



## STAFF REPORT

TO: PLANNING COMMISSION

FROM: COMMUNITY DEVELOPMENT

DATE: NOVEMBER 7, 2019

SUBJECT: **1855 41st Avenue**                      **19-0240**                      **034-261-07,-37,-38,-40, and**  
**-52 (034-261-39 Leased)**

Conceptual review for a future redevelopment of the Capitola Mall, in the Regional Commercial zoning district. The concept includes a new open-air design with a main commercial street, 339,131 square feet of new commercial space including a theater, and 637 residential units. The total square footage of the proposed development is 1,123,205 square feet and ranges in height from a single story up to 85 feet..

This project is not in the Coastal Zone.

Environmental Determination: CEQA not applicable for conceptual review.

Property Owner: Merlone Geier Management, LLC

Representative: David Geiser, Filed: 08.30.2019

**RECOMMENDED ACTION:** Receive the presentation by mall owners Merlone Geier Partners of its conceptual plan for redevelopment of the Capitola Mall, receive public comment, and provide input and feedback on the project prior to submission of a formal application.

**APPLICANT PROPOSAL:** The applicant is seeking preliminary feedback on a conceptual design for redevelopment of 31.44 acres of the 46.16-acre Capitola Mall with a mix of commercial, retail, and residential uses (Attachment 1). The anticipated future application will likely include a Planned Development Zoning District, a Vesting Tentative Tract Map, a Development Agreement, a Design Permit, and a Master Sign Program. The main components of the project description include the following:

- The existing building area within the development site is approximately 373,451 square feet. Demolition of the former Sears building (approximately 110,000 square feet), a portion of the existing mall (approximately 124,936 square feet), and the former Takara restaurant building (approximately 8,000 square feet), for a total of 242,936 square feet.
- The project proposes redevelopment with a total of approximately 339,131 square feet of commercial space, including retail, restaurants, fitness, and entertainment uses, for a net reduction of approximately 34,320 square feet. Development of 637 multi-family residential units within one seven-story building and one five-story building. Both buildings would have retail uses “wrapped” around two parking garages.

- Roadway reconfiguration to improve access to the site and to create an internal grid street pattern within the site. This would include realignment of the existing main access drive on 41st Avenue approximately 300 feet to the south, and extension of a new 38th Street from Capitola Road north to Clares Street. An active main street with angled parking, wide sidewalks, and spaces for outdoor dining, informal seating, signage, and landscaping is proposed as part of the project.
- Relocation of the Santa Cruz Metro transit station to a new location between Macy's and Kohl's, which would be accessed from Clares Street.
- Development of at-grade surface and structured parking with a total of approximately 2,614 commercial parking spaces at an overall commercial parking ratio of 4.3 spaces per 1,000 square feet of commercial space. The two residential parking garages would provide approximately 1,098 dedicated residential parking spaces at a ratio of 1.74 spaces per dwelling unit. The 3,712 spaces represent the parking provided for Merlone Geier Partners portion of the site, not the entire mall.
- Construction of new stormwater infrastructure to treat all stormwater on-site through natural and engineered biofiltration systems and methods.
- Development of various pedestrian and bicycle improvements, along with new signage throughout the project.
- The proposed development would have a maximum height of 85 feet.
- The project applicant is also proposing exterior improvements to existing anchor stores, including Target, Kohl's, and Macy's which border the proposed new development.
- The applicant included a master sign program with the conceptual review, which includes monument signs, way finding signs, directional signs, wall signs, and Capitola Town Square signs (Attachment 2).

**BACKGROUND:** In 1975, the mall property was annexed into the City of Capitola and zoned to allow construction of an indoor mall. The first iteration of the Capitola Mall opened in 1977. The mall was renovated and expanded in the late 1980s to include four department stores and approximately 100 shops and restaurants.

Over the past decade, the City has consistently focused on the long-term viability of the Capitola Mall and created specific goals, policies, and actions within the new General Plan (adopted in 2014) to both incentivize and guide and redevelopment at the site.

In 2013, the previous mall owner, the City of Capitola, and Santa Cruz Metro began working together to identify an appropriate location to relocate the transit center. In 2014, all parties conceptually agreed the location between Kohl's and Macy's was the best site for the future transit center, however the project was not implemented.

In 2018, the City adopted a new zoning code which implements the actions outlined in the General Plan to incentivize redevelopment at the mall site, as discussed below.

**DISCUSSION:** The Capitola Mall is 46.16 acres in total and is located on the south side of 41st Avenue between Clares Street and Capitola Road. The existing mall contains a total of 640,631

square feet of building area on ten parcels and is surrounded by a mix of existing commercial development.

The proposed project site consists of the 31.44 acres of the mall owned by the applicant, Merlone Geier Partners. The existing buildings on the development site consist of the indoor mall (181,320 square feet), the former Sears building (110,000 square feet), Kohl's (74,131 square feet), and the former Takara restaurant (8,000 square feet).

The existing mall building, which was constructed in the 1970s and expanded in 1989, is approximately 35 feet high and currently includes 68 retail tenants. The Target, Macy's, and Kohl's buildings are larger anchor retail stores which range from 30 to 40 feet in height.

This staff report will first focus on the project description, then the regulatory framework for mall redevelopment, and conclude with proposed comments from the City's technical review team and other public agencies.

### PROJECT DESCRIPTION

The project proposes demolishing the main interior spine of the mall and Sears building and creating a new open-air town center with a new street grid pattern through the site. Target, Macy's and Kohl's, three major retail anchors within the existing mall, would be retained and incorporated into the site design. As proposed, the project would introduce a mix of new retail and entertainment space (339,131 square feet) and 637 new dwelling units (784,074 square feet). The description of the project design is broken down into the following five zones shown on the site plan.



### *Zone 1 - 41<sup>st</sup> Avenue Frontage (Gateway)*

Along 41<sup>st</sup> Avenue, the project would be accessed through a new gateway entrance to the site at a new signalized intersection with Town Square Way. Four new retail buildings are proposed on the eastern portion of the site along 41<sup>st</sup> Avenue, ranging from 3,700 to 6,800 square feet in size, with surface parking. The new retail buildings are single story ranging from 33 feet to 40 feet in height.

### *Zone 2 – Southeast Block (Sears Block)*

The area between 40<sup>th</sup> Avenue and 38<sup>th</sup> Avenue (including the former Sears building), is proposed to include a mix of commercial retail uses, with 384 dwelling units, up to seven stories in height. The residential building would be built above proposed retail uses and would be wrapped around an eight-level parking structure. The proposed residential units would consist of studio, one-bedroom, and two-bedroom units. Building heights on this portion of the site would be up to 85 feet and blocks would extend for approximately 500 feet along 38<sup>th</sup> Avenue and 300 feet along Capitola Road. The new residential building is proposed 15 feet from Capitola Road and 40<sup>th</sup> Avenue and 12.5 feet from 38<sup>th</sup> Avenue measured from back of curb.

### *Zone 3 – Southwest Block (Target Block)*

In the southwest quadrant of the site, west of 38<sup>th</sup> Avenue, the project proposes 253 dwelling units, up to five stories in height, with retail uses along the new interior Town Square Way. The residential building would wrap around a six-level parking garage. Building heights on this portion of the site would be up to 60 feet. The block along 38<sup>th</sup> Avenue would extend for approximately 600 feet and approximately 220 feet along Capitola Road. The new residential building is proposed 15.5 feet from Capitola Road and 12 feet from 38<sup>th</sup> Avenue measured from back of curb. The existing Target building and parking structure would remain.

### *Zone 4 – Northwest Block (Macy's Block)*

In the northwest quadrant of the development site, the project proposes two new retail buildings, totaling approximately 8,400 square feet, sidewalk and plaza/public realm improvements in front of Macy's, and the relocated Metro transit station. Building heights would be up to 45 feet.

### *Zone 5 - Northeast (Kohl's Block)*

In the northeast quadrant of the site, between 41<sup>st</sup> Avenue and 38<sup>th</sup> Avenue, north of the proposed Town Square Way, the project proposes renovation of a portion of the existing mall, and development of a new 7,900 square foot retail building. Exterior improvements to the existing Kohl's building are also proposed. Building heights would be up to 40 feet.

### *Roadways and Public Spaces*

38<sup>th</sup> Avenue would serve as the main north-south gateway entrance from Capitola Avenue to the proposed residential units and Town Square Way, extending north to Clares Street. Town Square Way would extend from 41<sup>st</sup> Avenue west through the site to Clares Street. Town Square Way would be designed as an active main street with angled parking, wide sidewalks, and areas for outdoor dining, informal seating and gathering, signage, and landscaping.

A direct access from 41<sup>st</sup> Avenue to the Target building is accommodated through a driveway underneath the building in Zones 2 and 3. This pedestrian and auto circulation has been designed to provide vehicular access from the eastern part of the site to the Target building on the southwest portion of the site.

## REGULATORY FRAMEWORK

### General Plan

In 2014, the Capitola City Council adopted the General Plan Update to replace the City's previous 1989 General Plan. The General Plan includes goals to maintain and enhance Capitola's distinctive identity and unique sense of place. The project site is designated as *Regional Commercial (C-R)* in the Capitola General Plan. The C-R designation is intended for general retail and services for Capitola residents and regional visitors. Permitted land uses include shopping malls, auto sales, general retail, personal and business services, restaurants, offices, similar commercial uses, and mixed-use residential projects. The maximum permitted FAR in the C-R designation is 1.5, with a FAR of 2.0 permitted if special criteria are met. The Capitola Mall was identified as a special study area warranting focused attention by the community in an effort to encourage redevelopment. Specific General Plan goals and policies regarding the mall are identified in Attachment 3.

### Zoning Code

The Capitola zoning code was updated in 2018 and incorporates the policies established in the General Plan. As acknowledged in the development standards of Chapter 17.24, when the Capitola Mall site was zoned Regional Commercial (C-R), it was expected that major redevelopment of the mall property may require a rezone, planned development, specific plan, development agreement, or similar process to tailor appropriate development standards for the redevelopment project. The code specifically requires that when an application includes fewer than all parcels within the mall property, the applicant shall demonstrate that the development type, pattern, and site design will be compatible and not unreasonably interfere with future redevelopment of the remaining parcels.

All applications seeking a Planned Development within Chapter 17.36 require conceptual review by both Planning Commission and City Council prior to the submittal of a formal PD application. The current conceptual review application is in fulfillment of this requirement.

### Planned Development Zoning District Process

The purpose of the Planned Development (PD) Zoning District (Chapter 17.36) is to allow for high quality development that deviates from standards and regulations applicable to the other zoning districts (Attachment 4). The PD zoning district is intended to promote creativity in building design, flexibility in permitted land uses, and innovation in development concepts. The PD zoning district provides land owners with enhanced flexibility to take advantage of unique site characteristics and develop projects that will provide public benefits for residents, employees, and visitors.

PD applications must illustrate how the proposed development will be superior to development that could occur under the existing zoning standards, and how it will achieve substantial public benefits. Examples of substantial public benefits identified in Chapter 17.36 include:

1. Affordable housing;
2. Public plazas, courtyards, open space and other public gathering places;
3. New or improved pedestrian and bicycle pathways that enhance circulation;
4. Green building and sustainable development features;
5. Preservation, restoration, or rehabilitation of a historic resource;
6. Public art that exceeds minimum requirements and is placed in a prominent and publicly accessible location;
7. New or enlarged businesses that increase the supply and/or diversity of jobs available to Capitola residents;

8. Increased transportation options for residents and visitors to walk, bike, and take public transit;
9. Public parking in excess of the required number of parking spaces for use by the surrounding commercial district;
10. Publicly accessible parks, open space, and/or recreational amenities beyond the minimum required; and
11. Habitat restoration and/or protection of natural resources beyond the minimum required.

In order to approve a PD application, the Planning Commission and City Council will need to make a finding that the proposed development is superior to development that could occur under the standards applicable in the existing zoning districts.

Also of note, Chapter 17.88: Incentives for Community Benefits is an entirely new zoning chapter that was created to incentivize redevelopment along 41<sup>st</sup> Avenue, including the mall site (Attachment 5). This chapter identifies mechanisms to allow for an increased floor area ratio of 2.0 and increased height of 50 feet on the site in conjunction with the property owner providing community benefits. In order to receive these incentives of height and massing, projects must provide a substantial benefit to the community that exceeds the minimum requirements of local, state, and federal law and advance the goals of the general plan, have adequate public services and infrastructure, and minimize adverse impacts to neighboring properties to the greatest extent possible. The applicant chose to process the application as a Planned Development to request additional height to concentrate the majority of the development on one area of site. Although the application will not be reviewed under this chapter, it provides guidance in terms of desired community benefits as outlined in section 17.88.040 (refer to Attachment 5).

Specific community benefits for the Capitola Mall are identified within section 17.88.040.B as follows:

1. Capitola Mall Block Pattern. Subdivision of the existing Capitola Mall property into smaller blocks with new intersecting interior streets. May include the extension of 40th Avenue south into the mall property to form a new pedestrian-friendly private interior street.
2. Surface Parking Lot Redevelopment. Redevelopment of existing surface parking lots fronting 41st Avenue and Capitola Road while introducing new sidewalk-oriented commercial buildings that place commercial uses along the street frontage.
3. Transit Center. Substantial infrastructure improvements to the transit center on the Capitola Mall property that are integrated with a possible future shuttle system in Capitola. The transit center may be moved to an alternative location consistent with the operational requirements of Santa Cruz Metro.
4. Affordable Housing. Affordable housing that meets the income restrictions applicable in the affordable housing (-AH) overlay zone.

According to the information submitted by the applicant, the exact public benefits will be determined in consultation with the guidance provided by the City during the current conceptual review. During the conceptual review public hearings, the Planning Commission should identify desired public benefits, which could include: pedestrian and bicycle pathways, attracting new or larger businesses, green building and sustainability features, public art, enhanced transportation options, and additional open or public space.

#### Proposed Planned Development Standards

The applicable development standards under the existing *Regional Commercial* designation, as compared to proposed *Planned Development* standards for the site, are shown in the table below.

	C-R Zone	PD Request
Parcel Area, Minimum	5,000 square feet	2 acres
Floor Area Ratio (FAR), Maximum	Up to 1.5*	1.19
Height, Maximum	40 feet	85 feet
Residential Density, Maximum	20 du/acre***	
Setbacks, Minimum		
Front 38 <sup>th</sup> Avenue  40 <sup>th</sup> Avenue  Town Square Way	15 feet (with minimum 10-foot sidewalk)	12 ft. min. setback <u>5 ft. min. sidewalk</u> 15 ft. min. setback <u>5 ft. min sidewalk</u> 15 ft. min setback 6 ft. min sidewalk
Rear	0 feet***	0 feet
Interior Side	0 feet***	0 feet
Street Side (Capitola Road)	15 feet	15 feet
Landscaped Open Space, Minimum	5%	21.7%
Residential Open Space, Common Area		15.7%
Residential Landscape Open Space		11.3%
Parking and Loading		
Shared Parking subject to 17.76.050.E	Parking Study required	4.3 spaces per 1,000 sq. ft. commercial  1.74 spaces per residential unit
*An FAR of up to 2.0 may be allowed if special criteria are met as established in General Plan Action LU-9.3. ** Density limit for Regional Commercial removed from General Plan and pending removal from Zoning Ordinance. ***Unless adjacent to a residential zoning district.		

### Affordable Housing

The Capitola Town Square concept includes 637 residential rental units. Capitola's affordable housing requirement are outlined in Chapter 18.02 of the municipal code. Pursuant to 18.02.030.A, a housing development creating rental housing is required to pay affordable housing in-lieu fees to the City's housing trust fund. The developer has verbally suggested providing affordable housing onsite, rather than the in-lieu fee. For onsite affordable units, the City requires 15 percent of the total housing units be reserved to accommodate moderate, low, or very low income households (18.02.030.A). Within the development agreement for the project, affordable housing can be negotiated including whether or not the housing is developed onsite.

The 2015-2023 Housing Element was adopted by the Capitola City Council on November 25, 2015 and certified by the California Department of Housing and Community Development (HCD) on February 4, 2016. The Housing Element identifies current issues relating to housing and the policies and programs that will be used to address them. A portion of the Housing Element is dedicated to identifying opportunity sites that will satisfy the Regional Housing Needs Allocation (RHNA) requirement from the State Housing and Community Development

Department (HCD). HCD requires that each local jurisdiction plan for a certain number of housing units that are affordable to all income groups. The following table includes the City's 2015 – 2023 RHNA Obligation. The City will be receiving updated RHNA numbers in the next year.

<b>Affordability</b>	<b>RHNA</b>	<b># Units Already Developed</b>	<b>Remaining Units to be Developed</b>
Extremely Low	17	0	17
Very Low	17	0	17
Low	23	0	23
Moderate	26	1	25
Above Moderate	60	49	11
<b>Total</b>	<b>143</b>	<b>5</b>	<b>138</b>

According to the Federal Department of Housing and Urban Development (HUD) and the California Department of Housing and Community Development (HCD), the area median income for a four-person household in Santa Cruz County was \$98,000 in 2019.

California law and some federal housing programs define several income categories based on a percentage of the area median income (AMI) determined by HUD and HCD, as follows:

1. Extremely Low Income – less than 30% of the area median income
2. Very Low Income – less than 50% of the area median income
3. Lower Income - between 51 and 80% of the area median income
4. Moderate Income – between 81 and 120% of the area median income
5. Above Moderate Income – over 120% of the area median income

#### Sign Package

The applicant submitted a master sign program with the conceptual review. The master sign plan identifies the proposed signage on the site and includes specific requests for maximum sign areas per tenant, two types of monument signs, and various wayfinding/directional signs. In the interest of time and providing meaningful feedback on the conceptual review, the master sign program will be brought to the Planning Commission and City Council separate from the conceptual review application. The Planning Commission and City Council may provide general feedback on signs shown in the conceptual review.

#### Subsequent Processing

As described above, because the project includes a PD rezoning, conceptual review must be completed prior to formal application submittal and processing. Environmental review in accordance with the California Environmental Quality Act (CEQA) must be conducted for the project, after the conceptual review process is completed. The City has contracted with a consultant (Dudek) to prepare an Environmental Impact Report for the project. Initial work will begin on the EIR at this time, however, the bulk of the EIR process and work will be completed upon submittal of the formal application.

#### TECHNICAL REVIEW AND OTHER PUBLIC AGENCIES

City staff from each department reviewed the conceptual review application and provided feedback to the applicant team in the form of an incompleteness letter dated September 25, 2019 (Attachment 6). The letter identified project issues and items to be further addressed in subsequent submittals.



### Design Review

New multi-family residential structures and new nonresidential structures require a Design Permit pursuant to Zoning Code section 17.120.030. The design permit process ensures high-quality design, harmony with existing community character, and minimized impacts to surrounding land uses. All design permit applications require review by City staff and City-contracted design professionals including a landscape architect and architect. The City has contracted with architecture/landscape architecture firm RRM Design Group to provide comprehensive peer review of the Capitola Mall PD application. The current contract with RRM Design Group includes two rounds of design review. Although the conceptual review process does not require peer design review, the City commissioned such review to obtain early feedback on the design prior to the applicant's submittal of an official application. The second peer design review will occur upon complete submittal of an official PD application, which is anticipated in January 2020.

On October 18, 2019, RRM met with City staff to complete a site tour and discuss potential issues and comments on the conceptual project plans. Following the meeting, RRM provided the City with feedback related to the: 1) site planning and layout, 2) architecture, 3) public realm and landscape architecture, 4) livability, and 5) engineering. RRM's memo is attached to this report (Attachment 7). Overall, RRM was very impressed with the overall concept of transforming the mall into an open-air, mixed-use town square. The main design comments and issues identified by City staff and RRM are highlighted below.

### *Site Planning*

1. Proposed long block lengths relative to context of blocks within the Central Village.
2. 38th Avenue: Applicant must consider how 38th Avenue will function and what the experience will be for residents and visitors. Need to consider building width, heights, and articulation, pedestrian and bicycle facilities and connections. Other items to consider for 38<sup>th</sup> Avenue include:
  - a. Consider options for this roadway through the site to reinforce the north-south travel and street grid through the site to an intersection on Clares and ultimately Brown's Ranch.
  - b. Consider best alignment and location of transit stop.
3. Alignment of Town Square Way with 41<sup>st</sup> Avenue and Clares Street. Consider the connection of Town Square Way both now and in the long-term to provide best connection with Brown Ranch and Whole Foods plaza access points.
4. Consider rotating buildings located along the frontage of 41<sup>st</sup> Avenue (P-5 and P-4) to be included along the entry of Town Square Way (east of A-5), so they are not orphaned and there is no void in between these buildings. This would create a continued pedestrian space and experience along Town Square Way.
5. Plans do not show much improvement to the 41st and Capitola Road site frontages. Add improvements/elements to make these more modern and improved.
6. Pedestrian circulation seems sparse at exterior of the site, and the overall design creates long paths of travel for pedestrians and bicyclists. Project should include enhanced pedestrian connections to the site and circulation between the uses on the

site. For example, include pedestrian connection to the Kohl's building from Town Square Way.

7. Solar Access: The taller proposed buildings south of Town Square Way have potential to shade the roadway and the shorter buildings north of Town Square Way.

### *Architecture*

1. Concern with 38<sup>th</sup> Avenue buildings not fitting with style and development within Capitola. The 700 linear feet of repetitive design should have increased articulation through use of materials to create a scale and pattern that fits Capitola's eclectic architecture.
2. Architectural features such as corners and open space elements should be enhanced. The transition from common space to residential private open space should be enhanced to create a sense of arrival and privacy (front doors/stoops).
3. Residential Buildings: RRM identified concerns with the lack of architectural connection from the upper stories to the ground plane. The design of these buildings appears as residential buildings placed on top of commercial buildings. Pursue opportunities to continue the exteriors of the upper stories to ground plane.
4. Large graphics lack connection to place. Break up or enhance building design in areas shown with applied graphics and/or introduce authentic art and use to reinforce local character and placemaking.

### *Public Realm/Landscape Architecture*

1. Landscaping for various areas throughout the site could be enhance and expanded. Suggest using consistent and cohesive elements throughout the site, such as benches and pedestrian lighting. Expand upon and carry forward beach theme into project amenities. Pursue opportunities to integrate public art within the pedestrian realm.
2. The proposed courtyards at ground level provide good street presence. There is a concern with solar access to the podium level common open space areas within the residential. Opportunity to refine and improve solar access.
3. Ensure pedestrian realm amenities are sized to accommodate intended activity. For example, the identified dog park area appears undersized.
4. Name of project is Capitola Town Square. The project lacks a true town square or common open space of adequate size to evoke a town square concept/experience.
5. Opportunities to integrate or enhance pedestrian circulation, internal pedestrian pathways, connected bicycle path's etc. Anticipating future resident use, lack of clear, well defined and safe path of travel portrayed for project. Opportunity to create exercise or walk path around/within site.
6. Maintain viable, healthy trees.

7. Shading for outdoor dining areas. Proposed Metro bus station lacks adequate shade trees and landscaping.

### *Livability*

1. Concern with the layouts of some residential unit floor plans shown on Sheets A-36 and A-37. Capitola has strong connection to the outdoors, and as shown, a number of the unit floor plans, including bedrooms, lack adequate layouts and windows to provide adequate natural lighting and outdoor connection.
2. Explain the diversity of project enhancements for different age groups, including families, seniors, young professionals, etc.

### *Civil and Public Works*

1. Clarify the proposed site drainage concepts and how the water will transition to retention basins and storage features.
2. Verify the dimensions of primary roadways through the site are adequate. For example, roadway width of 28 feet adjacent to diagonal parking on Town Square Way may be undersized.
3. Concerns with the location of commercial loading/delivery areas adjacent to and underneath proposed residential units.
4. Intersection of Clares Street and Town Square Way should be signalized with pedestrian crossings, relocating the existing signal on Clares Street by the corner of Macy's.
5. Add a new signal on Clares Street to provide improved access (vehicle and pedestrian) between Capitola Town Square and Brown Ranch Marketplace.
6. At the intersection of Town Square Way and 41st Avenue, the proposed signalized intersection being relocated must align with a driveway and access road for the commercial developments to the east.
7. The proposed development should provide bicycle ingress/egress to the site with bicycle storage options.
8. The proposed development should include active public park space on the site.

### Stormwater

The conceptual plans were sent to the City's stormwater consultant, HydroScience, who provided preliminary comments on the project and design (Attachment 8). HydroScience indicated the project's Preliminary Stormwater Control Plan (Sheet C-55) includes elements of stormwater controls which could be successful for this site; however, additional detail and analysis will be required to determine whether the improvements proposed are consistent with post-construction performance requirements. HydroScience also noted that stormwater runoff retention and infiltration was a challenging constraint for the recent Olive Garden Restaurant due to near surface soils with low infiltration rates. This should be considered early in the project's design and development.

### Stakeholder Agencies

In addition, staff shared the conceptual application with certain stakeholder agencies which provide services to the site. Initial feedback from the agencies/districts are listed below.

City of Santa Cruz Water Department: The project proposes over 500 residential units and therefore requires completion and adoption of a Water Supply Assessment and verification of water supply by the City of Santa Cruz Water Department, in accordance with SB 610 and SB 221. A Water Supply Assessment is a technical analysis, which documents and evaluates the sufficiency of projected water supply to serve a proposed project, required as part of the environmental review process. City staff intends to continue to meet with the City of Santa Cruz Water Department to coordinate the WSA process.

County of Santa Cruz Sanitation District: Reviewed the conceptual plans and commented that Sanitation staff believes it is likely that the increase in flows associated with the project will require some downstream sewer mains to increase in size. The flows from the Capitola Mall appear to flow directly to the large East Cliff pump station, which Sanitation staff anticipates will be able to handle the increase in flows.

City staff has reached out to staff of the Central Fire District and Soquel Union Elementary School Districts regarding the concept. At the time of publishing the report, no comments had been received. City staff will work with Central Fire and Soquel Union Elementary School District to communicate any concerns to Merlone Geier Partners.

### Fiscal Impact

City Staff contracted with Kosmont Companies to prepare a Fiscal Impact Analysis of the conceptual project (Attachment 9). The proposed redevelopment of the site with a mix of retail and residential uses will improve the economic health of the overall shopping center, but depending on the growth in taxable retail sales, it may result in either a slight fiscal benefit or deficit to the City, as compared to the existing mall.

The total annual incremental fiscal revenues from the proposed project are estimated to range from \$850,000 to \$1.2 million per year. The Town Square project would increase the population of the City by approximately 1,115 to 1,275 people, roughly a 12 percent increase above the current population of 10,080. This increase in population would increase the City's expenditures to provide services to the project by approximately \$875,000 to \$1 million per year. As shown in the Fiscal Analysis, the project's fiscal impact could range from a positive impact of \$50,000 per year to a negative impact of \$75,000 per year.

Recent trends in retail sales being captured by e-commerce and big box discounters, provide dismal projections of future retail sales not keeping pace with cost inflation, resulting in greater risk to the General Fund. Diversification of uses on the site combined with possible new financial tools would ensure a stable fiscal project. The Fiscal Impact Analysis identifies the following potential tools available to increase the potential revenues generated and help diversify the revenue base:

- Build a new hotel on the site;
- Establish a Community Facilities District (CFD) Maintenance Fee;
- Enact an Entertainment Tax; or

## GUIDANCE REQUESTED:

Conceptual review allows an applicant to receive preliminary, nonbinding input from the Planning Commission and City Council on a proposed project prior to receipt of a formal permit application. Specifically, staff and the applicant are seeking input on the following:

1. Architectural design, massing, and articulation;
2. Site layout, circulation within the site, and connectivity to adjacent properties;
3. Proposed land uses;
4. Desired public benefits; and
5. Affordable Housing.

These items would be reviewed in a future application and may be negotiated within a development agreement. At this stage, the Planning Commission can provide high-level input and guidance on the above items to inform the applicant's future formal PD application. Also of note, the submitted plans are conceptual and lack necessary detail for a complete zoning review. Additional details will be required at time of official application submittal.

Questions for Planning Commission: Staff is seeking Planning Commission input on the following questions:

1. Does the Planning Commission support the guidance provided by RRM Design regarding the general massing, character, and architectural design proposed?
2. Does the Planning Commission support the guidance provided by RRM Design regarding site circulation or pedestrian and bicycle facilities?
3. Provide general feedback on the proposed mix of uses on the site.
4. What public benefits are desired as part of this project?
5. Provide guidance on affordable housing. Should the affordable housing be provided onsite or in-lieu?

## ATTACHMENTS:

1. Capitola Town Square Conceptual Plans
2. Master Sign Program
3. General Plan Applicable Goals and Policies
4. CMC Chapter 17.36 Planned Development Zoning District
5. Chapter 17A.88 Incentives for Community Benefits
6. Capitola Mall - Incomplete Letter
7. RRM Design Group Conceptual Design Review
8. Hydrosience Stormwater Memo
9. Kosmont Fiscal Impact Analysis

Prepared By: Katie Herlihy  
Community Development Director