

Local Business

DISCOVER CAPITOLA

March 3, 2026



Agenda

- 1 Introductions
- 2 Mall & Economic Development
- 3 City Q&A Period
- 4 Capitola-Soquel Chamber
- 5 Village & Wharf BIA
- 6 Additional Question & Answers

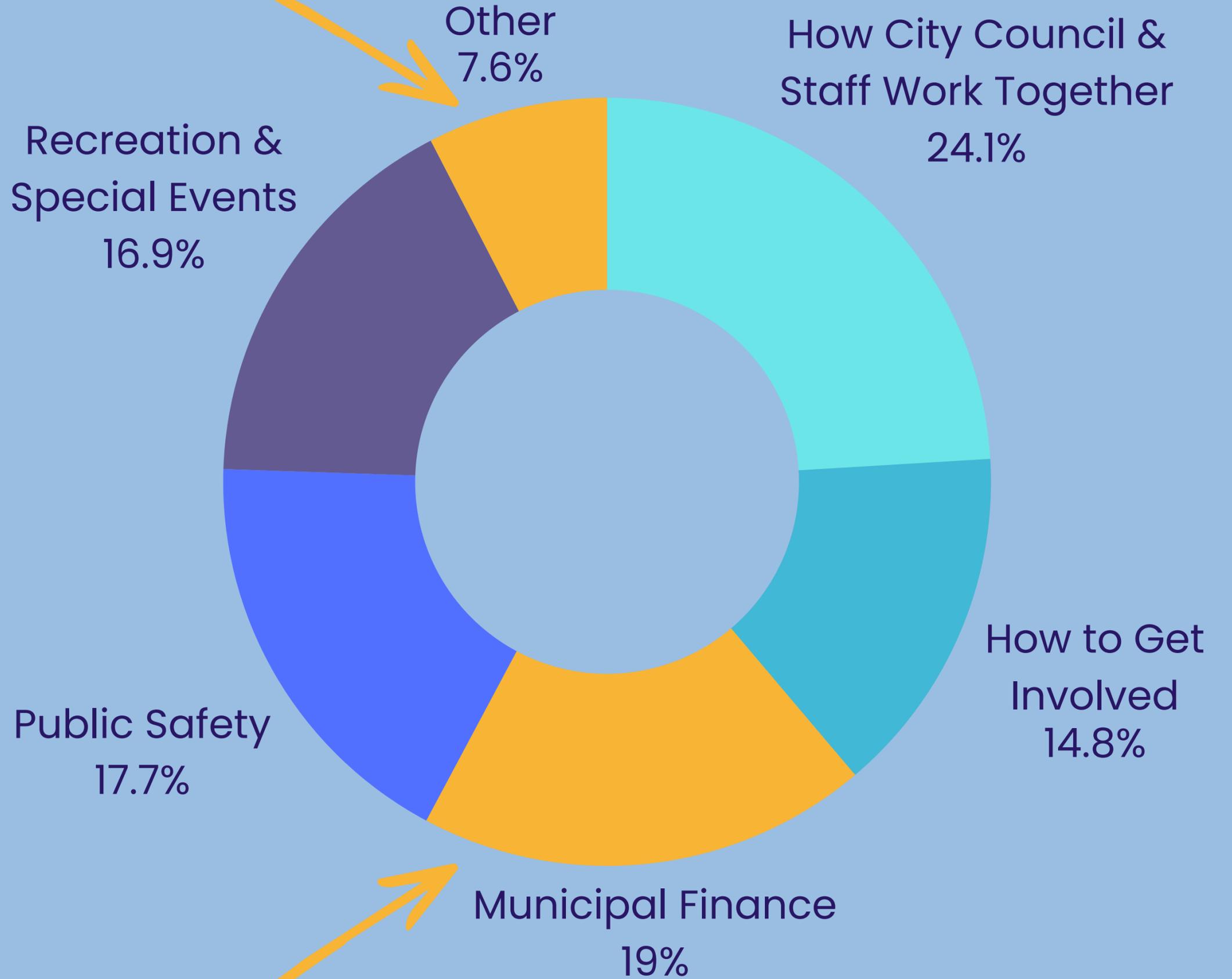
Discover Capitola Sessions



We are here

***Optional**

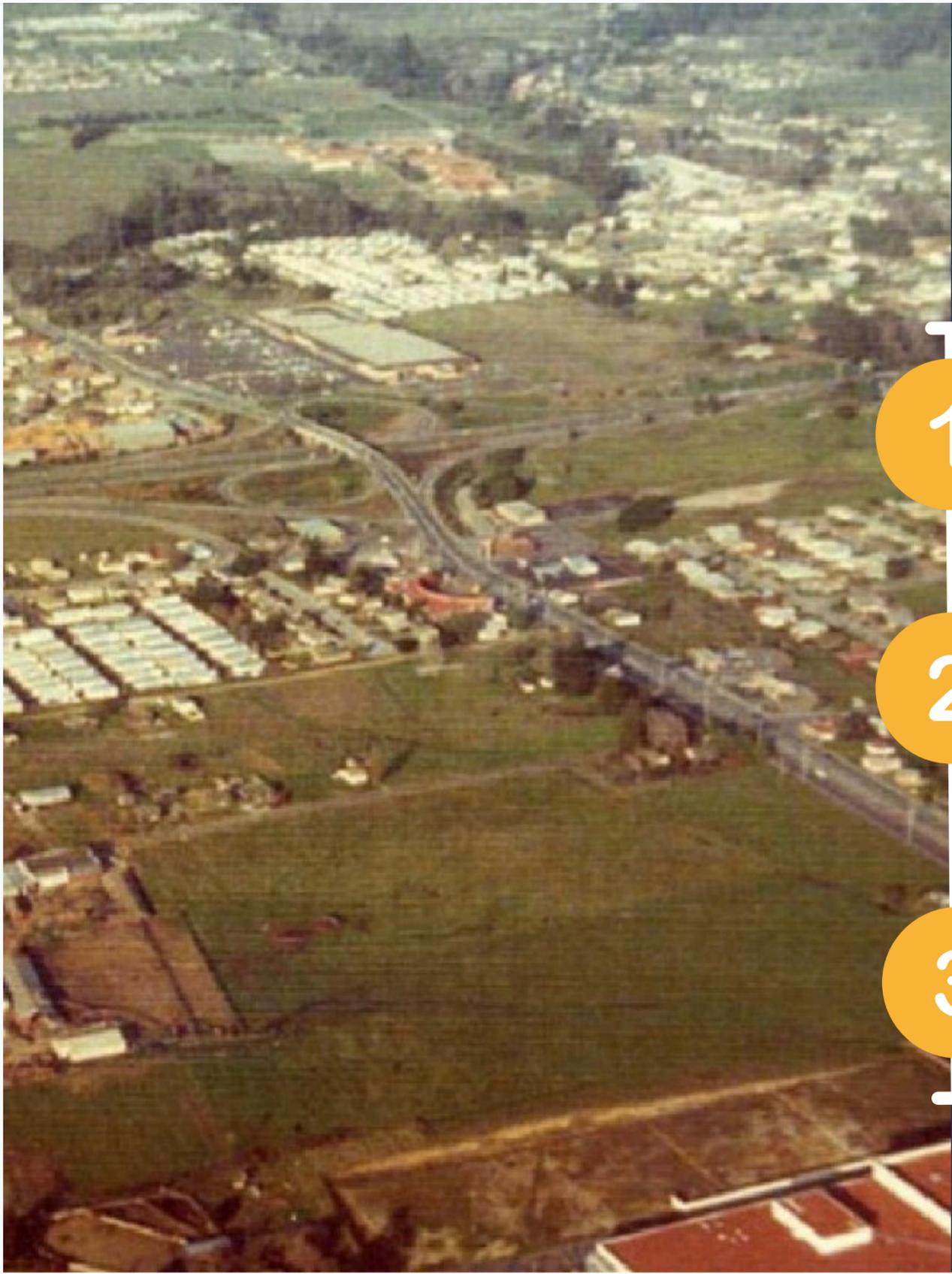
What You Want to Know



Capitola Mall







Evolution of 41st Ave: From Rural to Retail

1

1950s: Transformation

41st Avenue shifts from agricultural

2

1960s-70s: Development Boom

Area underwent auto-centric development, prioritizing vehicles

3

What is the future?

A livable mixed use corridor?

Past City Action Supporting Redevelopment

Zoning Code changes since 2009: Encouraged redevelopment numerous times through 3 City updates to zoning codes

2011 Redevelopment Funding: Capitola pledged \$1 million for Mall redevelopment; funds never used by Mall owner

2012 Mall Re-Visioning Plan: Concept of new structures in existing parking lots

2013 General Plan: Established vision for future mixed uses at the Mall (commercial mixed with residential)

2019 Redevelopment Plans: Merlone Geier plan received conceptual support, with request to add hotel to project from both PC and City Council. *Pandemic and changing economic conditions = plan was withdrawn*



Mall Housing Element Requirements

State requires cities to adopt a Housing Element that accommodates an assigned number of housing units:

- Merlone Geier Properties: Approximately 1,100 units
- Mall Block: 1,777 total units
- Two Parcels not included in Housing Element

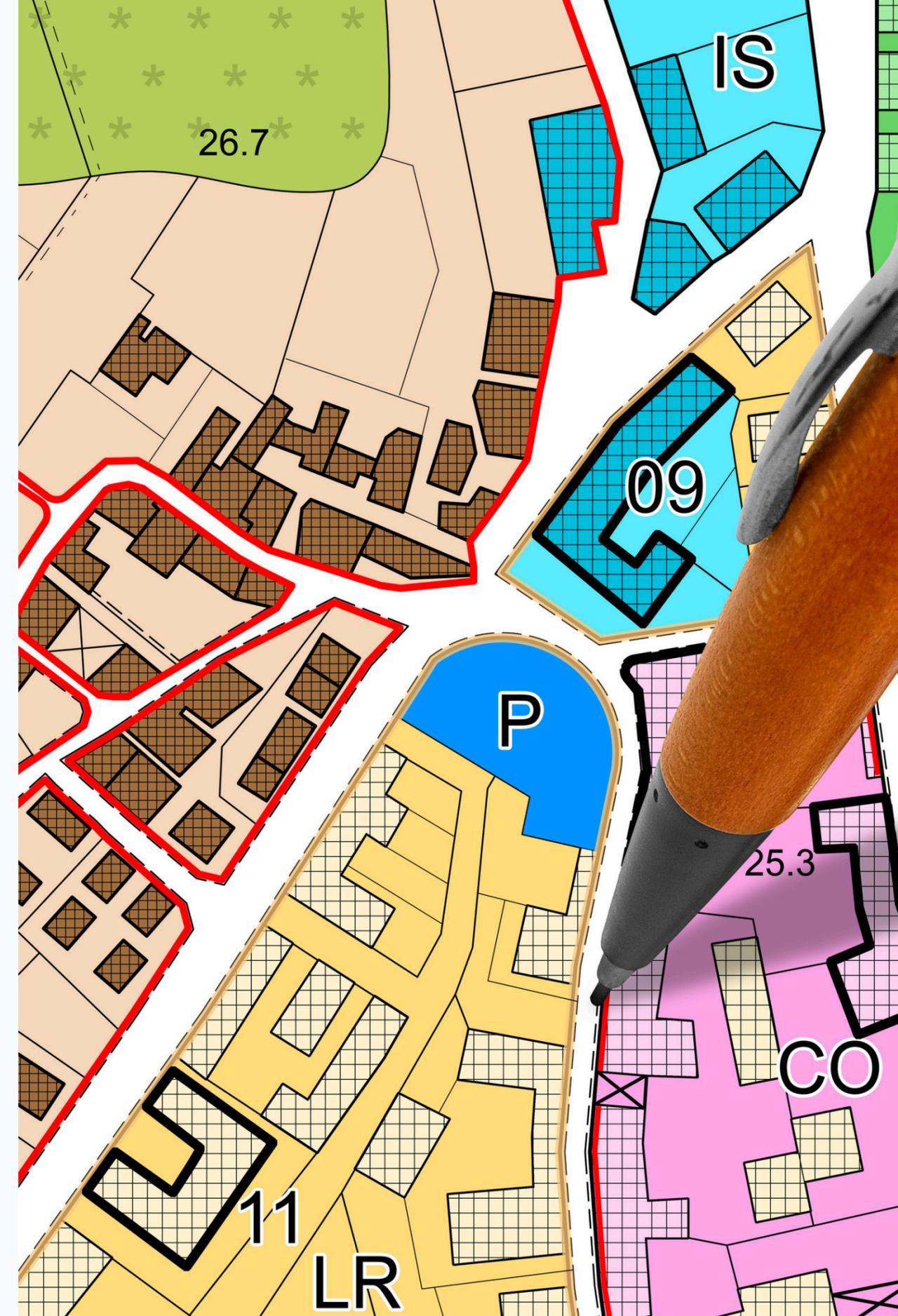
Housing Element commits City to:

- Increased height and density at Mall
 - Height up to 75 feet
 - Floor area ratio (FAR) of 2.0

Mall Zoning Code Update

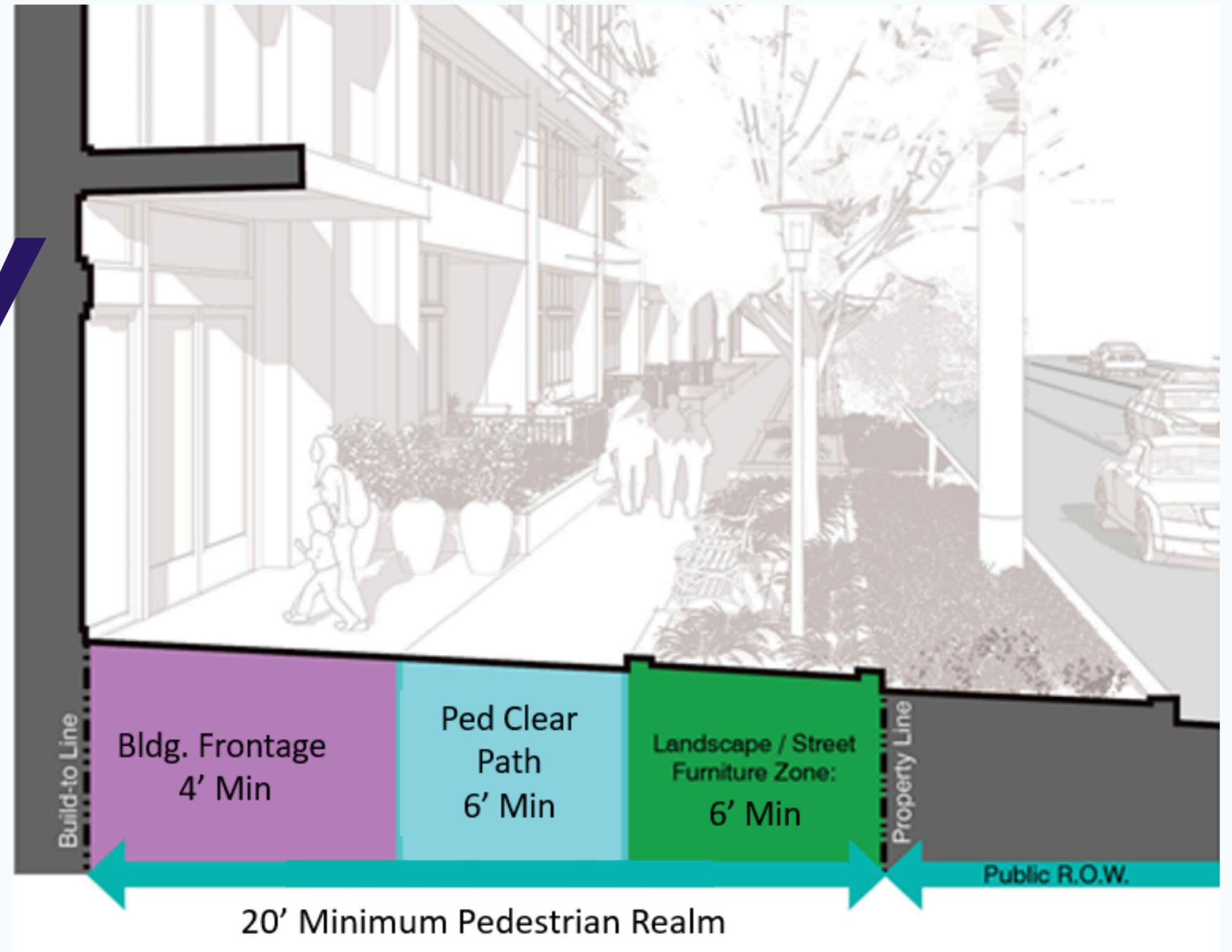
Preparing Objective Standards to maintain local control of height, setbacks, high-quality building design, community values (sidewalk, bike lanes, trees, open space) through specific measurable standards:

- Remove discretionary standards of “neighborhood compatibility”
- Goal: Meet state commitments for housing while increasing economic vitality, creating quality neighborhoods & ensuring City services



Vibrant Community

Housing
Streets
Open Space



Timeline



Summary of Recent Council Direction

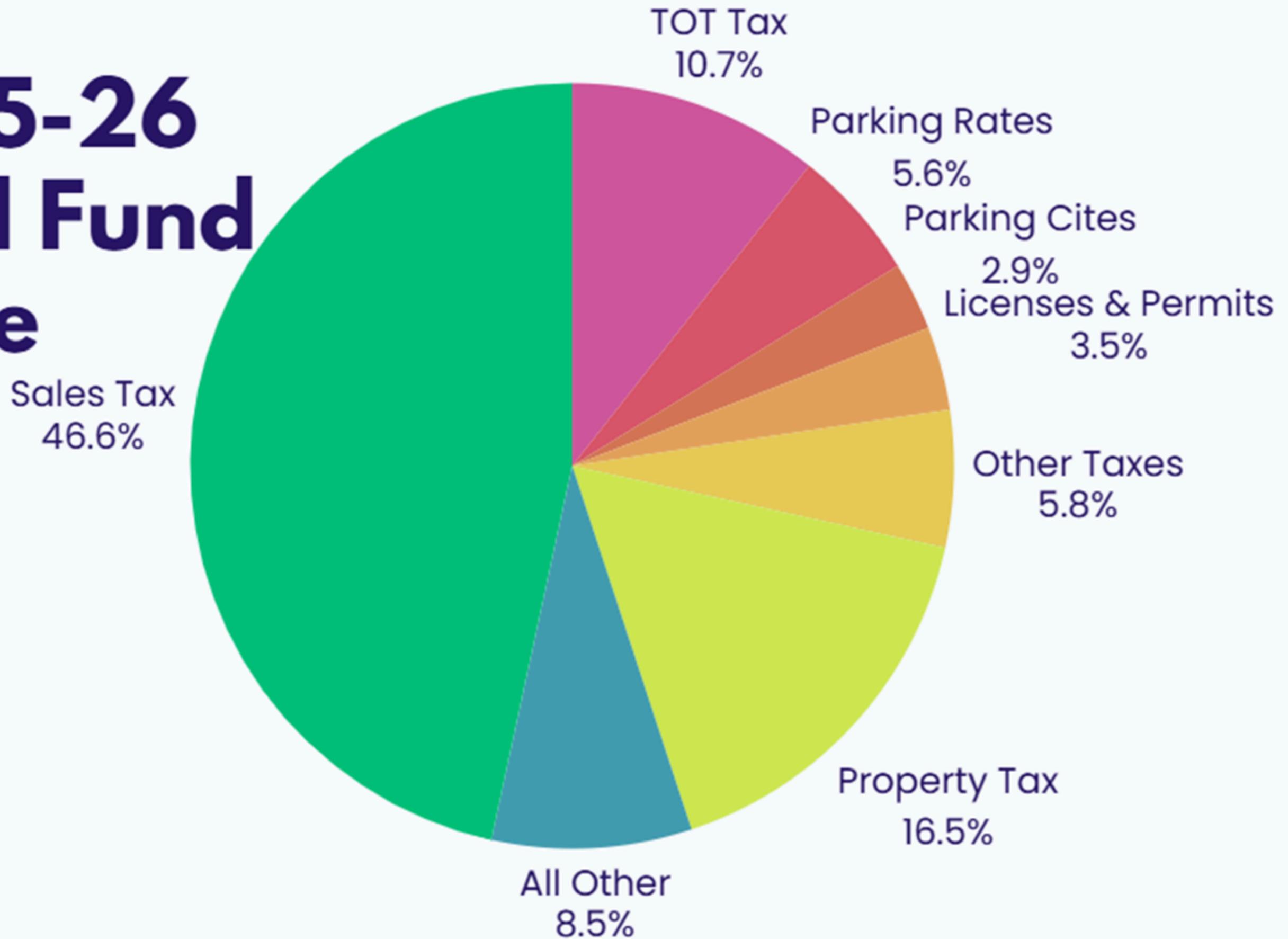
Must:

- Allow housing and meet Housing Element commitments
- Be fiscally responsible
- Create incentives for new commercial and hotels onsite

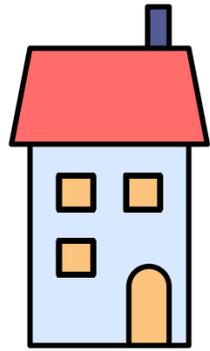
Goal:

A vibrant community with housing, great streets, and quality open space

FY 2025-26 General Fund Revenue



Taxes



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



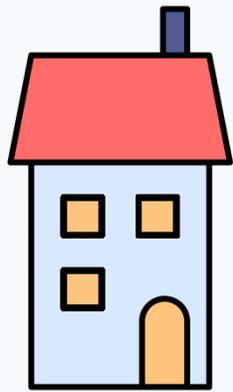
Sales Tax: 9.25% of which **City receives 1.75%**



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

Incentives for Hotels & New Commercial

Tier 1



75 feet
5% Open Space

Tier 2



35,000 Retail/120 Hotel
85 Feet
2.5% Open Space
Decrease Setback
FAR Exception for Hotel

Tier 3

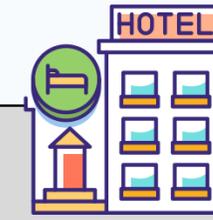


200,000 Retail
85 Feet
2.5% Open Space

Fiscal Analysis



Tier 1



Tier 2



Tier 3

	Tier 1	Tier 2	Tier 3
Density	48 units/ac	53 units/ac	53 units/ac
New Units	1,256	1,326	1,326
Retail	0	35,000 sf	200,000 sf
New Hotel	0	120 rooms	0
Meeting Space	0	4,000 sf	0
Fiscal Impact			
Annual Cost - Adjusted Kosmont	\$1,225,509	\$1,293,810	\$1,293,365
Annual Revenue Increase	\$448,840	\$1,981,392	\$2,012,517
Projected Net Impact	\$(776,669)	\$579,583	\$718,708

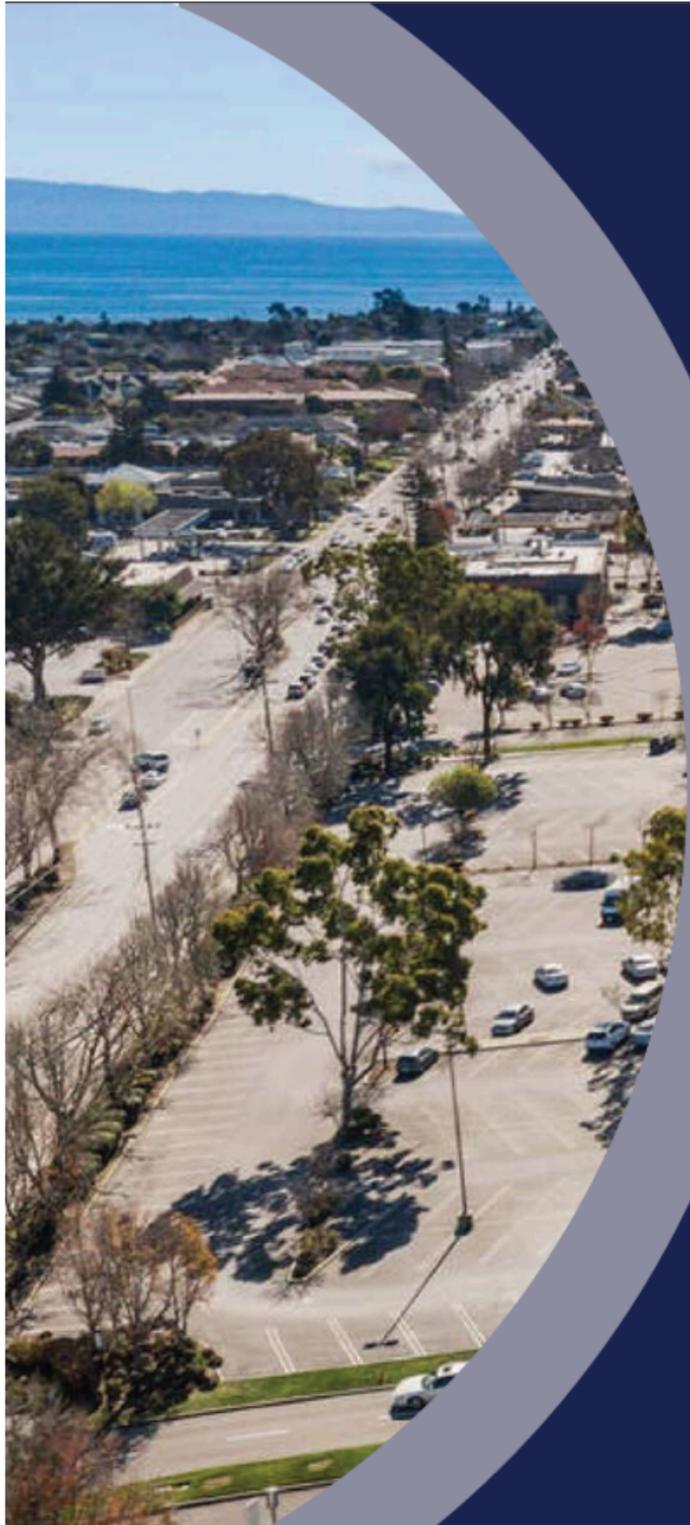
		Sales Tax	TOT	Prop Tax	Motor Vehicle In-	Gas Tax - Residents	2ndary economics	Franchise Tax		AV Res	AV TOT	AV Com	AV Tot
		\$800	\$7,000	7.50%	1	\$55	\$15,000	77		\$625,000	\$350,000	450	
		\$350					40%						
New Units	1,350			\$506,250	\$2,025	\$111,375	\$212,625	\$155,925		\$675,000,000			
New Hotel	120		\$840,000	\$31,500							\$42,000,000		
Specialty Retail	35,000	\$490,000		\$11,813								15,750,000	
General retail	-	\$ -											\$732,750,000
People per unit	1.5												
		\$490,000	\$840,000	\$549,563	\$2,025	\$111,375	\$212,625	\$155,925					
Current Sales Tax	\$398,162												
Current Property Tax	\$72,390												
New Revenue	\$2,361,513												
Lost Revenue	\$470,552												
Net Revenue	\$1,890,960												
Updated Costs	\$1,317,227	50% credit for PD due to reduced commerical, 75% credit for private parks/streets (29% inflation increase)											
Net Impact Kosmont	\$573,733												

\$\$\$ Model

Next Steps

Special Meeting on Monday, March 16 at 5:30 PM





City of Capitola

CORRIDOR PLAN

41st Avenue Clares Street Capitola Road

February 2026



Tesla Dealership

Planning Commission Meeting on March 5 at 6 PM





Potential Village Hotel

120 Monterey Avenue

Zoning Code: Incentive for hotel development
2019 Conceptual Design Application: Five-story,
88-room hotel & 92 onsite parking spaces

Economic Potential:

- City revenue
- Support to Village businesses

Current Status:

- Property not City-owned
- No project or conceptual design application

Questions & Answers

**1 Capitola-Soquel
Chamber of Commerce**

Welcome, Carrie Arnone

**2 Capitola Village & Wharf
Business Improvement Area**

Welcome, Anthony Guajardo

Future Sessions

**March
19**

**Community
Identity**

**March
26**

**Recognition
at Council
Meeting**

See you on March 19 for

Community Identity

Thank
you!

for attending our third session