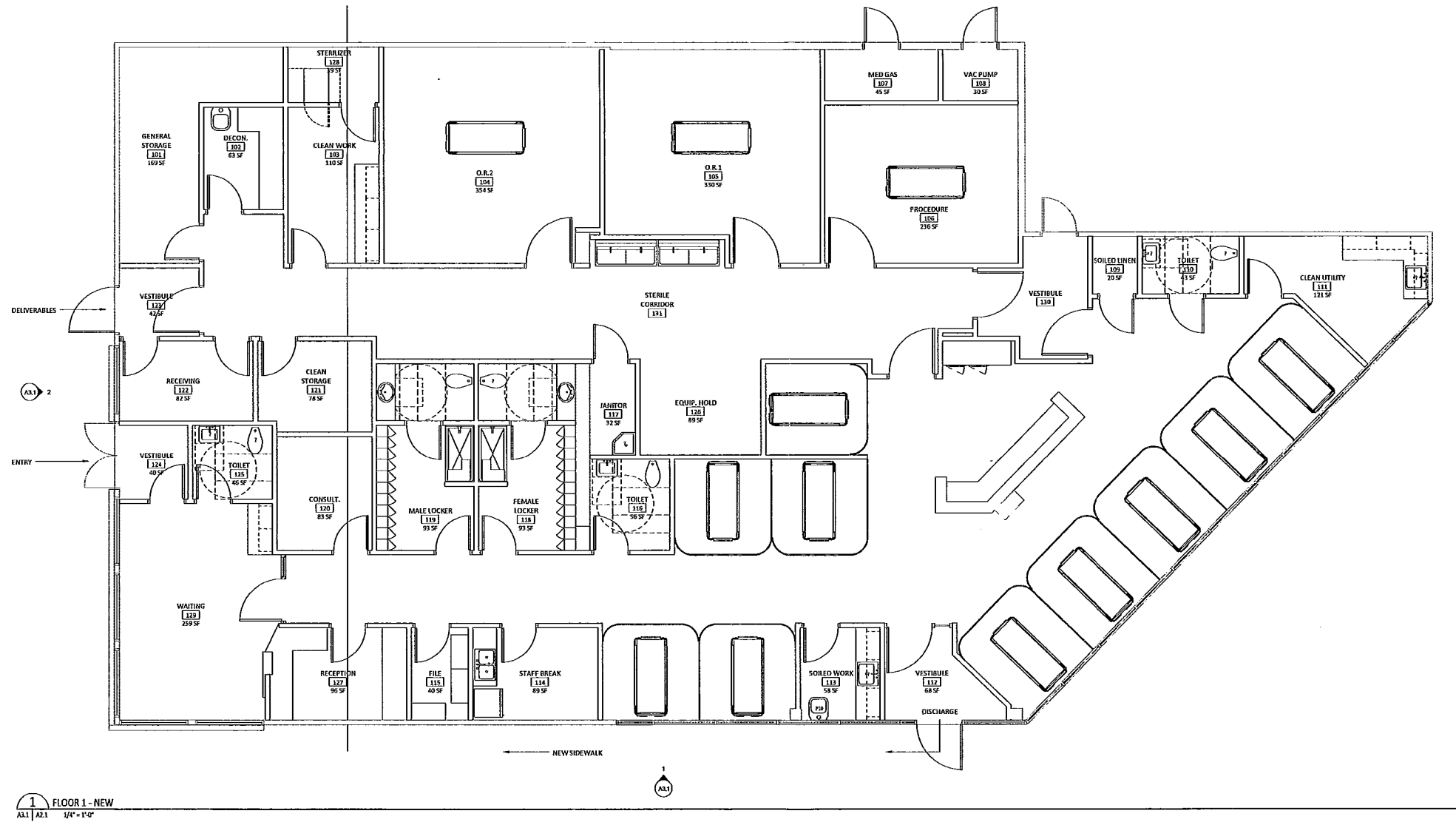
Planning Department Staff and the Planning Commission have reviewed the project and determined that the medical use and modifications to the building conform with the applicable provisions of the Zoning Ordinance and therefore maintain the character and integrity of this area of the City. Conditions of approval have been included to carry out these objectives.

- C. **This project is categorically exempt under Section 15301 of the California Environmental Quality Act and is not subject to Section 753.5 of Title 14 of the California Code of Regulations.**

The proposed project involves a medical use occupying an existing commercial space formerly occupied by a retail business. No adverse environmental impacts were discovered during project review by either the Planning Department Staff or the Planning Commission.

**Report Prepared By:** Ryan Bane  
Senior Planner

Attachment A – Project Plans  
Attachment B – Project Description



1 FLOOR 1 - NEW  
 All 1/2" = 1'-0"

PROJECT NUMBER  
 DRAWN BY  
 NM  
 DATE  
 10-04-2011

REVISIONS	DESCRIPTION	DATE

**BOULDER ASSOCIATES**  
 ARCHITECTS

Boulder Associates, Inc.  
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PROJECT  
 CAPITOLA ASC

PRELIMINARY  
 NOT FOR  
 CONSTRUCTION

SHEET TITLE  
 FLOOR PLAN

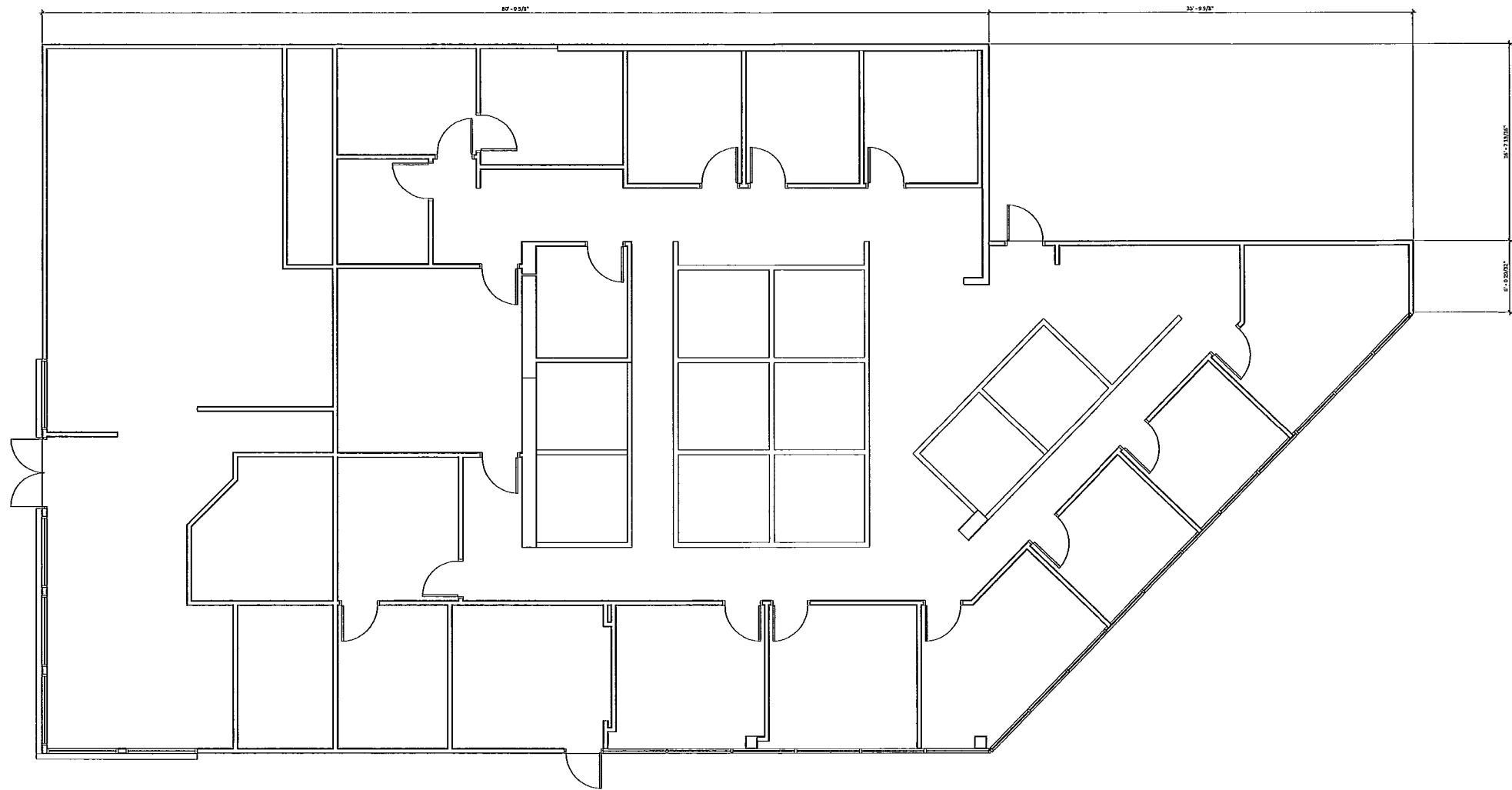
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A1.1 A2.0 1/4" = 1'-0"

PROJECT NUMBER  
DRAWN BY  
**Author**  
DATE  
**10-04-2011**

REVISIONS	DESCRIPTION	DATE
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NOT FOR  
CONSTRUCTION**

SHEET TITLE  
**EXISTING FLOOR  
PLAN**

SHEET NUMBER  
**A2.0**



*Pain Relieving Interventions, Manipulations, Exercises*  
*Victor Li, MD*  
*Board Certified and Fellowship Trained in Pain Medicine*  
*Board Certified in Anesthesiology*

*4140 Jade St, Suite 102*  
*Capitola, CA 95010*  
*Phone: (831) 464-7246*  
*Fax: (831) 576-2016*

October 17, 2011

Dear Ryan Bane,

P.R.I.M.E Pain Medicine Institute is a comprehensive pain management clinic established by myself in 2005. The clinic provides an array of both traditional and alternative medical therapies. Currently, we operate in Capitola, CA. The practice includes myself, a board certified pain management physician, one physician's assistant/acupuncturist, two laser therapy technicians, and one myofascial release therapist. Additionally, we have an osteopathic physician and a psychiatrist who see patients in our office on a periodic basis.

We will be opening a 5,825 sq. ft. medical center that will operate from 8am-8pm Monday through Friday. The facility will operate as both an outpatient surgical center and medical office. Outpatient surgery requires that patients arrive on the day of treatment and only remain at the facility for a short observation time before being discharged. Procedures to be performed as part of the surgical center include: spinal injections, joint injections as well as other surgical procedures. Services will be provided by pain management physicians and surgeons of varying specialties. The medical office portion of the facility will include services and staff similar to the current structure of P.R.I.M.E. Pain Medicine Institute as outlined above.

Please do not hesitate to contact me should you have any questions.

**Victor Li, MD**

*Board Certified in Pain Medicine*  
*Board Certified in Anesthesiology*



**STAFF REPORT**

TO: PLANNING COMMISSION

FROM: COMMUNITY DEVELOPMENT DEPARTMENT

DATE: OCTOBER 28, 2011 (AGENDA: NOVEMBER 3, 2010)

SUBJECT: **809 BAY AVENUE** **#10-038** **APN: 035-021-43**  
Six month review of an approved amendment to a Master Use Permit (Nob Hill Center) to relocate the recycling facilities on the site located in the CC (Community Commercial) Zoning District.  
Property Owner: Bay Creek Properties / Filed 5/18/10  
Representative: Craig French

**This item has been forwarded to the City Council for review at the November 10, 2011 meeting. There is no action required by the Planning Commission.**

**Report Prepared By:** Ryan Bane  
Senior Planner



## STAFF REPORT

TO: PLANNING COMMISSION  
FROM: COMMUNITY DEVELOPMENT DEPARTMENT  
DATE: OCTOBER 24, 2011 (AGENDA: NOVEMBER 3, 2011)  
SUBJECT: SANDWICH BOARD SIGN ORDINANCE

### **BACKGROUND**

The City's sign ordinance specifically prohibits sandwich board signs in Capitola. In September 2011, the Community Development Department responded to a several complaints about the placement of sandwich board signs in the Village. Staff initiated an enforcement effort throughout Capitola. Over a dozen merchants were sent Courtesy Notices along Capitola Avenue and throughout the Village area. Courtesy Notices were also sent to 41<sup>st</sup> Avenue merchants.

Following the distribution of Courtesy Notices, the BIA approached the City with the idea to develop a program to allow sandwich board signs under certain conditions. The Community Development Director met with BIA representatives and discussed the draft ordinance and made some changes based on input.

### **DISCUSSION**

The intent of the program is to temporarily allow sandwich board signs within the Neighborhood Commercial and Central Village Zone District for a one-year period. During that period, the City would evaluate the signs impacts and their effectiveness in promoting economic activity within the Central Village and Neighborhood Commercial Zone Districts.

This pilot program will last for 12 months and will be implemented by temporary regulations providing the requirements and standards of these signs. At the end of this pilot program, the City Council may adopt a resolution to extend the program as is or adopt a modified version of the ordinance, extend the pilot program or take no action at which point the pilot program will end and the ordinance will no longer be in effect.

Sandwich board signs would require a permit and would be subject to design standards outlined in the ordinance. All existing signs would need to be in compliance, should the ordinance be adopted, non-compliant signs would be subject to code enforcement. Standard sizes for sandwich board signs are (WxH): 18x24 / 24x18 / 30x24 / 24x32 / 24x36 / 24x48 / 32x48. The ordinance provides that a sandwich board sign shall be no larger than 24 inches in width and 42 inches in height when unfolded. Should the City Council approve the proposed sign ordinance amendment, the Local Coastal Plan would need to be modified as it includes the City's land use plans, zoning ordinance, zoning district maps and other implementing actions which combined, implement the provisions and policies of the Coastal Act.

### **CEQA REVIEW**

Two sections of the California Environmental Quality Act apply to the proposed amendments, which would temporarily allow sandwich board signs in the Central Village and Neighborhood Commercial Zone Districts. Section 15311(a) of the CEQA Guidelines consists of the construction, or replacement of minor structures accessory to (appurtenant to) existing commercial, industrial, or institutional facilities, including but not limited to on-premises signs.

Section 15061 (b) (3) provides that a project is exempt from CEQA if the activity is covered by the general rule that CEQA applies only to projects, which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA.

Sign placement in an existing urban environment will not have a significant impact on the environment. Allowing sandwich board signs in the Central Village and Neighborhood Commercial Zone Districts would be insignificant, it is already a built out environment with urban amenities and would have a minimal impact on visual resources and the environment.

### **RECOMMENDATION**

Review and recommend adoption of the proposed ordinance amendments by the City Council.

**Report Prepared By:** Derek Johnson  
Community Development Director

### **ATTACHMENTS**

- A. Sandwich Board Sign Ordinance Amendments

**DRAFT**

**ORDINANCE NO.**

**AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CAPITOLA  
AMENDING SECTIONS 17.57.040 D. OF THE MUNICIPAL CODE PERTAINING TO  
PROHIBITED SIGNS AND ADDING SECTION 17.57.020 B. 4. AND. 17.57.060 F.  
PERTAINING THE USE OF SANDWICH BOARD SIGNS IN THE  
CENTRAL VILLAGE AND NEIGHBORHOOD COMMERCIAL ZONE DISTRICTS**

THE CITY COUNCIL OF THE CITY OF CAPITOLA ORDAINS AS FOLLOWS:

**Section 1.** Section 17.57.020 B. 4. Is added to the Capitola Municipal Code to read as follows:

"Sandwich board signs as allowed in this chapter"

**Section 2.** Section 17.57.04 D of the Capitola Municipal Code is amended to read as follows:

"Sandwich board and other movable freestanding signs; except as allowed in this chapter."

**Section 3.** Section 17.57.060 F is added to the Capitola Municipal Code to read as follows:

"Sandwich board signs are permitted in the Central Village, Neighborhood Commercial and Zone Districts subject to the following standards:

1. Sandwich board signs require a sign permit prior to the placement of the sign.
2. Sandwich board signs shall be no larger than twenty-four (24) inches in width and forty-two (42) inches in height when unfolded. The maximum area that shall be used for lettering or graphics shall not exceed five (5) square feet.
3. No materials such as papers, balloons, wind socks, etc., may be added to the sign to increase its height and/or width.
4. Sandwich board signs shall not interfere with pedestrian ingress or egress as required by the Building Code or obstruct vehicular traffic sight distance requirements. A forty eight (48) inch level path of travel on concrete of similar material must be maintained around the sandwich board.
5. Multiple tenets per parcel must share a sandwich board sign or individual sandwich board signs are allowed for every twenty-five (25) feet of street frontage, but in no case shall there be more than one sandwich board sign per business. A larger sign for multiple tenets may be granted at the discretion of the Community Development Director, but in no case shall it be no larger than thirty two (32) inches in width and forty eight (48) inches in height and the maximum area that shall be used for lettering or graphics shall not exceed eight (8) square feet.
6. Sandwich board signs must be designed to withstand strong winds and not present a hazard.
7. Sandwich board signs must be placed on a sidewalk or landscaped area immediately adjacent to the business. No sandwich board sign shall be placed on the roadway or in a parking space.
8. Sandwich board signs may be used only during the hours when the business is open to the public.
9. Sandwich board signs shall be constructed of weather resistant material and shall relate to their surroundings in terms of color and texture so that they are complementary to the overall design of the building and are not in visual competition with other conforming signs in the area.
10. Damaged or dilapidated sandwich board signs shall be replaced at the discretion of the Community Development Director.

- 11. No sandwich board sign shall contain foil, mirrors, metal that will rust or other reflective materials to attract attention or which could create hazardous conditions to motorist, bicyclist, or pedestrians.
- 12. No sandwich board sign may contain lights of any kind."

**Section 3.** Section 3 of this Ordinance shall remain in effect through November 30, 2012 and thereafter be of no force and effect. This Section 3 of this Ordinance shall only remain operative and effective as of December 31, 2012 if, prior to November 30, 2012 the City Council adopts a Resolution confirming its intent that this Section 3 shall remain operative.

**Section 4.** This ordinance shall be in full force and take effect thirty (30) days after its final adoption.

This ordinance was introduced on the 10<sup>th</sup> day of November 2011, and was passed and adopted by the City Council of the City of Capitola on the 22<sup>nd</sup> day of November 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

APPROVED:

---

Dennis R. Norton, Mayor

ATTEST:

---

\_\_\_\_\_, MMC  
Pamela Greeninger, City Clerk



## STAFF REPORT

TO: PLANNING COMMISSION

FROM: COMMUNITY DEVELOPMENT DEPARTMENT

DATE: OCTOBER 28, 2011 (AGENDA: NOVEMBER 3, 2011)

SUBJECT: REVIEW OF THE 41<sup>ST</sup> AVENUE/CAPITOLA MALL RE-VISIONING PLAN

### **BACKGROUND**

In November 2010 the City Council entered into a General Plan Update consultation contract with The Planning Center|DC&E (formerly Design Community & Environment). As a part of the larger General Plan Update the consultant is working with City staff to prepare special area studies for the Bay Avenue area, the Capitola Village and the 41<sup>st</sup> Avenue/Capitola Mall area. Funding for the 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan is provided through the City's General Plan Maintenance fund, a Community Development Block Grant (CDBG) grant and a grant from the Strategic Growth Council (Prop 84).

Development of the Draft 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan has included extensive community participation. Individual interviews and an initial stakeholders meeting were held with key 41<sup>st</sup> Avenue area property and business owners in January and February 2011. The General Plan Advisory Committee then reviewed an early version of the plan at its meeting on June 22<sup>nd</sup>. A Community Workshop was held on Wednesday evening on July 20<sup>th</sup> with about 25 community members in attendance. A final draft that incorporated the ideas from the workshop was then reviewed by the GPAC on September 21<sup>st</sup>. Following the Planning Commission review the City Council will review and accept the final Re-Visioning Plan. Additional graphics illustrating design concepts will then be prepared. Ultimately, the contents of the Re-Visioning Plan will be incorporated into and will serve as the basis for the General Plan's policies and actions regarding the 41<sup>st</sup> Avenue area. The City's updated General Plan is scheduled for completion in 2013.

### **DISCUSSION**

The Re-Visioning plan looks at existing conditions, sets the goals that we would like to achieve for the area, provides a graphic illustration of the proposed long-term land use, urban design and circulation vision for the area, identifies a phasing plan for the development process and ends with a set of Policies and Actions for incorporation into the General Plan.

The Policies and Actions found in Chapter VI are the heart of the Re-Visioning Plan. They fall into the three main categories of economics, land use and design, and circulation. The Policies are broad statements of what the City desires for the area. They are statements that will guide the City's decision making on future investments and on how the City will respond to project development applications as they come forward. The Actions identify specific things that the City will do to help implement and encourage the Re-Visioning Plan. In the review by the Planning Commission staff is



particularly interested in having the Commissioners and the public identify the policies and actions that they feel should be modified or removed or any new policies or actions that should be added.

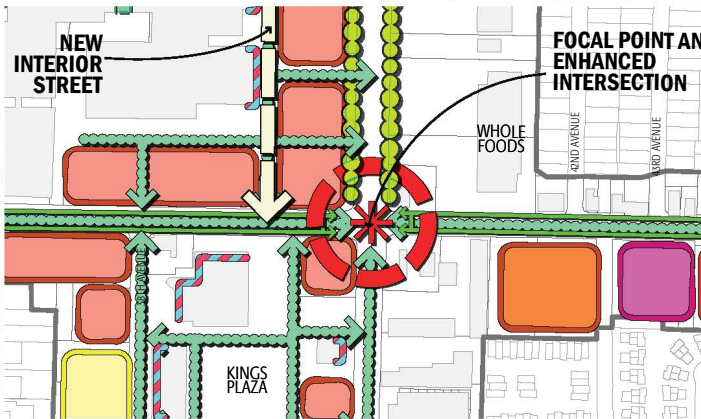
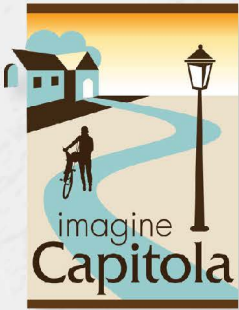
**RECOMMENDATION**

Review and recommend acceptance of the 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan by the City Council for incorporation into the General Plan Update.

**Report Prepared By:** David Foster  
Housing and Redevelopment Project Manager

**ATTACHMENTS**

- A. Draft 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan



# 41<sup>ST</sup> AVENUE/CAPITOLA MALL RE-VISIONING PLAN

OCTOBER 26, 2011

*Public Review Draft*



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## EXECUTIVE SUMMARY

The 41<sup>st</sup> Avenue corridor is a critical area in Capitola, serving as a regional retail center and an important source of sales tax revenue for the City. To help ensure the long-term economic success of the corridor, the City has prepared the 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan as part of the General Plan Update. This Re-Visioning Plan establishes a long-term vision for the corridor to guide future public and private investment in a way that is consistent with community values and the needs of property owners.

The Re-Visioning Plan envisions that change within the corridor will occur incrementally over the next 20 years. On the Capitola Mall property, the Plan envisions new development on existing surface parking to transform the mall into a more inviting destination for shoppers and residents. 38<sup>th</sup> Avenue south of Capitola Road is activated with new pedestrian-oriented residential and commercial uses. Capitola Road is enhanced with new sidewalk-oriented commercial uses west of 41<sup>st</sup> Avenue and a mixture of high-quality commercial, residential, and hotel uses east of 41<sup>st</sup> Avenue. Pedestrian and bicycle connections are enhanced within the Plan area, and connections to surrounding areas, particularly Capitola Village, are strengthened.

Overall, the Plan aims to update and modernize Capitola Mall and other properties in order to maintain the corridor as the region's primary retail destination. To achieve this, the corridor will need to become a destination with urban amenities such as quality restaurants, public gathering places, pedestrian amenities, and high quality architecture. As a more pedestrian-friendly destination, the corridor will support alternative forms of transportation and promote a more sustainable way-of-life within Capitola.



## I. INTRODUCTION

### A. *Re-Visioning Plan Purpose and Process*

The 41<sup>st</sup> Avenue corridor is a critical area for Capitola both physically and economically. The corridor is home to a variety of retail and service establishments that serve Capitola residents and the larger region. Businesses within the corridor contribute significant tax revenue to the City which fund valued City programs and services.

Within recent years, sales tax revenues within the corridor have declined significantly, creating concerns about the long-term viability of the area as a regional commercial center. These declines predated the 2007-2009 recession and were more severe than elsewhere in the county and state, suggesting systemic challenges with the corridor. To address these concerns, Capitola has prepared the Capitola Mall/41<sup>st</sup> Avenue Re-Visioning Plan as part of the City's comprehensive General Plan Update. This Re-Visioning Plan establishes a long-term vision for land use, urban design, and transportation in this important area. This Re-Visioning Plan will help guide future public and private investment along the corridor in a manner that reflects the community's values, respects the needs of property and business owners, and reflects the type of development that is economically feasible over the short-, medium-, and long-term.

Preparation of the Re-Visioning Plan has been an inclusive process with numerous opportunities for public participation. Key public meetings and workshops have included the following:

- ◆ City staff met with property owners, developers, brokers, and other stakeholders familiar with the Plan area on February 23, 2011 to receive input on key issues and opportunities within the corridor.
- ◆ The General Plan Advisory Committee (GPAC) met on June 22, 2011 to provide feedback to City staff and consultants on preliminary ideas relating to land use, urban design, and transportation alternatives within the Plan area.
- ◆ The City hosted a community workshop on Wednesday, July 20, 2011 to receive public input on land use, urban design, and circulation alternatives for the Plan area.



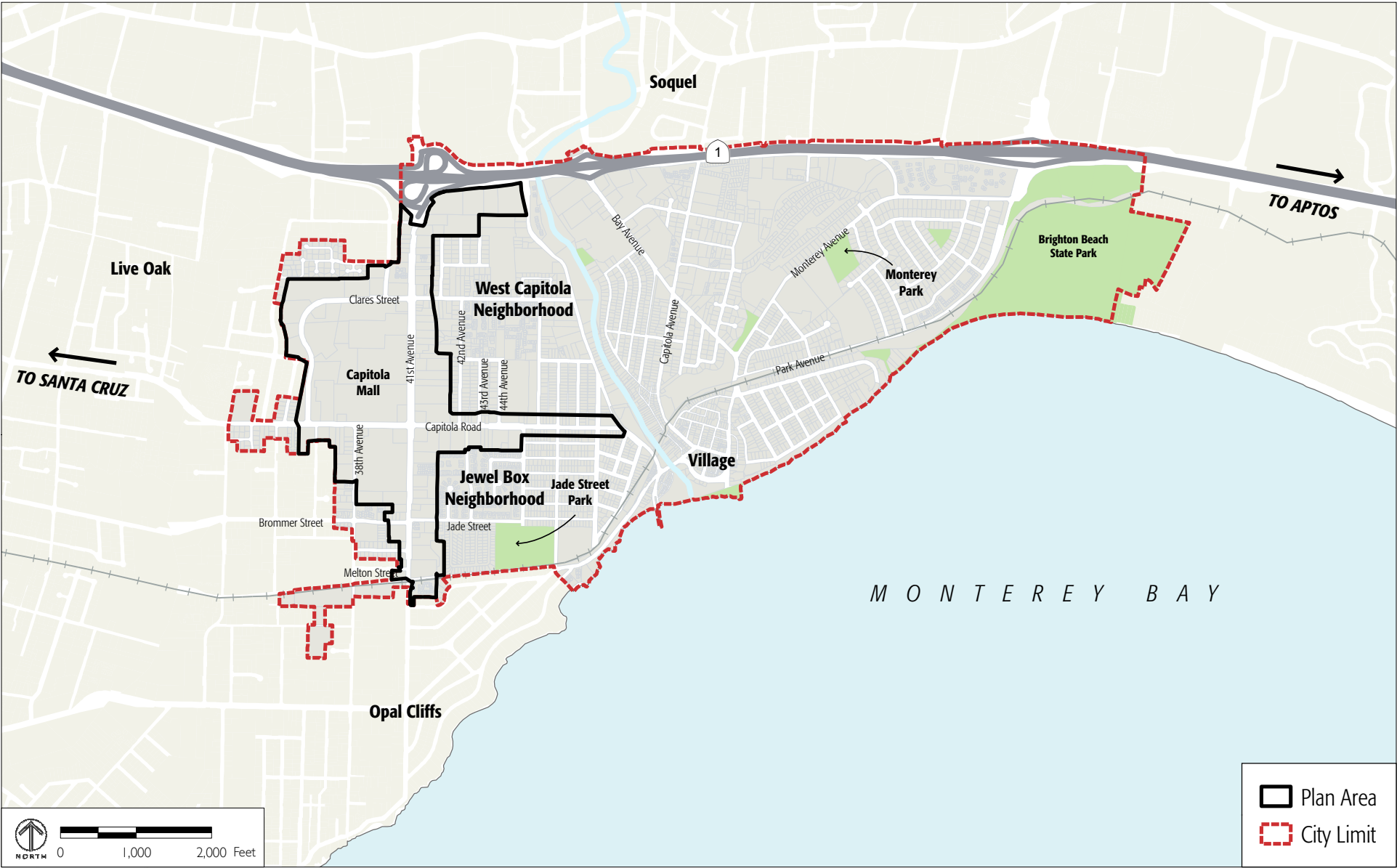
- ◆ The GPAC met again on September 21, 2011 to provide input on draft concept plan, phasing plan, and policies and actions for the Re-Visioning Plan.

In October and November the City of Capitola Planning Commission and City Council will review and provide feedback on the draft Re-Visioning Plan. Additional graphics illustrating urban design concepts for the Plan area will be prepared. Ultimately, the contents of the Re-Visioning Plan will be incorporated into the City's updated General Plan, scheduled for completion in 2013.

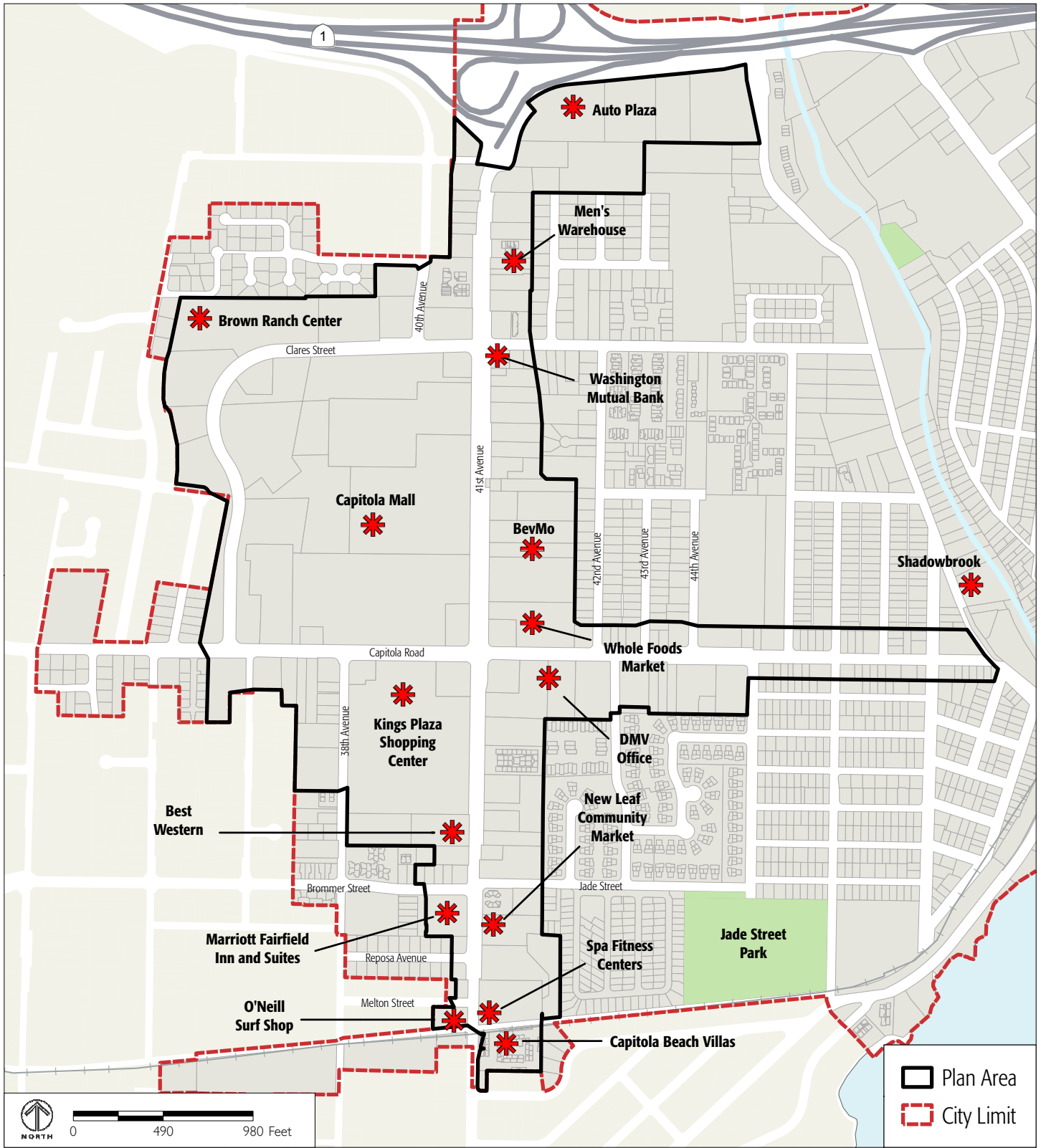
### *B. Re-Visioning Plan Location*

As shown in Figure 1, the 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan area is located on the eastern side of Capitola along 41<sup>st</sup> Avenue from Highway 1 to the southern City limit. The Plan area is approximately 150 acres in size. To the east of the Plan area is Capitola Village and the Jewel Box and West Capitola residential neighborhoods. To the west are residential neighborhoods in unincorporated Santa Cruz County. To the north, across from Highway 1, are unincorporated county commercial areas, including the Home Depot and Safeway shopping center. To the south, commercial uses continue along 41<sup>st</sup> Avenue into the Opal Cliffs neighborhood of unincorporated Santa Cruz County.

Figure 2 shows greater detail of the Plan area boundary and some of the land uses within the area. At the heart of the Plan area is the enclosed Capitola Mall, which occupies nearly 50 acres fronting 41<sup>st</sup> Avenue, Capitola Road, and Clares Street. The Kings Plaza Shopping Center, directly south of Capitola Mall, is another major shopping center in the Plan area, occupying over 11 acres. Other destinations within the Plan area shown in Figure 2 include the Auto Plaza at the northern end of the corridor, the Whole Foods Market at 41<sup>st</sup> Avenue and Capitola Road, the New Leaf Community Market just south of Jade Street, and the Spa Fitness Center at the southern end of the Plan area.



Source: City of Capitola, 2011.



Source: City of Capitola, 2011.

FIGURE 2

### *C. Report Overview*

The Re-Visioning Plan is divided into the following chapters in addition to this Introduction:

- ◆ **Chapter 2: Existing Conditions** summarizes current physical and economic conditions within the Plan area that frame opportunities for improvement within the corridor.
- ◆ **Chapter 3: Re-Visioning Plan Goals** presents the fundamental principles guiding the Plan and the primary outcomes that the Plan is aiming to achieve.
- ◆ **Chapter 4: Concept Plan** graphically illustrates the long term land use, urban design, and circulation vision for the Plan area.
- ◆ **Chapter 5: Phasing Plan** identifies how the long-term vision for the corridor could be gradually implemented over time.
- ◆ **Chapter 6: Policies and Actions** establishes the regulatory framework that the City will use to achieve the goals of the Plan and the actions that the City will take to implement the Plan in the years to come.



## II. EXISTING CONDITIONS

A key step in the preparation of the Re-Visioning Plan was an analysis of existing conditions within the Plan area. This chapter summarizes these conditions as described in the Baseline Analysis Report completed in June of 2011. Existing conditions relating to land use, urban design, circulation, and economics are described below.

### A. Land Use

Approximately 92 percent (137 acres) of the Re-Visioning Plan area is occupied by commercial land uses. These commercial uses include over 92 acres of retail and personal services uses, many of which are located in the Capitola Mall and other shopping centers such as Kings Plaza and the Brown Ranch Center. Table 1 shows the amount of land occupied by different land uses within the Plan area, and Figure 3 shows the location of these land uses.

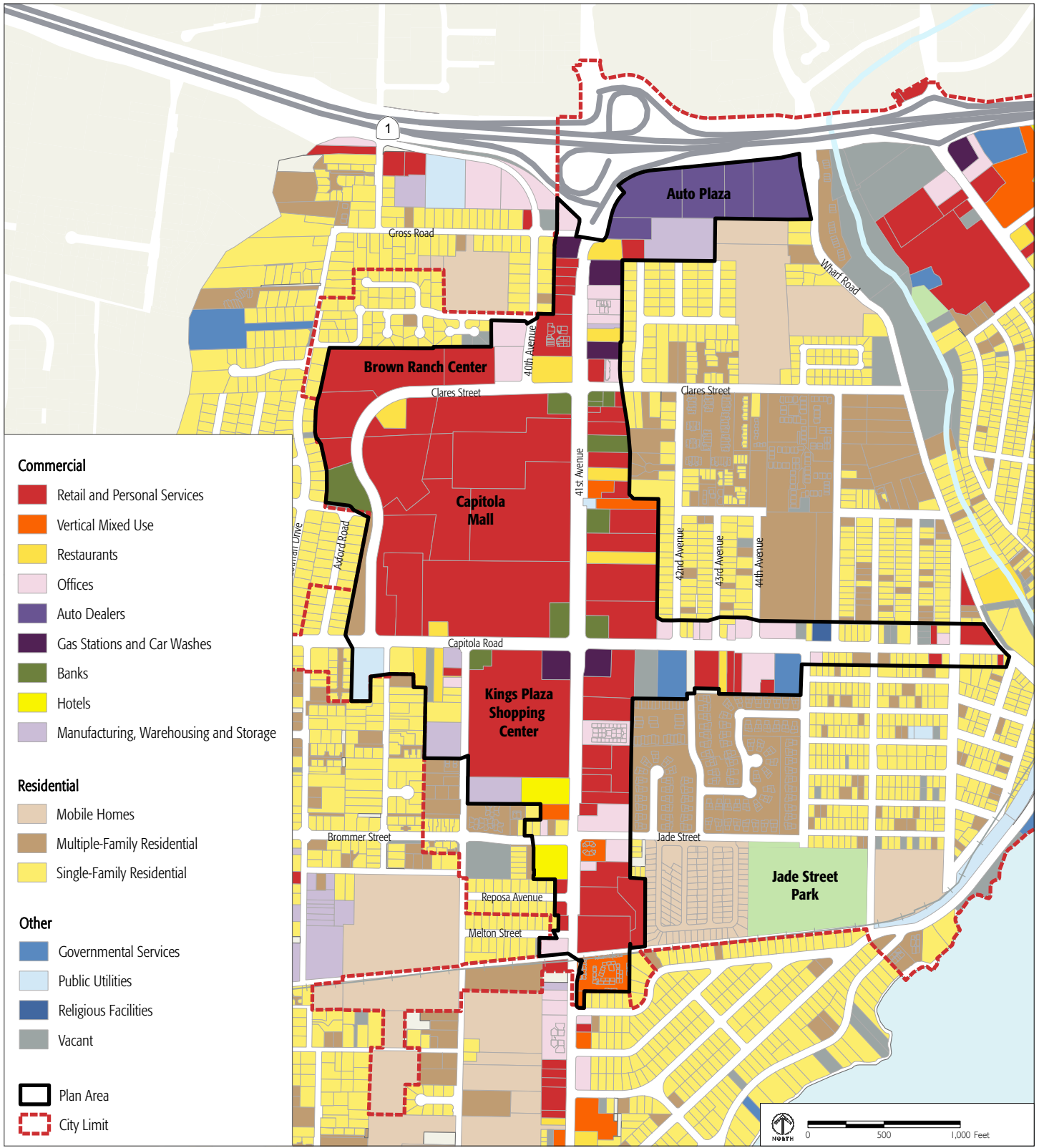
There are several areas within the corridor with a unique mixture or concentration of land uses. The Auto Plaza at the north end of the Plan area is a 10-acre area occupied by a number of automobile dealerships. The east end of Capitola Road area contains a concentration of offices and governmental uses. Several light industrial and service commercial uses, including the Freight and Salvage, are located on 38<sup>th</sup> Avenue south of Capitola Road.

Few residential uses are found within the Plan area. Several single-family homes are located near the intersection of Capitola Road and 38<sup>th</sup> Avenue and on Brommer Street west of 41<sup>st</sup> Avenue. The Capitola Beach Villas mixed use development on 41<sup>st</sup> Avenue south of the railroad track contains a total of 55 small apartment units. There is also only 1.5 acres of vacant land in the Plan area, none of which is located along 41<sup>st</sup> Avenue.

Approximately 24 acres (13 percent) of the Plan area is occupied by public roads. This is greater than Capitola Village, where approximately 7 percent of the area is occupied by public roads.



Existing land use within the Plan area is dominated by the Capitola Mall (top) and shopping centers such as Kings Plaza (middle) and the Brown Ranch Center (bottom).



Source: City of Capitola, 2011.

FIGURE 3

EXISTING LAND USE

TABLE I EXISTING LAND USE

<b>Land Use</b>	<b>Acres</b>	<b>Percentage</b>
<b>Commercial Uses</b>		
Retail and Personal Services	92.6	62.0
Offices	11.4	7.6
Auto Dealers	10.7	7.2
Manufacturing, Warehousing , and Storage	6.0	4.0
Restaurants	5.8	3.9
Banks	5.2	3.5
Gas Stations and Car Washes	3.4	2.3
Hotels	2.4	1.6
<i>Subtotal</i>	<i>137.5</i>	<i>92.1%</i>
<b>Residential and Mixed Uses</b>		
Single-Family Residential	2.5	1.7
Multiple-Family Residential	0.2	0.1
Vertical Mixed Use	4.8	3.2
<i>Subtotal</i>	<i>7.5</i>	<i>5.0%</i>
<b>Other Uses</b>		
Governmental Services	2.5	1.6
Vacant	1.5	1.0
Public Utilities	0.1	0.1
<i>Subtotal</i>	<i>4.1</i>	<i>2.7%</i>
<b>Grand Total</b>	<b>149.3*</b>	<b>100%</b>

\* Excludes public roadways, which occupy approximately 24 acres (13 percent) of the Plan area.

## *B. Urban Design*

### **1. Building Blocks**

The design character of an urban area is influenced by the area’s street network, gateways and connections to surrounding areas, important destinations, and the unique characteristics of subareas. Figure 4 graphically illus



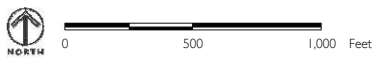
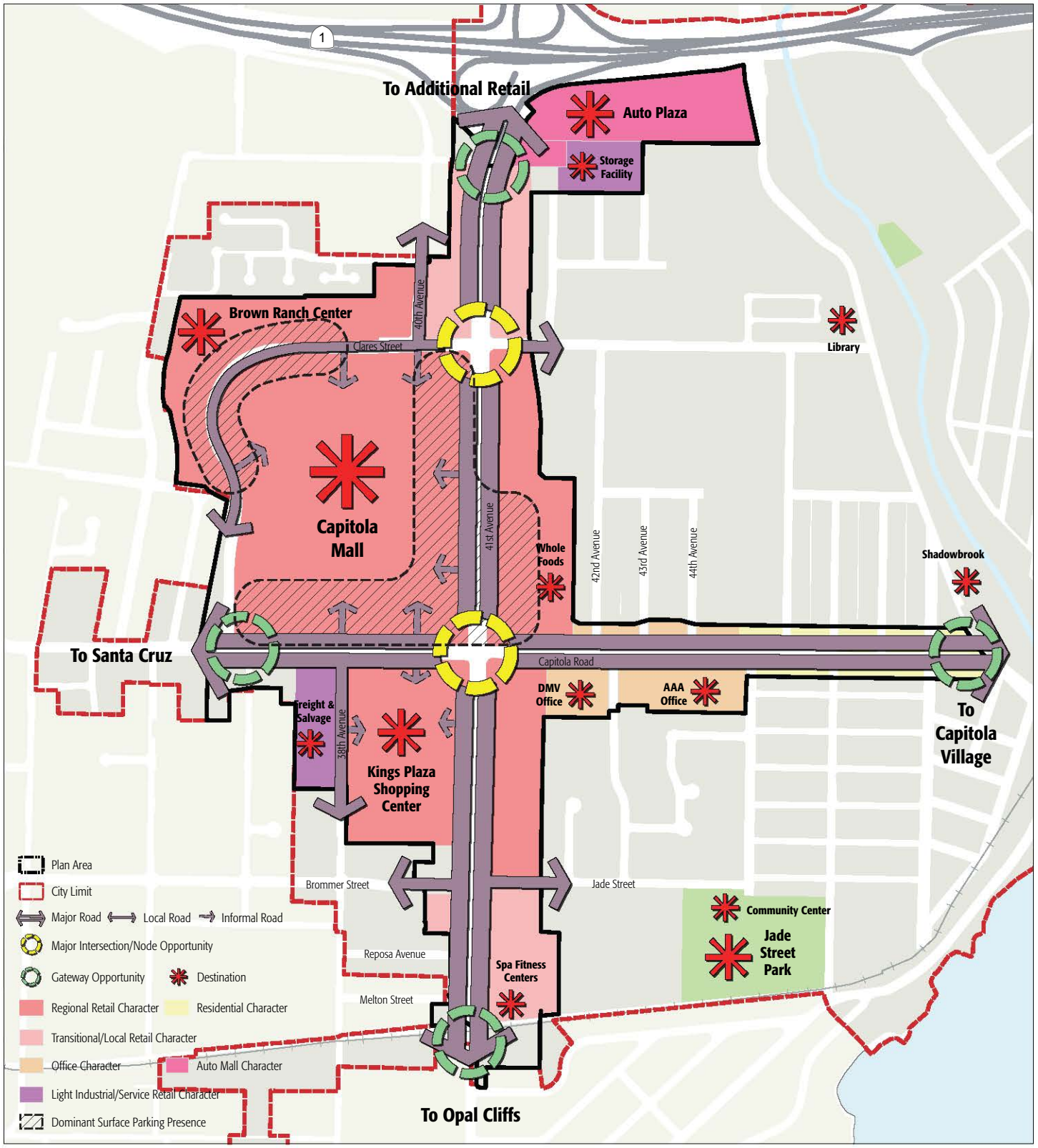


FIGURE 4

EXISTING COMMUNITY CHARACTER FRAMEWORK

trates some of these key building blocks of community character within the Plan area and provides a general framework to understand the overall form of the Plan area.

## 2. Block Size and Intersection Density

Block size and intersection density play an important role in defining the overall design character of an urban area. Generally speaking, smaller blocks and higher intersection densities support a more intimate, pedestrian-friendly design character within greater variation and interest in urban form. Figure 5 compares the block size and intersection density of the 41<sup>st</sup> Avenue corridor and Capitola Village. The 41<sup>st</sup> Avenue corridor is defined by large block size and low intersection density. By contrast, Capitola Village is characterized by relatively small block size and high intersection density.

## 3. Building Placement

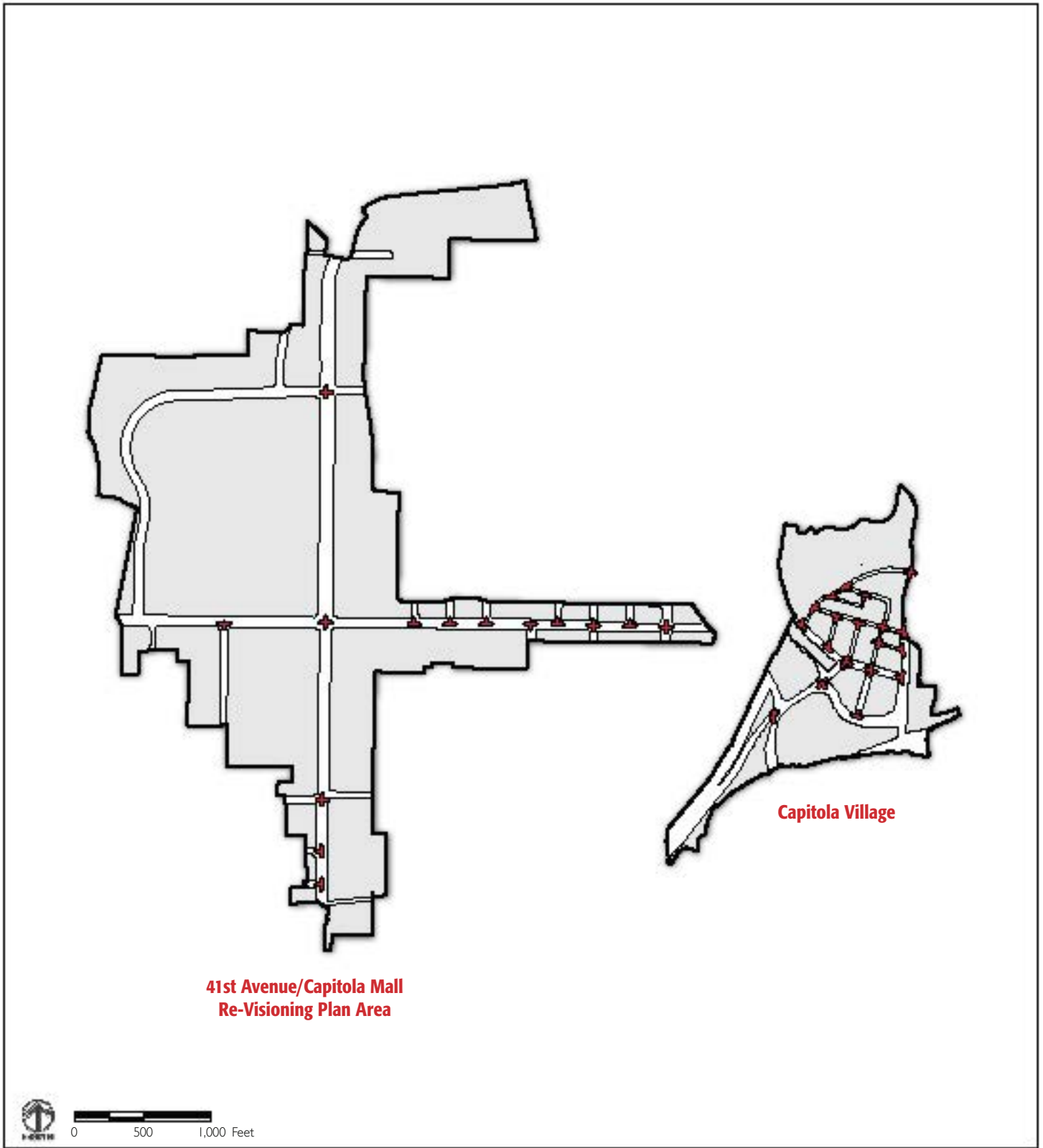
The location of buildings on their lots also defines the design character of an urban area. Figure 6 shows the pattern of building placement on lots relative to property lines and streets. This figure shows an irregular pattern of building placement, with larger buildings typically set back a considerable distance from the front street and smaller buildings generally located closer to front property lines. Some buildings within the Plan area are primarily oriented towards an interior parking lot as opposed to a public street, as is the case with King Plaza and other shopping centers within the Plan area. Figure 6 also shows the extent to which surface parking lots are a dominant visual presence within the Plan area. Approximately 89 acres, or 60 percent, of private property within the Plan area is occupied by surface parking.

## 4. Building Mass and Design

Typical building volume, height, and architectural style also contribute to the design character of the Plan area. Within the 41<sup>st</sup> Avenue corridor, one- and two-story buildings typically occupy less than 50 percent of the parcel area on which they are located. The remaining area of the parcel is typically occupied entirely by surface parking.

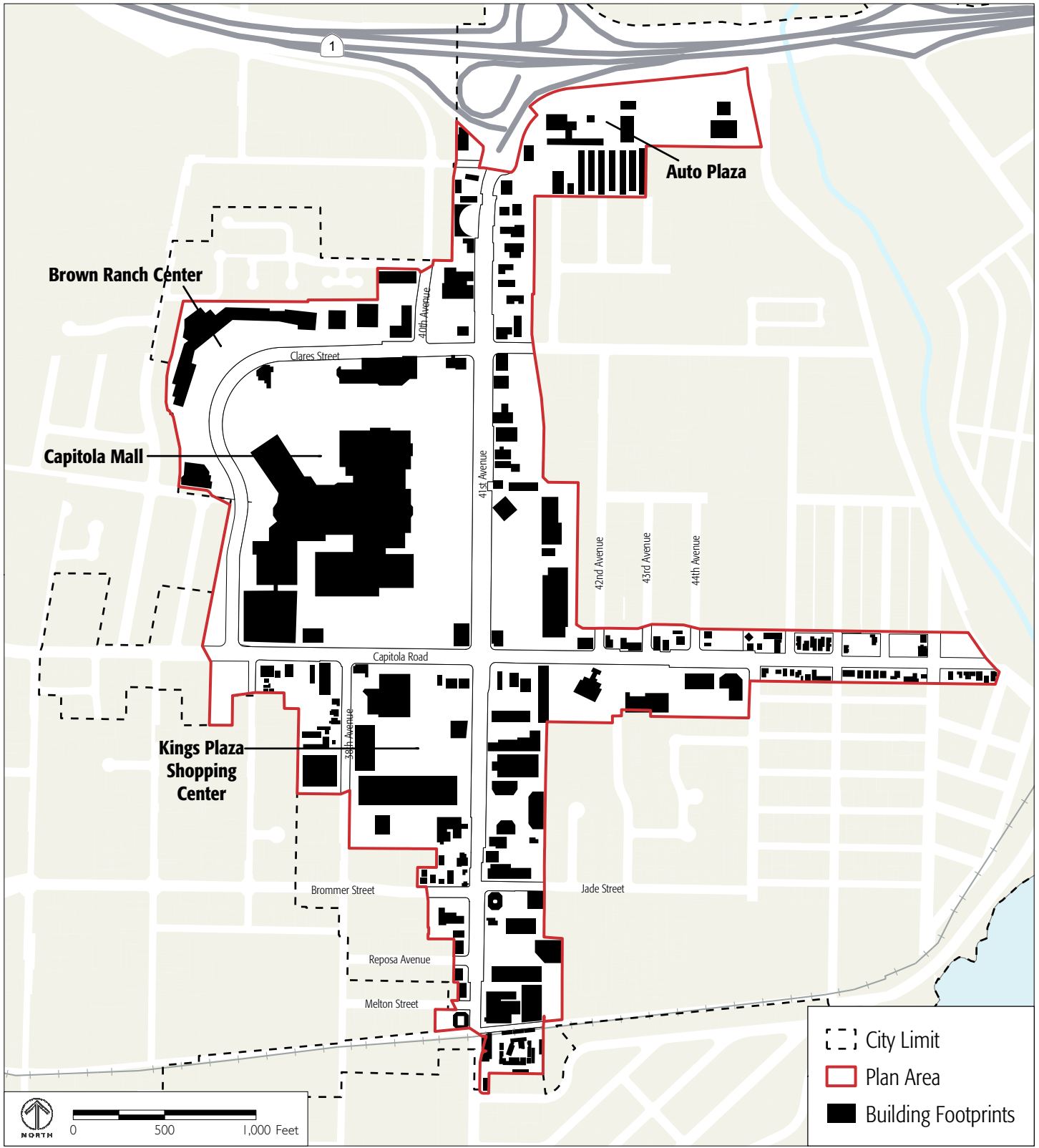


*Variation in building setbacks (top and bottom) contribute to a lack of design coherence within the Plan area. Large parking lots fronting the street (bottom) contribute to the impression that the corridor is dominated by the automobile.*



Source: City of Capitola, 2011.

FIGURE 5  
BLOCKS AND INTERSECTIONS



Source: City of Capitola, 2011.

FIGURE 6

FIGURE-GROUP 49

### 5. Civic Gathering Places

Another key design issue facing the corridor is the absence of civic gathering places where visitors, employees, and residents can meet and gather in a public setting. There are no public/civic institutions located within the corridor, and no public spaces such as parks, plazas, or town squares.

### 6. Street Sections

Finally, the design of streets within the Plan area plays an important role in defining the character of the corridor. Figure 7 compares the width of 41<sup>st</sup> Avenue at Capitola Road and at Portola Drive south of the City limit.

## C. Circulation

### 1. Roadway System

41<sup>st</sup> Avenue is characterized by high traffic volumes and congested intersections, particularly north of Capitola Road. As shown in Figure 8, traffic counts conducted in 2008 found that 41<sup>st</sup> Avenue north of Clares Street carries over 40,000 vehicles per day. This volume of vehicle traffic is the highest in Capitola, and among the highest among primary arterials in Santa Cruz County. Traffic volumes along 41<sup>st</sup> Avenue drop significantly south of Clares Street and then decline further still south of Capitola Road.



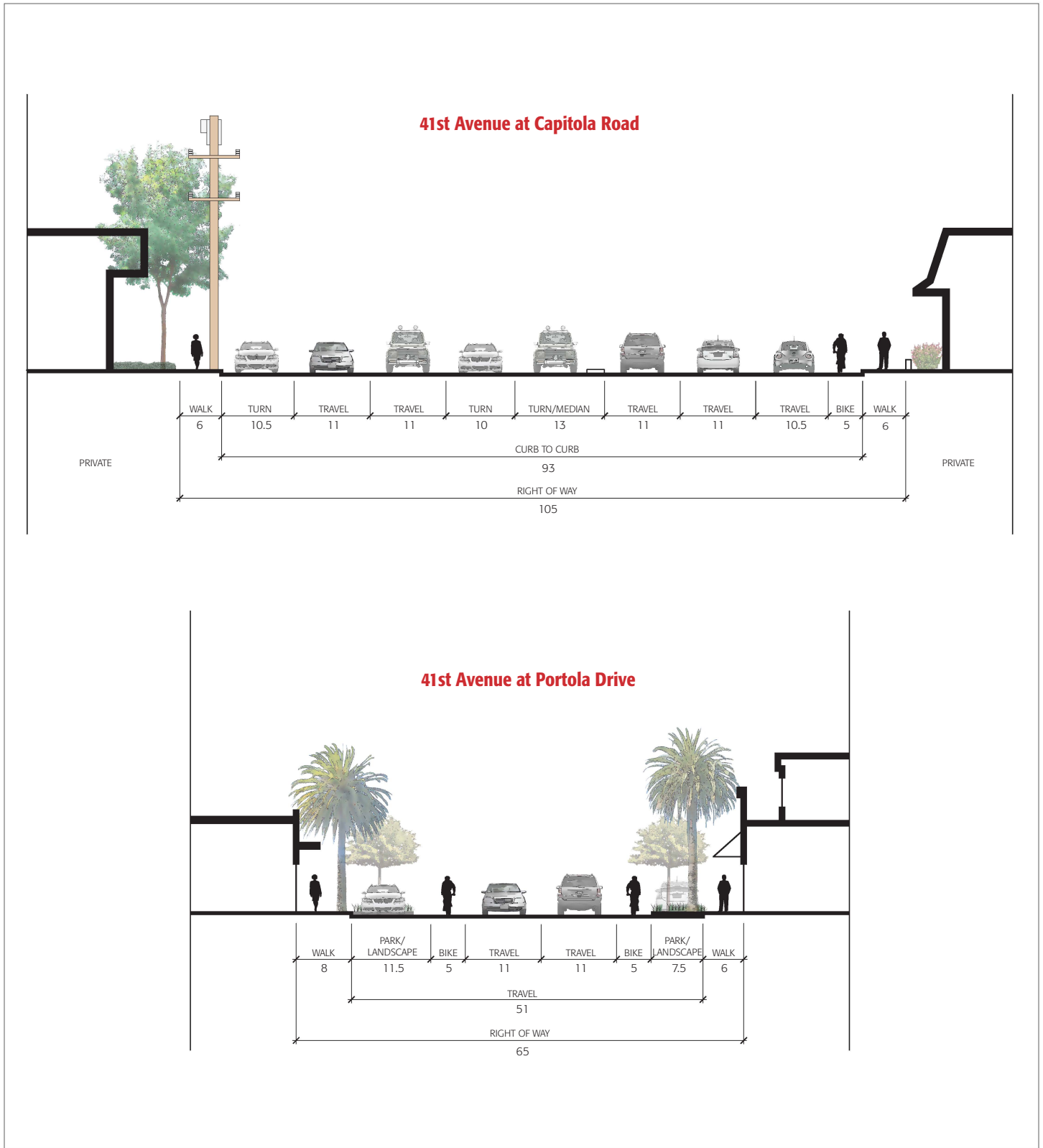
Santa Cruz Metro Buses (top) utilize the Capitola Mall Transit Center (bottom) as a key mid-County transfer point.

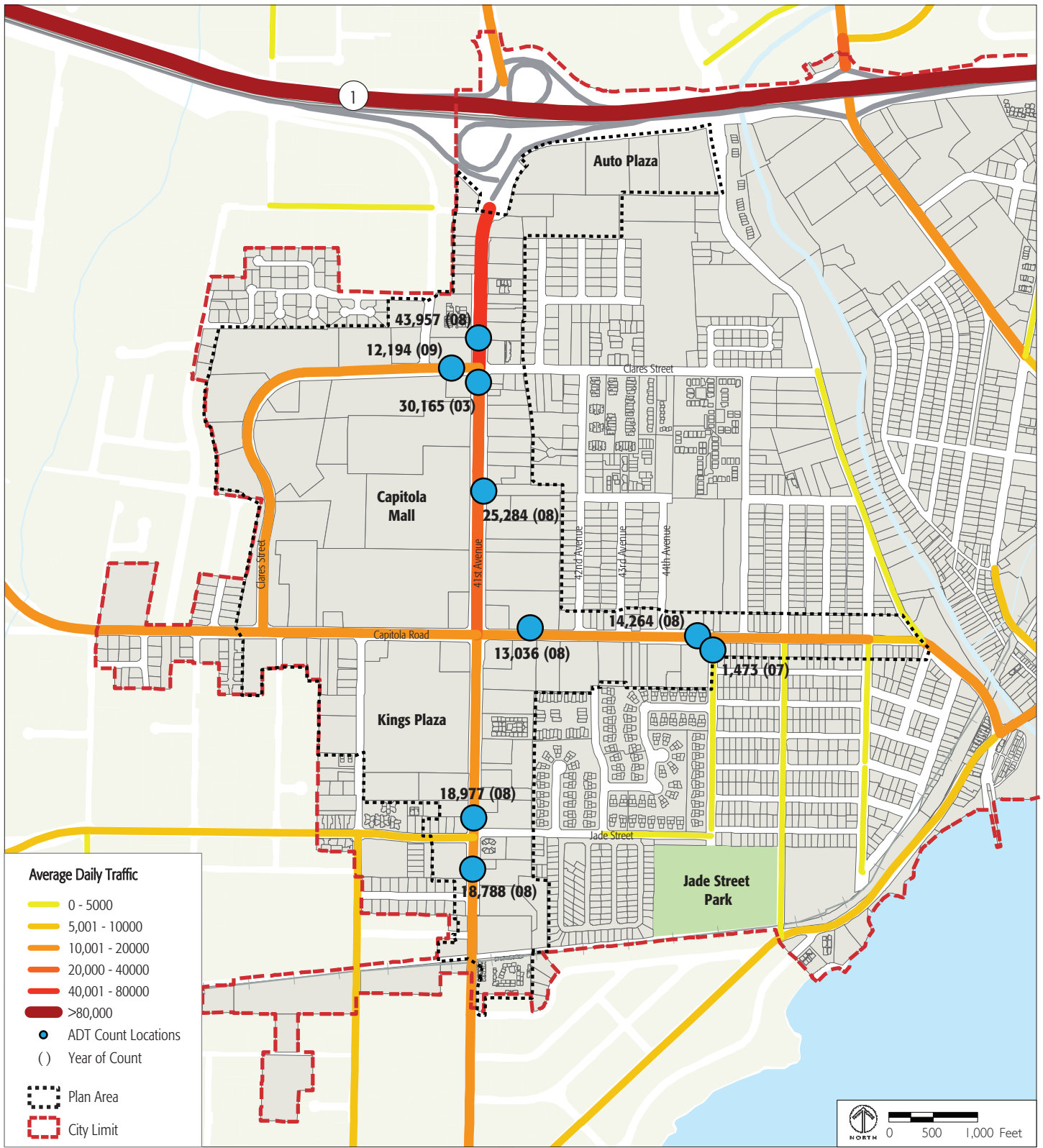
### 2. Parking

Many properties within the corridor appear to be “over-parked,” meaning that there are more parking spaces provided than needed by customers, even during the busiest shopping periods. Other shopping centers, however, appear to be either “under-parked” or provide about just the right amount of parking to accommodate customers. The Capitola Mall is an example of a property that appears to be over-parked. Shopping centers that appear to provide either just enough parking or to be under-parked include Kings Plaza, Brown Ranch Center, and the Whole Foods/CVS shopping center.

### 3. Transit

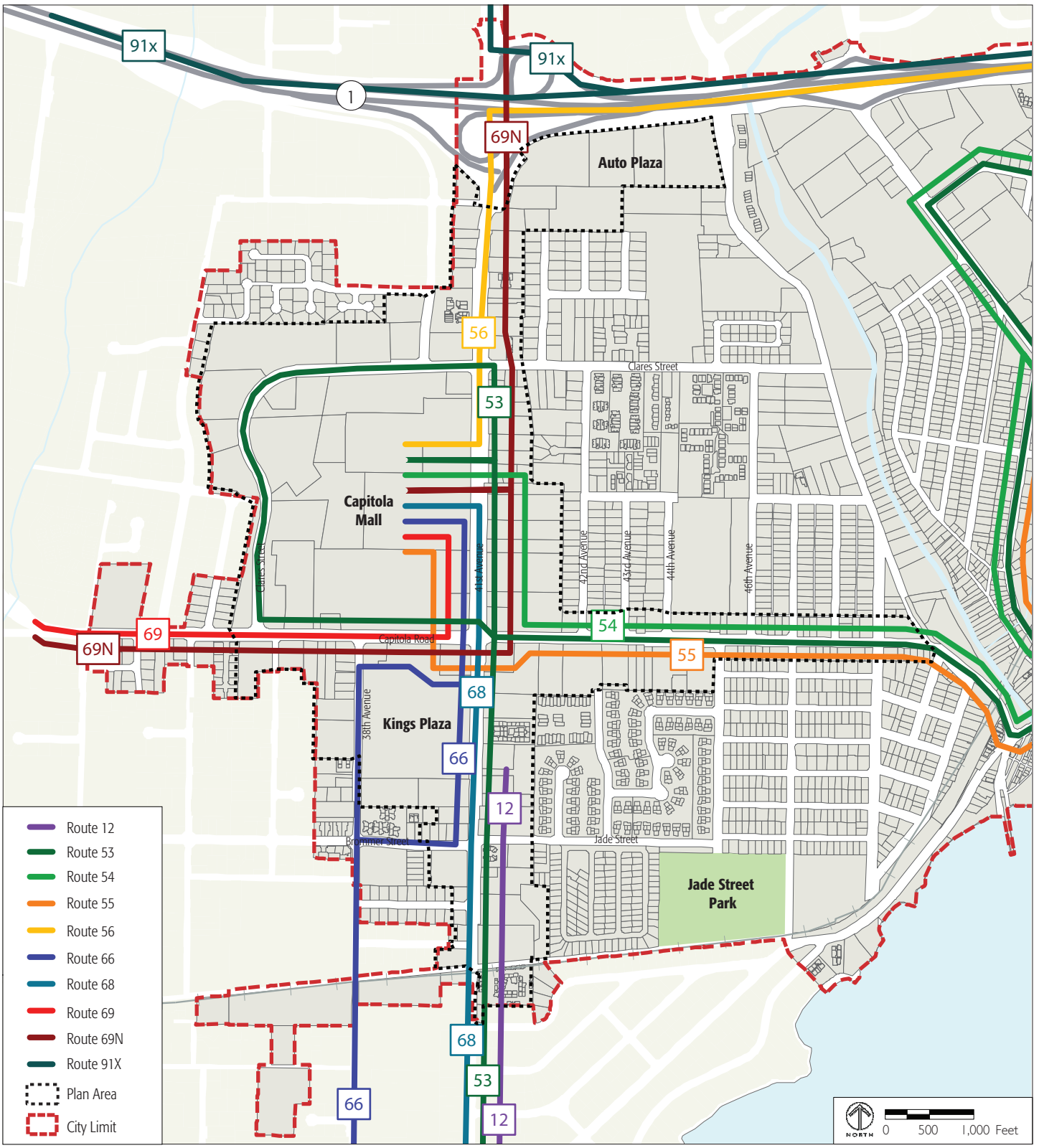
Bus transit service within the Plan area is provided by Santa Cruz Metropolitan Transit (Metro). As shown in Figure 9, there are nine Metro transit lines that serve the Plan area, all of which stop at the Capitola Mall.





Source: City of Capitola, 2011.

FIGURE 8



Source: City of Capitola, 2011.

FIGURE 9



Located within the mall is the Capitola Mall Transit Center, which serves as the primary mid-county transit hub. Metro does not collect data on specific numbers of passengers using the Transit Center, but Metro staff estimates that thousands of passengers utilize the Transit Center every day, including weekends. The Transit Center is one of Metro's busiest transit stops in the county. It is used by Mall employees, students travelling to Cabrillo College, and passengers transferring buses to reach destinations throughout the county.

#### **4. Pedestrian and Bicycle Facilities**

Figure 10 identifies existing and proposed bicycle facilities within the Plan area. These facilities include Class II bike lanes, proposed Class III sharrows, and air, water, service, and bicycle parking locations. Currently, there are existing bicycle paths on all the arterials within the Plan area, except for 38<sup>th</sup> Avenue and Clares Street west of 41<sup>st</sup> Avenue. Class III sharrows have recently been added to Clares Street, and Capitola's recently adopted Bicycle Transportation Plan calls for a Class II Bike Lane on 38<sup>th</sup> Avenue. The City is currently adding bike lanes to both sides of 38<sup>th</sup> Avenue, expected to be completed in late 2011.

As shown in Figure 11, sidewalks are present on both sides of most major streets in the Plan area, including along 41<sup>st</sup> Avenue, Capitola Road, and Clares Street. All streets from Capitola Road to the northern Plan area boundary include sidewalks. There are more sidewalk gaps south of Capitola Road, particularly on local streets that intersect 41<sup>st</sup> Avenue. Many of the neighborhood streets adjacent to the Plan area also either lack sidewalks, have sidewalks on only one side of the street, or have segments with missing sidewalks.

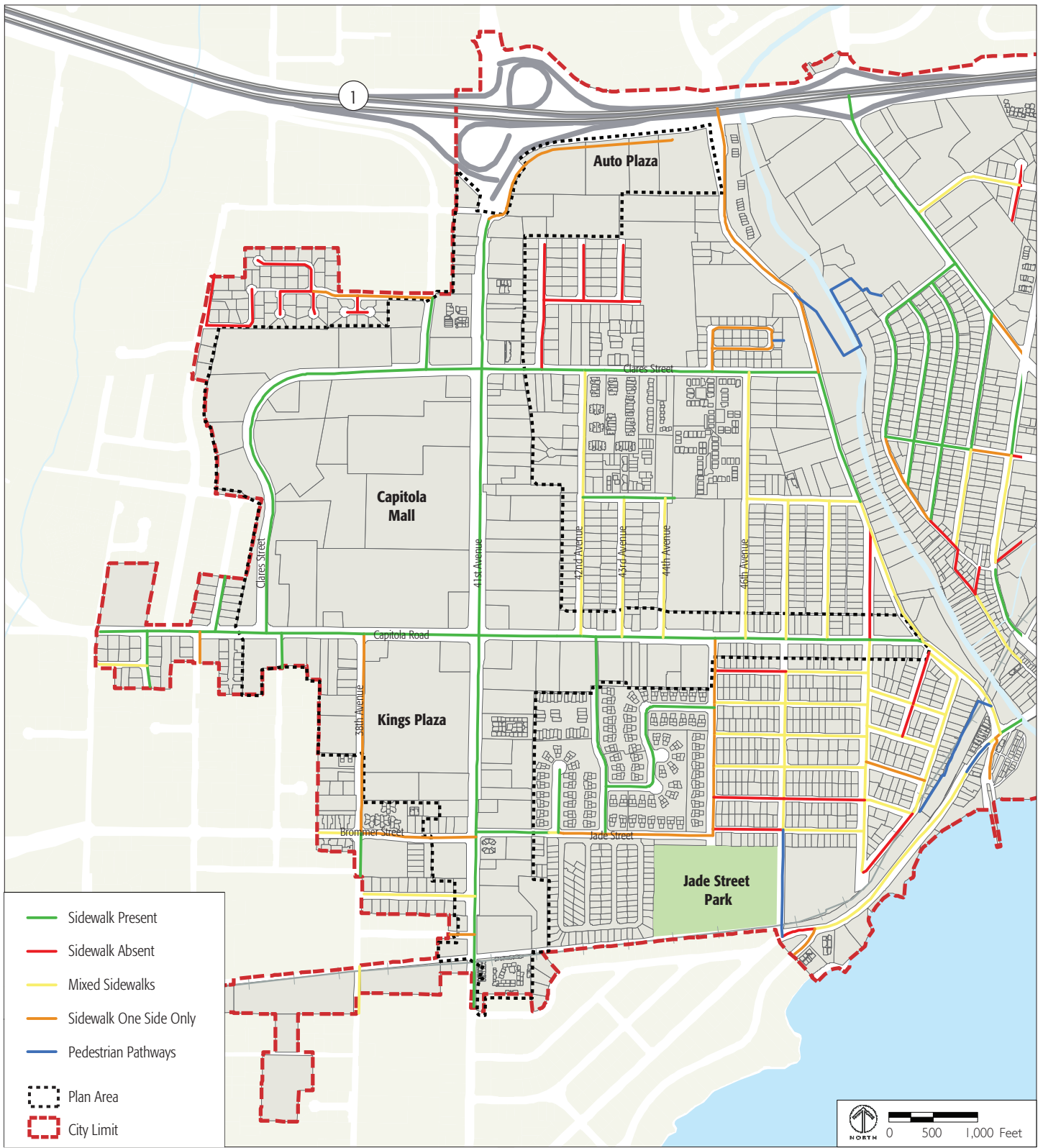
#### ***D. Economics***

To establish a basic understanding of the economic conditions within the Plan area, consultants prepared a Baseline Economic Analysis Memorandum for the Re-Visioning Plan, which is incorporated into this Plan as Appendix A. This memorandum summarizes existing economic conditions within the corridor relating to retail, mixed use, residential, office, and hotel uses, and



Source: City of Capitola and RBF Consulting, 2011.

FIGURE 10



Source: City of Capitola and RBF Consulting, 2011.

FIGURE 11

identifies the market outlook for these uses over time. The memorandum also presents recommendations for how the Re-Visioning Plan can best respond to these market conditions. Key observations and recommendations from the Baseline Economic Analysis memorandum for the Re-Visioning Plan include the following:

### Retail Uses

- ◆ **Decline of Retail Sales.** Retail sales within the Plan area declined by 42 percent over the past decade, with the majority of this decline occurring during the 2007 to 2009 recession. Declines in the Plan area during the recession were more severe than the sales declines at the county or state level during this same period.
- ◆ **Shift to Local-Serving Retailers.** With the closing of the Gottschalks department store and opening of new grocery stores and general merchandisers, 41<sup>st</sup> Avenue has experienced a shift from region-serving to more local-serving retailers. One of the impacts of this shift has been an increase in vehicle trips within Capitola.
- ◆ **Lifestyle Center Trend.** A nation-wide retail trend has been the development of lifestyle centers, which feature external orientation, outdoor and pedestrian amenities, design attention, and a larger share of restaurants and non-retail uses. These centers are designed to encourage customers to spend more time and money on longer shopping excursions. The Re-Visioning Plan should consider incorporating characteristics of lifestyle centers into the corridor to create retail experiences that are compelling for shoppers.
- ◆ **Constraints on New Investment.** The Capitola Mall and shopping centers within the Plan area are leased and owned by multiple parties. The Mall, in particular, is subject to reciprocal easement agreements (REAs) that govern parking, access, encroachment, utility line easements, operation of common areas, and building design. REAs often make significant redevelopment of commercial centers difficult.
- ◆ **Concentration of Retail.** Retail uses are dispersed throughout the 41<sup>st</sup> corridor, rather than concentrated in core locations. This can disorient consumers, necessitate multiple vehicle trips during a single visit, and limit synergies between stores. The Re-Visioning Plan should focus and



*The Plan area has experienced a recent shift from regional serving department stores to local serving retailers such as Whole Foods, BevMo, and Trader Joe's.*



The Cinelux Theatre in King's Plaza (top) is one of the few entertainment uses in the Plan area. Restaurants in the Plan area (middle and bottom) tend to emphasize cost and convenience over creating a memorable experience.

consolidate retail over time. This could be achieved through the redevelopment of parking lots, or creating a new two-sided shopping street off of 41<sup>st</sup> Avenue.

- ◆ **Restaurants and Entertainment Uses.** The Plan area is currently lacking in sit-down restaurants and entertainment uses. The Re-Visioning Plan should consider attracting additional restaurant and entertainment uses to broaden the corridor's appeal, lengthen shoppers' visits, and create more night-time activity.

### Attached Residential and Mixed Use

- ◆ **Urban Amenities.** The 41<sup>st</sup> Avenue corridor area lacks many of the urban amenities attractive to residential and mixed-use. The Re-Visioning Plan can help stimulate the medium- and long-term demand for attached residential and mixed uses providing urban amenities such as outdoor eating and gathering places, public spaces, entertainment uses, more sit-down restaurants, and improved pedestrian and bicycle facilities.
- ◆ **Phasing of Residential Infill.** Due to the weak housing market, retail infill will become economically feasible before residential and mixed use infill. The untested nature of attached residential and mixed use in the corridor will also inhibit investments in these development types. Single use attached residential may be feasible, in the mid-term, at the edges of the corridor adjacent to existing residential uses.
- ◆ **Design and Location of Mixed Use.** The poor performance of the Capitola Beach villas project speaks to the importance of well designed and properly located mixed use projects. To be successful, vertical mixed use should be located within proximity to other street edge-oriented retail and urban amenities. The relationship between uses on the site and the overall project design needs to contribute to an active and pedestrian-friendly public realm. As previously discussed in this report, mixed use should be encouraged as part of a larger vision in non-core areas that seeks to create a critical mass of focused activity within specific areas of the corridor.

### Office Uses

- ◆ **Future Demand.** The market is not expected to support additional new office development in the Plan area in the near-term. Over the mid- and long-term, there may be demand for a small amount of new office space, particularly in areas north of the Capitola Mall.

### Hotels

- ◆ **Future Demand.** New demand for hotels will be in mid-term, at least five years out due to the opening of the Fairfield Inn & Suites on 41<sup>st</sup> Avenue and plans for the Capitola Village Hotel.
- ◆ **Type of Hotel.** 41<sup>st</sup> Avenue is a strong location for larger, mainstream, mid- to high-range hotels, as opposed to luxury or boutique hotels.
- ◆ **Location.** Location with convenient access to the beach and Capitola Village is important for new hotels. Under-developed parcels on Capitola Road and Wharf Road could be a promising location for one or more boutique hotels. A new hotel within the Plan area could also help support and benefit from focused activity nodes with quality urban amenities.



*There are two hotels in the Plan area: the Best Western (top) and the Fairfield Inn & Suites (bottom), which opened in July 2011.*



### III. RE-VISIONING PLAN GOALS

This chapter presents key goals for the 41<sup>st</sup> Avenue corridor. These goals describe the desired future for the 41<sup>st</sup> Avenue corridor and the primary ways that the area should change and be improved over time. The goals function as the “compass” that provides direction for all other components of the Plan, such as the Concept Plan in Chapter 4 and the policies and actions in Chapter 6. Goals for the Re-Visioning Plan are grouped into three categories: economics, land use and design, and circulation.

#### Economics

- 1) Ensure that the corridor provides a stable source of sales tax revenue for the City.
- 2) Attract a diversity of retailers that meet the shopping needs of Capitola residents.
- 3) Maintain the corridor as a region-serving shopping destination that also serves the needs of residents.
- 4) Establish a vision for the corridor that is economically feasible and realistic.

#### Land Use and Design

- 5) Provide for a high-quality design environment with a unique and memorable brand identity.
- 6) Create a more environmentally sustainable development pattern within the Plan area.
- 7) Provide public and semi-public places for people to meet and gather.
- 8) Establish 41st Avenue as a destination with activities for people of all ages occurring throughout the day and night.
- 9) Minimize negative impacts, including noise and traffic, on single-family neighborhoods adjacent to the corridor.

#### Circulation

- 10) Increase pedestrian activity and provide for a more attractive and vibrant public realm.



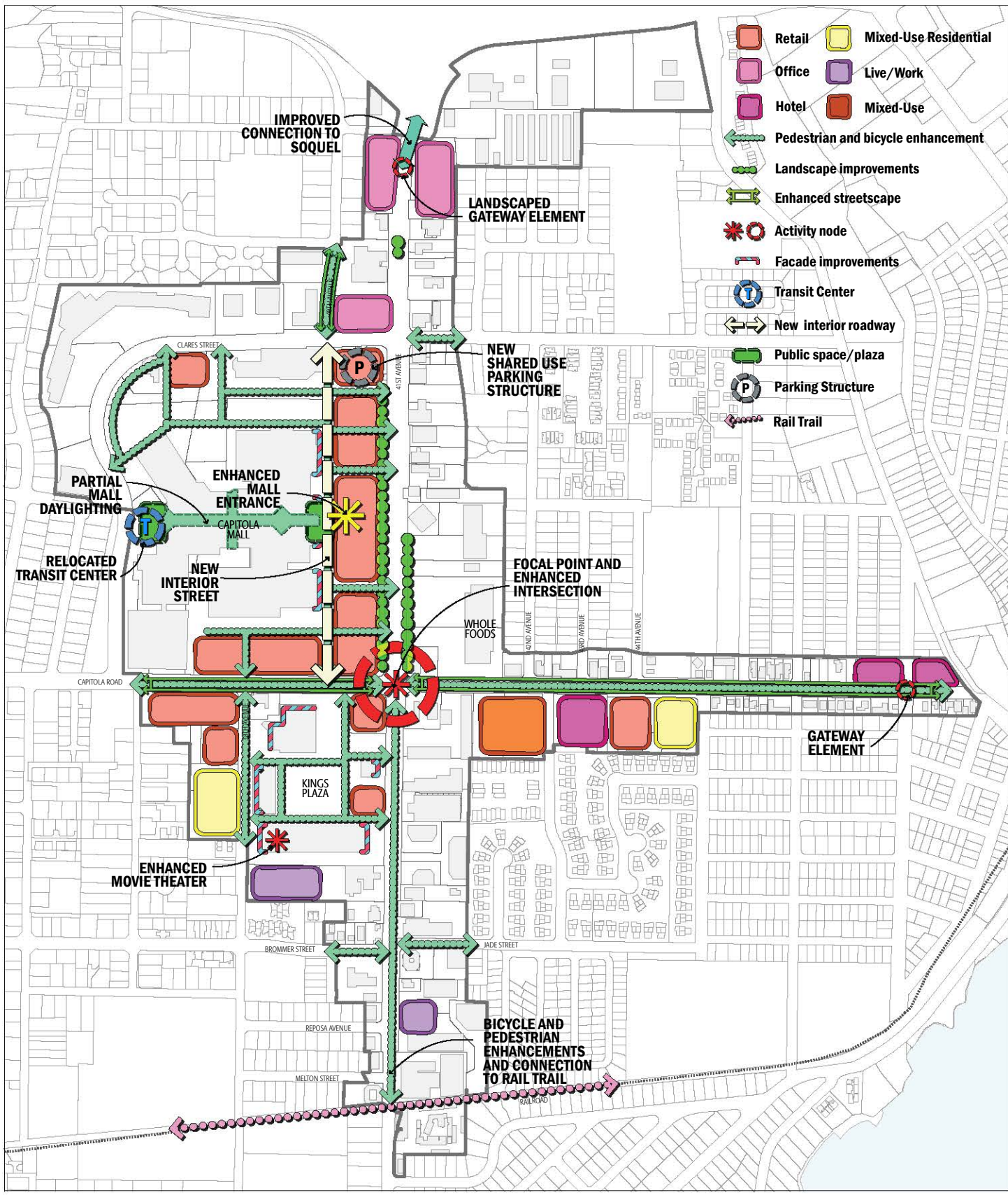
- 11) Continue to accommodate the needs of drivers while encouraging alternative modes of transportation.
- 12) Improve bicycle and pedestrian circulation within the Plan area.
- 13) Enhance the appearance and functionality of the Capitola Mall Transit Center.
- 14) Improve connections between the Plan area and other locations within the community.

## IV. CONCEPT PLAN

Figure 12 presents an illustrative concept plan for the 41<sup>st</sup> Avenue corridor. This concept plan graphically illustrates a vision for the desired future of the corridor, and relates to the economic, land use, urban design, and circulation goals presented in Chapter 3. The concept plan reflects GPAC and public input received throughout the process, particularly at the second community workshop at which residents provided input on three alternatives for the 41<sup>st</sup> Avenue corridor. This concept represents the long-term vision for the corridor 20 years in the future. Shorter-term changes envisioned for the corridor are described in Chapter 5.

Highlights of the draft concept plan are as follows:

- ◆ **Capitola Mall.** Capitola Mall is updated and modernized with new retail pads fronting 41<sup>st</sup> Avenue and Capitola Road, an improved mall façade and entrance, improved pedestrian facilities and landscaping, a new interior street lined with sidewalk-oriented retail, daylighting of some of the mall roof, and new public plazas. The transit center is relocated away from the front entrance to an area near the food court on Clares Street. This concept envisions the most dramatic change within the corridor occurring on the Mall property.
- ◆ **41<sup>st</sup> Avenue Roadway.** There are no changes to the 41<sup>st</sup> Avenue roadway configuration that would limit vehicle capacity or interfere for left turn movements. The streetscape character of the roadway north of Capitola Road would change as surface parking lots fronting the street are redeveloped with new commercial pads. Limited new landscaping is envisioned that would not alter roadway configuration or prevent left turns. Development of a landmark building at the intersection of 41<sup>st</sup> Avenue and Capitola Road would be encouraged. Together with the limited landscaping improvements, this new landmark building would enhance the intersection, emphasizing it as a focal point of the corridor.



PREFERRED ALTERNATIVE

BUILDOUT<sub>2</sub>

CONCEPT PLAN **56**

- ◆ **Capitola Road.** West of 41<sup>st</sup> Avenue new sidewalk-oriented commercial uses will provide a two-sided pedestrian-friendly commercial area visible from 41<sup>st</sup> Avenue. East of 41<sup>st</sup> Avenue a new hotel will be flanked by pedestrian-oriented horizontal and vertical mixed use development. New boutique hotels will also be located on Capitola Road near the Wharf Road intersection. Hotels and pedestrian-oriented uses east of 41<sup>st</sup> Avenue will help to improve connections between the 41<sup>st</sup> Avenue corridor and the Village.
- ◆ **38<sup>th</sup> Avenue.** 38<sup>th</sup> Avenue is activated with new multiple-family residential and mixed-use residential on the west side of 38<sup>th</sup> Avenue and sidewalk-oriented commercial uses on 38<sup>th</sup> Avenue and Capitola Road. The appearance of King's Plaza buildings fronting 38<sup>th</sup> Avenue is improved. Streetscape and infrastructure improvements enhance the appeal of 38<sup>th</sup> Avenue for pedestrians and bicycles.
- ◆ **Pedestrian and Bicycle Facilities.** Residents of neighborhoods adjacent to the corridor can more easily walk to 41<sup>st</sup> Avenue on improved sidewalks. Improved walkways and paths within properties make it easier for pedestrians and bicyclists to access stores from the sidewalk. Enhanced pedestrian facilities are focused on the three primary activity centers within the corridor: Capitola Mall, Capitola Road, and 38<sup>th</sup> Avenue. Connections to the planned Rail Trail will also be enhanced.



## **V. PHASING PLAN**

The Re-Visioning Plan anticipates that change along 41st Avenue will occur incrementally and that the corridor will evolve over time. It is therefore necessary to envision and permit short-term improvements that do not fully achieve the ultimate vision for the corridor. Modest improvements are often a necessary first step to create the market for more dramatic change. However, it is also important to ensure that short term improvements do not conflict with the long-term vision for the corridor. More immediate changes need to be a first step towards achieving this vision.

Table 2 presents a phasing plan for how changes to the 41st Avenue corridor might occur over time. This plan identifies three phases: Phase 1 (0-5 years), Phase 2 (5-15 years), and Phase 3 (15+ years). Figures 13 through 15 graphically illustrate this phasing plan. The phasing plan will help the City and property owners to understand how short-term property improvements might fit into a longer term vision for individual properties and corridor. The phasing plan also will help the City to plan for and prioritize public infrastructure improvements that support strategic change and investment within the corridor over time.

TABLE 2: 41ST AVENUE/CAPITOLA MALL RE-VISIONING PLAN PHASING

	Phase 1 (0-5 years)	Phase 2 (5-15 years)	Phase 3 (15+ years)
Capitola Mall	<ul style="list-style-type: none"> <li>• New retail pads fronting 41st Ave. Pads will be designed in a way to accommodate a future interior roadway between the mall and the new pads.</li> <li>• Improved mall façade and entrance</li> <li>• Improved pedestrian facilities and landscaping</li> </ul>	<ul style="list-style-type: none"> <li>• Additional retail pads on 41<sup>st</sup> Avenue</li> <li>• New development with sidewalk-oriented commercial uses fronting Capitola Road west of 41<sup>st</sup> Avenue</li> </ul>	<ul style="list-style-type: none"> <li>• New interior roadway with sidewalk-oriented retail, outdoor dining, and pedestrian amenities</li> <li>• Roof of some of mall removed, creating outdoor dining and gathering places</li> <li>• Small public plazas at opposite ends of removed mall roof</li> </ul>
Transit Center	<ul style="list-style-type: none"> <li>• Transit Center relocated to be adjacent to Food Court</li> </ul>		
Kings Plaza	<ul style="list-style-type: none"> <li>• No significant changes to existing shopping center</li> <li>• Improvements to internal pedestrian circulation</li> <li>• Cosmetic improvements to street-facing facades of existing buildings, including facades fronting 38<sup>th</sup> Avenue</li> </ul>	<ul style="list-style-type: none"> <li>• New retail pads fronting Capitola Road</li> <li>• Expanded and enhanced movie theatre</li> </ul>	
38 <sup>th</sup> Avenue	<ul style="list-style-type: none"> <li>• Mixed-Use Residential on west side of 38<sup>th</sup> Avenue (ground floor retail optional)</li> </ul>	<ul style="list-style-type: none"> <li>• Additional sidewalk-oriented commercial uses on 38<sup>th</sup> Avenue and West Capitola Road</li> </ul>	<ul style="list-style-type: none"> <li>• Additional sidewalk-oriented commercial uses on 38<sup>th</sup> Avenue</li> </ul>
Capitola Road	<ul style="list-style-type: none"> <li>• Welcoming gateway element at eastern end of Capitola Road</li> </ul>	<ul style="list-style-type: none"> <li>• Horizontal and vertical mixed use on Capitola Road west of 41<sup>st</sup> Avenue</li> <li>• Sidewalk-oriented commercial uses west of 38<sup>th</sup> Avenue</li> <li>• New hotel sites on Capitola Road to Wharf Road</li> </ul>	<ul style="list-style-type: none"> <li>• Boutique hotel on Anderson/Dharma site</li> <li>• Mixed use on DMV site</li> </ul>

	Phase 1 (0-5 years)	Phase 2 (5-15 years)	Phase 3 (15+ years)
Other Land Use and Urban Design Changes		<ul style="list-style-type: none"> <li>• Live/work, artist studios and SROs south of Capitola Road</li> </ul>	<ul style="list-style-type: none"> <li>• New office uses on 41st Avenue north of Clares Street</li> </ul>
Parking	<ul style="list-style-type: none"> <li>• Existing parking supply sufficient to accommodate additional development</li> </ul>	<ul style="list-style-type: none"> <li>• Existing parking supply sufficient to accommodate additional development</li> </ul>	<ul style="list-style-type: none"> <li>• New shared use parking structure on Mall property if justified by demand</li> </ul>
41 <sup>st</sup> Avenue Roadway	<ul style="list-style-type: none"> <li>• No major changes to 41<sup>st</sup> Avenue Roadway configuration</li> <li>• Pockets of new trees in center of road where they can be accommodated and not alter roadway configuration or prevent left turns</li> <li>• Landscaped gateway feature at northern end of roadway</li> </ul>	<ul style="list-style-type: none"> <li>• Encourage enhancement of the 41<sup>st</sup> Avenue/Capitola Road intersection as a focal point through the development of a landmark building at the intersection and the addition of distinctive urban design elements (such as landscaping improvements and bollards)</li> </ul>	
Bicycle and Pedestrian Circulation	<ul style="list-style-type: none"> <li>• Improved bicycle and pedestrian circulation within existing shopping centers with walkways through the parking lots</li> <li>• Improved sidewalks connecting adjacent residential neighborhoods with 41<sup>st</sup> Avenue</li> </ul>	<ul style="list-style-type: none"> <li>• Improved bicycle and pedestrian connection to Soquel</li> <li>• Improved pedestrian amenities focused on Capitola Road</li> <li>• Enhanced pedestrian crossings at 41<sup>st</sup> Avenue/Capitola Road intersection</li> <li>• Enhanced bicycle and pedestrian facilities, including signage, to connect with planned Rail Trail</li> </ul>	



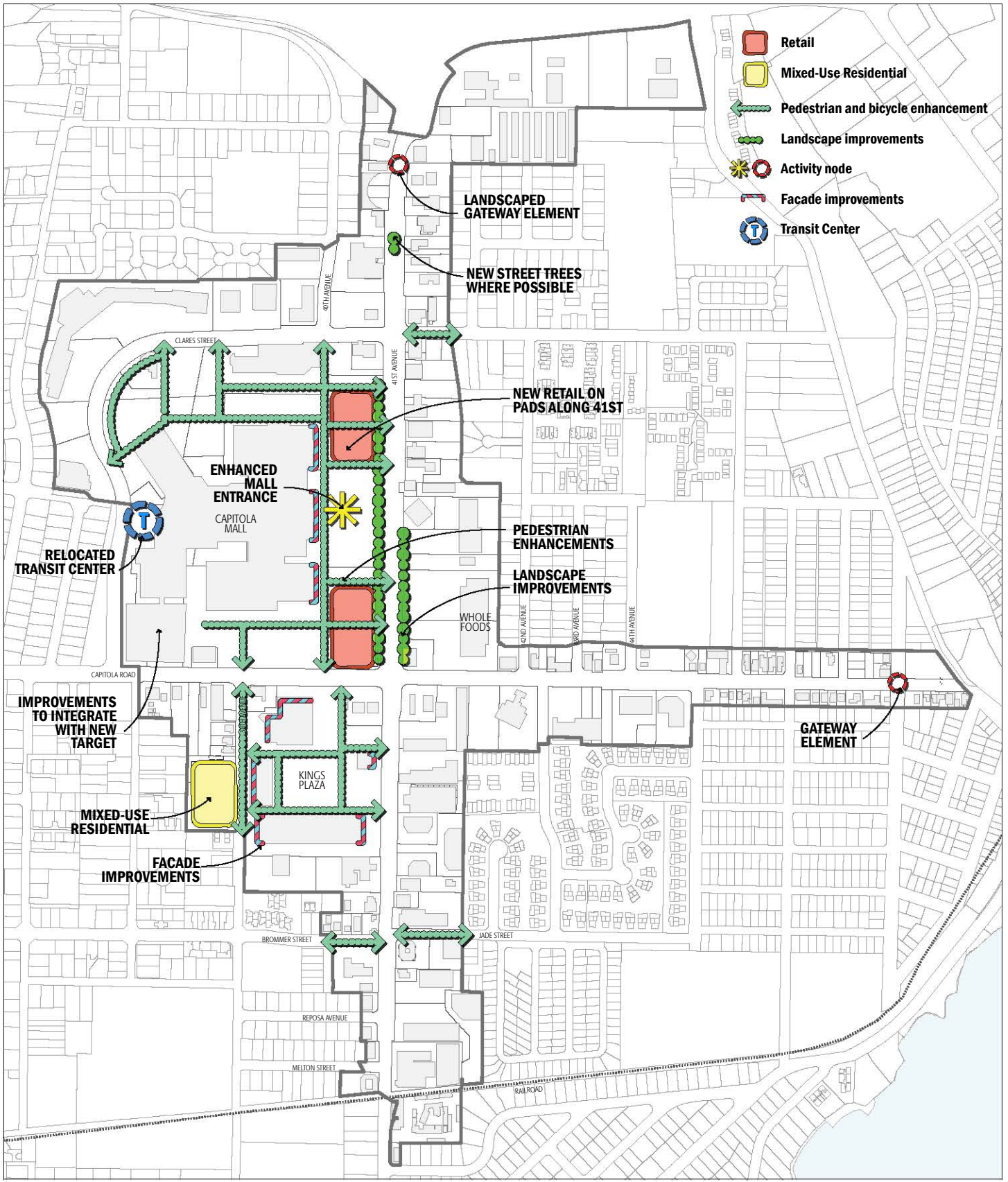


FIGURE 13

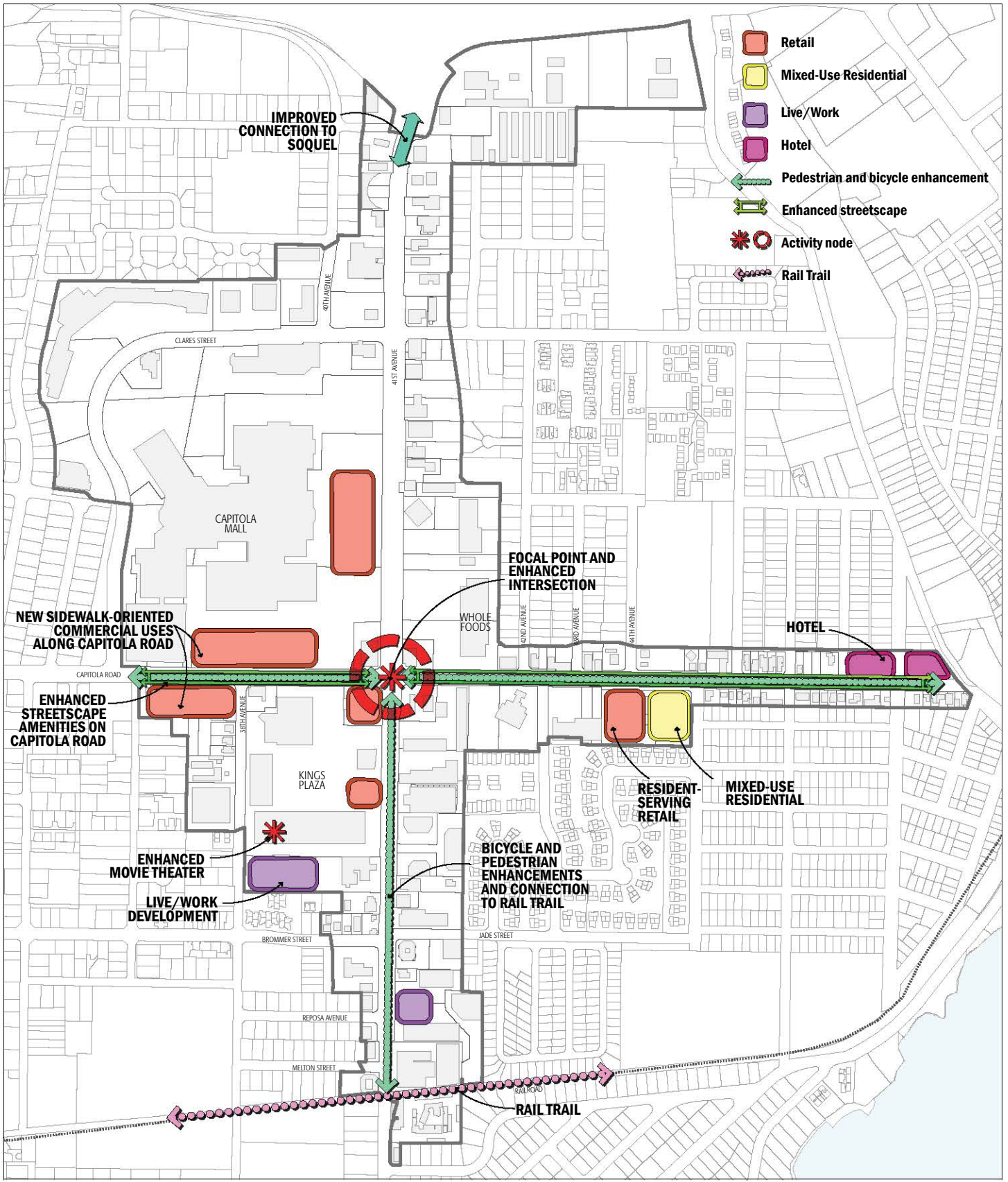


FIGURE 14

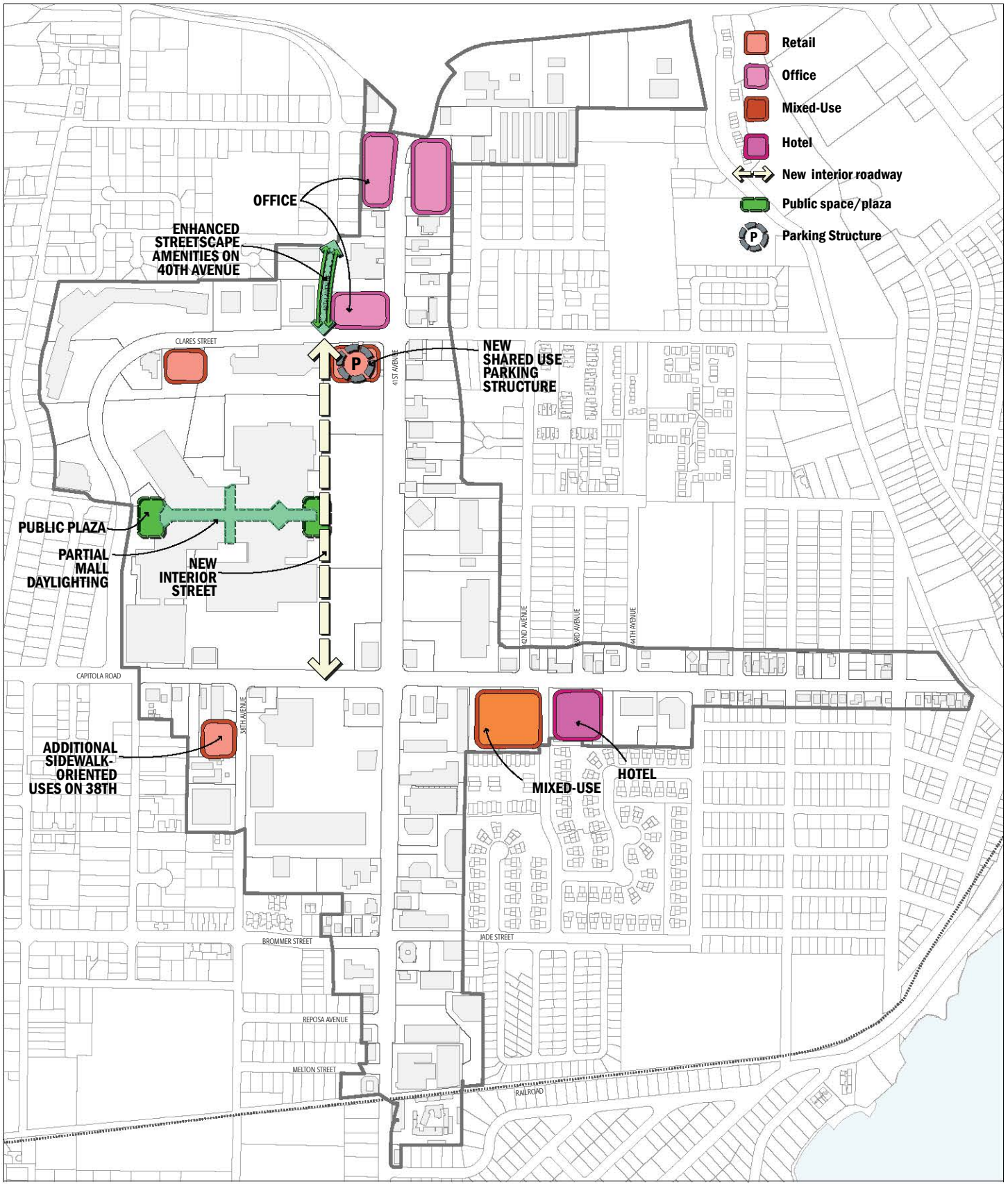


FIGURE 15

## VI. POLICIES AND ACTIONS

This chapter establishes policies and actions that apply to the Re-Visioning Plan area. Policies and actions are defined as follows:

- ◆ A **policy** is a specific statement that guides decision-making as the City works to achieve the vision and goals of the Re-Visioning Plan. These policies represent statements of City regulation. The policies will be used by the City in the review of development project applications and will help guide City decision-making on issues affecting the Plan area.
- ◆ An **action** is a specific activity or program that the City will carry out to implement the vision and goals of the Re-Visioning Plan. The City must take additional steps to carry out each action within the Re-Visioning Plan. Actions that are intended to be completed along with the General Plan Update are noted with an asterisk (\*).

The policies and actions below are divided into three categories: economics, land use and urban design, and parking and circulation. Each policy and action is intended to help the City achieve the vision and goals for the Plan area described in Chapters 3 and 4. Actions that will be completed as part of the Zoning Code Update are indicated with an asterisk (\*).

### 1. Economics

#### Policies:

- Policy 1.1. Limit the amount of non-retail uses within the core commercial areas of the corridor.
- Policy 1.2. Continue to support the long-term presence of auto dealers within the corridor.
- Policy 1.3. Encourage infill residential development and employment uses that support retailers and contribute to the vitality of the corridor.

- Policy 1.4. Encourage retailers to locate within the 41st Avenue corridor that enable Capitola and county residents to meet their shopping needs in Capitola.
- Policy 1.5. Strive to maintain a balance of local independent businesses and national retailers within the corridor.
- Policy 1.6. Encourage the concentration of region-serving retail in areas north of Capitola Road.
- Policy 1.7. Encourage resident-serving uses to locate south of Capitola Road.
- Policy 1.8. Encourage the highest intensity development within the corridor to be located near the Capitola Road/ 41st Avenue intersection.
- Policy 1.9. Support a phased approach to implementation of the long-term vision for the 41st Avenue corridor. Allow property owners to make modest improvements that will not conflict with the long-term vision for the property.

Actions:

- Action 1.1. Amend the Zoning Code to allow, in certain areas, retail uses by-right and to require a Conditional Use Permit for offices, medical services, and other non-retail uses. Require special findings for these Conditional Use Permits that non-retail use will not detract from the economic viability of the corridor.\*
- Action 1.2. Meet periodically with the Capitola-Soquel Chamber of Commerce and other groups to discuss strategies to attract and retain desired types of retailers. As part of these meetings, review with the Chamber:
- ◆ City regulations that may be discouraging retailers from locating in Capitola.
  - ◆ City investments and improvements which may help attract desired types of retailers.

- ◆ Ways to strengthen the City’s reputation as business and environment friendly.
- ◆ Methods to assist property owners and managers to attract desired types of tenants.
- ◆ Methods to assist property owners to consolidate lot ownership as part of redevelopment efforts.

Action 1.3. As part of the Zoning Code Update, identify and amend zoning regulations that may discourage desired retailers from locating within the corridor.\*

Action 1.4. Review and amend if needed Capitola’s Redevelopment Project Implementation Plan and Capital Improvement Program (CIP) to provide infrastructure improvements attractive to desired types of retailers.

Action 1.5. As part of the Zoning Code Update, amend zoning regulations to allow property owners to easily adapt to market demand over time.\* For example, identify vertical mixed use as a permitted but not required land use, and allow for flexibility in ground floor uses in mixed-use projects.\*

Action 1.6. During the Highway 1 HOV lane project design phase, work with Caltrans to identify ways to enhance visibility of and access to the Auto Plaza. Possible improvements include Highway 1 interchange modifications, intersection improvements at Gross Road, and improved signage.

## 2. Land Use and Urban Design

### Policies:

Policy 2.1. Support the long-term transformation of the Capitola Mall into a pedestrian-friendly commercial district with high quality architecture and outdoor amenities that are attractive to shoppers and families.

- Policy 2.2. Support the extension of 40<sup>th</sup> Avenue south into the Mall property as a new pedestrian-friendly private interior street on the Mall property.
- Policy 2.3. Allow for a phased approach to redevelopment of the Mall property. Early phases may include improvements to the Mall façade and front entrance and the establishment of one or more new retail pads fronting 41<sup>st</sup> Avenue. These early improvements shall not conflict with the ultimate vision for the property.
- Policy 2.4. Support the continued location of Transit Center in Capitola as important mid-county transit hub serving the entire region.
- Policy 2.5. Support the relocation of the Transit Center to an alternative location on the Capitola Mall property that meets the operational requirements of Santa Cruz Metro and advances design goals for the Capitola Mall.
- Policy 2.6. Encourage the Transit Center to become a multi-modal facility with amenities for bicycles and integration with a possible future shuttle system in Capitola.
- Policy 2.7. Ensure that new development contributes to a unique identity for Capitola that is not generic or formulaic in appearance and reflects the city's village feel.
- Policy 2.8. Require new development to be sensitive to adjacent development, particularly single-family homes.
- Policy 2.9. Encourage the development of structures on existing Capitola Mall surface parking lots located adjacent to 41<sup>st</sup> Avenue and Capitola Road.
- Policy 2.10. Ensure that new development contributes to a pedestrian-friendly, vibrant commercial district.
- Policy 2.11. Encourage new development to provide amenities that enhance the vitality of the corridor. Examples may include outdoor dining, publically accessible gathering places, and bicycle and pedestrian facilities.

- Policy 2.12. Encourage property owners to include public gathering places as part of redevelopment projects within the corridor.
- Policy 2.13. Encourage “semi-public” gathering places on private property, such as outdoor dining and courtyards, that provide space for people to informally meet and gather.
- Policy 2.14. Encourage the establishment of new entertainment uses, and the expansion of existing entertainment uses, within the corridor.
- Policy 2.15. Encourage land uses within the corridor that serve as attractions for families and people of all ages.
- Policy 2.16. Encourage land uses within the corridor that attract visitors during the day and night.
- Policy 2.17. Ensure that improvements to 41<sup>st</sup> Avenue, such as landscaping and pedestrian and bicycle facilities, do not reduce roadway capacity or interfere with vehicular movement.

Actions:

- Action 2.1. Continue to use Redevelopment Agency funds for infrastructure improvements that will stimulate investment and redevelopment of the Capitola Mall property.
- Action 2.2. Work with Capitola Mall owners and Santa Cruz Transit to identify funding for the relocation of the Transit Center.
- Action 2.3. Prepare new commercial design guidelines for the 41<sup>st</sup> Avenue corridor to encourage a unified design theme and unique brand identity within the corridor.
- Action 2.4. As part of the Zoning Code Update, revise development standards to require buildings to be designed to support a pedestrian-friendly environment. These standards will address:
- ◆ Building placement on the lot.
  - ◆ Building height and mass.



- ◆ Building orientation towards the street.
- ◆ Entrance orientation towards the street.
- ◆ Location and design of parking.
- ◆ Ground floor transparency.

Action 2.5. As part of the Zoning Code Update, establish incentives for new development to provide urban amenities attractive to residential and mixed use development.\*

Action 2.6. Review and amend if needed Capitola's Redevelopment Project Implementation Plan and Capital Improvement Program (CIP) to provide urban amenities attractive to residential and mixed use development.

Action 2.7. As part of the Zoning Code Update, establish incentives for the inclusion of public gathering places within development projects.\*

Action 2.8. Study the feasibility of locating a public facility, such as a community meeting place, within the corridor.

Action 2.9. When updating the Zoning Code, establish special transition standards that apply to mixed-use development, multiple-family residential development, and non-residential development adjacent to single-family homes. These standards may require increased setbacks, upper story stepbacks, special landscaping, separation of service facilities, and other measures to minimize impacts on adjacent single family homes.\*

Action 2.10. Monitor on-street parking in residential neighborhoods adjacent to the 41<sup>st</sup> Avenue corridor. Consider establishing a residential parking permit system for these neighborhoods if development within the corridor is producing high levels of additional on-street parking in these areas.

Action 2.11. Monitor traffic volumes and vehicle speeds on local streets in residential neighborhoods adjacent to the 41<sup>st</sup> Avenue corridor. Consider installing traffic calming measures in these neighborhoods if cut-through traffic increases as a result of development within the corridor.

### **3. Parking and Circulation**

#### Policies:

- Policy 3.1. Over the long-term, support centralized parking which serves multiple properties within the corridor.
- Policy 3.2. Encourage the co-location of complementary land uses with different peak demands that can share off-street parking facilities.
- Policy 3.3. Require off-street parking areas to be designed to support a pedestrian-friendly environment.
- Policy 3.4. Ensure that new development enhances a safe and enjoyable pedestrian experience.
- Policy 3.5. Require new development to provide bicycle parking facilities.
- Policy 3.6. Provide safe and convenient pedestrian access to the corridor for surrounding residential neighborhoods.
- Policy 3.7. Support the proposed Rail Trail as a key pedestrian connection between the corridor, the Village, and adjacent residential neighborhoods.
- Policy 3.8. Focus improvements for pedestrians in key activity areas, such as the Capitola Mall, Capitola Road, and 38<sup>th</sup> Avenue.
- Policy 3.9. Require new development to provide safe and convenient pedestrian access to building entrances from the sidewalk.

Policy 3.10. Require new development and substantial renovations provide connections bicycle and pedestrian connections between adjacent properties.

Policy 3.11. Require new development and substantial renovations to provide safe and convenient pedestrian and bicycle circulation within properties.

Policy 3.12. Provide for safe and convenient bicycle and pedestrian connections from Capitola Road to the Village. Minimize the frequency of curb cuts and driveways intersecting sidewalks and bicycle facilities. Require properties to share driveways when feasible.

Actions:

Action 3.1. When updating the Zoning Code, establish development standards that support a pedestrian-friendly environment. These standards will address building placement, building orientation, entrance location, ground floor street-facing building wall transparency, and parking location and design.\*

Action 3.2. As properties redevelop within the corridor, study the need for and feasibility of building a public parking structure to serve the corridor.

Action 3.3. Study the need for a comprehensive parking management program in the corridor. This program could include the establishment of a new parking district to raise revenue for new public parking facilities, improved parking signage, real-time parking availability information, and other methods to minimize the need to supply additional parking within the corridor.

Action 3.4. Include design standards for parking structures in the updated Zoning Code.\*

Action 3.5. As part of the Zoning Code Update, establish standards for the design and location of pedestrian-friendly off-street parking facilities.\*

- Action 3.6. As part of the Zoning Code Update, adjust existing off-street parking requirements to better reflect actual average daily parking demand and to allow parking reductions for shared facilities, mixed use development, and other forms of development that reduce parking demand.\*
- Action 3.7. Install complete sidewalks on all streets connecting the corridor with adjacent residential neighborhoods, and on streets within adjacent residential neighborhoods.
- Action 3.8. Identify obstacles and obstructions, such as utility polls, within sidewalks in and around the corridor. Develop a plan to remove or minimize the impact of these obstructions.
- Action 3.9. As part of the Zoning Code Update, establish standards for pedestrian and bicycle circulation within off-street parking areas.\*
- Action 3.10. During the Highway 1 HOV lane project design phase, encourage Caltrans to study the possibility of providing bicycle and pedestrian facilities that are physically separated from vehicle travel lanes on 41<sup>st</sup> Avenue immediately south of the Highway 1 bridge.



A P P E N D I X A

Baseline Economic Analysis





## DRAFT MEMORANDUM

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Date: May 4, 2011

To: City of Capitola

From: Shanti Breznau & Derek W. Braun, Strategic Economics

Project: Capitola GP Update: Special Study Area#1 - 41<sup>st</sup> Ave/Capitola Mall

Subject: Draft Baseline Economic Analysis

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The following memo regarding baseline economic analysis for the 41<sup>st</sup> Avenue / Capitola Mall Re-Visioning Plan summarizes existing and new information and findings regarding the economic feasibility of different potential uses on the corridor. This memo includes the following: 1) findings included in the previous city-wide economic baseline analysis that are relevant to development conditions on 41<sup>st</sup> Avenue; 2) information gathered from interviews with key 41<sup>st</sup> Avenue property owners and area real estate developers with recent projects similar to desired product types for the corridor and Mall redevelopment sites; 3) other information gathered regarding finance, cost and revenue inputs; 4) residential property transactional trend analysis; 5) discussion of redevelopment/revitalization case study subjects introduced at the first stakeholder workshop; and 6) a summary of key economic issues and opportunities. Throughout the memo, development potential is discussed as short-, mid-, or long-term; short-term refers to a one to five year timeframe, mid-term to a six to ten year timeframe, and long-term as more than ten years out.



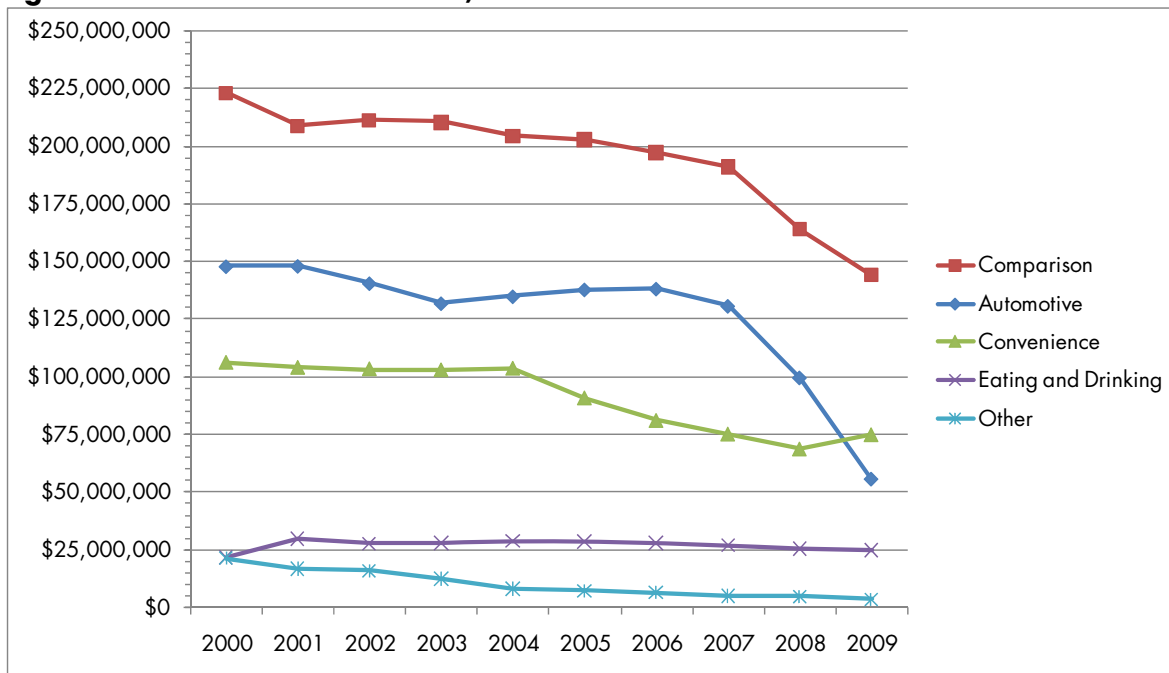
## RETAIL DEVELOPMENT CONDITIONS & STRATEGIC CONSIDERATIONS

As has been discussed in the previous city-wide economic conditions analysis for the General Plan Update, 41<sup>st</sup> Avenue is the major regional retail destination for households in the Santa Cruz County area. This is largely due to the long-standing presence of the almost 500,000 square foot Capitola Mall, the only enclosed mall in the county, as well as a cluster of auto dealerships, the corridor’s mid-county location, and proximity to Highway 1. This concentration of regional-serving retail and Capitola’s relatively small population have made Capitola 14<sup>th</sup> state-wide in per capita retail sales. Per capita, retail sales in Capitola were \$31,922 in 2009, in comparison with a state-wide average of \$8,053.<sup>1</sup>

### Revenue Trends

In part due to the major concentration of regional comparison goods shopping within the corridor, 41<sup>st</sup> Avenue was disproportionately affected by the 2007-2009 recession. As can be seen below, a more gradual and steady sales decline over the last decade accelerated precipitously during this time period.

**Figure 1: 41<sup>st</sup> Avenue Retail Sales, 2000 to 2009**



Source: City of Capitola, 2011; Strategic Economics, 2011. Sales are inflation adjusted to 2011 dollars. “Comparison Goods” are infrequently purchased items for which customers tend to compare prices, such as clothing and electronics. “Automotive” sales include automobiles and related parts and accessories. “Convenience” sales are frequently purchased items for basic needs, such as groceries and personal care items. “Eating and Drinking” sales include restaurants, liquor stores, etc.

The above sales trends reflect not only the health of existing stores within the corridor, but also the opening and closure of retail outlets during this time period. For example, the relocation of the Ocean Honda dealership to Soquel in 2008 and the opening of BevMo in late 2008 and Whole Foods in 2009 can be seen in the respective major drop in auto sales from 2008 to 2009 and the bump in convenience sales mid-recession 2008 to 2009.

<sup>1</sup> 2011 California Retail Survey.

The 42 percent drop in total retail sales between 2007 and 2009 is significant, and is relatively greater than sales declines at the county or state-wide level during the recession.<sup>2</sup> This is partially due to the high proportion of all retail sales in comparison goods and automotive sales: approximately 75 percent over the 10 year trend. Because these types of purchases depend more on discretionary spending than spending of necessity, they were disproportionately affected by the recession. The loss of sales in the corridor during the recession was also worsened by the long-term downward sales trend. This gradual trend is of greater concern than the recessionary drop as it is not in keeping with state or national economic trends.

## Market Conditions

### *Rents*

In keeping with the above described recessionary drop in revenues, effective rents within the corridor have declined since the beginning of the recession in late 2007 and have yet to recover. Within the corridor, rents have fallen from an approximate high of \$3 per square foot per month, triple net, to approximately \$2.25 to \$2.75 currently, depending on proximity to Capitola Mall and other anchors. While this is a significant decrease of 10 to 25 percent over the past four years, demand for retail space in the corridor has remained stronger than in the broader Santa Cruz County regional market, which saw rents fall county-wide by 30 to 35 percent since 2007. The relative resilience of corridor lease rates relates to the corridor's enduring value as a regional destination. Unfortunately, lease rates below \$3 per square foot generally do not support new construction, a significant impediment to near-term investment in the corridor.

### *Occupancy*

Although no comprehensive occupancy data exists for retail in the corridor, area brokers report that the occupancy rate for properties with long-term tenants and ownership has decreased, but generally remains healthy (i.e. above 92 percent) due to landlord concessions and adjustments in tenancing strategy. For example, at the end of 2010, Capitola Mall had eight small vacancies (i.e. 3,000 square feet or smaller), out of a total 480,000 square feet of leasable area. Seven of these vacancies were in the food court or in close proximity to the leased but currently unoccupied future Target department store space. These will presumably find tenants once Target is in place. The food court vacancies indicate the outmoded nature of the indoor food court format and the need for new restaurant spaces with external doors and outdoor seating.

The only recent new retail space in the study area, the ground floor spaces in the Capitola Beach Villas mixed-use project, have not been absorbed in the more than two years since coming on-line in late 2008. The project's financial troubles – largely driven by the housing market – hampered interest, but design and location concerns have also contributed to the lack of absorption. Located on 41<sup>st</sup> Avenue just south of the railroad tracks, the project was designed with poor retail visibility, with recessed storefronts overhung by the building, and poorly located. Almost a half mile from the Capitola Road/41<sup>st</sup> Avenue intersection at the heart of the shopping corridor, and a full mile from the Highway 1 off-ramp, the project serves as an unfortunate cautionary tale regarding the importance of visibility and access to retail.

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<sup>2</sup> While total inflation-adjusted retail sales along 41<sup>st</sup> Avenue fell 42 percent between 2007 and 2009, Santa Cruz County inflation-adjusted taxable sales fell 25 percent and statewide inflation-adjusted taxable sales fell 21 percent during the same time period (California State Board of Equalization). The data are not directly comparable since the 41<sup>st</sup> Avenue data is an estimate of actual sales solely within retail categories, whereas the county and state data describe taxable sales of all categories that generate sales tax revenue. For example the state and county data will not capture the percentage of sales at a grocery store that are not taxed (i.e. most food items), but does include non-retail sales such as business-to-business transactions.

### *New Tenants*

With the recent and prospective expansion of daily/weekly needs retailers in the corridor – Trader Joe’s (2006), BevMo (2008), Whole Foods (2009), and Target (planned opening 2012) – a major concentration of local-serving retail categories (i.e. groceries, soft goods) is developing. This concentration of weekly-needs retail expands the depth and array of commercial services for Capitola’s citizens beyond what a community of 10,000 could normally support; these retailers are attracted by the many additional shoppers brought to the corridor from outside of Capitola by the Mall and other regionally oriented retailers. This is a major boon to local residents, but also increases vehicle trips to the corridor from both outside and inside the City of Capitola, as the groceries and other household supplies provided by these retailers are shopped for more frequently than the clothing, electronics and outdoor supplies provided by long-standing corridor retail anchors. Creating connections between these daily needs retailers that enable “park once” shopping should be considered for the 41<sup>st</sup> Avenue Revisioning Plan.

The replacement of a department store like Gottschalks with a general merchandiser like Target also represents a loss of specialty and regional appeal for the Mall and 41<sup>st</sup> Avenue. Additionally, within the Mall, the replacement of the Disney Store by Rue 21 and Anne Taylor Loft by De Masque (2010), both youth-oriented affordable fashion retailers, begins to shift the retail mix within the Mall away from a broader demographic appeal toward the teenage and college age markets which spill over from Santa Cruz. Outside of the Mall, previous retail tenants have been replaced by personal or medical service office uses that require good visibility and access, such as kidney dialysis centers.

### Strategic Consideration: Need for Investment & Renewal

The above described revenue, rent, occupancy and tenanting trends are in keeping with national shifts in the retail environment since the recession. However, most of these downward trends also pre-date the recession and originate in long-term disinvestment and a corresponding lack of renewal that is essential to maintaining a regional retail draw. For example, the last significant renovation at Capitola Mall occurred in 1989. Retail space in the corridor has not kept up with the major changes in formatting that have occurred over the past 15 years.

Since the mid-1990s, a trend towards a format described as “lifestyle” retail has dominated new shopping center development and renovations across the country. While lifestyle centers vary, they are generally characterized by external orientation, outdoor amenities such as sitting and eating areas, design attention and investment in pedestrian pathways and parking areas, and a larger share of sit-down restaurants and other non-retail uses that compel customers to spend more time and more money in a longer shopping excursion. In 2006, there were 144 lifestyle centers in existence, with 28 additional centers in the development pipeline.<sup>3</sup> Between 2001 and 2008, the total leasable area of lifestyle centers grew 112 percent, while leasable area at all shopping centers grew 19 percent over the same time period.<sup>4</sup> While the relative degree of growth may appear exaggerated given the small base of lifestyle retail in comparison with entire inventory of shopping center space in existence, the trend toward lifestyle formats was the major shopping center format trend of the late 1990s and 2000. This trend has passed by 41<sup>st</sup> Avenue, leaving the shopping corridor dated.

The Capitola Mall and other longstanding 41<sup>st</sup> Avenue anchors, including the three-screen Cinelux Theater in King’s Plaza, occupy somewhat unique trade areas, hemmed in by the physical barriers of the Santa Cruz Mountains and the Pacific Ocean. In the past, these barriers impeded Santa Cruz residents that might otherwise have shopped elsewhere, and discouraged potential competitors that

<sup>3</sup> “Lifestyle Center Overview,” Cushman & Wakefield, 2006.

<sup>4</sup> In keeping with general retail development trends, growth of lifestyle centers has slowed since the recession; four new lifestyle centers opened in 2010. International Council of Shopping Centers, 2011.

see limited growth in this constrained customer base. However, recent innovations in lifestyle or experience-oriented retail, reflected in shopping center development across the country, are intended to create shopping, entertainment and eating opportunities that merit all-day excursions. 15 years ago, an afternoon's shopping trip for new clothing might not have been worth a cross-mountain commute; today, that trip is augmented by lunch, recreational shopping, dinner, and movie in a "park once" environment with outdoor amenities and an hour's drive is not unreasonable. Coupled with the rise of on-line shopping and home entertainment, Santa Cruz County residents are no longer compelled to spend their discretionary shopping dollars locally. Downtown Santa Cruz itself competes as a lifestyle center, but competes more on the basis of authentic and unique character since it lacks the large anchor store spaces and managed environment offered elsewhere.

The expanded range of choices for discretionary spending means that retailers and shopping centers that wish to maintain and expand their regional customer base, or spending from their existing regional customer base, must create shopping experiences that are compelling. If the city and local property owners and retailers wish to reverse the loss of sales and downward rent trends in the corridor, investment in a contemporary shopping environment is critical.

### Strategic Consideration: Constraints on New Investment

Outside of the new daily/weekly needs retailers, there has been little new investment on the corridor in the past ten years. Because there are no remaining undeveloped parcels outside of surface parking lots that support adjacent buildings, new investment requires redevelopment or rehabilitation of existing developed properties. For properties such as strip or enclosed malls that are leased or owned by multiple parties, redevelopment and even significant rehabilitation is complicated by the likely lack of alignment of lease terms, or by reciprocal easement agreements that govern parking, access, encroachment and utilities lines easements as well as operation of common areas and building design. These agreements allow shopping centers with multiple owners to function cohesively, but complicate efforts to significantly improve any portion of the center since several owners hold rights regarding use of parking and access routes that could be affected. REAs also create incentives for obstruction, as parties are in a contractual position to obtain windfalls in exchange for permission to make improvements regardless of cause.

Due to the lack of undeveloped sites and the above described constraints on major redevelopment, recent investment has largely gone into rehabilitation or limited remodeling of existing buildings, including the new Whole Foods, Kohl's and the prospective Target. This type of investment does provide some renewal and expansion of shopping choice, but it does not create the changes in building footprint, orientation and parking design needed to create a memorable shopping experience and maintain the corridor's regional draw in the face of external competition. The Case Study section of this memo (pg. 16) provides some examples of shopping centers and surrounding shopping corridors that have successfully pursued redevelopment and significant renewal in the face of ownership and leasing constraints.

### Strategic Consideration: Opportunities for New Investment

There are currently many short-term and long-term opportunities for investment that would have positive impacts on the shopping environment and, ultimately, revenue potential of the corridor.

#### ***Create Focus and Consolidate Retail Over Time***

41<sup>st</sup> Avenue is currently a disorienting corridor to navigate. It is difficult to understand what shopping opportunities are in the corridor and how best to access them. In particular, the lack of a distinguished façade or front door at Capitola Mall and the location of the Capitola Mall Transit Center immediately adjacent to the mall entrance is visually confusing (see Case Studies for illustrative solutions). Finding the shopping center on Clares Street (anchored by Trader Joe's) is also

challenging, as it is hidden by the Mall and largely invisible from 41<sup>st</sup> Avenue. Re-location of the Transit Center will be an important issue for the Re-Visioning Plan. Coordinated way-finding and signage within the corridor could also provide short-term relief to shoppers.

In the mid and long-term, concentration of retail is critical. Currently, retail is scattered throughout the mile-long and sometimes quarter-mile wide corridor, separated by numerous surface parking lots. This is challenging to would-be customers, as it necessitates multiple trips within the corridor and creates little synergy between stores.

In the short to mid-term, selective development of portions of the Mall's surface parking should be feasible. The Mall's current blended parking ratio is 4.95 spaces per 1,000 square feet of retail, in excess of the current requirement of 4.0 spaces per 1,000 square feet and other comparable mall properties held by owner Macerich. Reconfiguration and expansion of the front of the Mall to create an externally oriented restaurant area with a plaza and outdoor tables and seating could improve the Mall's appeal and begin to create an outdoor activity area on the corridor (see Northgate Mall Case Study). Additionally, adding restaurant and other retail pads on 41<sup>st</sup> Avenue and Capitola Road, while preserving sight lines to the Mall, could help in-fill retail development on the Mall site and create additional interest at the street edge. In order to accomplish this, Macerich will have to enter into negotiations with other Mall property owners in order to develop surface parking and reconfigure access; the timeframe for such improvements depends on these negotiations. Macerich's recent acquisition of the Kohl's property is a significant step forward in consolidating control of the Mall.

In the long-term, the creation of a two-sided walkable shopping street near the core of the corridor (between 41<sup>st</sup> Avenue & Capitola Road and 41<sup>st</sup> and Clares Street) should be considered. The corridor is in need of a retail configuration that can support pedestrianism and social activity, that creates synergy among uses, and provides the local community and customers from out of town with a place to find more upscale contemporary retailers and restaurants in a quality setting. According to area brokers, Santa Cruz County has a sufficiently large affluent population to support more specialized higher-end comparison goods retailers. Reportedly, such retailers have expressed interest in Capitola but have been frustrated by limited appropriate space. A new two-sided shopping street could provide the ideal setting for such retailers.

Given the high level of traffic on 41<sup>st</sup> Avenue – an average of nearly 44,000 trips per day in 2009 – and its seven lane width, 41<sup>st</sup> Avenue itself cannot support cross-street shopping. However, a shopping street perpendicular to 41<sup>st</sup> Avenue could take advantage of visibility to traffic on 41<sup>st</sup> Avenue while enabling a pedestrian orientation (see Birch Street Case Study). Capitola Road, Clares Street, or a new street dividing the Mall property could potentially serve this purpose.

### ***Expand & Improve Eating and Entertainment Options***

41<sup>st</sup> Avenue, and Capitola as a whole, are currently lacking in sit-down dining venues, especially considering the regional draws provided by the beach and Capitola Mall. Revenues from eating establishments remained static between 2001 and 2009, despite expansive national dining out trends prior to the recession and a downturn with the recession. This suggests that local supply isn't capturing additional meals being eaten out in keeping with long-term restaurant growth trends; interviews with property owners and brokers indicate there is immediate demand from restaurants for the type of pad sites that could be built out at the edge of the Mall's parking lots. Adding sit-down casual and quick casual restaurant venues to the corridor is an immediate first step to expanding the corridor's offerings and making it more appealing to locals, tourists and shoppers from across the county. They are also the ideal lead tenants for the type of short and mid-term development described above.

Long-term, the corridor is in need of contemporary entertainment uses that broaden its appeal, lengthen visits and create night-time activity. The nearest fully modern twelve-plus screen multiplexes are 45 minutes away, either over the hill in Cupertino or San Jose, or southeast in Salinas. In-depth targeted market analysis can determine whether the nine screen Regal Cinemas in downtown Santa Cruz has all the screens that the Santa Cruz County trade area can support; if additional demand exists, then there may be potential for an additional theater complex or other entertainment use to be built in Capitola.

### ***Leverage Assets***

Capitola benefits from two major regional attractors: the beach/Capitola Village, and 41<sup>st</sup> Avenue/Capitola Mall. There is currently little relationship between these two attractions. This is unfortunate because the two areas have complementary challenges and opportunities. Village retail is constrained by limited parking and vehicle access, the absence of retail anchors that can drive foot traffic to smaller businesses, small floorplate buildings that cannot accommodate contemporary retail formats and little redevelopment potential. Nonetheless, a steady stream of small businesses open in the storefront spaces due to the heavy tourist trade from the beach during the summer, a pedestrian environment that encourages walking and shopping and the unique charm and character of the Village. By contrast, 41<sup>st</sup> Avenue has a large parking supply and strong vehicle access, numerous anchor retailers of regional significance, a poor walking environment and some mid- to long-term redevelopment potential.

Given that the distance between the heart of 41<sup>st</sup> Avenue and Capitola Beach is just over a mile, opportunities to link the two should be explored. The opening of Capitola's Fairfield Inn, along with the existing Best Western on 41<sup>st</sup> Avenue, begins to create more of a tourist presence on 41<sup>st</sup> Avenue that should be supported and expanded (see Hotel discussion, pg. 14). After initial improvements are made to the Mall and more eating establishments added, the operation of a seasonal, high visibility shuttle circulator, such as an open-air trolley bus, could provide beach goers with a break from the sun and expanded shopping, dining and entertainment options without retrieving and re-parking their vehicle. As can be negotiated, remote parking on excess lots at Capitola Mall would be highly accessible to Highway 1 and increase the likelihood that beachgoers would visit Capitola Mall, or other attractions on 41<sup>st</sup> Avenue.

## **ATTACHED RESIDENTIAL AND MIXED-USE DEVELOPMENT CONDITIONS AND STRATEGIC CONSIDERATIONS**

The 41<sup>st</sup> Avenue corridor is currently an almost exclusively commercial environment. The heavy traffic and “canyon and hill” effect of surface parking and commercial development boxes create challenges for integration of successful attached residential and mixed-use development. At the same time, the long-term downward commercial revenue and rent trends in the corridor suggest the need to fundamentally change how portions of the corridor are used. The following section describes available indicators of the potential market for attached residential and mixed-use development on 41<sup>st</sup> Avenue, as well as strategic considerations for integrating these types of development.

### **Market Conditions**

As mentioned, there is currently little residential development in the corridor, and few recent attached projects in the entirety of Capitola. The first several attached residential and mixed-use developments will be pioneering projects, meaning that they have no real market precedent (the Capitola Beach Villas project is discussed below). Existing available data and the results of residential broker and developer interviews are summarized below.

#### ***Rents and Rental Occupancy***

As discussed in the Economic Conditions White Paper for the General Plan Update, average rents in tracked apartment buildings have declined and then stabilized in the Santa Cruz region over the past two years, while occupancy rates have remained fairly strong. Statistical data for Capitola is unavailable, but locally-knowledgeable interviewees stated that existing apartment buildings continue to perform well. Within Capitola as a whole, brokers indicate rents are approximately \$2 per square foot – matching the RealFacts data – and vacant units tend to fill quickly. Demand for rental units has been bolstered by declining demand for for-sale units, especially condominiums, due to stricter lending standards and higher unemployment.

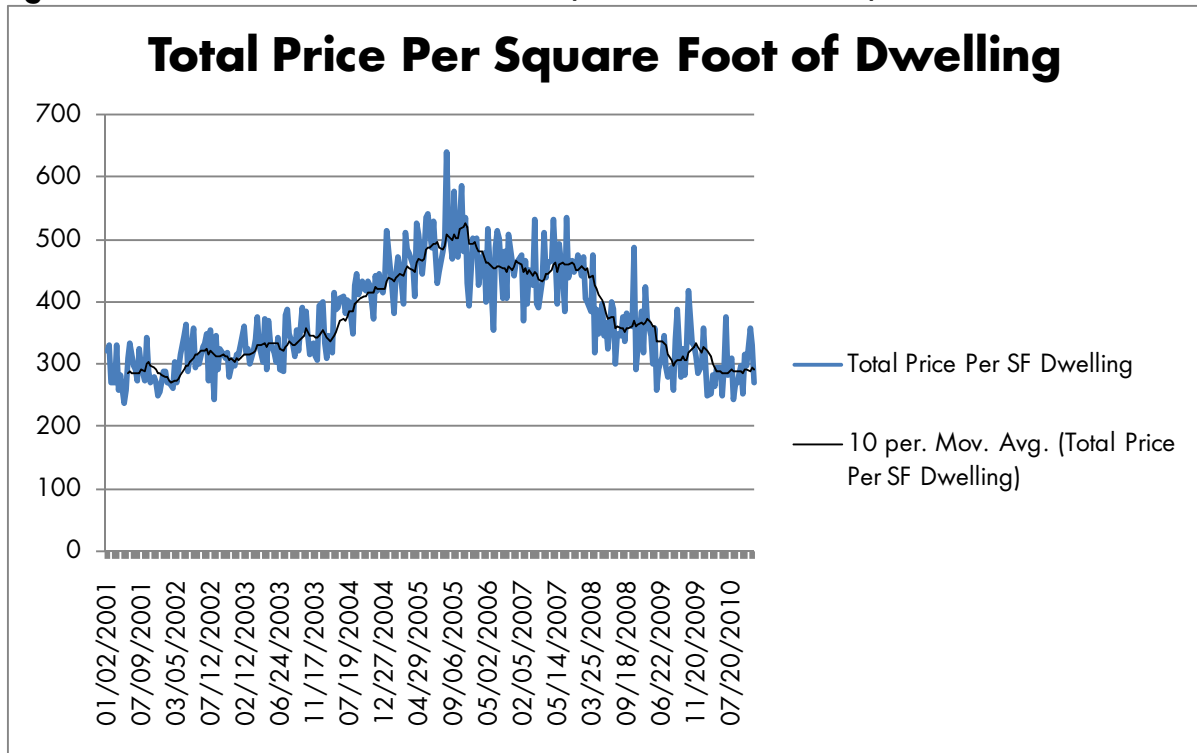
Developers and brokers indicate strong on-going demand for apartments, in part due to the major amenity provided by the beach. However, current rents are unlikely to support new construction in a redevelopment context, which includes demolition and land costs that must be sufficiently high to displace existing uses. Notably, the only purpose-built rental properties recently constructed in Capitola have been publicly-assisted affordable housing projects. Community opposition to rental housing, as voiced during last fall’s hearings regarding Capitola Beach Villas’ rental conversion, will be an additional challenge to new rental projects. Because of this, new apartment projects have mid- to long-term prospects in the corridor.

#### ***Sales Prices and Condominium Occupancy***

Recent condominium projects such as Capitola Beach Villas and 2030 North Pacific (Downtown Santa Cruz) have needed to restructure as rentals rather than condominiums to fill units. Given that buyers currently have limited access to mortgages and that condominiums are a relatively unproven and risky investment in Capitola, restructuring to rental is a more financially attractive option to developers and their lenders. Condominium production is further inhibited by Fannie Mae and California Department of Real Estate requirements that more than half the units in the project are pre-sold prior to occupancy.

Comprehensive data regarding absorption of existing condominium units in Capitola is unavailable; the track record of recent projects in Capitola and Santa Cruz is sufficiently poor to assume condominium projects will not be feasible in the short-term. The transactional trend data shown below provides a longer-term perspective on condominium value in the greater 41<sup>st</sup> Avenue area.

**Figure 2: Condominium Sales Price Trend, Greater 41<sup>st</sup> Avenue, 2001 - 2011**



Source: First American Real Estate Solutions, Strategic Economics, 2011. The area surveyed includes both the City of Capitola and Census Tract 1217, which extends westward to Rodeo Creek, in order to canvas sufficient transactions to provide a robust trend.

The condominium transactional trend in the greater project area follows national trends; annual run-up of approximately six percent between 2000 and 2004, a distinct up-tick to approximately twelve percent growth in value between 2004 and 2006, and on-going downward trend in value between 2006 and 2010, with some fluctuation, that has returned condominium values to their 2001 value of just under \$300 per square foot. Transactional data is almost entirely re-sales of units in properties built in the 1970s and early 1980s, making individual transactions highly comparable and minimizing distortions to the trend.

The on-going loss in demand for existing condominiums, as demonstrated by the transactional trend, indicates a long-term recovery for attached for-sale product. While the trend shows decreasing demand only for re-sale units, the failure of recent new condominium projects in the project area and Santa Cruz, as discussed, likewise indicates little short-term demand for condominiums. Anecdotally, area developers confirmed the significant downward value trend, describing recessionary losses of 30 percent that could not sustain new construction given high land prices that have not caught up with the decline of development value.

Developers also referred to the lack of “value premium” on 41<sup>st</sup> Avenue, meaning that the corridor does not currently provide sufficient locational amenities to create value for development, beyond the project itself. At best, prospects for new condominium projects are mid-term, provided interim place-making and other investments are made and the corridor has something to offer new residents besides good access to Highway 1 and driving proximity to the beach.

**Mixed-Use Outlook**

As described previously, both the condominium and retail components of Capitola Beach Villas, the first contemporary mixed-use project in Capitola, failed to absorb over more than two years. While



the recession and subsequent tightening of lending standards played a major role in the project's problems, its design and location are also likely factors. The project is far from the retail core of the corridor and its storefronts are over-hung by upper story uses and have limited visibility from the street. The residential uses, located in the interior of the parcel, are a series of three-story stand-alone buildings awkwardly arranged around a small courtyard, the parcel edge and surface parking. There is little relationship between uses in the project; walking from the interior residential uses to the storefronts requires crossing multiple parking lots or along the railroad tracks immediately north of the project.

Problems with the Capitola Beach Villas project illustrate the limits of the mixed-use concept: simply combining multiple uses on any given parcel does not guarantee synergy between uses. In particular, mixed-use projects will perform poorly if parking requirements, density limits, lack of sufficient market demand, poor location or overpriced land push mixed-use projects into formats and construction types that do not integrate uses or relate to surrounding uses. Furthermore, poorly designed mixed-use projects will contribute none of the advantages that mixed-use should confer: support to businesses from residents and workers, convenience of retail services to residents and workers, and street-level activity from these interactions that spills over to surrounding storefronts.

The outlook for mixed-use in the corridor depends foremost on improvements in demand for attached housing. Demand must be sufficiently strong to support development types that minimize surface parking on open lots. This is a mid- to long-term prospect. Secondly, mixed-use development will not succeed as small, individual projects, given the current lack of street edge, store front retail. Mixed-use should be encouraged as part of a larger concept (i.e. a two-sided, walkable shopping street) that will create a consistent street edge and shared activity between projects. This type of concept could also confer the "value premium" ultimately needed to create a condominium market in the corridor in the mid to long-term.

### Strategic Consideration: Market Rate Residential Development Unlikely to Lead Change in the Corridor

As described, recent condominium project challenges and declining re-sale values rule out near-term condominium development in the corridor. Apartment demand is stronger, but may not be sufficiently strong to support new construction in a redevelopment context in the near-term. Community concerns with rental projects further discourage new apartment prospects.<sup>5</sup> Unlike pre-recession urban redevelopment efforts, when the ongoing strong increase in housing values promoted residential in-fill as a primary agent of change, the corridor's regional retail draw points to in-fill retail as the first steps forward in the corridor.

In the mid-term, as retail in-fill begins to concentrate and focus retail activity more in the core of the corridor – allowing for a critical mass of pedestrian-accessible and mutually-supportive retailers – and housing markets have had longer to recover, single use attached residential projects may succeed at the edges of the corridor as buffers to single-family neighborhoods. Adjacency to single family neighborhoods could provide some market advantage to such projects. Existing edge commercial development may be less desirable and therefore less expensive to redevelop. Given the on-going state-wide fiscal crises and uncertain future of the redevelopment area and tax increment capture, the

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<sup>5</sup> Financial feasibility analysis is part of the development alternatives assessment and should help clarify whether new apartment development can be supported in the corridor, and at what construction type.

City should carefully consider its policies regarding conversion of commercial uses to housing, as housing is more likely to have a negative fiscal impact upon the city.<sup>6</sup>

Publicly-assisted affordable or mixed-income housing projects do hold potential to lead transformational change in the corridor. Dedicated public funding sources and tools exist for the creation of affordable housing, thus providing additional public sector development incentives that do not exist for market rate housing. Well-designed multi-family buildings – whether partly market rate or entirely below market rate – can initiate residential in-fill to the corridor. These pioneering projects can begin to change the corridor’s physical form and introduce residents and their greater potential for walking trips into existing activity patterns within the corridor. In addition to fulfilling city affordable housing goals, affordable or mixed income projects can help reduce greenhouse gas emissions and overcome the City’s jobs-skills imbalance by placing lower-skill workers within walking or short driving distance of existing service jobs and public transportation. An example of this occurred at San Jose’s Ohlone/Chynoweth transit station. The station was surrounded by single-family suburban homes, but the Santa Clara Valley Transportation Authority sold station land for development of a 3-4 story affordable housing project. A second developer constructed a similar affordable development nearby. With the attached housing market and environment established, a subsequent developer constructed a successful market rate apartment building.

### Strategic Consideration: Adding “Value Premiums”

Despite the many large daily/weekly need and comparison goods retailers on the corridor, residential developers interviewed described the corridor as lacking in the types of amenities that drive additional value for housing. The corridor does provide housing value due to its excellent access to commercial services and jobs via Highway 1 as well as driving proximity to the beach. However, the corridor’s current appearance, lack of gathering space and heavy traffic gives it an unwelcoming reputation that overrides its potential advantages.

The housing market may begin to recognize 41<sup>st</sup> Avenue’s value advantages if the aforementioned preliminary short-term retail recommendations are implemented, including: re-location of the bus mall, improved way-finding through-out the corridor, retail in-fill and, especially, the creation of an outdoor eating and gathering space linked to externally oriented restaurants at the mall. Over time, the addition of shuttle access and walking/biking improvements could begin to improve circulation within the corridor and decrease the heavy impact of automobile traffic on 41<sup>st</sup> Avenue. Additional green improvements and requirements could also improve the corridor’s appearance. In particular, additions of green and landscaped spaces or parks among the surface parking lots that visually dominate the corridor are recommended (see Northgate Case Study). These types of improvements are needed for the corridor to become a desirable location for housing, particularly condominiums.

### Strategic Considerations: Form and Proximity Are Key to Mixed-Use

To succeed, mixed-use development projects should be in proximity to other street edge-oriented retail, mixed-use or otherwise. The building intensity and proximity needed for mixed-use retail to thrive is difficult to achieve when development is surrounded by surface parking lots. Further, synergies cannot be assumed to exist between uses in a single project and uses in adjacent projects. Instead, locations and building design must be carefully selected to create a mutually-supportive relationship between the uses within the project and across adjacent developments. For example, residents within the project should have pleasant and easy pedestrian access to its own retail spaces; the spaces themselves must be designed to accommodate retailers that can serve residents and other

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<sup>6</sup> This is generally true of projects at similar densities; however, high-density residential development in strong residential markets sometimes drives greater revenues than single-story retail due to property taxes from the valuable property/units. Capitola does not currently have such a strong residential market.

customers within the area; and the project must be integrated into the street environment such that it has easy visibility and access to other pedestrians and automobile drivers.

## **OFFICE DEVELOPMENT CONDITIONS AND STRATEGIC CONSIDERATIONS**

In keeping with the small amount of office-based employment in Capitola – approximately 1,400 jobs – the city has a limited inventory of office space.<sup>7</sup> As described in the previous Baseline Economic Conditions Report for the General Plan Update, office buildings, including those found on 41<sup>st</sup> Avenue, are generally one to two-stories with spaces typically smaller than 5,000 square feet and surrounded on one or more sides by surface parking. Office-based businesses are concentrated in professional and technical services, real estate, health care and finance and insurance. They are primarily local and household-serving.

### **Market Conditions**

Comprehensive occupancy and rental rates are not available for Capitola and the project area. Mid-County office occupancy, including Capitola, has improved since the recession, with a current vacancy rate of 5.7 percent compared to a countywide average of 12.3 percent.<sup>8</sup> The Mid-County average asking rent is approximately \$2 per square foot (full service gross basis). Cassidy Turner/BT Commercial reports that no new office space was constructed in the Mid-County area between 2006 and 2010. Developers report that the local office market is stagnant, in keeping with national trends, and new office development should not be expected in the near-term.

### **Strategic Considerations: Location Sensitivity**

Over the mid- to long-term, as existing vacancies in the Mid-County are filled by future job growth, there may be sufficient demand for a small increment of new office in the 41<sup>st</sup> Avenue corridor. Capitola rents and occupancy perform relatively well within the Mid-County area. Within Capitola, preferable locations feature good access to Highway 1 and other daily destinations. Capitola's base of household-serving office users value client accessibility, and therefore often prefer visibility, easy automobile access, and/or co-location with other conveniences. Within the corridor, locations north of the Mall will be favored.

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<sup>7</sup> Dun & Bradstreet, 2011; Strategic Economics, 2011.

<sup>8</sup> Cassidy Turner/BT Commercial, 2010.

## **HOTEL DEVELOPMENT CONDITIONS AND STRATEGIC CONSIDERATIONS**

The re-visioning plan area currently contains one hotel along 41<sup>st</sup> Avenue, the 57-room Best Western Capitola-by-the-Sea Inn. A Fairfield Inn & Suites by Marriott will open in July of this year with 84 rooms. These hotels serve as low- to upper-mid-range lodging on 41<sup>st</sup> Avenue, with easy access to Highway 1 and the Capitola Village beachfront area. Current/expected clientele primarily consist of visiting families, with a small share of business travelers drawn by proximity to businesses along 41<sup>st</sup> Avenue. The presence of these hotels provides an additional base of potential patrons of the retail businesses along 41<sup>st</sup> Avenue.

### **Market Conditions**

Occupancy rates are the primary indicators of whether demand exists for additional hotel development. As described in the city-wide economic conditions analysis for the General Plan, regional occupancy in Santa Cruz County over the past five years peaked at 59.5 percent and has fallen to 50.3 percent in 2010. Although these overall occupancy rates are too low to indicate demand for additional lodging, the additions of a boutique hotel in Santa Cruz and mid-range hotels in Santa Cruz and Capitola (the forthcoming Fairfield Inn) lend evidence that the boutique and mid-range categories were outperforming the market overall. Interviewees stated that the Capitola hotel market has followed the trend of declining occupancy since 2007/2008, but performance is still very strong relative to the County overall. Revenue data shows a similar 2007/2008 peak and decline.

### **Strategic Consideration: Phasing**

Sufficient demand to start new hotel projects will likely occur in the mid-term period, after at least five years from today. New hotel projects are largely on hold while the economy recovers, but stand poised for relatively rapid development when conditions improve. Development of the La Bahia Hotel in Santa Cruz is pending California Coastal Commission approval, while the Capitola Hotel in Capitola Village is on hold pending economic concerns and completion of the current General Plan Update.

The opening of the Fairfield Inn will likely absorb lodging demand in the mid-range market in Capitola for the next 3-5 years; afterward, sufficient demand may exist for development, but rapid development of other planned hotels may further lengthen the amount of time before another hotel could be added to 41<sup>st</sup> Avenue.

### **Strategic Consideration: Location**

41<sup>st</sup> Avenue is generally a strong location for larger, mainstream, mid- to high-range hotels rather than luxury or boutique offerings that are better suited to Capitola Village or scenic inland locations. 41<sup>st</sup> Avenue is particularly suited for developing such hotels since – redevelopment challenges aside – the area contains relatively large commercial parcels.

Locations along 41<sup>st</sup> Avenue provide balance between access to Highway 1 and Capitola Village, but specific sites emphasize one or the other. In general, larger mainstream hotels seek freeway visibility and access, which is provided best by northern sites along 41<sup>st</sup> Avenue; however, Capitola Village provides a significant amenity and the principal reason many families visit the area, therefore favoring sites to the south. An ideally-sited hotel would provide easy access to the village and beach, possibly via a shuttle.

Finally, if a two-sided shopping street parallel or perpendicular to 41<sup>st</sup> Avenue is planned in the future, a hotel is well-suited to be a mutually-supportive component of these plans. Such a hotel

would attract additional visitors to the shopping district, while the shopping district would provide a compelling reason to *want* to stay along 41<sup>st</sup> Avenue.

## ILLUSTRATIVE CASE STUDIES

The following case studies are intended to help stakeholders and the community at large better understand the potential for transformation of 41<sup>st</sup> Avenue and Capitola Mall. Case study subjects were carefully selected based on key similarities in character, the applicability of implementation tools used and the need to illustrate a range of approaches differing in the level of public and private investment and the degree of transformation. Selection criteria included level of traffic, width of arterial, presence of older in-door mall, size of mall and other regional retail, market position and implementation approach. Dozens of possible subjects were considered; the following projects were selected and evaluated:

- Brea Boulevard & Birch Street (Brea, California)
- Northgate Mall and Northgate neighborhood (Seattle, Washington)
- The Shops at Tanforan (San Bruno, California)

### Brea Boulevard & Birch Street (Brea, California):

Access/Setting:	Higher income suburban city downtown, immediate arterial and adjacent highway access
Square Footage:	Added 368,000 SF of retail, 10,000 SF of office and 200 housing units over 15 years
Nature of Change:	From single-story single use to four-story mixed-use development, including creation of new pedestrian-scaled shopping street, & re-design of a major arterial
Key Implementation Tools:	Specific Plan, Tax Increment Finance/Redevelopment Assistance, Developer Agreement

Between 1985 and 2000, the City of Brea transformed its languishing downtown by re-orienting its center from a six-lane, high traffic arterial, Brea Boulevard, to a perpendicular side street, Birch Street. The single-story, auto-oriented land uses and minimal pedestrian realm on both streets were re-created to support parking once and walking amongst shopping, dining, entertainment, second-story office and a variety of housing choices. On-street parallel parking, curb bulb-outs that shorten crosswalks, and mid-street crosswalks calm the traffic on Birch Street. Wide sidewalks accommodate streetside dining, and buildings are built to the lot line and oriented toward the street.

In the mid-1980s, the Brea Redevelopment Agency began planning for a new mixed-use downtown by assembling approximately 90 acres of land along Brea Boulevard and developing and adopting a Specific Plan for the area. The City then re-platted the acreage, assisted with permitting and contributed new infrastructure as the plan was built out. The first component of the plan, developed in the early 1990s, was an approximately 200,000 square foot local-serving shopping center designed in a traditional suburban format around surface parking and anchored by a Ralph's, Petco and Starbucks. This shopping center began to build new market momentum for retail in the area and forms the back of what later became Birch Street, with buildings immediately abutting. In the mid-to late- 1990s, three other portions of the plan were completed: a 12 screen Edwards Theater, a City-owned 900 space parking garage and a 30 unit, small lot housing development.

The mixed uses on Birch Street and largely retail and entertainment uses on Brea Boulevard were the final components completing the Brea District. The City of Brea entered into a development agreement with the CIM Group to build six different highly articulated, pedestrian-scale, mixed-use

buildings on West Birch Street and five larger floor plate retail buildings on Brea Blvd.<sup>9</sup> CIM Group engaged four different architecture firms to provide distinct building designs and add detail and interest to the district; the buildings on Birch Street vary from one to three stories and each has a unique mix of retail, restaurant, and office or residential. On Brea Boulevard, there is one three-story mixed retail and residential building and four single-story retail buildings including a Tower Records and an Old Navy. For its part, the City attracted an additional 10 screen Edwards Theater to Birch Street, built and maintains another 850 space parking garage, and assisted the CIM Group with approvals and environmental assessment. The two theaters were deliberately separated to reduce the size of the buildings and are surrounded by smaller buildings to vary the streetscape.

In total, on Brea Boulevard and Birch Street, there are 64 lofts, 10,028 square feet of office, 59,775 square feet of retail and restaurant in mixed-use buildings, 56,019 square feet of single use in-line retail and restaurant, and 52,234 square feet of large format retail. The local-serving shopping center behind Birch Street includes another 200,000 square feet of retail and two other housing projects, including 40 three-story townhomes and 96 garden-style single-family homes, are just off Birch Street and complete the project. The City has also expanded the downtown plan to include surrounding areas, adding a total of 250 new housing units within a mile of the downtown core.

The retail tenants are a mixture of national and regional chains, with a few local independents. Mr. John Given, senior vice-president for development at the CIM Group, told Strategic Economics that leasing the ground floor retail in the mixed-use buildings was the most difficult part of the project. This is because chain site and location requirements, such as a predetermined number of parking spaces in front of the retail space, are adhered to more strictly in the Inland Empire than in places like Pasadena and Santa Monica, where CIM Group had done mixed-use projects previously.

### *Lessons for 41<sup>st</sup> Avenue & Capitola Mall*

- Leasing of retail space in mixed-use buildings outside of large cities is challenging. Ground floor space in vertical mixed-use is among the most difficult type of retail space to lease, particularly in pioneering markets. National chains, which predominate on 41<sup>st</sup> Avenue, employ site and location requirements that fit into formulaic, suburban development patterns, rather than mixed-use urban environments. Finding many interested national chain retailers willing to fit into this type of development pattern will be challenging. Nonetheless, the Birch Street case study shows that with appropriate phasing, adequate parking, good design and city vision, such projects can move forward.
- Finding appropriate, independent retailers requires pro-active outreach. Due to the small pool of national credit tenants interested in mixed-use locations, some amount of independent retail will likely be necessary to support larger plans for mixed-use development. Most independent retailers capable of supporting new construction are not new businesses, but already have one or two locations in the general area. While it is likely to be challenging for new businesses to afford space in new mixed-use buildings, established retailers located elsewhere in Santa Cruz County could open a second or third store in such space on the corridor. The City of Capitola could make recruitment of such businesses an economic development strategy.

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<sup>9</sup>Originally, the east side of Brea Blvd. was to have more restaurants and entertainment uses. The agreement was amended, however, when CIM had difficulty attracting such tenants due to the separation of these parcels from the Birch Street walkable shopping core by six-lane Brea Blvd.



- Flexibility in permitted ground-floor uses may be needed for vertical mixed-use projects. The 60,000 square feet of ground floor retail in vertical mixed-use buildings included in Birch Street is limited relative to the whole area, and the length of time spent recruiting and securing this retail was significant. Flexible ground-floor uses – such as small office or residential in addition to retail – may be necessary due to the limited pool of appropriate retail tenants and the extra risk and special experience required of developers to do this type of vertical mixed-use. Realistically, few developers will be capable and willing to undertake the retail tenancing strategy required for mixed-use projects, and those who do will probably require some City support. If the city wishes to attract a significant amount of small scale retail, it will need to dedicate resources to working with developers on tenant recruitment.
- Daytime population is important for the success of mixed-use retail. Brea is an employment center, and therefore has a very high daytime population – approximately three times that of its resident population. This was a significant factor in establishing that there was sufficient market support for a project like Birch Street. Other than summer, Capitola has a very low daytime population, as it is primarily a bedroom community. This is especially important in considering support for restaurants, which were key to the Birch Street concept and predominate the ground floor tenant mix in the vertical mixed-use buildings. Since Capitola is unlikely to ever become a regional employment center beyond retail and household-serving services, the increment of mixed-use retail may be relatively small, with growth prospects provided by increasing the number of visitors in off-peak seasons.
- Public subsidy is often necessary for pioneering redevelopment. Public subsidy is often necessary for pioneering whole-scale redevelopment. The Birch Street project received assistance from the City of Brea Redevelopment Agency with the assembly of land, development approvals, environmental evaluation, infrastructure, including streetscape improvements and parking. Capitola has limited capacity for such interventions, and will therefore need to be very targeted in its use of public assistance.

***Brea Boulevard and Birch Street Case Study Images***



Aerial image showing new developments. *Source: Google Earth, 2011.*



Birds-eye view of Brea Boulevard (running left to right) and perpendicular Birch Street. Notice the buildings constructed up to the sidewalk, the all-direction “scramble” pedestrian crosswalk, and that pedestrian-oriented is concentrated along both sides of Birch Street, rather than busy Brea Boulevard. *Source: Microsoft Bing Maps, 2011.*



Birch Street street views. *U.S. Environmental Protection Agency, via the Local Government Commission.*

**Brea Boulevard and Birch Street Case Study Sources**

Strategic Economics et al. *Revitalizing Older Suburbs: Strategies and Case Studies from Southern California*. Local Government Commission. July 2002.  
 John Given, CIM Group, personal interview.  
 City of Brea Redevelopment Agency.

**Northgate Mall, Northgate Neighborhood (Seattle, Washington)**

Access/Setting:	Urban residential neighborhood, adjacent to a freeway, commuter bus station, and planned light rail station.
Nature of Change:	Addition of outdoor “lifestyle center” component, with significant public infrastructure improvements and facilities additions in surrounding area; significant additions of adjacent mixed-use and higher-density residences.
Gross Leasable Square Feet before Renovation:	959,000
Gross Leasable Square Feet after Renovation:	1,059,000
Key Implementation Tools:	Targeted public sector planning, visioning, and implementation efforts (no tax-increment financing tools): planned introduction of transit, streetscape improvements, community facilities additions,

public-private development negotiations; private-sector reinvestment in the mall property.

### ***Project Description***

Northgate Mall opened in 1950 as an internally-oriented long row of stores facing an open-air pedestrian mall, with anchor stores at either end. Over time the mall expanded and followed trends, eventually becoming a successful traditional enclosed shopping mall within the auto-oriented commercial heart of an established residential district.

Meanwhile, in the late-1990s the City of Seattle targeted the Northgate District surrounding the mall for investment and revitalization to help meet state density standards, driven by the area's existing commercial assets, popular commuter bus service, and planned addition of a light rail station along a new (yet un-built) rail line. In the fall of 2000, the City of Seattle, King County, and Sound Transit embarked on a public planning process to gather public feedback to gauge perceived needs, determine siting of new community facilities, and develop a comprehensive plan and design standards to guide future public and private investments.

Due to these planning efforts, the Northgate district surrounding the mall was transformed during the years after 2000, despite the lack of public sector tax increment financing or redevelopment power in the State of Washington. Significant streetscape improvements were implemented, and new facilities included a library, community center, park, and community garden. Several mixed-use or higher-density housing projects were also constructed.

“Thornton Place” stands out as a study in indirect public sector assistance to develop a project that meets community goals. The high-density mixed-use development consists of 109 condominiums and 277 apartments constructed on a site adjacent to Northgate Mall. The development was made possible by a complicated negotiation process in 2005. Originally an overflow parking lot for the mall, one-quarter of the site was sold to King County for a transit park-and-ride; one-third of the remainder was sold to the City of Seattle to daylight a creek (and meet runoff filtration needs) and create a park, while the other two-thirds were conveyed to residential developer Lorig Associates via a land swap with the mall owner. On this land Lorig successfully constructed a project which exemplified the area's new design guidelines, thanks in part to the negotiations of two public agencies and two private developers/landowners.

Noting these improvements, Northgate Mall's owners embarked on a major renovation and expansion in 2005. This effort added 100,000 square feet of new leasable space – including several restaurants – facing new outdoor paths and plazas. A 720-vehicle parking garage was also built, and other visual changes were made. These renovations met the area's new design guidelines, ensuring that Northgate Mall blends well with its neighbors and is now a more pedestrian-friendly place.

### ***Lessons for 41<sup>st</sup> Avenue / Capitola Mall***

- The public sector can deploy a wide range of tools to encourage and guide development without the use of redevelopment or tax increment financing incentives.

The State of Washington does not provide the redevelopment structure found in California, nor allows the use of tax increment financing. Capitola may face a similar situation if the future state budget repeals redevelopment. However, Seattle demonstrates the alternative public sector powers to invest in an area and guide development, including planning efforts, public infrastructure improvements, addition of public facilities, development negotiation assistance, structured land acquisition for public purposes, and introduction of transit.

- Re-investment by a mall owner is made more appealing by complementary investments and focus from the public sector.

There are no indications that Northgate Mall was failing prior to renovations in 2005. However, public sector agencies created significant momentum for private reinvestment by focusing investments and attention on the area and encouraging new development. Additional working capital was provided to the mall owner by the City and County’s acquisition of the mall’s overflow parking lot to provide a park and park-and-ride transit facility.

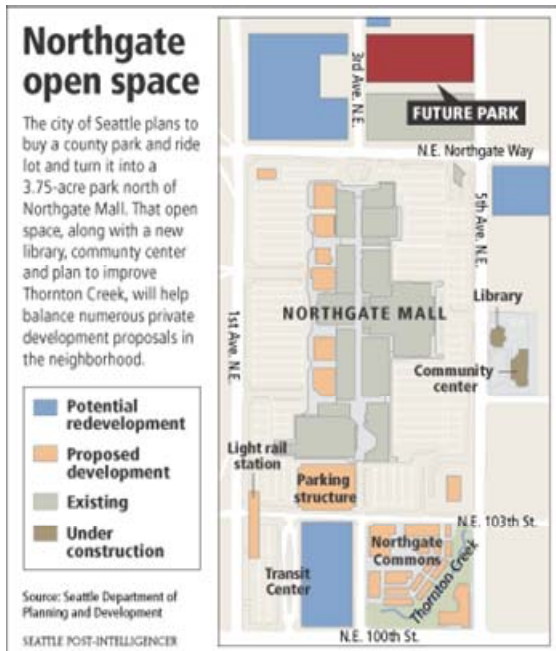
- *Spurring major change requires a shared vision and cooperation among public sector participants and community and private-sector buy-in.*

The public planning process in the Northgate area ensured that the public sector entities had a clear mandate for siting facilities and negotiating future transactions. This success further emphasizes the need for Capitola to involve all stakeholders in the preparation of any plans for 41<sup>st</sup> Avenue.

***Northgate Mall Case Study Images***



Aerial view of Northgate Mall and surrounding area, circa 2011. *Source: Google Earth.*



Seattle Post-Intelligencer graphic showing new development at and surrounding the mall, published in 2007.



Interior view of Northgate Mall. Source: Marcusaxavier77/Wikimedia Commons, 2007.



Thornton Place



Rendering and site plan of Thornton Place. Source: Lorig / Thornton Place.

**Northgate Mall Case Study Sources**

Harris, Craig. "New Look at Northgate Mall: Celebration Party this Weekend for Open-Air Addition." *Seattle Post-Intelligencer*.  
 Lorig, Bruce. Personal Interview. February 2011.  
 City of Seattle Department of Planning and Development.

**The Shops at Tanforan (San Bruno, California)**

Access/Setting:	Automobile arterial corridor in a suburban community, with adjacent freeway access and adjacent heavy rail regional transit.
Nature of Change:	Moderate intervention; minimal alteration of existing footprint, but major renovation of in-line shop spaces, addition of parking structure and movie theater.
Gross Leasable Square Feet before Renovation:	~1.07 million total; ~296,000 in interior
Gross Leasable Square Feet after Renovation:	~1.1 million total; 326,000 in interior
Key Implementation Tools:	Private financing

**Project Description**

The mall now known as The Shops at Tanforan in San Bruno was originally constructed in 1971. The facility was showing its age by the time redeveloper Wattson Breevast LLC acquired it in 1999. Anchor tenants Sears, JC Penney, and Target were performing well within the suburban setting of San Bruno, but the mall itself was in a poor state of repair and forty percent vacant.

Wattson Breevast undertook renovation of the mall, but faced multiple challenges. Bay Area Rapid Transit (BART) was finally constructing a long-anticipated train station on the mall site, requiring acquisition of a portion of the mall property. Additionally, each anchor tenant owned the parcel containing their building and portions of the parking lot; any renovation required their approval and could not disturb those properties.

BART initiated condemnation and eminent domain proceedings in 1999 to acquire its needed land, resulting in two years of litigation between BART and the four mall property owners. Ultimately the landowners were awarded \$34 million in 2001, which was dedicated to construction of a three-level parking structure. The BART station opened in 2003.

Wattson Breevast hired architecture firm Altoon + Porter to design the renovation of the mall's in-line retail spaces, followed by a one-year design approval process by the anchor tenants. Upon approval, Wattson Breevast was able to easily remove most of the in-line tenants in 2003 since the prior landlord had kept them on month-to-month leases in anticipation of redevelopment.

The renovation went to great lengths to avoid disturbing the anchor tenants while working within the available space. The in-line store spaces were stripped down to little but exterior wall concrete, including removal of the mall's roof. Unusually small work trucks were used during demolition so the vehicles could drive directly in and out of the mall without creating a major noise or visual disturbance. Ultimately Wattson Breevast did not need to compensate anchor tenants for lost business since their sales *increased* during construction.

The mall reopened in October 2005 upon completion of the \$140 million renovation. Reconfiguration of the mall's interior resulted in 110 storefronts compared to 70 previously, though leasable space only increased by 10 percent. A movie theater opened in 2008, built atop the new parking garage; a police substation was also constructed by the garage. The mall quickly had a positive effect on San Bruno's city finances, with sales tax revenues from the interior stores doubling compared to previous performance. With this success accomplished, the City of San Bruno has recently undertaken a General Plan update envisioning an even more dramatic transformation of the un-refurbished portions of the mall.

### ***Lessons for 41<sup>st</sup> Avenue / Capitola Mall***

- Redeveloping properties can require long-term focus.

Six years passed between Wattson Breevast's acquisition of The Shops at Tanforan and the opening of the new interior stores. Another two years passed before the movie theater was completed. This process was drawn out by the negotiations with BART, approvals of renovation plans by each anchor store, and unanticipated delays in demolition due to state recycling requirements. Delays would have been even worse (if not insurmountable) if more tenants held long-term leases. Fortunately Wattson Breevast initiated the redevelopment process recognizing the likelihood of such delays and budgeting appropriately.

- Potential fiscal benefits to cities can justify participation and assistance in the redevelopment process.

The redevelopment of Shops at Tanforan reduced vacancy rates from 40 percent to less than 10 percent while adding stores, improving the tenant mix, and slightly increasing the mall's leasable area. The improved sales dramatically increased the city's sales tax revenue from the interior stores at a time when the City was suffering from the unexpected loss of a major automobile dealership in

2005. Although The Shops at Tanforan was largely a private project, the public sector can clearly benefit from participation in improvements to the retail base.

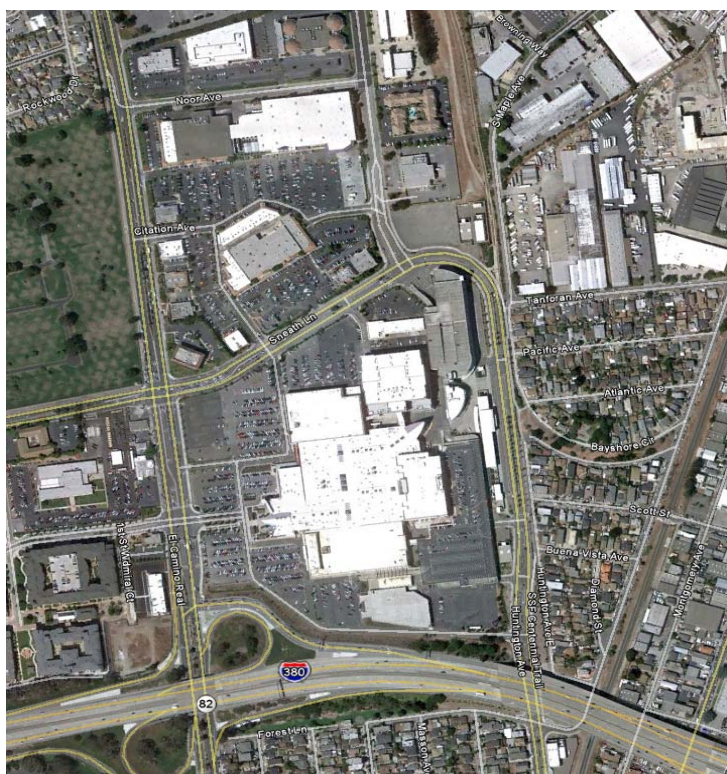
- Complicated ownership agreements and structures at traditional malls can limit redevelopment possibilities and require a strategy to overcome additional constraints.

Similar to Capitola Mall, the anchors at The Shops at Tanforan owned their own sites and held contractual control over the property in general. Wattson Breevast ultimately chose a redevelopment plan that required minimal approval from and disruption to the other property owners, since a more sweeping overhaul of the entire property would require years of negotiations and possible compensation for disruption to those store's sales. Notably, the anchor tenants required a year to approve even the more modest plans, and construction was made more difficult by the need to avoid disrupting their sales.

- Transit access can benefit a mall, but integrating it into the property can be a contentious process.

Redevelopment plans for The Shops at Tanforan were delayed by the three years of contentious litigation over BART's eminent domain action. Though this transit surely brings additional shoppers to the mall, this case study illustrates the difficulties in balancing transit needs with a mall facility, similar to discussions surrounding the transit center at Capitola Mall.

### *The Shops at Tanforan Case Study Images*



Aerial view of the Shops at Tanforan. El Camino Real runs along the west side of the mall, and Interstate 380 to the south. The BART station and tracks lie to the east/northeast of the mall. *Source: Google Maps.*



Interior view of the renovated Shops at Tanforan. *Source: BrokenSphere / Wikimedia Commons.*



Exterior view of the renovated Shops at Tanforan. *Source: BrokenSphere / Wikimedia Commons.*

***Shops at Tanforan Case Study Sources***

Koch, David. "Case Study: Tanforan Turnaround." *Retail Traffic*. 1 September 2005.  
Murtagh, Heather. "San Bruno Going to the Movies." *The Daily Journal*. 8 April 2008.  
Staff Report. "The Shops at Tanforan Meet Hopes." *The Examiner*. 25 May 2006.



## **DEVELOPMENT COSTS**

In a future task, Strategic Economics will perform financial analysis of design alternatives for the 41<sup>st</sup> Avenue/Capitola Mall Re-Visioning Plan. This section describes preliminary development and land cost information gathered during interviews with local developers. This data will be used to inform the financial analysis, along with additional data gathered from industry standard sources such as *RS Means*.

### Land Costs

- \$50 per square foot for a clear site with good such as access and visibility.
- Costs are higher for sites near the beach or Capitola Mall.
- \$10 per square foot for poor sites.
- The range is very wide depending on the land's development potential.

### Construction Costs

- Approximate average of \$150 per square foot for “hard” construction costs for a non-podium wood-frame structure.
- Soft costs are approximately 30 percent of hard costs.
- Add \$40 per square foot for tenant improvements.
- \$225 to \$250 per square foot “all-in” without significant parking structures or podiums.
- \$180 to \$190 per square foot for hard costs in projects with podium parking structures.

## **SUMMARY OF KEY ECONOMIC ISSUES AND OPPORTUNITIES**

The previous sections have discussed current market conditions and longer term economic trend indicators for retail, attached housing and mixed use development, office and hotel uses; each discussion concludes with strategic land use recommendations for reversing negative trends and making the corridor more vital over time. This section summarizes these key findings and recommendations, and describes critical next steps toward implementing any new community vision for the corridor. A strong organizational and regulatory structure is necessary if a new vision is to be acted on and realized.

### Key Findings Regarding Retail

- **Long-term Downward Retail Revenue Trends**

Between 2000 and 2009, the 41<sup>st</sup> Avenue corridor experienced a 41.8 percent decline in retail sales revenue. Although the decline accelerated with the beginning of the recession at the end of 2007, there was steady, on-going loss in comparison, automotive and convenience retail sales from the beginning of the decade.

- **Recent Influx of Daily/Weekly Needs Retailers**

With the recent expansion of daily and weekly needs retailers (Trader Joe's, BevMo, Whole Foods and Target), 41<sup>st</sup> Avenue is developing a strong concentration of more local-serving stores. This expands commercial services for Capitola's residents, but also increases trips to and within the corridor given the greater frequency of shopping trips for groceries and other household goods. In the case of a mass merchandiser, such as Target, replacing a more specialty-oriented department store anchor, like Gottschalks, this change in tenancy also decreases the corridor's regional appeal.

- **Recessionary Declines in Lease Rates; Stable Occupancy**

Lease rates within the corridor have declined 10 to 25 percent since the beginning of the recession. This is a relatively smaller decline than retail rents county-wide, however, current approximate rates per square foot per month of \$2.25 to \$2.75 are insufficient to support new construction. Occupancy within the corridor has remained relatively healthy due to landlord concessions and adjustments in tenancing strategy.

- **Need for Investment & Renewal**

Recent investment in corridor retail development has taken place exclusively within the footprint of existing projects (i.e. Whole Foods, Target, Kohl's). While there are real and perceived constraints that encourage this type of re-use, on-going negative revenue trends will not be reversed by such conservative investments alone. As the corridor is largely built out, with the notable exception of surface parking, fundamental changes in the format of existing retail space are necessary if the corridor is to retain its regional orientation in the face of increasing external competition.

Specific recommendations include:

- improving visibility and intensifying existing commercial uses through re-location of the Capitola Mall Transit Center, reconfiguration of the Mall's entrance and externalization of the food court, and development of existing surface parking lots over time;
- expanding and improving eating and entertainment options to diversify the corridor's offerings and lengthen shoppers' stays; and
- better connecting the City's two major destinations, Capitola Village & 41<sup>st</sup> Avenue/Capitola, so that visitors and residents may easily enjoy both attractions.

## Key Findings Regarding Attached Housing & Mixed Use

- **Weak Short-term Demand for Attached Housing in the Corridor; Market Rate Housing is Unlikely to Lead Change**

Recent condominium project challenges and declining re-sale values rule out near-term condominium development in the corridor. Apartment demand is stronger, but may not be sufficiently strong to support new construction in a redevelopment context in the near-term. In addition to the broader residential market challenges, the corridor does not currently provide sufficient locational amenities to create value for development, beyond the project itself. Together, these factors make it unlikely that market-rate housing will initiate change within the corridor.

Well-designed, publicly-assisted affordable or mixed-income multi-family projects could assist in pioneering residential uses in the corridor, as they are less susceptible to market fluctuations. Such projects could begin to change the corridor's physical form and introduce residential activity, laying the groundwork for later market-rate projects.

- **Need for “Value Premiums” to Improve Corridor’s Attractiveness to Residential Investment**

Residential developers describe the corridor as lacking in the types of amenities that drive additional value for housing. The corridor's excellent access to commercial services, jobs via Highway 1 and proximity to the beach are masked by its current appearance, lack of gathering space and heavy traffic. The same short-term improvements needed to improve the corridor's retail position can help make it more welcoming to residential development in the mid-term: re-location of the bus mall, improved way-finding through-out the corridor, green improvements to visually relieve surface parking lots, and, especially, the creation of an outdoor eating and gathering space.

- **Mixed Use Development Requires Intensification & Re-formatting of Surrounding Uses to Succeed**

The outlook for mixed-use in the corridor depends foremost on improvements in demand for attached housing. Demand must be sufficiently strong to support development types that minimize surface parking on open lots. This is a mid- to long-term prospect. Secondarily, mixed-use development will not succeed as small, individual projects, given the current lack of street edge, store front retail. Mixed-use should be encouraged as part of a larger concept (i.e. a two-sided, walkable shopping street) that will create a consistent street edge and shared activity between projects. Locations and building design must be carefully selected to create a mutually-supportive relationship between the uses within the project and across adjacent developments.

## Key Findings Regarding Office

- **Modest Demand Over Time for Smaller Office Spaces**

Over the mid- to long-term, there may be sufficient demand for a small increment of new office in the 41<sup>st</sup> Avenue corridor. Capitola's base of household-serving office users value client accessibility, and therefore often prefer visibility, easy automobile access, and/or co-location with other conveniences, such as that available on 41<sup>st</sup> Avenue. Within the corridor, locations north of the Mall are likely to be favored.

## Key Findings Regarding Hotel

- **Moderate Demand in the Mid-term, Depending on Additional Hotel Development in Other Capitola Locations**

Following broader trends, the Capitola hotel market has experienced declining occupancy since 2007/2008, but performance is still strong relative to the County overall. 41<sup>st</sup> Avenue is generally a good location for larger, mainstream, mid- to high-range hotels rather than luxury or boutique offerings that are better suited to Capitola Village. The prospective opening of the Fairfield Inn and Suites by Marriott this summer is likely to satisfy short-term demand for additional hotel in the corridor; however, additional new hotel projects should be possible more than five years out depending on hotel activity in other Capitola locations. Hotel uses are highly desirable for diversifying uses in the corridor, better linking it with the Village, and supporting retail.

## Implementation & Next Steps

The previous recommendations have addressed strategic changes in land uses, intensity of development and phasing necessary to improve the corridor's vitality over time. The following two recommendations are critical next steps for developing the local capacity and regulatory structure necessary to implement significant change in the corridor.

### ***Build Property Owner Organization & Opportunity for Common Investment***

The corridor currently has several large and numerous smaller commercial property owners. Alongside the City, these stakeholders have the greatest investment in the corridor and control over its direction. Especially given the uncertain future of redevelopment authority and tax-increment finance in California, implementation of a new vision for the corridor requires strong participation by property owners. This involves buy-in to the Plan itself, on-going communication and the potential for common investment in improvements and programming determined to be mutually beneficial to participating property owners.

The most commonly used tools for revitalization of commercial districts in California are business improvement districts (BIDs) or property-based business improvement districts (PBIDs). These districts provide a legal mechanism for assessment of either businesses or properties to pay for specific types of improvements, including parking facilities, parks, streets, street furniture, lighting and decoration, and services, including promotional activities and events, public safety programs, economic development and enhanced street cleaning and landscaping services. Among the most common and visible BID programs across the state are district identity branding efforts such as banners, special "clean & green" programs above the level provided by city services, and common marketing efforts. Passage of property-based BIDs requires endorsement by owners of more than 50 percent of property value, as well as an additional mail ballot process. Assessments are made based on the proportional value of improvements or services received by a property. PBIDs are governed by boards of property and business owners and have a maximum life of five years, without re-petitioning.

The creation of a PBID would allow business and property owners to participate in common efforts that have a greater impact on the perception and experience of shopping on 41<sup>st</sup> Ave than individual projects. This type of organizing and investment structure is needed for programming and common improvements that support land use and development changes on individual properties.

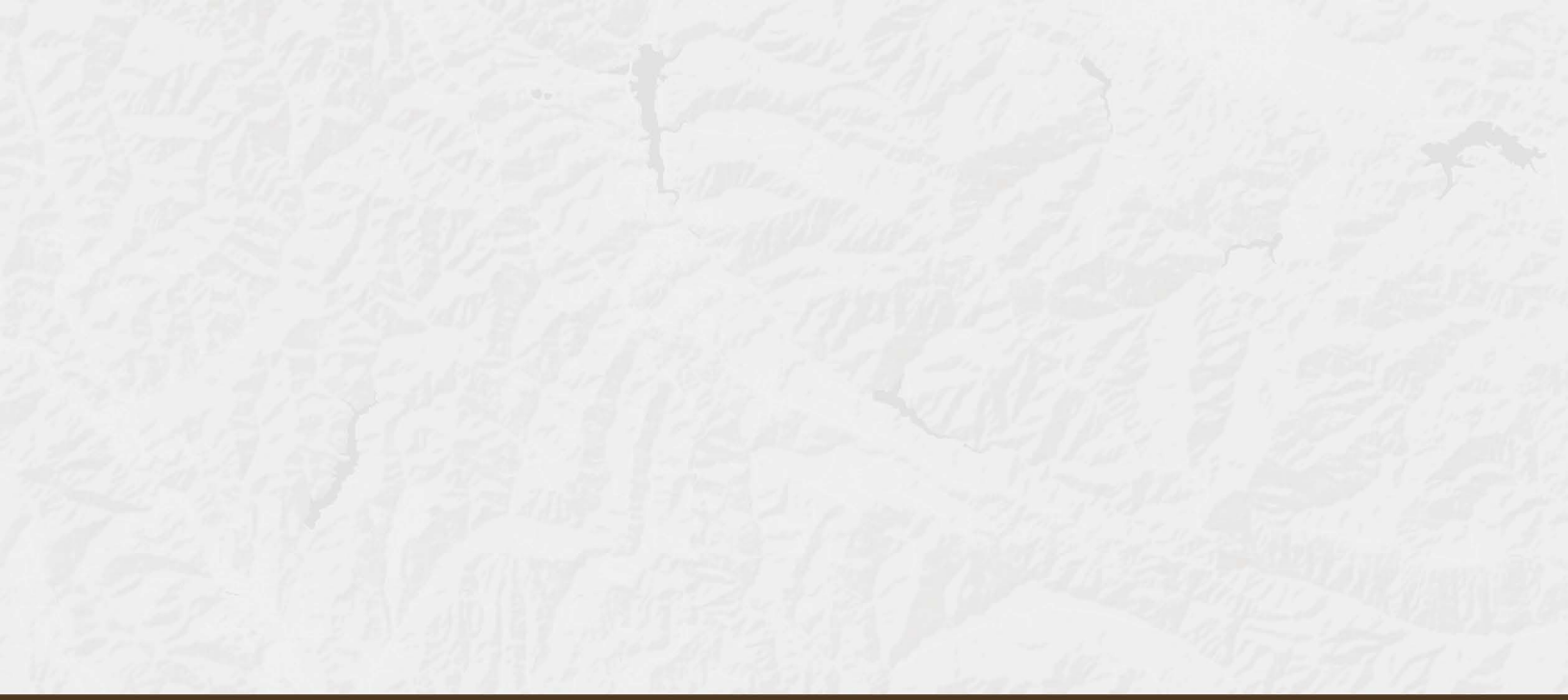
### ***Need for Strong, but Flexible, Regulatory Structure & Implementation Tools***

Depending on the outcome of the visioning process and the depth of change desired by the community and property owners, it is likely that a strong regulatory structure is needed to guide investment in the corridor. From an economic perspective, existing revenue trends are unlikely to

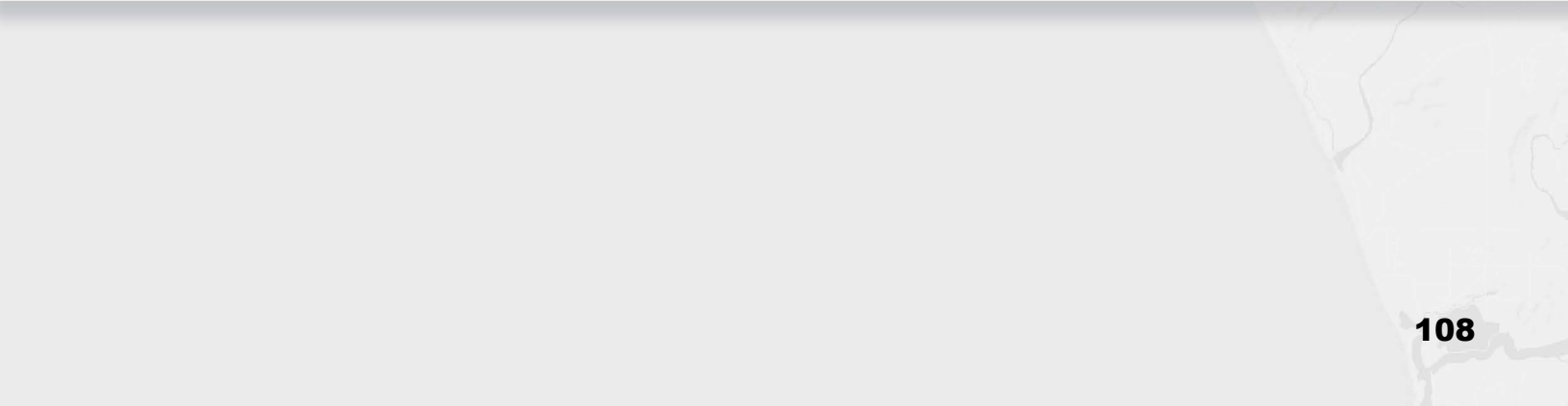
improve without change in the physical form of development along the corridor. Given the uncertainty of current real estate market conditions and the poor outcome of recent mixed use projects on the corridor, regulations that focus foremost on form and secondarily on use, i.e. form-based zoning code, are desirable.

This type of code can channel investment into new formats that improve legibility and access and provide needed amenities, like outdoor social space, while allowing more flexibility regarding use. It is also likely that a strong planning & regulatory tool, such as a Specific Plan, which includes implementation and financing strategy, as well as plan-level environmental approvals, will be needed to bring major new investment to the corridor. The adoption of a Specific Plan would provide prospective developers and investors with greater assurance regarding entitlements for proposals in keeping with the Plan. Given Capitola's reputation regarding opposition to proposed projects, such assurance, in keeping with an articulated community vision, is needed.





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## STAFF REPORT

TO: PLANNING COMMISSION

FROM: COMMUNITY DEVELOPMENT DEPARTMENT

DATE: OCTOBER 26, 2011 (AGENDA: NOVEMBER 3, 2011)

SUBJECT: INFORMATIONAL ITEM ON GREENHOUSE GAS EMISSIONS REDUCTION PLANNING

### **BACKGROUND**

The purpose of this item is to brief the City Council on regional planning activities that will likely affect Capitola. These regional planning activities will be considered and integrated into the City's General Plan update. While, the schedule and timing of regional and local planning activities are not completely synchronized, careful consideration of the potential impacts of the mandated regional planning efforts with the City's General Plan update will potentially better position the City to be able to accommodate a future housing allocation from AMBAG.

### **DISCUSSION**

SB 375 is an incentive based bill that provides significant financial, planning and environmental incentives to encourage orderly, compact development with an explicit goal of reducing greenhouse gas emissions. The intent of the legislation is to provide a comprehensive approach to reducing greenhouse gas emissions from the land use and transportation sector. All other emission sectors (energy, industrial, vehicle fleet, etc) are being directly regulated by the state. The stated purpose of the legislation is to coordinate funding and regulatory incentives to align transportation, housing and land use planning to produce:

- Shorter commutes, VMT reduction and congestion relief
- Reduced greenhouse gas (GHG) emissions and air pollution
- Reduced fossil fuel consumption
- Increased conservation of farmlands and habitat
- Increased opportunities for more housing choices for all economic segments of the population including anticipated population and employment growth

### **The Housing Element and SB 375**

With the passage of SB 375, future Housing Elements will play a role in addressing climate change. The authors of the SB 375 intended to link housing, planning, and transportation to greenhouse gas reduction. Housing Elements play a key role in this linkage by:

1. Requiring AMBAG and to create land use and transportation plans to meet GHG targets through the adoption of a Sustainable Communities Strategy (SCS) that meets GHG targets.
2. Changing the Regional Housing Needs Assessment (RHNA) allocation process and Housing Element law so that RHNA is based on meeting the GHG targets in the SCS.



3. Extending the RHNA cycle to eight years so that the Regional Transportation Plan (RTP) and RHNA cycles match.
  - a. AMBAG is scheduled to adopt the SCS in 2013 and Capitola's Housing Element Update will be due in late 2014.
  - b. Jurisdictions must then rezone sites and make other changes called for in the Housing Element within three years of adoption.
    - i. If jurisdictions do not meet the RHNA obligations in their Housing Element developers can propose projects for sites at densities that would have been needed to meet RHNA.
4. Exempts certain transit-oriented projects from the California Environmental Quality Act (CEQA) that are consistent with the SCS.

### **The Sustainable Communities Strategy (SCS)**

Under SB 375, the SCS must identify a regional development pattern and transportation system that can meet the regional greenhouse gas targets from the automobile and light truck sectors for 2020 and 2035. The California Air Resources Board (CARB) adopted targets for each of the 18 Metropolitan Planning Organizations (MPOs, including AMBAG) across the state. AMBAG and CARB adopted the following targets for the Monterey Bay Area in September 2010:

**2020: 0% increase from 2005 per capita GHG emissions levels**  
**2035: 5% reduction from 2005 per capita GHG emissions levels**

As required by law, the SCS will:

1. Identify the general location of uses, residential densities, and building intensities within the region.
2. Identify areas within the region sufficient to house all the population of the region, including all economic segments of the population, over the course of the planning period.
3. Identify areas within the region sufficient to meet the projected eight-year demand for housing.
4. Identify a transportation network to service the transportation needs of the region.
5. Gather and consider the best practically available scientific information regarding resource areas and farmland in the region.
6. Consider state housing goals.
7. Set forth a forecasted development pattern for the region, which, when integrated with the transportation network, and other transportation measures and policies, will reduce the greenhouse gas emissions from automobiles and light trucks to achieve, if there is a feasible way to do so, the greenhouse gas emission reduction targets approved by the State.
8. Allow the Regional Transportation Plan to comply with the federal Clean Air Act.

### **Relationship between the Blueprint and the SCS**

The AMBAG Board recently reviewed and accepted the plan *Envisioning the Monterey Bay Area: A Blueprint for Sustainable Growth and Smart Infrastructure*. Commonly referred to as "The Blueprint," this plan laid the foundation for the development of the region's first SCS.

The Blueprint planning effort piloted a comprehensive regional planning process in the Monterey Bay Area over the course of the last three years. It introduced regional concepts of sustainable growth to local planners, elected officials and residents.

The Blueprint presents a vision for how the region might achieve the greenhouse gas targets issued by CARB. The designation of *Priority Areas* throughout the region suggests a development pattern for the SCS. This pattern shows an improvement from the forecasted current patterns (i.e. a 1% increase from

2005 per capita GHG levels vs. a 13% increase) - but falls short of the 0% increase target. A copy of the blueprint is available at [www.planccapitola.com](http://www.planccapitola.com)

Further analysis and collaborative planning across the region will be necessary to show achieve the 5% reduction by 2035.

### **AMBAG approach to develop SCS for the Monterey Bay Area**

For the Monterey Bay Area, these requirements will require extensive coordination between three regional transportation planning agencies, two major transit agencies, 21 local jurisdictions, two councils of government and AMBAG.

To ensure region-wide participation in SB 375 planning efforts, AMBAG's planning framework includes a set of regional coordination efforts and planning processes that will include:

1. An ongoing Working group with the Santa Cruz County Regional Transportation Commission, the Transportation Agency for Monterey County, the San Benito Council of Governments, and AMBAG.
2. A quarterly Planning Directors' Forum to address Regional Transportation Plan and Metropolitan Transportation Plan issues.
3. Monthly or quarterly meetings of an AMBAG Board Ad-Hoc Policy Committee to address SB 375 planning issues.
4. Land Use and Transportation Initiatives including funding through AMBAG for a "Joint Work Plan".
5. For the Sustainable Communities Strategy a Regional Advisory Committee of local planning and redevelopment staff, community leaders and others to meet quarterly with AMBAG staff to explore Smart Growth Development Strategies that will assist in the implementation of the SCS.

In addition to these efforts, AMBAG Staff will engage elected officials and the public through a series of SB 375 required public workshops.

Capitola Staff will be participating in technical and other advisory roles to help best craft a plan that takes into account, the jobs and housing environment and the constraints and opportunities for housing. Staff will be briefing the General Plan Advisory Committee, Planning Commission and City Council throughout the SCS process to ensure that the City's General Plan considers the anticipated RHNA assignment and SCS implications.

It is likely that Capitola will receive a greater housing allocation as a result of the longer eight-year planning period and because portions of Capitola have been designated as a "Priority Area" for infill growth in the Blueprint. Anticipating the impacts of a larger allocation in the current General Plan update than has been historically allocated to Capitola will help balance various planning issues.

### **RECOMMENDATION**

Receive a briefing on SB 375 and greenhouse gas emissions reduction planning.

**Report Prepared By:** David Foster  
Housing and Redevelopment Project Manager