

City of Capitola
Housing Element of the General Plan
2023-2031

Re-Adopted Date



JULY 2024 REVISIONS



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Housing Element of the General Plan City of Capitola

Executive Summary

With a population of 9,938¹ persons residing in 5,292¹ dwelling units, the City of Capitola is nearly built out. Capitola's existing housing is uniquely balanced to meet the diverse needs of its residents. Throughout its history, Capitola has served as a vacation destination with a mixture of summer cottages and fairly high-valued single-family homes with ocean views.

Capitola's housing stock comprises approximately 57% multifamily units. Of occupied housing units, approximately 52% are renter-occupied. Capitola has a fairly high population density of 6,211 persons per square mile and a housing unit density of 3,428 units per square mile.² Multiple-family dwellings and mobile home parks are interspersed within and adjacent to single-family neighborhoods. Many of the community's major commercial areas are zoned to encourage mixed uses and a more pedestrian-friendly environment.

The City of Capitola has been, and continues to be, a proponent of affordable housing. It has actively assisted with the construction of new affordable units and the maintenance and improvement of its existing affordable housing stock. From 2014 to 2020, the City completed a comprehensive zoning code update and city-wide rezoning to permit residential and mixed-use development in the commercial and mixed-use zones with no density limits and removed previous barriers to housing. The update included 66 public meetings from August 2014 through July 2019 and an

1 United States Census Bureau, 2020 5-Year Estimates Table.

2 Based on a geographic land area of 1.6 square miles (United States Census Bureau) of the entire City.

additional 9 hearings in 2019 and 2020 for certification by the California Coastal Commission. Subsequently, the City also amended the accessory dwelling ordinance and inclusionary housing ordinance and added an SB9 ordinance and objective standards for multifamily development ordinance.

In this 2023-2031 Housing Element Update, the City of Capitola outlines its plan to identify new opportunities for expanding affordable housing opportunities. This Housing Element identifies housing programs that:

- Identify adequate sites, with appropriate zoning and development standards to exceed the 1,336 units required under RHNA;
- Assist in the development of adequate housing to meet the needs of extremely low-, very low-, low, and moderate-income households;
- Address and remove governmental constraints, including housing for persons with disabilities;
- Conserve and improve the condition of the existing affordable housing stock;
- Preserve assisted housing developments at-risk of conversion to market-rate; and
- Promote equal housing opportunities for all persons.

This Housing Element represents the City's strong commitment to expanding housing choices for all in the community.

Major initiatives and actions include:

- **Adequate Sites:** In anticipation of this Housing Element update, the City completed a comprehensive rezoning program to allow mixed use development in most commercial zoning districts in the City. This action has significantly expanded the City's ability to provide additional and diverse housing opportunities in the community.
- **Development Regulations:** The City has adopted Objective Design Standards to facilitate multifamily housing development and is committed to reviewing its overall development standards, including parking requirements to ensure a range of housing types and sizes can be accommodated in the community.

- **Accessory Dwelling Units (ADUs):** The City is committed to promoting ADUs as an alternative affordable housing options. The City has already developed pre-designed plans available to property owners free of charge. In upcoming years, the City will pursue available resources to enhance the affordability of ADUs.
- **Removal of Development Constraints:** The City will review and revise development standards, including parking requirements, to facilitate the development of a range of housing types and sizes that can meet the diverse needs of the community.
- **Mobile Home Park Assistance:** The City adopted an urgency rent stabilization ordinance for mobile home parks in May 2023 and a regular ordinance in June 2023. This ordinance will stabilize mobile home park rent increases to 5 percent plus CPI, or up to 10 percent of base rent, whichever is less.
- **Housing for Special Needs:** The City will amend the Zoning Code to address the provision of a variety of housing options for persons with special needs.

The City looks forward to the successful implementation of this Housing Element. Annually, the City will conduct an evaluation of its progress. This evaluation will be presented to the Planning Commission and City Council to determine if additional efforts or change in policy direction are warranted.



Chapter 1: Introduction

A. Community Overview

The City of Capitola is a small (1.6 square miles of land area) seaside community located along Monterey Bay in Santa Cruz County (refer to Figure 1-1: Vicinity Map). Soquel Creek generally bisects the community in a northwest-southeasterly direction, with residences and community- and regional-serving commercial uses to the west of the creek, and a mixture of residences and small shops and businesses along the east side of the creek.

Capitola was originally founded in 1869 as California’s first seaside resort. Incorporated as a city in 1949, the village area remains California’s oldest coastal resort and includes one of the region’s most active beaches. Most of the growth in Capitola occurred in the 1970s as the community annexed surrounding land and residential growth accelerated.

Capitola, with a population of 9,938³ persons residing in 5,292³ dwelling units, is nearly built-out. Its housing stock contains a varied and balanced mix of housing types, including single-family houses, multifamily structures, and mobile

3 United States Census Bureau, 2020 5-Year Estimates Table

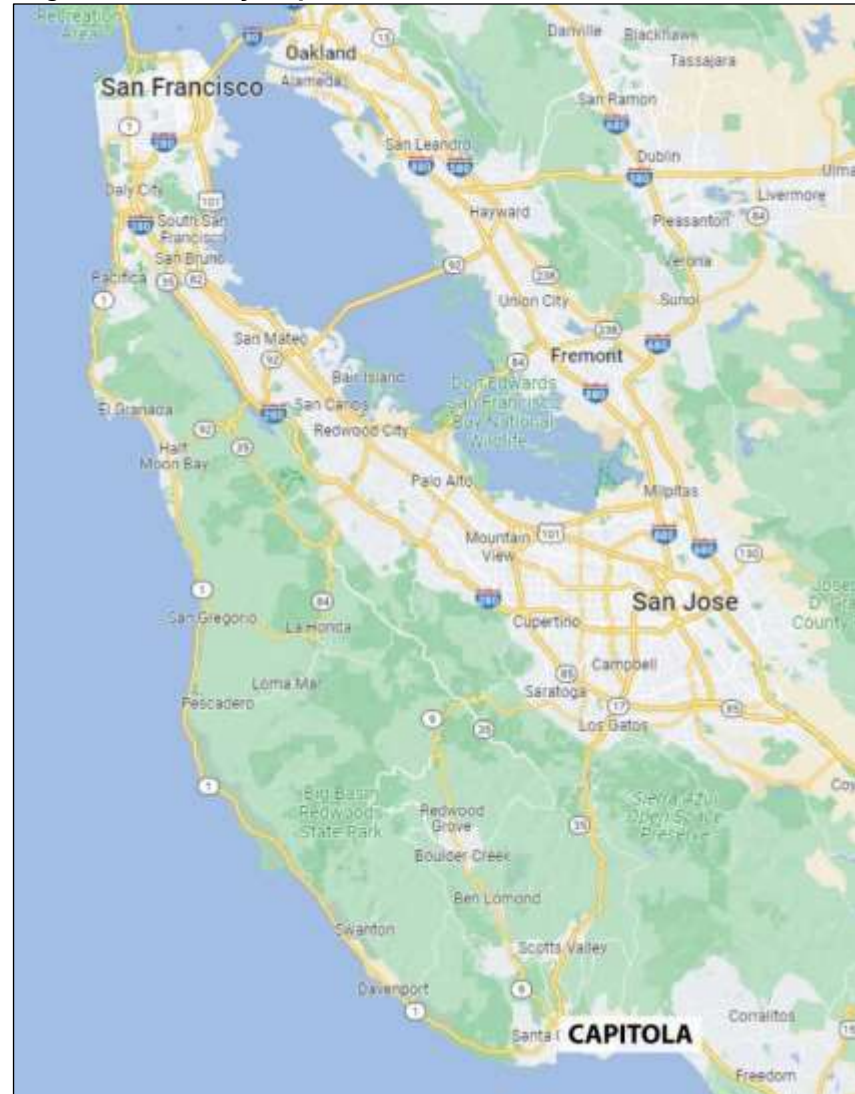
homes. Older Victorian-era homes and small cottages on small lots characterize its older neighborhoods such as Depot Hill, the Village, and parts of the Jewel Box. Cliffwood Heights, the Upper Village, and 41st Avenue, located in the northern portions of the City, are newer, more typical suburban neighborhoods, with most of the housing stock between 40 and 50 years of age (refer to Figure 1-2: Capitola Neighborhoods). New housing, constructed during the past decade, is found on in-fill sites scattered throughout the community.

The City has a residential density of approximately 5,994 persons per square mile. Communities with similar densities include Imperial Beach (5,988), Citrus Heights (5,951), and Rohnert Park (5,901)⁴

B. Purpose of the Element

The provision of adequate housing for families and individuals of all economic levels is an important public goal and has been a main focus for state and local governments. The issue has grown in complexity due to rising land and construction costs, as well as increasing competition for physical and financial resources in the public and the private sectors.

Figure 1-1: Vicinity Map



4 <http://www.usa.com/rank/california-state--population-density--city-rank.htm>

Figure 1-2: Capitola Neighborhoods



In response to this concern, the California Legislature amended the Government Code in 1980. The amendment instituted the requirement that each local community is to include a specific analysis of its housing needs and a realistic set of programs designed to meet those needs. This analysis is to be set forth in a Housing Element and incorporated into the General Plan of each municipality.

The requirements of the law are prefaced by several statements of state policy set forth in §65580 of the Government Code:

“... The availability of housing is of vital statewide importance, and the early attainment of decent housing and a suitable living environment for every Californian ... is a priority of the highest order.”

“... Local and state governments have a responsibility to use the powers vested in them to facilitate the improvement and development of housing to make adequate provision for the housing needs of all economic segments of the community.”

“... The Legislature recognizes that in carrying out this responsibility, each local government also has the responsibility to consider economic, environmental, and fiscal factors and community goals set forth in the general plan and to cooperate with other local governments and the state in addressing regional housing needs.”

C. Legislative Requirements

State law requires each municipality to accomplish the following tasks:

- To identify and analyze the current and projected housing needs of all economic segments of the community, including persons with disabilities.
- To evaluate and remove, as legally feasible and appropriate, the current and potential constraints to meeting those needs, including identifying the constraints that are due to the marketplace and those imposed by the government.
- To identify adequate sites to facilitate and encourage housing for households of all economic levels, including persons with disabilities.

- To establish a series of goals, objectives, policies and programs aimed at responding to the identified housing needs, the market and governmental constraints, and the housing opportunities.

This Housing Element addresses the planning period from 2023 through 2031. It has been prepared in accordance with applicable state law, and consistent with the City of Capitola General Plan and the community’s vision of its housing needs and objectives. For more information regarding compliance with state law, see Chapter 5 of this document.

D. Scope and Content

The Housing Element consists of five major components:

- An analysis of the City’s demographic, housing, and special needs characteristics and trends.
- Review of potential market, governmental, and environmental constraints that impact the City’s ability to address its housing needs.
- Analysis of land, financial, and organizational resources available to address the community’s housing goals.
- Evaluation of the City’s accomplishments toward meeting the goals and objectives of the prior 2015-2023 Housing Element.
- A statement of the Housing Plan for the years 2023-2031 to address the City’s identified housing needs, including the housing goals, policies, and programs.

E. Relationship to Other General Plan Elements

The Government Code requires internal consistency among the various elements of a General Plan. Section 65300.5 of the Government Code states that, “the General Plan and elements and parts thereof comprise an integrated, internally consistent and compatible statement of policies.” The Capitola General Plan 2014 contains the following five elements: 1) Land Use; 2) Open Space and Conservation; 3) Mobility; 4) Safety and Noise; and 5) Economic Development. The Capitola General Plan is internally consistent. Policy direction introduced in one element is reflected in the other elements.

The Capitola General Plan, updated in 2014 with some revisions in 2019, supports a balanced land use pattern that maintains and enhances Capitola’s distinctive identity and unique sense of place. The Housing Element is most directly related to the Land Use Element. Relative to housing, the General Plan identifies constraints and opportunities to providing new affordable housing. The Land Use Element is guided by the principle of sustainable development and supports a pattern of development that protects natural resources, supports economic development, and promotes access to opportunity for all residents. Consistent with its Local Coastal Program policies, the Land Use Element protects and promotes its seashore resources, providing recreational facilities to the community and visitors. It also promotes commercial and mixed-use districts. The City’s residential and mixed use densities allow for an adequate diversity and supply of housing to satisfy the requirements of the Regional Housing Needs Assessment (RHNA) presented in this Housing Element. This Housing Element builds upon the other General Plan elements. It is entirely consistent with the policies and proposals set forth by the Plan.

Pursuant to Government Code §65400, the City will annually review its progress in implementing this Housing Element and ensuring consistency between this Housing Element and the City’s other General Plan Elements.

F. Public Participation

The update to the Housing Element has provided residents and other interested parties with opportunities to review draft documents and proposed policies, and to provide recommendations for consideration by decision-makers pursuant to Government Code §65583. The City has conducted community outreach using several in-person and virtual engagement tools. Public participation efforts have included stakeholder interviews, an online housing questionnaire, a dedicated webpage on the City’s website, two Planning Commission Study Sessions, two City Council Study Sessions, a Joint Planning Commission and City Council Study Session focusing on the sites inventory, and two community workshops. All project materials and notices are posted and advertised on the City’s website and social media platforms, and printed copies were made available at public facilities including the Capitola City Hall to ensure broad access and exposure throughout the City. Additional materials about the public outreach process are located in Appendix B of this Housing Element.

1. Community Outreach Summary

The outreach efforts mentioned above generated a variety of comments and input from the public. Community input and feedback to help to guide preparation of the 2023-2031 Housing Element are summarized below.

Stakeholder Interviews

On November 2, November 3, and November 15, 2022, the City conducted stakeholder interviews through a series of seven virtual video calls. City staff reached out to a variety of stakeholders with known involvement in housing issues or development, commitment to serving special needs populations, or affiliation within organizations that provide a variety of services in the community and/or the immediate Santa Cruz County region. Approximately 19 stakeholders were interviewed, with a range of for-profit and nonprofit developers, local realtors, local school district officials, and business leaders. The interviews generally focused on key issues and ideas of the various groups and representatives for the Housing Element Update. A strong consensus among the stakeholders interviewed emerged regarding the major challenges, ideas, and needs for the community. Following is a list of key/recurring themes heard during the stakeholder interviews:

1. Streamline entitlement and permitting processes to encourage housing developments
 - Streamline entitlement process to minimize risk and entice developers and property owners to build housing
 - Streamline permitting process for ADUs to reduce cost and encourage property owners to build ADUs
2. Encourage partnerships with service organizations and nonprofit organizations to provide housing and/or housing-related services/programs.
 - Consider housing development on available, vacant, or underutilized school district or church/religious institution properties
 - Consider further partnership with nonprofit affordable housing advocates
3. Look for mixed-use commercial/housing opportunities at Capitola Mall site and along 41st Avenue.
 - Revisit the ratio of residential to nonresidential uses for mixed-use product types for greater feasibility

Housing Questionnaire

On November 14, 2022, the City launched an online questionnaire on the Housing Element webpage. A printed poster of the questionnaire availability was also provided at public facilities including City Hall, the library, and the senior center. The questionnaire was made available online until March 21, 2023, with a total of 92 responses. Participants were asked to provide feedback on current housing conditions, concerns, and/or preferences for the Housing Element team to consider. Other questions included demographics, such as age and connection to the City of Capitola, to better understand the profile of participants responding. See Appendix A for Housing Questionnaire Summary and Results.

2. Planning Commission and City Council Study Sessions

On February 2 and February 9, 2023, and June 1 and 8, 2023, virtual study sessions focusing on the Housing Element Update were held with the Capitola Planning Commission and the City Council. Staff and the consulting team made brief presentations to the Planning Commission and City Council that provided an overview of the Housing Element Update process, as well as the City's approach to the Regional Housing Needs Assessment (RHNA). The study sessions were properly noticed, agendized, and advertised on the City's website and social media platforms. Comments from the City Council centered around the sites inventory analysis, ranging from ideas on specific site locations for housing to broader level ideas to streamline and meet the RHNA housing allocation for the City.

3. Community Workshops

On February 16, 2023, the City hosted a community workshop to solicit public input on the 2023-2031 Housing Element. The workshop was advertised on the City's website and social media platforms, as well as flyers posted at public facilities. Invitations to participate were also sent directly to stakeholders via email. Staff and consultants gave a presentation that provided an overview of the Housing Element Update process. A virtual poll was conducted during the presentation to gather feedback from participants to gauge perceived housing needs and preferred locations for potential future housing. The Community Workshop presentation can be furnished by City staff per request. Approximately 50 participants attended the workshop and were able to share their ideas and concepts to address the City's housing needs and trends by participating in a large group discussion at the conclusion of the presentation.

On May 16, 2023, City staff and consultants hosted the second of two community meetings regarding the 2024-2031 Housing Element. The workshop was advertised on the City’s website and social media platforms, as well as materials posted at public facilities. Invitations to participate were also sent directly to stakeholders via email. Staff and consultants gave a presentation that provided an overview and update of the housing element update process. The Community Meeting presentation can be furnished by City staff on request. Participants were able to share their ideas to address the City’s housing needs and trends by participating in a group discussion at the conclusion of the presentation.

4. Joint Study Session with Planning Commission and City Council

On March 16, 2023, a joint study session was conducted with the Capitola Planning Commission and the City Council, focusing on the sites inventory, analysis, and site selection. Staff and the consulting team made a brief presentation to the Planning Commission and the City Council that provided an overview of the sites inventory, analysis, and site selection for potential allocation for the Housing Element. A number of public comments were made during the joint study session, primarily on the issues relating to an existing mobile home park. The joint study session was properly noticed, agendized, and advertised on the City’s webpage and social media platforms.

5. Public Review Draft

On May 10, 2023, the Public Review Draft was published online on City website and printed copies were made available at City facilities, including City Hall and the Capitola Library, for 30 days. Local and regional stakeholders and organizations identified in Appendix B were notified of the availability of the Draft Housing Element for public review.

During the development of the Draft Housing Element and during the 30-day public review of the Draft Element, the City also conducted a community meeting and two public meetings, one before the Planning Commission and one before the City Council, to receive public input. The City also received written comments from residents and other interested parties, including:

- Housing Choices – Developmental Disabilities Housing Needs Analysis for City of Capitola
- Santa Cruz County Regional Transportation Commission
- Communities Organized for Regional Power in Action

- Santa Cruz YIMBY
- Carpenters Union
- Merlone Geier Partners
- Housing Authority of the County of Santa Cruz

Key Comments	Housing Element Responses
Facilitate the development of housing for persons with developmental disabilities.	Program 3.1 Emergency Shelters and Low Barrier Navigation Center, Program 3.2 Transitional and Supportive Housing, Program 3.4 Housing for Persons with Disabilities, and Program 3.5 Housing for Extremely Low Income Households aim at facilitating housing opportunities for persons with special needs, including those with developmental disabilities.
Reduce parking standards and incentivize the development of high-density housing.	Program 1.6 Development Regulations includes actions to review and revise the development standards, including parking and height, to facilitate multifamily housing development.
Support the City’s priority of planning for sites along transit corridors and pursuing the strategy of infill building and higher density.	The sites inventory focuses on high density sites along transportation corridors.
Support a range of strategies to expand affordable housing opportunities, including acquisition of existing properties for conversion into deed restricted units, Community/Tenant Opportunity to Purchase Act (C/TOPA), housing for persons with disabilities, and providing housing assistance.	<p>Program 2.3 Preservation of Rental Housing includes actions to pursue funding for the acquisition/ rehabilitation of rental housing.</p> <p>Program 2.5 Affordable Housing Development includes actions to pursue affordable housing opportunities. However, the City does not currently have the financial capacity to implement C/TOPA programs.</p> <p>Program 2.7 Housing Trust Fund and Program 2.8 Inclusionary Housing Ordinance to potentially reinstate the rental housing component of inclusionary housing.</p> <p>Program 4.1 Security Deposit and Program 4.2 Rental Housing Assistance include specific commitments of the City to provide assistance to renters.</p>
Consider rezoning/upzoning additional properties.	From 2014 – 2020, the City completed a comprehensive zoning code update and rezoning to permit residential and mixed-use development in the City’s commercially zoned properties with no density limits and removed existing barriers to housing. The update included 66 public meetings from August 2014 through July 2019 and an addition 9 hearings in 2019 and 2020 for Certification by Coastal Commission.

Key Comments	Housing Element Responses
<p>Expand opportunities through ADUs, SB 9, and SB 10 and develop an overlay for congregational and educational sites to allow multifamily housing development at higher density.</p>	<p>Program 1.3 Accessory Dwelling Units includes actions to promote ADU development.</p> <p>The sites inventory includes some church sites. Recent changes in state law (AB 2295) allows affordable housing for staff and faculty members to be constructed on properties owned by a local educational agency.</p>
<p>Identify the Housing Authority as an important partner for affordable housing development and to update the Affordable Housing Overlay.</p>	<p>The Resources section includes the Housing Authority as a partner and the Housing Plan has been revised to include an action to update the Affordable Housing Overlay.</p>
<p>Specific site constraints in the redevelopment of Capitola Mall, including height limit, FAR, and ground floor commercial, as well as existing leases on a portion of the site.</p> <p>Increase height and FAR to enable density that Capitola needs in the C-C and C-R districts, including the mall project and other mixed-use development.</p>	<p>The 2019 mall redevelopment conceptual application included 637 units. The City has removed the Kohl's site from the inventory (site 7), and the adjusted number of units on the mall site is consistent with the conceptual application.</p> <p>The Capitola Mall is included in CMC Chapter 17.88 Incentives for Community Benefits. Within the incentive chapter, the mall can receive an increase FAR of 2.0 and height of 50 feet.</p> <p>Also, the mall could build residential next to commercial on the same development site. Within the regional commercial zone, the land use table allows multifamily residential as long as it is part of a mixed-use project integrated with commercial structures located on the same development site. The first story does not have to be commercial.</p> <p>The City of Capitola included funding in the 23/24 budget to fund a study to identify actions the City could take to assist in mall redevelopment. The City has committed to creating a mall redevelopment committee and completing the study. Capitola anticipates forming the committee and initiating the study by September of 2023.</p>
<p>Local hires preference for housing construction.</p>	<p>Policy 2.5 Affordable Housing Development</p> <p>Encourage developers and contractors to evaluate hiring local labor, hiring from or contributing to apprenticeship programs, increasing resources for labor compliance, and providing living wages.</p>

6. HCD Review Draft [\(July 2023\)](#)

In August 2023, the City received additional written comments from Merlone Geier Partners and Santa Cruz Yimby. A shared concern was the sites inventory and reliance on the Capitola mall for the majority of lower-income units. The proposed sites inventory for this Element has been revised to include additional lower-income site capacity at other locations. Updates to the sites inventory has also resulted in a 138-unit buffer of lower-income units.

In addition to changes in the sites inventory, this Housing Element includes several programs to promote affordable housing development throughout the City:

- The expansion of the City's Incentives Community Benefit Ordinance, which will expand the incentivized zone for increased FAR and Height to facilitate mixed use development in commercial areas.
- Continued support of Accessory Dwelling Unit (ADUs): a program has been included to continue the City's support of ADU development, which can help integrate affordable housing into existing neighborhoods throughout Capitola. It is assumed, based on recent trends, that 50 ADUs will be constructed over the next eight years and 20 percent (ten units) will be affordable.
- A program for establishing SB9 Technical Assistance from Planning, Building, and Public Works staff available on request by the end of 2023. An SB guidance document will be created by 2024.
- A program to comply with State law about Religious Facility sites
- A Shopping Center Redevelopment program that, among other things, calls for: Facilitating a mixed income community through a range of housing choices (unit sizes, types, and prices) on site; and a strong sense of place and cohesive urban design both within the site and in relation to the surrounding neighborhoods.
- A program to update the Inclusionary Housing Ordinance feasibility study by October 2026 to ensure that the fees are sufficient to support the development of affordable housing. This ordinance was established to not only develop affordable housing, but to ensure that affordable units are better integrated into the community.

7. Planning Commission Public Hearing

A Planning Commission public hearing was held on October 5, 2023. This hearing was a review of the proposed changes being made to address HCD comments. The Planning Commission provided the following input to staff in preparation of the adoption hearings:

- Have the studies for the Shopping Center and Community Benefits programs determine what steps should be implemented instead of prescribing them now prior to the studies being conducted;
- Create a strategy to engage with the State about future residential development on State-owned properties in the City.
- Support for staff’s recommended changes to the Zoning Code (Housing Mobility) programs including looking at maximum densities in the RM-L and RM-M zones and allowing duplexes on corner lots in the R-1 zones with objective standards.

8. Correspondence Received Prior to City Council Adoption Hearing (November 2023)

A letter was received by the City from Perkins Coie LLP on November 8, 2023. Perkins Coie represents Merlone Geier Partners (MGP), the owner of the majority of the Capitola Mall site, and more specifically Assessor’s Parcel Numbers 034-261-15, -37, -38, 39 and -40. A total of 679 units in the Housing Element site inventory are located on these parcels.

Below are the key points from the MGP letter along with the City’s responses located in this Housing Element:

Merlone Geier Partners Key Comments	Housing Element Responses
Suggest that the City add minimum densities.	In the C-R zone, the City’s Zoning Code does not have any minimum or maximum densities. This was done to allow flexibility and remove potential barriers to redevelopment or housing.
The City based assumptions on the 2019 plan of 20 units per acre at 7 stories	The City included multiple examples of projects with densities at or above 29 units per acre all under 40 feet in height. See pages 4-15 through 4-20 of the housing element.

Merlone Geier Partners Key Comments	Housing Element Responses
<p>In 2024, the City is completing a land use study to identify strategies to initiate mall redevelopment and notes that the City is committed in 2027 to develop alternative strategies to the 6th Cycle RHNA requirement if it becomes apparent that redevelopment of the Mall site is not achievable.</p>	<p>Program 1.7 on Page 5-10 commits the City in 2024 to completing the land use study and developing land use policies to facilitate shopping center redevelopment. It also commits the City, by December of 2025, to update the Zoning Code and adopt development standards to facilitate shopping center redevelopment. This essential second step is not noted in MG comment letter. If the 2025 zoning updates do not initiate redevelopment, then the City will develop alternative strategies. The City is committed to updating the zoning code following the completion of the study.</p>
<p>Request the city increase the maximum FAR from 1.5:1 to 2:1 and remove discretion.</p>	<p>In Program 1.6, the City is committed to updating City Code Section 17.88 to make standards objective. Program 1.6 has been updated to clarify that Mall Redevelopment projects have an FAR of 2.0.</p>

g. HCD Review Draft (April 2024)

Correspondence was received by HCD from Santa Cruz YIMBY. Below are the key points from the MGP letter along with the City's responses located in this Housing Element.

<u>Key Comments</u>	<u>Housing Element Responses</u>
<p><u>Capitola's buffer for low income is now only 2% as the number of low-income homes in the Mall project has significantly dropped.</u></p>	<p><u>The City recognize the low buffer; however, actions have been included in the programs to monitor status and address any shortfall.</u></p>
<p><u>Capitola relies on nonvacant sites for most of their RHNA and >50% of Lower income RHNA. The analysis on realistic development potential and existing uses impeding development is incomplete. It covers only a fraction of sites. Further, modified development constraints apply only to the Mall, so it is lessening the potential that other parcels needed for Lower income RHNA will be developed.</u></p>	<p><u>Realistic capacity was analyzed; which resulted in the buffer being reduced due to the removed/reallocated income distribution for a few sites.</u></p> <p><u>Market economics have changed and based on comments from MGP, higher densities today are preferred and feasible.</u></p>

Capitola has not addressed HCD's comment about evaluating the impact of their Incentives for Community Benefit on housing supply and cost.

Analysis was conducted for the community benefits, including height, FAR and additional incentives for lot coverage, etc.

G. Sources of Information

A number of data sources were used to create the Capitola Housing Element. These resources include:

- County of Santa Cruz Assessor's Office Parcel Information Data
- City of Capitola General Plan
- City of Capitola Community Development and Building Department building permit records
- Association of Monterey Bay Area Governments (AMBAG) Final Regional Housing Needs Allocation Plan 2023-2031, adopted October 2022
- 2010 and 2020 U.S. Census Reports
- 2006-2010 and 2016-2020 American Community Survey, 5-Year Estimates
- California Department of Housing and Community Development, State Income for 2022
- US Department of Finance, E-5 City/County Population and Housing Estimates, 1/1/22
- United States Census Bureau, 5-Year Estimates, 2020

- 2022 Santa Cruz County Homeless Census and Survey
- Comprehensive Housing Affordability Strategy (CHAS) data for 2015-2019 (<https://www.huduser.gov/portal/datasets/cp.html>).
- Various other informational sources were also referenced where appropriate. References to these informational sources are cited where they appear within the text.



Chapter 2: Housing Needs Assessment

A successful strategy for improving housing conditions must be preceded by an assessment of the housing needs of the community and the region. This section of the Housing Element reviews the major components of Capitola’s housing need, including trends in population, households, and the types of housing available. These changes reflect local and regional conditions. Consequently, the regional context is also presented.

The analysis that follows is broken down into four major subsections:

- Section A, Population Characteristics, analyzes the City of Capitola in terms of individual persons and population trends that may affect future housing needs.
- Section B, Household Characteristics, analyzes Capitola in terms of households, or living groups, to see how past and expected household changes will affect housing needs.
- Section C, Housing Stock, analyzes the housing units in Capitola in terms of availability, affordability, and condition.

- Section D, Assisted Housing Developments At-Risk of Conversion, analyzes housing units that have expiring use restrictions. Such projects may be at risk of losing rent restrictions within the next few years, which could result in significant rent increases for their tenants.
- Section E, Regional Housing Needs Assessment (RHNA) looks at the housing units by income category that Capitola must plan for during the 2023-2031 Housing Element planning period.

This assessment of Capitola's housing needs was used as the basis for identifying appropriate policies and programs in this Element.

The most recent demographic data available was from the 2020 U.S. Census report and the 2016-2020 American Community Survey, 5-Year Estimates. Where more recent data was available and appropriate, it was included. Some of these sources provide data on the same topic, but because of different methodologies, the resulting data differ. For example, the decennial census and the ACS report slightly different estimates for the total population, number of households, number of housing units, and household size. This is in part because ACS provides estimates based on a small survey of the population taken over the course of the whole year. Because of the survey size and seasonal population shifts, some information provided by the ACS is less reliable. For this reason, the reader should keep in mind the potential for data errors when drawing conclusions based on the ACS data used in this chapter. The information is included because it provides an indication of possible trends.

A. Population Characteristics

Capitola's population characteristics are important factors affecting the types and extent of housing needs in the City. Population growth, age, race/ethnicity and employment characteristics are discussed in this section.

1. Population Change

According to the State of California, Department of Finance, the City of Capitola had a slight increase in population from 2010 to 2020. During this time Santa Cruz County grew by approximately 3.2%. The fastest growing city within the county, in terms of percentage growth, was Scotts Valley at 5.6%. Table 2-1 indicates population growth trends for Capitola and surrounding communities.

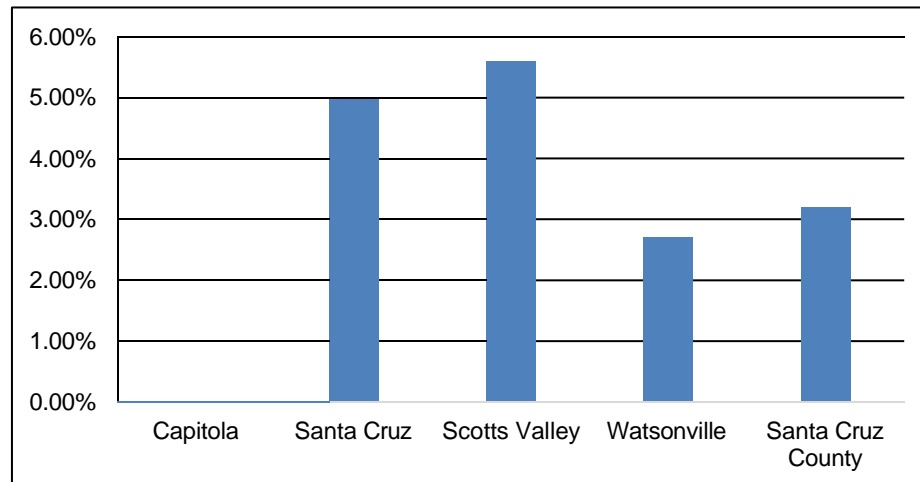
Table 2-1: Total Population of Santa Cruz County Jurisdictions in 2010 and 2020

Jurisdiction	2010	2020	Percentage Change 2010-2020
Capitola	9,918	9,938	+0.2%
Santa Cruz	59,946	62,956	+5.0%
Scotts Valley	11,580	12,224	+5.6%
Watsonville	51,199	52,590	+2.7%
Santa Cruz County	262,382	270,861	+3.2%

Source: 2020 U.S. Census

Figure 2-1 shows the population change between 2010 and 2020 in graphic form, using the California Department of Finance E-5 Estimates shown in Table 2-1.

Figure 2-1: Percent Population Change, 2010-2020



Source: 2020 U.S. Census

Although it has the smallest population of all the jurisdictions in Santa Cruz County, the City of Capitola is among the most densely populated (see Table 2-2). Housing in Capitola is characterized by a large number of housing units per square mile and a small household size. Some of this density occurs in the historic areas such as Capitola Village where small beach bungalows that characterized “Camp Capitola” evolved into permanent single-family housing. The large percentage of multi-residential developments and mobile home parks has also contributed to the community’s higher than average density.

Table 2-2: Housing and Population Densities by Jurisdiction

Jurisdiction	Population per Square Miles ¹	Housing Units per Square Mile ²	Persons per Household ³
City of Capitola	6,235	3,328	2.12
City of Santa Cruz	4,942	1,925	2.41
City of Scotts Valley	2,647	1,136	2.48
City of Watsonville	7,841	2,218	3.63
City of Los Angeles	8,304	2,987	2.77
City of San Francisco	18,629	7,720	2.36

Notes:

¹Total population based on 2020 U.S. Census Estimate divided by the total area in miles of city limits

²Total housing units based on 2020 U.S. Census Estimate divided by the total area in miles of city limits

³Source: 2016-2020 American Community Survey 5-Year Estimates

2. Age Characteristics

The age characteristics of a population are important factors in evaluating housing needs and planning future housing development. For example, if a city is experiencing an outmigration of young adults (ages 25–34), there may be a shortage of first-time homebuyer opportunities and/or well-paying employment opportunities. If a city has a substantial elderly population, special housing types or services may be needed, such as assisted living facilities, housing rehabilitation programs, paratransit, meals on wheels, and home health care services, to enable seniors to remain in the community. Table 2-3 shows the number of Capitola and Santa Cruz County residents in each age group.

Between 2010 and 2020, the median age of Capitolans increased from 42.9 to 45.3 years (see Table 2-3 below). While most age groups declined between 2010 and 2020, the number of city residents aged 5 to 9 doubled and residents age

65 to 74 increased by almost 200% (from 490 residents to 1,427). The median age in Capitola is higher than the County's (45.3 years versus 38.2 years). Median age for the City, as well as the County, is expected to continue to increase as the Baby Boom generation ages.⁵

Table 2-3: Population by Age Group, City of Capitola and Santa Cruz County

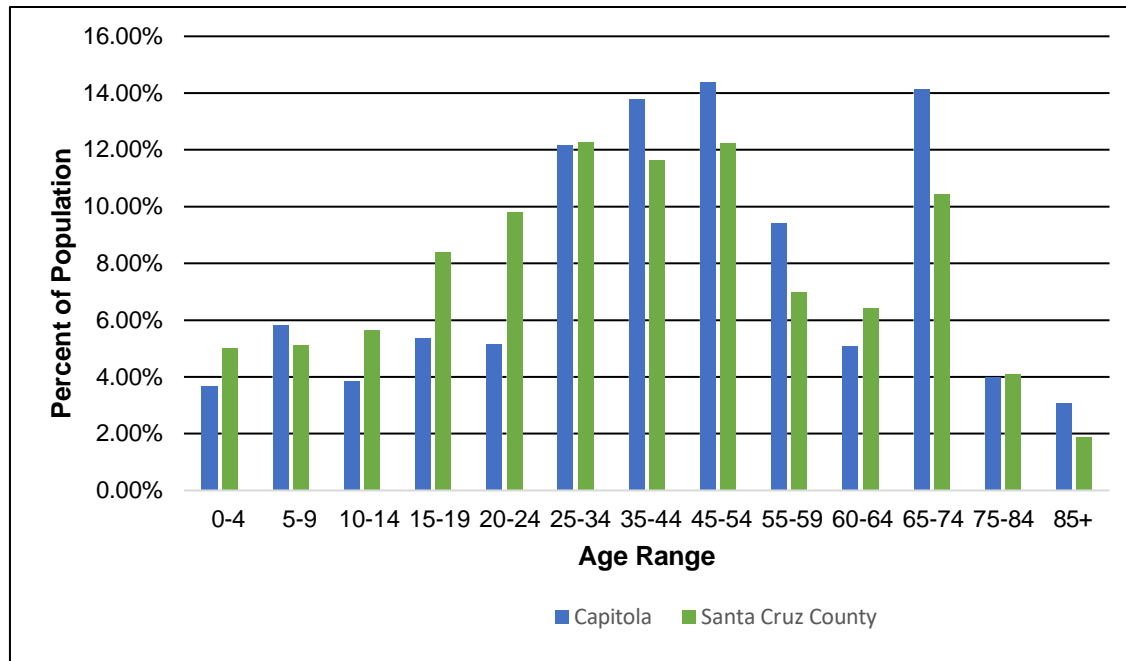
Age Range	City of Capitola					Santa Cruz County	
	2010		2020		% Growth 2010-2020	2020	
	# of Persons	% of Population	# of Persons	% of Population		# of Persons	% of Population
Under 5 years	627	6.4%	371	3.7%	-40.9%	13,661	5.0%
5 - 9	294	3.0%	589	5.8%	100.3%	13,991	5.1%
10 - 14	470	4.8%	389	3.7%	-17.3%	15,432	5.7%
15 - 19	353	3.6%	542	5.4%	53.6%	22,915	8.4%
20 - 24	764	7.8%	520	5.2%	-32.0%	26,816	9.8%
25 - 34	1,392	14.2%	1,229	12.2%	-11.7%	33,559	12.3%
35 - 44	1,186	12.1%	1,391	13.8%	17.3%	31,791	11.6%
45 - 54	1,588	16.2%	1,450	14.4%	-8.7%	33,422	12.2%
55 - 59	951	9.7%	952	9.4%	0.1%	19,084	7.0%
60 - 64	706	7.2%	514	5.1%	-27.2%	17,586	6.4%
65 - 74	490	5.0%	1,427	14.1%	191.2%	28,532	10.4%
75 - 84	568	5.8%	405	4.0%	-28.2%	11,208	4.1%
85 and over	412	4.2%	311	3.1%	-24.4%	5,173	1.9%
Total	9,801	100%	10,090	100%	2.9%	273,170	100%
Median Age	42.9		45.3		-	38.2	

Source: 2006-2010 and 2016-2020 American Community Survey 5-Year Estimates

5 The Baby Boom is defined as the generation of people born between 1946 and 1964, during the post World War II period, when there was a marked increase in the national birth rate.

As seen in Figure 2-2 Capitola has a smaller proportional population of children than the County: 13.2% of Capitolans were aged 14 or younger, while 15.8% of County residents were children in this age group. In contrast, 50.1% of Capitola’s residents were aged 45 or older, while that group comprised 42.0% of the County’s population.

Figure 2-2: Percent of Total Population by Age Group, Capitola and Santa Cruz County



Source: 2016-2020 American Community Survey 5-Year Estimates

These age distributions reflect the local housing stock of Capitola, which has a high percentage of apartments, small homes, and senior housing developments (including senior mobile home parks), and a smaller percentage of family-sized (3 or more bedrooms) units, single-family homes, and owner-occupied units than the county as a whole.

3. Race and Ethnicity

A community’s racial and ethnic composition may have implications for housing needs to the extent that different groups have different household characteristics and cultural backgrounds that may affect housing needs and preferences. Table 2-4 shows the racial and ethnic makeup of Capitola in 2010 and 2020. While the percentage of White residents decreased in the last decade, they still make up the majority of Capitola residents (69%). Hispanic or Latino residents increased from 16% to 23% of residents between 2010 and 2020, while Asian residents increased from 3% to 4% and residents identifying as two or more races increased from 2% to 3%. All other racial and ethnic groups comprise less than 1% of Capitola’s population. The population of the City of Capitola in 2020 had slightly less diversity than Santa Cruz County as a whole (Table 2-4).

Table 2-4: Population by Race and Hispanic or Latino Origin, 2010-2020

Race	2010		City of Capitola 2020			Santa Cruz County 2020	
	# of Persons	% of Population	# of Persons	% of Population	% Change 2010-2020	# of Persons	% of Population
One Race	9,589	97.8%	9,771	96.8%	1.9%	264,286	96.7%
Two or More Races	212	2.2%	319	3.2%	50.5%	8,884	3.34%
White	7,410	75.6%	6,962	69.0%	-6.0%	155,409	56.9%
Black or African American	109	1.1%	21	0.2%	-80.7%	2,610	1.0%
American Indian or Alaska Native	20	0.2%	51	0.5%	155.0%	305	0.1%
Asian	299	3.1%	422	4.26%	41.1%	12,944	4.7%
Native Hawaiian or other Pacific Islander	88	0.9%	0	0.0%	-100.0%	295	0.1%
Some Other Race	41	0.4%	0	0.0%	-100.0%	847	0.3%
Total	9,801	100%	10,090	100%	2.9%	273,170	%
Hispanic or Latino Origin							
Hispanic or Latino (of any race)	1,622	16.5%	2,315	22.9%	42.7%	91,876	33.6%
Not Hispanic or Latino	8,179	83.5%	7,775	77.1%	-4.9%	181,294	66.4%
Total	9,801	100%	10,090	100%	2.9%	273,170	100%

Source: 2006-2010 and 2016-2020 American Community Survey 5-Year Estimates

This comparatively low degree of racial and ethnic diversity may have resulted in part from the high cost of housing in the area as compared to the state, combined with a local employment base made up of relatively low-wage jobs in the service, retail, and tourism sectors. This combination of low-paying jobs and high-cost housing makes it difficult for lower- and moderate-income households to find housing they can afford within Capitola. This can have a disproportionate effect on those racial/ethnic groups that have lower median incomes compared to the overall population, just as it affects other types of lower income households, such as younger workers, single parents, and recent immigrants. For this reason, sufficient affordable housing of all types is needed to ensure fair access to housing in this region for all racial and ethnic groups and to prevent further housing segregation, consistent with fair housing goals and laws. The provision of housing that is affordable to the Capitola workforce would also reduce the need for these workers to commute from out of the area.

4. Employment

Capitola has approximately 1,589 businesses operating within its boundaries. Most of these businesses are retail and service establishments. The majority of the commercial and industrial land in the City is already developed. The primary commercial areas are located on either side of 41st Avenue in the western portion of town and along Bay Avenue just south of Highway 1. The industrial zoned land in Capitola is east of Capitola Avenue and south of Highway 1.

According to the 2016-2020 American Community Survey, there were approximately 5,699 residents in the labor force in Capitola. According to Table 2-5 below, the highest percentage of Capitola residents worked educational services, health care, and social assistance (29.7%) followed by workers in retail trade (13.8%), manufacturing (11.9%), and arts, entertainment, recreation, accommodation and food services (11.8%). It is important to note that the aforementioned industries and associated jobs are not necessarily located within the City of Capitola.

Table 2-5: Employment by Industry (Residents of Capitola)

Industry Type	Number	Percent
Agriculture, forestry, fishing and hunting, and mining	19	0.3%
Construction	286	5.0%
Manufacturing	680	11.9%
Wholesale trade	107	1.9%
Retail trade	786	13.8%
Transportation, warehousing, and utilities	122	2.1%
Information	87	1.5%
Finance, insurance, real estate, rental and leasing	378	6.6%
Professional, scientific, management, administrative	466	8.2%
Educational services, health care and social assistance	1,691	29.7%
Arts, entertainment, recreation, accommodation and food services	671	11.8%
Other, except public administration	219	3.8%
Public administration	187	3.3%
Total	5,699	100%

Source: 2016-2020 American Community Survey 5-Year Estimates

According to the City’s 2022 Annual Financial Report, within the City, the largest employers are:

- Soquel Union School District (198 employees)
- Subaru, Toyota, Kia of Santa Cruz (180 employees)
- Target (170 employees)
- Culinary Enterprises (150 employees)
- Gayle’s Bakery & Rosticceria (140 employees)

Many of these offer service-oriented positions that provide lower to moderate income ranges.

The employment trend projections prepared by the Association of Monterey Bay Area Governments (AMBAG) show an overall 8% increase in employment from 2025 to 2045 (Table 2-6). The financial and professional services sector is expected to experience the greatest percent increase in employment during this period, with the addition of 229 jobs.

Table 2-6: City of Capitola Employment Projections, 2025-2045

Employment Sector	2025	2030	2035	2040	2045	% Change
Agriculture	8	8	8	8	8	0%
Manufacturing	526	529	534	539	544	0%
Skilled Trade	884	906	922	942	962	8.8%
Wholesale	107	107	107	107	107	0%
Retail	3,327	3,354	3,394	3,434	3,469	4.3%
Financial and Professional Services	1,913	1,967	2,023	2,083	2,142	12.0%
Education	370	379	389	399	409	10.5%
Health Care and Social Assistance	1,738	1,777	1,826	1,876	1,926	10.8%
Other Services	2,784	2,872	2,952	3,032	3,112	11.7%
Public	330	335	340	345	350	6.1%
Self-employed	389	399	407	416	425	9.3%
Total	12,376	12,633	12,902	13,181	13,454	8.0%

Source: AMBAG, 2022 Regional Growth Forecast: Technical Document

The unemployment rate in Capitola dropped between 2016 and 2022 (see Table 2-7 below). The trend in unemployment has seen an annual decrease since its peak of 4.1% in 2016. The unemployment rate in Capitola was on average 4.2% lower than the unemployment rate in Santa Cruz County between 2016 and 2022.

Table 2-7: Unemployment Rate, City of Capitola and Santa Cruz County

Jurisdiction	2016	2017	2018	2019	2020	2021	2022*	Net Change
Capitola	4.1%	2.6%	1.5%	1.1%	2.1%	1.8%	1.3%	-2.8%
Santa Cruz County	7%	5.7%	5%	5%	9.5%	6.9%	4.9%	-2.1%

Source: California Employment Development Department, Labor Force and Unemployment Data

*Unemployment rate averaged from monthly unemployment rates through June 2022 from the California Employment Development Department's Labor Force and Unemployment Data

Known as the first resort community on the California coast, Capitola still relies heavily on tourism and retail sales tax. The revenue from tourism increased by 25.3% between 2012 and 2018 (see Table 2-8 below) in Santa Cruz County, illustrating an opportunity for economic growth in visitor-serving businesses.

Table 2-8: Tourism Revenue (in Millions of Dollars), Santa Cruz County

Revenue	2012	2013	2014	2015	2016	2017	2018	2012-2018 % Change
Direct Travel Spending	\$868.1	\$869.5	\$903.6	\$928.1	\$945.7	\$1023.0	\$1088.2	25.3%
Industry Earnings	\$239.8	\$251.7	\$269.8	\$295.9	\$324.6	\$347.6	\$376.2	56.8%
Local Tax Receipts	\$28.4	\$30.0	\$32.5	\$35.5	\$39.5	\$44.5	\$47.1	65.8%
State Tax Receipts	\$40.8	\$41.8	\$43.2	\$43.2	\$42.6	\$43.8	\$49.8	22.1%
Number of Jobs Generated by Tourism	9,450	9,680	10,060	10,470	10,690	11,140	11,403	+21%

Source: Applied Survey Research, 2019 Santa Cruz County Community Assessment Project
Dean Runyan Associates, 2010-2018 California Travel Impacts by County

5. Commuting

According to the 2016-2020 American Community Survey Estimates, 72.7% of Capitola’s working residents were employed outside of Capitola and 12.8% of Capitola’s work force were employed outside Santa Cruz County. The average travel time to work was 22.9 minutes.

As to the mode of transportation used, Table 2-9 shows that the majority of commuters in Capitola drove to work alone (66%). The least popular means of travel was public transportation with less than 1% of the commuters. Approximately 13% of employees worked from home. Given the changes in work trends due to the pandemic, this percentage has likely increased since 2020. These changes in work environments may also have a positive impact on local and regional traffic.

Table 2-9: Commuting to Work

Mode of Travel	Number of Commuters	Percent
Car, truck, or van – drove alone	3,660	66.0%
Car, truck, or van – carpooled	556	10.0%
Public transportation (excluding taxicab)	28	0.5%
Walked	300	5.4%
Other means	249	4.5%
Worked at home	750	13.5%

Source: 2015-2020 American Community Survey 5-Year Estimates

A heavy reliance on automobile use contributes to air pollution and carbon dioxide (CO₂) emissions, which is a contributor to climate change. Lowering CO₂ emissions has been identified as a state goal through the passage of AB 32, the California Global Warming Solutions Act, and SB 375, the Sustainable Communities and Climate Protection Act. The City adopted a Climate Action Plan in 2015. This Plan includes measures to reduce vehicle miles travelled (VMT) and encourage alternative transportation modes such as ridesharing, increased bus ridership, increased bicycle ridership, local uptake of electric vehicles, and public outreach and education about alternative transportation modes (2015 Climate Action Plan, Table 6-1). The proximity of housing to jobs is directly related to the amount of CO₂ emitted. The closer affordable housing is located to jobs, the more likely workers will choose alternative modes of transportation over the automobile or will drive shorter distances.

The City of Capitola already has infrastructure to support alternative modes of transportation. The City is serviced by the Santa Cruz Metro buses, which act as the public transit system for the region. One of the busiest transit stops is located at the Capitola Mall, at the heart of the major commercial district in the City. In 2023, Metro was awarded \$38.6 million from the California State Transportation Agency’s Transit and Intercity Rail Capital Program (TIRCP) to support 24 zero-emission hydrogen-powered buses and associated fueling infrastructure on a regional level. This will increase service frequency while providing clean energy. In addition to encouraging public transit, Capitola offered 15.21 miles of bike paths and bike lanes in 2020 (Table 2-10).

Table 2-10: Bikeway Miles

Jurisdiction	2014	2015	2016	2017	2018	2019	2020
Capitola	14.58	14.58	15.08	15.21	15.21	15.21	15.21
Santa Cruz County*	220.51	221.43	223.28	223.85	225.34	226.29	227.03

Source: Santa Cruz County Regional Transportation Commission, *Annual Bikeway Miles: 2002-2020*

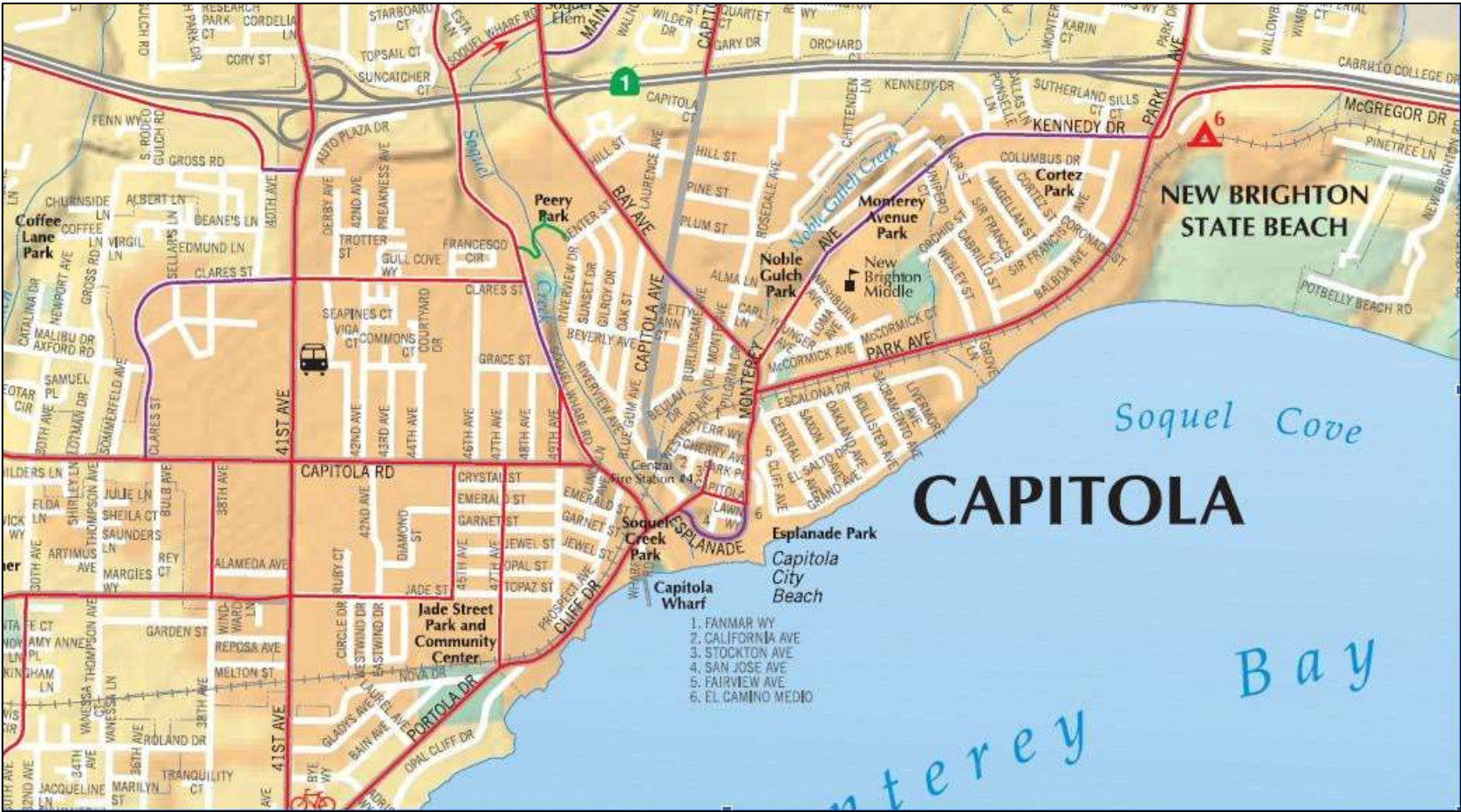
*Santa Cruz County includes incorporated jurisdictions such as the City of Capitola.

The City’s bike lanes extend along all of the major transportation corridors, including 41st Avenue, Bay Avenue, Park Avenue and Capitola Road, and connect Capitola to the immediately surrounding areas of Aptos, Live Oak and Soquel, and beyond to the City of Santa Cruz (Figure 2-3). The City will continue to support alternative modes of transportation and their relation to housing in support of the implementation of SB 375.

The Santa Cruz County Regional Transportation Commission (RTC) adopted the Monterey Bay Sanctuary Scenic Trail (MBSST) Master Plan in November 2013. The Master Plan laid out an overview of the Coastal Rail Trail, a proposed 32-mile-long paved multi-use pathway for bicyclists and pedestrians along the RTC-owned Santa Cruz Branch Rail Line (SCBRL) (Figure 2-4). The Master Plan divided the Coastal Rail Trail into 20 segments. The cities of Capitola, Santa Cruz, and Watsonville, and the County of Santa Cruz all adopted the MBSST Master Plan in 2014.

In December 2022, the County of Santa Cruz applied for, and was awarded, \$67.6 million in competitive grant funding from the California Transportation Commission (CTC) through the State Active Transportation Program (ATP) for Coastal Rail Trail Segments 10 and 11. With matching funds from Measure D, this funding is sufficient to fully fund the Ultimate Trail configuration with construction anticipated to start in Fiscal Year 2026/27. Segments 10 and 11 will create an additional 2 miles of trail through the City from 38th Avenue to New Brighton State Beach. The Capitola Trestle currently is not funded.

Figure 2-3: Capitola Bike Paths/Bike Lanes



Source: Santa Cruz County Regional Transportation Commission, *Local Cities Bicycle Map*, 2010.
 Note: Routes lined in red are bike lines, purple are alternative routes, and green are Class I bike paths

Figure 2-4: Coastal Rail Trail



B. Household Characteristics

Information on household characteristics is an important indicator of housing needs in a community. Income and affordability are best measured at the household level, as are the special housing needs of certain groups such as large families and families with children. As an example, if a community has a substantial number of young family households whose incomes combined with local housing costs preclude the option of home purchases, the city may wish to initiate a home-buyer assistance program or participate in or publicize the programs that are available elsewhere.

The United States Census Bureau defines a “household” as “all persons who occupy a housing unit, which may include single persons living alone, families related through marriage or blood and unrelated individuals living together. The following are also household categories:

- Boarders are included as part of the primary household by the Census.
- Families are households related through marriage, domestic partnership, blood or adoption and includes single-parent households with children.
- A single household refers to individuals living alone.
- “Other” households reflect unrelated individuals living together (e.g., roommates).
- Persons living in retirement or convalescent homes, dormitories, or other group living situations are not considered households.

1. Household Type

As shown in Table 2-11, there were a total of 4,658 households in Capitola according to the 2016-2020 ACS 5-Year Estimates. This is a decrease of 26 households from the year 2010.⁶ Approximately 53% of total households are family households in Capitola, compared to approximately 63% of family households for Santa Cruz County. Nonfamily households made up a larger share of the total number of households in Capitola (47.4%) than in Santa Cruz County (36.8%). While the average household size in Capitola increased from 2.04 persons per household in 2010 to 2.12 in 2020, the average family household size decreased (2.80 versus 2.75). The City of Capitola has a smaller average household and family household size compared to Santa Cruz County.

Table 2-11: Households by Type

Household Type	City of Capitola				Santa Cruz County	
	2010		2020		2020	
	# of Households	% of Total	# of Households	% of Total	# of Households	% of Total
Family Households	2,219	47.4%	2,449	52.6%	60,870	63.2%
Married-Couple Family	1,664	35.5%	1,783	38.3%	46,297	48.1%
Male Householder, No Spouse Present	182	3.9%	209	4.5%	4,855	5.0%
Female Householder, No Spouse Present	373	8.0%	457	9.8%	9,718	10.1%
Nonfamily Households	2,465	52.6%	2,209	47.4%	35,405	36.8%
Single Person Households	1,858	39.7%	1,661	35.7%	24,163	25.1%
Other Nonfamily Households	607	13.0%	548	11.8%	11,242	11.7%
Total	4,684	100%	4,658	100%	96,275	100%
Average Household Size	2.04		2.12		2.70	
Average Family Household Size	2.80		2.75		3.22	

Source: 2006-2010, 2016-2020 American Community Survey 5-Year Estimates

⁶ Vacancy rates in Capitola in 2010 and 2020 are discussed further in this chapter.

As evidenced in Table 2-12, just over half (52.3%) of the households in 2016-2020 were renter-occupied, which is consistent with a high number of nonfamily households and also attests to the high cost of housing in Capitola (discussed in Section C.4, Housing Costs of this chapter). The balance of ownership housing and rental housing changed slightly from 2010 to 2020 with the percentage of ownership housing increasing from 42% to 48%, while the percentage of rental housing decreased from 58% to 52%.

Table 2-12: Households by Tenure

Occupied Housing Units	2010		2020	
	Number	Percent	Number	Percent
Owner	1,976	42.2%	2,222	47.7%
Renter	2,708	57.8%	2,436	52.3%
Total	4,684	100%	4,658	100%

Source: 2000-2010 and 2016-2020 American Community Survey 5-Year Estimates

These household statistics coincide with the age distribution data presented in Table 2-3 and Figure 2-2 earlier in this chapter: Capitola has a relatively low percentage of children and a high percentage of single adults and elderly, both of whom are more likely to be in nonfamily households. The City’s existing pattern of small and/or attached housing units is expected to continue through the current planning period. Many families prefer single-family homes with several bedrooms and a yard. There is very little vacant land available for single-family development in the City. New housing developments to be built in Capitola are expected to be mostly medium and higher density dwellings (either attached or detached), which can also accommodate families comfortably if they are designed with families in mind.

2. Overcrowding

Overcrowding is an indicator of housing affordability. Unit overcrowding is caused by the combined effect of low earnings and high housing costs in a community, and reflects the inability of households to buy or rent housing that provides sufficient living space for their needs. The U.S. Census defines overcrowded households as units with greater than 1.01 persons per room, excluding bathrooms, hallways, and porches. Units with more than 1.5 persons per room are considered severely overcrowded.

According to the 2016-2020 American Community Survey 5-Year Estimates, the incidence of overcrowding in Capitola was minimal, with approximately 3.7% or 171 of the City's households defined as overcrowded, compared with 6.8% County-wide. Estimates indicate that 147 renter households were overcrowded, which means that 86% of all overcrowded households were renters, and 6% of all renter households were overcrowded (Table 2-13). Severe overcrowding (>1.51 persons per room) did not impact any renter or owner households in Capitola.

Table 2-13: Overcrowded Households

Persons per Room	Owner		Renter		Total Overcrowded	
	# of Households*	% of Total	# of Households*	% of Total	# of Households*	% of Total
1.0 or less	2,198	98.9%	2,289	94.0%	4,487	96.3%
1.01 to 1.5	24	1.1%	147	6.0%	171	3.7%
1.51 or more	0	0.0%	0	0.0%	0	0.0%
Total	2,222	100%	2,436	100%	4,658	100%

Source: 2016-2020 American Community Survey 5-Year Estimates
 *Based on the estimate of occupied housing units

3. Household Income

An important factor in housing affordability is household income. While upper income households have more discretionary income to spend on housing, extremely low-, very low-, low-, and moderate-income households are more limited in the range of housing they can afford.

State-Defined Income Categories

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 \$119,300 in 2022.⁷ 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:

- Extremely Low Income – up to 30% of the area median income
- Very Low Income – between 31% and 50% of the area median income
- Low Income - between 51% and 80% of the area median income
- Moderate Income – between 81% and 120% of the area median income
- Above Moderate Income – over 120% of the area median income

These income ranges are used to determine eligibility for various subsidized housing programs. The 2022 income limits for these categories by household size are presented in Table 2-14.

Table 2-14: Santa Cruz County 2022 Area Median Incomes and Income Limits Adjusted by Household Size

Income Category	Maximum Income by Household Size							
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Extremely Low (up to 30% AMI)	\$32,700	\$37,350	\$42,000	\$46,650	\$50,400	\$54,150	\$57,850	\$61,600
Very Low Income (31-50% AMI)	\$54,450	\$62,200	\$70,000	\$77,750	\$84,000	\$90,200	\$96,450	\$102,650
Low Income (51-80% of AMI)	\$87,350	\$99,800	\$112,300	\$124,750	\$134,750	\$144,750	\$154,700	\$164,700
Median Income	\$83,500	\$95,450	\$107,350	\$119,300	\$128,850	\$138,400	\$147,950	\$157,500
Moderate Income (81-120% of AMI)	\$100,200	\$114,500	\$128,850	\$143,150	\$154,000	\$166,050	\$177,500	\$188,950

Source: California Department of Housing and Urban Development, FY 2022 State Income Limits, May 13, 2022

Note: Due to a Hold Harmless policy adopted by HCD, the lower income household income limits would not be decreased from the previous year even if the survey result for the new year shows a decreased median income for the county. This often would result in the lower income limits being higher than the median income.

7 California Department of Housing and Community Development, State Income Limits for 20221

According to the 2015-2019 CHAS data generated for the City, approximately 2,405 low-, very low-, and extremely low-income households were living in Capitola. This means that approximately 54% of households in the City have 80% or less of the Median Family Income for Santa Cruz County. Table 2-15 below includes the number and percentage of households by income category for Capitola.

Table 2-15: Capitola Household Median Family Income

Income Category*	# of Households	% of Households
Extremely Low (up to 30% of HAMFI)	860	19.4%
Very Low Income (31 to 50% of HAMFI)	625	14.0%
Low Income (51-80% of HAMFI)	915	20.5%
Moderate Income (81-100% of HAMFI)	510	11.4%
Above Moderate Income (101% and above of HAMFI)	1,550	34.7%
Total	4,460	100%

Source: HUD CHAS Data Tables, 2016-2020

*Based on Housing Urban Development Area Median Family Income (HAMFI)

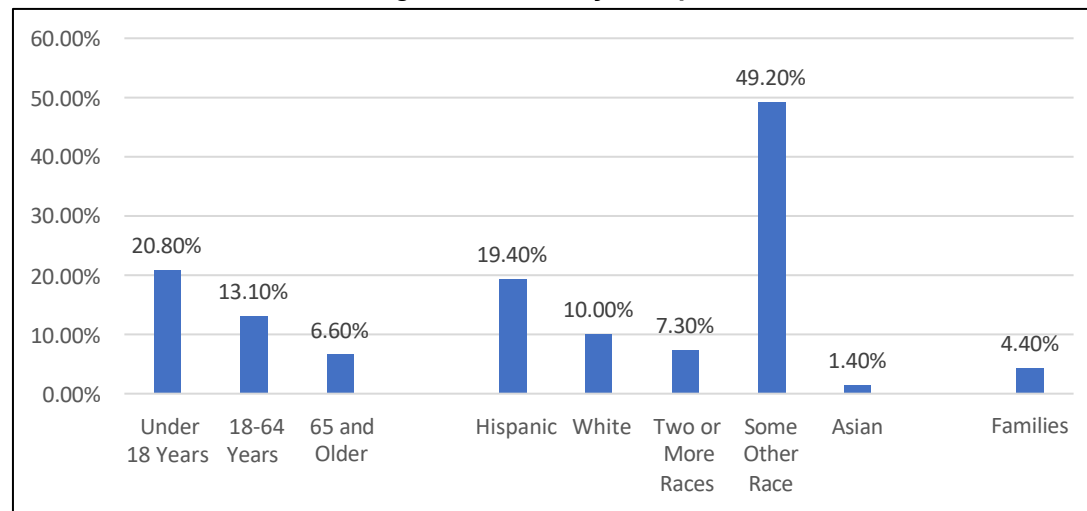
4. Special Needs Groups

State law recognizes that certain households have more difficulty in finding adequate and affordable housing due to special circumstances. Special needs populations include the extremely low-income households, the elderly, large households, persons with disabilities, female-headed households, farm workers, and the homeless population. In addition, many often have lower incomes as a result of their condition.

Residents Living Below the Poverty Level

Residents with incomes below the poverty level are at greatest risk of becoming homeless and typically require special programs to assist them in meeting their rent and mortgage obligations so as to not become homeless. The 2016-2020 ACS 5-Year Estimates identified 13% of Capitola’s residents as living below the poverty line. Figure 2-5 shows further details about poverty in the City. More than 20% of children under the age of 18 live in poverty, compared to 13% of adults age 18 to 64 and 7% of seniors. Regarding race and ethnicity, 10% of White residents, almost 20% of Hispanic residents, 1% of Asian residents, 7% of Two or More races, and 49% of Some Other Race experience poverty in Capitola.

Figure 2-5: Poverty in Capitola



Source: 2016-2020 American Community Survey 5-Year Estimates

Resources for Residents Living Below the Poverty Level

As discussed in the Affordable Housing Development subsection below, there are currently two federally assisted multifamily rental complexes in Capitola. One is the Capitola Supportive Housing Development (formerly Dakota Apartments, at 3245 Clares Street), which has 24 units for very low-income households with one or more persons affected by mobility impairment/traumatic brain injury. The second complex, Bay Avenue Senior Apartments (750 Bay

Avenue), has 109 units and has a 55-year affordability requirement that will expire in 2065. Fifty of the units are restricted to extremely low-income senior households, 30 units have been restricted to very low-income senior households, 28 units have been restricted to low-income senior households and one 2-bedroom unit serves as the manager's unit and is not restricted.

Capitola's Emergency Housing Assistance Program is designed to prevent very low-income Capitola households from becoming homeless due to an unexpected financial event (such as job loss, sudden disability, or major medical expenses), that prevents them from making their regular monthly rent or mortgage payment. The program provides one-time emergency grants for up to four months of rent or mortgage payments. The grants are paid directly to the landlord or mortgage company to prevent the household from being evicted or foreclosed upon. In order to be eligible for this assistance, households must be at or below 50% of median income and must include children, a disabled person, or an elderly person as household members. The program is the Capitola-funded portion of The Shelter Project, administered by the Community Action Board (CAB).

Please also see the Extremely Low-Income Households subsection below for additional resources for persons living below the poverty line.

Extremely Low-Income Households

An extremely low-income household is one that makes less than 30% of the Area Median Income (AMI). According to the 2015-2019 CHAS data generated for the City, 19.3% of households were extremely low-income (Table 2-16). The percentage of extremely low income renters was similar to owners. Over 90% of owner households and 86% of renter households in the extremely low income category experience housing problems, including cost burden (paying more than 30% of household income on housing costs).

Table 2-16: Extremely Low Income Households by Tenure and Housing Problems

	Owner		Renter		Total	
	Households	Percent	Households	Percent	Households	Percent
ELI Households	415	19.8%	445	18.9%	860	19.3%
With Housing Problems*	380	91.6%	385	86.5%	765	89.0%
With Cost Burden	380	91.6%	385	86.5%	765	89.0%
Total Households in Capitola	2,100		2,360		4,460	

Source: HUD CHAS Data, 2015-2019

Note: *Housing Problems are: (1) incomplete kitchen facilities, (2) incomplete plumbing facilities, (3) more than 1 person per room, and cost burden greater than 30%.

Resources for Residents Living Below the Poverty Level

A security deposit assistance program is available through the City, which is designed to aid eligible renters in Capitola, by offering eligible individuals and families assistance to cover a portion of their security deposit. The household income cannot exceed 80% of median income. Applicants must be determined to be eligible before moving in. This program is administered by the Housing Authority of the County of Santa Cruz on behalf of Capitola. Assistance is provided in the amount of up to one month's rent.

As of April 2023, approximately 206 households were participating in the Housing Choice Voucher (HCV) Program, which provides rent subsidies to the voucher holder. The HCV holder typically pays up to 30% of their income on

housing. The difference between the actual rent and what the HCV holder pays is covered by the voucher. Most of these housing units are in multifamily residential developments.⁸

The County's Landlord Incentives Program is designed to assist Section 8 Landlords to reimburse expenses of up to \$5,000 associated with unpaid rent, property damage, vacancy loss, and legal fees. The program is a collaboration of the All In Landlord Partnership, under the auspices of the Homeless Action Partnership (HAP).

The Santa Cruz Public Libraries is a proud partner of the Monterey Bay Aquarium Shelf to Shore Program, which provides free access to the Monterey Bay Aquarium for low-income families. The program, created for families who otherwise could not afford to go, admits up to six family members for a visit.

The 2023-2031 Housing Plan in Chapter 5 addresses the need for more alternative types of housing that will accommodate groups such as extremely low-income households. Please also refer to the Residents Living Below the Poverty Level subsection for additional resources.

Elderly

The special housing needs of the elderly are an important concern in Capitola. Many of the elderly residents in the City are retired and living on a fixed low-income, which puts them at greater risk for housing overpayment. In addition, the elderly maintain special needs related to housing construction and location. The elderly often require ramps, handrails, and lower cupboards and counters to allow for greater access and mobility. In terms of location, because of limited mobility the elderly typically need access to public facilities (i.e., medical and shopping) and public transit facilities. As reported in the 2016-2020 ACS 5-Year Estimates, 1,448 City residents, or 31% of the total population, were 65 years or older. Table 2-17 indicates the number of elderly households by tenure in Capitola compared to Santa Cruz County. In terms of tenure, 1,096 owner-occupied and 352 renter-occupied units were headed by occupants 65 years or older.

8 California Department of Housing and Community Development, AFFH Data Viewer, Accessed March 2023.

Table 2-17: Elderly Householders by Tenure by Age, Capitola and Santa Cruz County

Householder Age	Capitola			Santa Cruz County		
	Owners	Renters	Total	Owners	Renters	Total
65-74 years	766	308	1,074	13,895	3,693	17,588
75-84 years	121	44	165	5,870	1,233	7,103
85 years and over	209	0	209	2,613	962	3,575
Total Elderly Households	1,096	352	1,448	22,378	5,888	28,266
Total Households	2,222	2,436	4,658	58,094	38,181	96,275

Source: 2016-2020 American Community Survey 5-Year Estimates

The median age for the City, as well as the County and the state, is expected to continue to increase. According to a projection by AMBAG the percentage of seniors 65 and over in Santa Cruz County will nearly double between 2015 and 2045.⁹

[Table 2-18](#) shows the number of elderly householders in Capitola by income, tenure, and housing problems. According to the 2015-2018 CHAS data, approximately 77% of households age 62 and over owned their home.¹⁰ Of the total 1,205 elderly owner households, 797 (66%) of the households are extremely low-, very low-, and low-income. In comparison, 305 of the 360 (85%) elderly renter households are extremely low-, very low-, and low-income households. As shown, housing problems and cost burden impact a majority of lower-income elderly households. Renter elderly households are particularly impacted, with 100% of extremely low, very low and low-income households facing housing problems compared to 36% of moderate- and above-moderate income elderly households.

⁹ Association of Monterey Bay Area Governments, 2008, Forecast of Population, Housing and Employment to 2035.

¹⁰ The CHAS data is developed by HUD, which defines seniors as those age 62 or over.

Table 2-18: Elderly Householders by Income and Tenure

Income Category ¹	Elderly ² Owner Households		Elderly Renter Householder		Total Elderly Householder	
	Number	Percent	Number	Percent	Number	Percent
Extremely Low (up to 30% of HAMFI)	215	17.9%	70	19.5%	285	18.2%
With Housing Problems*	200	93%	70	100%	270	94.7%
With Cost Burden	200	93%	70	100%	270	94.7%
Very Low Income (31-50% of HAMFI)	250	20.7%	120	33.4%	370	23.6%
With Housing Problems*	85	34%	120	100%	205	55.4%
With Cost Burden	85	34%	70	58%	155	41.8%
Low Income (51-80% of HAMFI)	330	27.4%	115	31.9%	445	28.5%
With Housing Problems*	115	34.8%	115	100%	230	51.6%
With Cost Burden	115	34.8%	115	100%	230	51.6%
Moderate and Above Moderate Income (81% and above of HAMFI)	410	34.0%	55	15.2%	465	29.7%
With Housing Problems*	80	19.5%	20	36.3%	100	21.5%
With Cost Burden	75	18.2%	20	36.3%	95	20.4%
Total	1,205	100%	360	100%	1,565	100%

Source: HUD CHAS Data Tables, 2015-2019

1. CHAS data is developed by HUD, which does not offer assistance to households with incomes above 80% AMI.

2. Elderly, under federal definition, refers to seniors aged 62 and over

*Housing Problems include housing cost burden over 30%; housing cost burden over 50%; overcrowding; and inadequate housing.

Resources for Elderly Residents

The City has been able to meet the demand for elderly rental housing, and currently has a number of existing affordable housing projects that rent exclusively or primarily to senior citizens. These include the Bay Avenue Senior Apartments (formerly known as Silvercrest Apartments), the Loma Vista Mobile Home Park, and the Shorelife Community Church Neighborhood Manor. In addition, many seniors reside in non-senior-restricted mobile home parks within the City that have converted to cooperative ownership with income eligibility requirements.

Many elderly persons have limited income potential, as they are most often retired and have fixed incomes. While the majority of seniors are homeowners, the number of lower income senior owners and renters who are overpaying for housing remains a general concern moving into the 2023-2031 planning period. To address the housing needs of Capitola’s elderly population, the Housing Element establishes policies and programs to rehabilitate existing senior housing and encourage the development of this type of housing in the future.

The Mid-County Senior Center (MCSC) located in Capitola is a self-supporting non-profit organization dedicated to providing social, recreational, educational and healthy lifestyle activities for seniors. Activities include classes, dances, fitness and wellness among others.

The Santa Cruz County Meals-on-Wheels program provides home delivered meals as well as dining sites in Ben Lomond, and the cities of Santa Cruz and Watsonville.

Large Households

Large households are identified by state housing law as a “group with special housing needs based on the generally limited availability of adequately sized, affordable housing units.” Large households are defined as those with five or more members. According to the 2016-2020 American Community Survey 5-Year Estimates, only 3.9% of all households in the City, or 180 households, were large households. Approximately 43.9% of these large households, or 79 households, were renters, while 56.1%, or 101 households, were homeowners (Table 2-19).

Table 2-19: Householder Size by Tenure

Household Size	Owner		Renter		Total	
	# of Households	% of Households	# of Households	% of Households	# of Households	% of Households
1-4 persons	2,121	95.5%	2,357	96.8%	4,478	96.1%
5 or more persons	101	4.5%	79	3.2%	180	3.9%
Total	2,222	100%	2,436	100%	4,658	100%

Source: 2016-2020 American Community Survey 5-Year Estimates

See Figure 2-6 for detail on household size.

Given the small number of large households in the City, and the relatively low rate of overcrowding, the need for larger housing units does not appear to be one of the most pressing special housing needs in the City at this time.

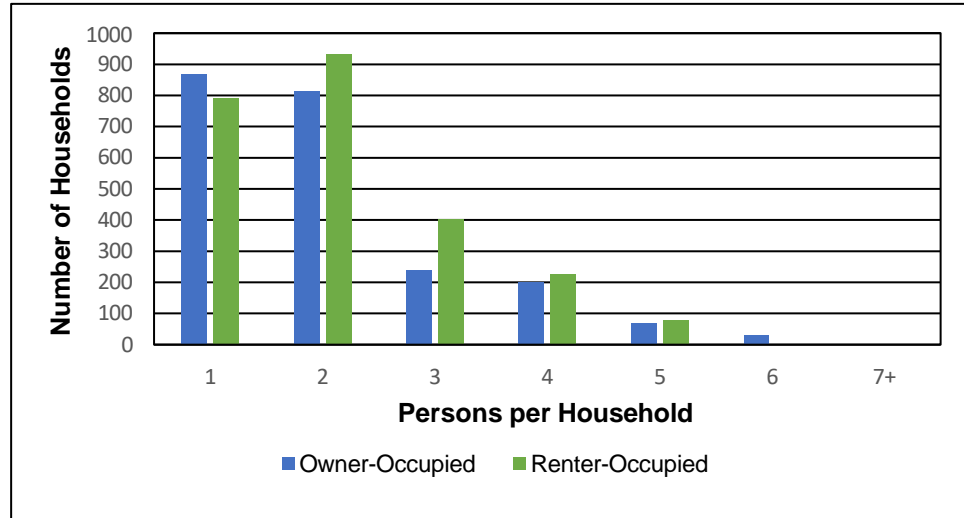
Resources for Large Households

The HCV program and the City’s Security Deposit Assistance and Emergency Housing Assistance programs are available for large households in Capitola. Also, programs that facilitate affordable housing development and diversity of housing types in general will benefit large households.

Persons with Disabilities

According to the Americans with Disabilities Act, a disability refers to a “physical or mental impairment that substantially limits one or more of the major life activities.” Physical and mental disabilities can hinder access to traditionally designed housing units as well as potentially limit the ability to earn adequate income. State and federal laws require that a portion of all rental apartments containing five or more units are made accessible to disabled persons. The cost for retrofitting an existing structure may be thousands of dollars and be beyond the reach of those households with lower incomes. For example, special needs of households with wheelchair-bound or semi-ambulatory individuals may require ramps, holding bars, special bathroom designs, wider doorways, lower cabinets, elevators, and other interior and exterior design features. Furthermore, many lower-income persons with disabilities are likely to require housing assistance.

Figure 2-6: Householder Size by Tenure, Capitola



Source: 2016-2020 American Community Survey 5-Year Estimates

As shown in the 2016-2020 American Community Survey Estimates, 14.2% of the civilian noninstitutionalized population have some form of disability. When looking at disabilities by age, approximately 15% of children (under the age of 18) have a disability, 10% of the population age 18 to 64 have a disability, and 29% of seniors (age 65 and older) have a disability. Table 2-20 shows the type of disability by age group in Capitola. Cognitive difficulties impact residents age 64 and younger at a higher rate than other disabilities, while ambulatory difficulties are the most pronounced for seniors (21.1%).

Housing opportunities for individuals with disabilities can be addressed through the provision of affordable, barrier-free housing. Rehabilitation assistance can be targeted toward disabled renters and homeowners for unit modification to improve accessibility.

Table 2-20: Persons with Disabilities by Age

Disability Status	0-17 years		18-64 years		65 years and over	
	# of Persons	% of Population	# of Persons	% of Population	# of Persons	% of Population
Hearing Difficulty	72	4.5%	156	2.5%	252	12.3%
Vision Difficulty	26	1.6%	140	2.2%	133	6.5%
Cognitive Difficulty	117	9.5%	302	4.8%	186	9.1%
Ambulatory Difficulty	15	1.2%	229	3.6%	433	21.1%
Self-Care Difficulty	15	1.2%	141	2.2%	258	12.6%
Independent Living Difficulty*	–	–	241	3.8%	299	14.6%
Total Population in Capitola by Age Group	1,604	–	6,332	–	2,050	–

Source: 2016-2020 American Community Survey 5-Year Estimates

Note: Residents may have more than one disability

Percent of the total civilian noninstitutionalized population (9,986 persons)

*Independent Living Difficulties are not tabulated for children (under age 18) by the ACS.

Housing opportunities for persons with disabilities will continue to be addressed through the provision of affordable, barrier-free housing. The City’s Zoning Code provides reasonable accommodation procedures. Reasonable accommodation provides a basis for residents with disabilities to request flexibility in the application of land use and zoning regulations or, in some instances, even a waiver of certain restrictions or requirements from the local

governments to ensure equal access to housing opportunities. The Zoning Code also provides for reduced parking standards for group homes and residential care facilities (including long-term care facilities).

One of the obstacles that people with physical disabilities face when seeking accessible housing is that a large percentage of the accessible units now being developed are restricted for senior-only occupancy. As new affordable housing projects are developed, or as existing housing units are rehabilitated and converted to provide affordable and accessible housing, it will be important that these units be financed and regulated in ways that allow for occupancy by households of all age groups.

Resources for Persons with Disabilities

As discussed in the Affordable Housing Development subsection below, there is one federally assisted multifamily rental complex in Capitola for persons with disabilities. The Capitola Supportive Housing Development (formerly Dakota Apartments, at 3245 Clares Street), has 24 units for very low-income households with one or more persons affected by mobility impairment/traumatic brain injury. In addition, two adult residential facilities that provide care for adults ages 18 through 59 with mental health care needs or who have physical or developmental disabilities are licensed in Capitola. These two facilities provide a total of 16 beds.¹¹

The Santa Cruz County In-Home Supportive Services (IHSS) Program helps elderly, blind and disabled people to safely remain in their own homes when they are not able to fully care for themselves or handle routine household tasks. IHSS encourages independence and self-reliance where possible. IHSS is an alternative to out-of-home care in institutions.

Persons with Developmental Disabilities

Senate Bill 812, which took effect in January 2011, requires housing elements to include an analysis of the special housing needs of the developmentally disabled in accordance with Government Code §65583(e). Developmental disabilities are defined as severe, chronic, and attributed to a mental or physical impairment that begins before a person

¹¹State of California Department of Social Services, [Home | California Dept. of Social Services](#).

turns 18 years old. This can include Down Syndrome, autism, epilepsy, cerebral palsy, and mild to severely impaired intellectual and adaptive functioning.

Many persons with developmental disabilities can live and work independently within a conventional housing environment. Individuals with more severe developmental disabilities require a group living environment where supervision is provided. The most severely affected individuals may require an institutional environment where medical attention and physical therapy are provided. Because developmental disabilities exist before adulthood, the first issue in supportive housing for persons with developmental disabilities is the transition from the person's living situation as a child to an appropriate level of independence as an adult.

The California Department of Developmental Services (DDS) currently provides community-based services to approximately 407,020 persons with developmental disabilities and their families through a statewide system of 21 regional centers, 4 developmental centers, and 2 community-based facilities. The San Andreas Regional Center is 1 of 21 regional centers in California that provides point of entry to services for people with developmental disabilities. The center is a community-based, private nonprofit corporation that is funded by the State of California to serve people with developmental disabilities and their families. According to DDS, in December 2021, the San Andreas Regional Center provided services to 86 people living in the 95010 ZIP code (which includes Capitola).¹² Of this total, 15 were under the age of 18 and 71 were over the age of 18. The DDS also included the following information about the 86 regional center consumers:

- 41 persons lived in the home of a parent/family/guardian
- 31 persons lived in independent/supported living
- 14 persons lived in a community care facility

Resources for Persons with Developmental Disabilities

A number of housing types are appropriate for people living with a developmental disability: rent subsidized homes, licensed and unlicensed single-family homes, inclusionary housing, Section 8 vouchers, special programs for home

¹² State of California Department of Developmental Services, Consumer County by California ZIP Code and Residential Type, End of December 2021.
www.dds.ca.gov.

purchase, HUD housing, and SB 962 homes. The design of housing-accessibility modifications, the proximity to services and transit, and the availability of group living opportunities represent some of the types of considerations that are important in serving this need group. Incorporating “barrier-free” design in all new multifamily housing (as required by California and federal fair housing laws) is especially important to provide the widest range of choice for disabled residents. Special consideration should also be given to the affordability of housing, as people with disabilities may be living on a fixed income. Currently, the City is looking into the possibility of assisting the Dakota Apartments with necessary rehabilitation and repairs. The apartment complex includes 24 affordable accessible rental apartments.

As part of the San Andreas Regional Center, the Bayside Adult Day Activity Program offers activities focused on developing work skills for developmentally disabled adults. Also refer to the Persons with Disabilities section above for additional resources.

Single-Parent Family Households

Single-parent households often require special consideration and assistance due to their greater need for affordable and accessible day care, health care, and other supportive services. In particular, many female-headed households with children are susceptible to having lower incomes than similar two-parent households. Single, female mothers also face social marginalization pressures that often limit their occupational choices, housing options and access to supportive services.

Table 2-21 shows the number of single-parent family households in Capitola. According to the 2016-2020 American Community Survey Estimates, there were 457 female-headed households in the City of Capitola, of which 295 had children under the age of 18. These numbers account for approximately 10% and 6%, respectively, of all households in the City. Of the 457 female-headed households, 79 live below the poverty level, which is approximately 2% of the City’s households. Capitola had 209 male-headed households in 2020, with 126 of these households having children under the age of 18, representing 4% and 3%, respectively, of the City’s total households. When looking at poverty, 73 of the male-headed household live below the poverty line, which is 2% of Capitola’s households. In the County, there are 9,718 single female-headed households, of which 4,268 have children under the age of 18. These numbers account for approximately 9% and 4%, respectively, of all households in the County. Male-headed households in the County totaled 4,855 in 2020, of which 2,555 had children under the age of 18, representing 5% and 3%, respectively, of the County’s

households. Female-headed households in the County facing poverty totaled 1,676 (2% of County households) while 642 male-headed households lived below the poverty line (less than 1% of County households). The percentage of single-parent households within the City is similar to the County as a whole.

Table 2-21: Single-Parent Family Households

Household Type	Number	Percent
Total Households	4,658	100%
Total Female Headed Family Households	457	9.8%
With own children under 18 years	295	6.3%
Living below the poverty level	102	2.2%%
Total Male-Headed Family Households	209	4.5%
With own children under 18 years	126	2.7%
Living below the poverty level	56	1.2%

Source: 2016-2020 American Community Survey 5-Year Estimates

In households with young children in which the single parent, or both parents in a two-parent household, work, convenient and affordable childcare is a necessity. According to the Santa Cruz County Child Care Needs Priorities for fiscal year 2020-21, Capitola is a Priority 1 for Santa Cruz County General Child Care and Development Local Planning Council Priorities.¹³ The Childhood Advisory Council of Santa Cruz County is the Local Planning Council for the County. Table 2-22 below shows the childcare expansion priorities for Santa Cruz County, which was last published by the Childhood Advisory Council in 2018. Approximately 11% of children age 0-12 that are qualified for the Child Care and Development/California State Preschool Program are served in Capitola. Therefore, there is a definite need for additional childcare facilities to meet the needs of the City’s younger population.

13 California Department of Education Early Learning and Care Division, Local Planning Council Priorities for Fiscal Year 2020-21. www.cde.ca.gov.

Table 2-22: Child Care Expansion Priorities for Santa Cruz County 2018

Jurisdiction	# of Children 0-12 Who Qualify for CCTR/CSPP ¹ Full Day/Needs Based Child Care	Total Served	% of Qualified Children Served	% of Children Not Served	Priority ²
Capitola	362	41	11%	89%	Priority 1
Aptos	1,189	70	6%	94%	Priority 1
Soquel	765	50	7%	93%	Priority 1

Source: Childhood Advisory Council of Santa Cruz County, *Recommended Subsidy Priority Zip Codes for 2018*.

Notes:

1 CCTR/CSPP – Child Care and Development/California State Preschool Program

2 Priority 1: 40% unserved & more than 150 children

Priority 2: 25% unserved & more than 75 children

Priority 3: 25% unserved & more than 50 children

According to the City of Capitola Municipal Code (17.03.242) a “family day care home” is a home that regularly provides care, protection, and supervision for fourteen or fewer children in the provider’s own home, for periods of less than twenty-four hours per day”.

Family day care homes can be large or small, providing care for up to 14 children in a large home, and up to 8 children in a small home if certain criteria are met. By state law, small family day care homes are principally permitted in all zones without the need for a use permit or local business license. In Capitola all large family day care homes require a Large Family Day Care Home permit from the City. There are no zoning districts that allow large family day care homes as a principally permitted use. Day care centers require a Conditional Use Permit in residential and commercial zones in Capitola.

The Housing Element provides for the needs of this group through policies that promote maintenance and construction of affordable housing, specifically in areas close to commercial districts and transportation corridors, as well as programs to improve the availability of affordable childcare. The City’s Density Bonus Ordinance also provides specific incentives to encourage the development of childcare facilities in conjunction with new affordable housing projects.

Resources for Single-Parent Family Households

In addition to the Childhood Advisory Council of Santa Cruz County information above, other resources are available for single-parent family households. The New Brighton Middle School offers students a safe and fun place to get homework help, a healthy snack, participate in special activities and develop confidence in learning new skills. The program dates follow the Soquel Union Elementary School District (SUESD) calendar and hours vary depending on which school your child attends. The program starts at the end of the school day and ends at 6:00pm Monday-Thursday and 5:00pm on Fridays. Scholarships are available to participants. The City's Recreation Department offers a variety of youth sports and activities that parents can sign up for online.

Farmworkers

The special housing needs of many agricultural workers stem from their lower wages and the insecure nature of their employment. Estimates of the "farmworker" population in the City are extrapolated from individuals who categorize their employment as "Agriculture, Forestry, Fishing and Hunting, and Mining" in the 2016-2020 American Community Survey Estimates. This category also includes people who work in such non-agricultural fields as boating, veterinary services, and landscape and horticultural. Based on these estimates, there are 19 persons, approximately 0.3% of the City's population, engaged in this broad category of agricultural employment.

There are no designated agricultural uses in or immediately adjacent to Capitola. Persons employed in this broad category are most likely associated with fishing or boating activities at the nearby Santa Cruz Small Craft Harbor, forestry activities in the nearby state parks, or landscape and horticultural jobs. Consequently, farmworkers are not expected to be a significant special needs group in Capitola.

Resources for Farmworkers

The Center for Farmworker Families is a nonprofit located in Felton that provides education, advocacy and support to farmworker families Northern California and Mexico. Projects include free in-home tutoring for children of farmworkers, tours of farmworker housing for organizations to outline the difficulties that farmworkers have in obtaining safe, affordable and nearby housing and a supply shed with toiletries and household goods needed by members of the Oaxacan farmworker community.

SER (Service, Employment and Redevelopment) is a national network of community-based organizations (CBOs).¹⁴ In Santa Cruz County, SER's National Farmworker Jobs Program (NFJP) has an office located in Watsonville. This program assists farmworkers with learning skills to either stabilize or advance in their agricultural jobs or obtain employment in new industries. The NFJP also advocates for safe and sanitary farmworker housing.

Housing programs that benefit very low income households, including extremely low income households, such as Housing Choice Vouchers (HCVs) and affordable units can benefit farmworker households.

People and Families Who are Experiencing Homelessness

Homelessness has become an increasingly reported problem throughout the state. Factors contributing to the rise in homelessness included the general lack of housing affordable to low-, very low-, and extremely low-income persons, an increased number of persons whose incomes fall below the poverty level, reductions in public subsidies to the poor, and the de-institutionalization of people with mental illness without adequate support services necessary for independent living.

The 2022 Santa Cruz County Homeless Point-in-Time (PIT) Count and Survey Report completed by Applied Survey Research on the morning of February 28, 2022, found that approximately 2,299 persons were experiencing homelessness in Santa Cruz County. This was an increase of 6% from the 2,167 persons included in the 2019 PIT Count and Survey (see Table 2-23). The homeless population in Capitola in 2022 was 35 unsheltered persons, which was an increase from 6 persons counted in Capitola in 2019 and represents approximately 1.5% of the total homeless population in Santa Cruz County in 2022.

¹⁴ SER National Annual Report, 2022. www.ser-national.org.

Table 2-23: Sheltered and Unsheltered Homeless Population in Capitola and Santa Cruz County

Jurisdiction	2019			2022		
	Unsheltered	Sheltered	Total	Unsheltered	Sheltered	Total
City of Capitola	6	0	6	35	0	35
Santa Cruz County*	1,700	467	2,167	1,774	525	2,299

Source: Applied Survey Research, 2022 Santa Cruz County Homeless Point-in-Time Census & Survey

*Count includes Capitola.

Resources for People and Families Experiencing Homelessness

Capitola recognizes the diversity of needs of homeless people. Therefore, the City participates in inter-jurisdictional efforts to comprehensively address the needs of people who are homeless. Capitola is a participating jurisdiction in Santa Cruz County’s newly created H4HP described above. The cities and county, along with other interested parties, are part of the H4HP to coordinate a regional system for helping people who are experiencing homelessness or at imminent risk of experiencing homelessness.

Although there are no homeless shelters or transitional housing projects currently located in Capitola, the City does provide direct financial support to a number of agencies that provide social services to people and families who are homeless. The City provides community service grants on a 3-year cycle to a number of nonprofit organizations who provide services to homeless individuals. Grant amounts vary by organization and City general fund availability. The majority of grants provided are between \$7,500 and \$15,000. The City has three categories for prioritizing grants geared toward housing/shelter, health and wellness, and the environment.

To decrease the frequency of homelessness, the City also helped fund the redevelopment of the Bay Avenue Senior Apartments, which includes 50 units for extremely low-income seniors and 30 very low-income seniors, 28 low-income seniors, and one onsite manager. Thirty-nine of these units are set aside for chronically ill seniors and five of the units, with funding through the Mental Health Services Act, serve extremely low-income seniors with mental illness who are homeless or who are at risk of becoming homeless.

5. Housing for a Healthy Santa Cruz

A three-year strategic framework was adopted in 2021 to address homelessness in Santa Cruz County. The 2021 to 2024 Housing for a Healthy Santa Cruz Framework (Framework) was published by the County’s Housing for Health Division.^{15,16} The County’s new Housing for Health Partnership (H4HP) will serve as the Continuum of Care (CoC) for the County and County staff will provide leadership and the backbone administrative support to implement the Framework.

The Framework outlined the following causes of homelessness in the County:

- Housing Affordability Gap
- Health Issues Impacting Living Situations
- Lack of Supportive Connections
- Loss of Hope and Sense of Purpose

To address these causes, the Framework includes the following goals and strategies to meet the following: 1) Reduce the number of households experiencing unsheltered homelessness by 50% and 2) Reduce the number of households experiencing homelessness by 25%.

- Goal #1: Improve the effectiveness of all programs in helping people secure housing.
- Goal #2: Expand capacity within the homelessness response system.
- Strategy #1: Build a Coalition – develop a strong and informed action-oriented partnership with leaders and stakeholders within the community.
- Strategy #2: Prevent Homelessness – use targeted prevention and early intervention housing problem solving to help people and families keep or return to housing as quickly as possible.

15 The Housing for Health Division was created in November 2020 within the County of Santa Cruz Human Services Department to support implementation of the Framework and includes a coalition of resources and partners.

16 County of Santa Cruz, Housing for a Healthy Santa Cruz: A Strategic Framework for Addressing Homelessness in Santa Cruz County, January 2021 to January 2024.

- Strategy #3: Increase Connections – expand and improve “Front Door” programs and services including outreach, temporary housing, and supportive services.
- Strategy #4: Expand Permanent Housing – increase permanent housing and income growth resources and opportunities to become housed.

One effort currently underway by the H4HP to implement the Framework is a redesign of the coordinated entry system for housing services. The changes are necessary, because there is insufficient permanent housing to meet the needs of people experiencing homelessness in the County. Only 133 referrals to housing were made in 2022, while over 1,774 persons counted in the 2022 PIT count were living without shelter.¹⁷

6. Emergency Shelters in Santa Cruz County

The emergency shelter system comprises various short-term housing options including permanent shelters with services and case management, temporary winter shelters, and motel vouchers for those with medical emergencies. Some shelters serve special groups, such as families, youth, or severely mentally ill adults, while others serve the general homeless population. Table 2-24 lists the emergency shelters located in Santa Cruz County.

¹⁷ <https://www.homelessactionpartnership.org/GetHelp/CoordinatedEntry.aspx>

Table 2-24: Santa Cruz Emergency Shelters

Agency and Shelter Name/Location	Location	Target Population	Number of Beds
Association of Faith Communities Rotating Faith Shelter	Site Rotates	Mixed	15
Front St Paget Center	831 Paget Avenue Live Oak, CA 95062	Homeless veterans	14
Housing Matters Emergency Shelter Services	115 Coral Street Santa Cruz, CA 95060	Homeless adults	57
Housing Matters Rebele Family Shelter	115 B Coral Street Santa Cruz, CA 95060	Homeless families	90
Housing Matters Recuperative Care Center	115 D Coral Street Santa Cruz, CA 95060	Hospital/ED discharge	12
Monarch Services Mariposa House	Santa Cruz, CA 95060	Domestic Violence victims (women and children)	12
Pajaro Valley Shelter Services Emergency Shelter and Transitional Housing for Families	115 Brennan Street Watsonville, CA 95076	Women and children, no boys over 12	36
Salvation Army Overlook Shelter and Safe Sleeping Site	301 Armory Road Santa Cruz, CA 95065	Mixed	135
Salvation Army Watsonville Shelter	104 Grant Street Watsonville, CA 95076	Mixed	21
Sienna House	108 High Street Santa Cruz, CA 95060	Pregnant women, women with newborns	16
St. Francis Catholic Kitchen Jesus Mary Joseph	132 Lennox Street Santa Cruz CA 95060	Women, children, hospice	12
Teen Challenge, Monterey Bay Grace Harbor Women's Center	55 Brennan Street Watsonville, CA 95076	Women and children	42
Teen Challenge, Monterey Bay Pajaro Rescue Mission	111 Railroad Avenue Royal Oaks CA 95076	Men	35

Source: County of Santa Cruz, Emergency Shelter and Transitional Housing Inventory, March 2023. <https://www.housingforhealthpartnership.org/>

7. Cumulative Needs and Resources for Special Needs Groups in Capitola

Below is a summary of special needs groups in Capitola as well as recent activities and available resources to assist them:

Special Needs Groups

- Approximately 31% (1,448 City residents) were 65 years or older in 2020. In terms of tenure, 1,096 owner-occupied and 352 renter-occupied units were headed by occupants 65 years or older.
- Only 4% of all households in the City, or 180 households, were large households in 2020.
- Approximately 14% of the civilian noninstitutionalized population have some form of disability. When looking at disabilities by age, approximately 15% of children (under the age of 18) have a disability, 10% of the population aged 18 to 64 have a disability, and 29% of seniors (age 65 and older) have a disability. Cognitive difficulties impact residents aged 64 and younger at a higher rate than other disabilities, while ambulatory difficulties are the most pronounced for seniors (21.1%).
- The San Andreas Regional Center is 1 of 21 regional centers in California that provides point of entry to services for people with developmental disabilities. The center is a community-based, private nonprofit corporation that is funded by the State of California to serve people with developmental disabilities and their families. According to DDS, in December 2021, the San Andreas Regional Center provided services to 86 people living in the 95010 ZIP code (which includes Capitola).
- There were 457 female-headed households in the City of Capitola in 2020, of which 295 had children under the age of 18 79 live below the poverty level, which is approximately 2% of the City's households. Capitola had 209 male-headed households in 2020, with 126 of these households having children under the age of 18. When looking at poverty, 73 of the male-headed household live below the poverty line, which is 2% of Capitola's households.
- When looking at agricultural employment, there are 19 persons, approximately 0.3% of the City's population, engaged in this broad category of agricultural employment.
- The homeless population in Capitola in 2022 was 35 unsheltered persons, which was an increase from 6 persons counted in Capitola in 2019 and represents approximately 1.5% of the total homeless population in Santa Cruz County in 2022.

Support, Projects and Resources

Housing Developments

- Capitola Supportive Housing Development (formerly Dakota Apartments, at 3245 Clares Street), which has 24 units for very low-income households with one or more persons affected by mobility impairment/traumatic brain injury. The City is currently working with the Dakota Apartment toward rehabilitation and preservation of affordable units for persons with disabilities. Bay Avenue Senior Apartments (750 Bay Avenue), has 109 units and 50 of the units are restricted to extremely low-income senior households, 30 units have been restricted to very low-income senior households and 28 units have been restricted to low-income senior households. The Loma Vista Mobile Home Park and the Shorelife Community Church Neighborhood Manor also have senior housing. In addition, many seniors reside in non-senior-restricted mobile home parks within the City that have converted to cooperative ownership with income eligibility requirements.
- Two Adult Residential Facilities provide care for adults ages 18 through 59 with mental health care needs or who have physical or developmental disabilities are licensed in Capitola. These two facilities provide a total of 16 beds.

Local Resources and Facilities

- The Mid-County Senior Center (MCSC) is located in Capitola, this self-supporting non-profit organization is dedicated to providing social, recreational, educational and healthy lifestyle activities for seniors. Activities include classes, dances, fitness and wellness among others.
- The City's recreation department created a new partnership with the local schools to provide after-school care with special funds to assist low-income families.

Capitola Funding for Assistance and Programs

- Capitola's Emergency Housing Assistance Program is designed to prevent very low-income Capitola households from becoming homeless due to an unexpected financial event- (such as job loss, sudden disability, or major medical expenses)-. The program provides one-time emergency grants for up to four months of rent or mortgage payments and the grants are paid directly to the landlord or mortgage company to prevent the household from

being evicted or foreclosed upon. In order to be eligible for this assistance, households must be at or below 50% of median income and must include children, a disabled person, or an elderly person as household members.

- A Security Deposit Assistance Program is available through the City, which is designed to aid eligible renters in Capitola, by offering eligible individuals and families assistance to cover a portion of their security deposit. The household income cannot exceed 80% of median income.
- In 2017, the City was awarded a CDBG grant for housing rehabilitation for up to \$7,500 to senior citizens, disabled persons, and income eligible Capitola residents. The program allowed residents to invest in a variety of home improvements for energy and water efficiency. The program was available for mobile homes, condos, townhomes, and single-family homes.
- The City of Capitola Recreation Department offers a variety of youth sports and programs.
- Capitola allocated funds out of the youth and early childhood funds of Measure J to offset the cost associated with large home daycare facilities
- The City provides direct financial support to a number of agencies that provide social services to people and families who are homeless. The City provides community service grants on a 3-year cycle to a number of nonprofit organizations who provide services to homeless individuals. Grant amounts vary by organization and City general fund availability. The majority of grants provided are between \$7,500 and \$15,000. The City has three categories for prioritizing grants geared toward housing/shelter, health and wellness, and the environment.

Participation in Federal, State, County and Non-Profit Programs

- As of April 2023, approximately 206 households were participating in the Housing Choice Voucher (HCV) Program, which provides rent subsidies to the voucher holder. The HCV holder typically pays up to 30% of their income on housing.
- The County's Landlord Incentives Program is designed to assist Section 8 Landlords to reimburse expenses of up to \$5,000 associated with unpaid rent, property damage, vacancy loss, and legal fees. The program is a collaboration of the All In Landlord Partnership, under the auspices of the Homeless Action Partnership (HAP).
- The Monterey Bay Aquarium Shelf to Shore Program provides free access to the Monterey Bay Aquarium for low-income families. The program, created for families who otherwise could not afford to go, admits up to six family members for a visit.

- The Santa Cruz County Meals-on-Wheels Program: provides home delivered meals as well as dining sites in Ben Lomond, city of Santa Cruz and Watsonville.
- The Santa Cruz County In-Home Supportive Services (IHSS) Program helps elderly, blind and disabled people to safely remain in their own homes when they are not able to fully care for themselves or handle routine household tasks.
- The Bayside Adult Day Activity Program offers activities focused on developing work skills for developmentally disabled adults.
- The Childhood Advisory Council of Santa Cruz County is the Local Planning Council for the County and has established childcare expansion priorities throughout the County. Approximately 11% of children aged 0-12 that are qualified for the Child Care and Development/California State Preschool Program are served in Capitola. Therefore, there is a definite need for additional childcare facilities to meet the needs of the City's younger population.
- The New Brighton Middle School offers students safe and fun place to get homework help, a healthy snack, participate in special activities and develop confidence in learning new skills. The program dates follow the Soquel Union Elementary School District (SUESD).
- The Center for Farmworker Families is a nonprofit located in Felton that provides education, advocacy and support to farmworker families Northern California and Mexico.
- SER (Service, Employment and Redevelopment) is a national network of community-based organizations (CBOs). In Santa Cruz County, SER's National Farmworker Jobs Program (NFJP) has an office located in Watsonville. This program assists farmworkers with learning skills to either stabilize or advance in their agricultural jobs or obtain employment in new industries.

C. -Housing Characteristics

A housing unit is defined as a house, apartment, mobile home, or a single room occupied as a separate living quarters or, if vacant, intended for occupancy as a separate living quarters. Separate living quarters are those in which the occupants live and eat separately from any other persons in the building and that have direct access from the outside of the building or through a common hall. A community's housing stock is the compilation of all its housing units.

1. Housing Growth

According to the U.S. Census and ACS 5-Year Estimates, from 2010 to 2020 there was a decrease of 49 housing units in Capitola for a total of 5,485 housing units. As seen in Table 2-25, the number of occupied housing units has stayed nearly the same between 2010 and 2020 despite the decrease in housing units. The slowing rate of construction is primarily due to the fact that most of the vacant, easily developable parcels in the City were built out during the prior decades. In 2023, the City had two remaining vacant parcels citywide; all others have been developed.

Table 2-25: Total Number of Housing Units

Year	# of Housing Units	# of Occupied Housing Units
2020	5,485	4,624
2010	5,534	4,626

Source: 2020 and 2010 U.S. Census

2. Housing Type

The majority of Capitola’s housing units are multifamily attached units. As summarized in Table 2-26 below, single-family detached homes comprise approximately 30% of the housing stock, with another 11% that is single-family attached (townhomes with independent exterior walls and utilities). In comparison, 63% of the County’s housing units are single family detached homes, which is due in part to the rural nature of much of the County’s land area.

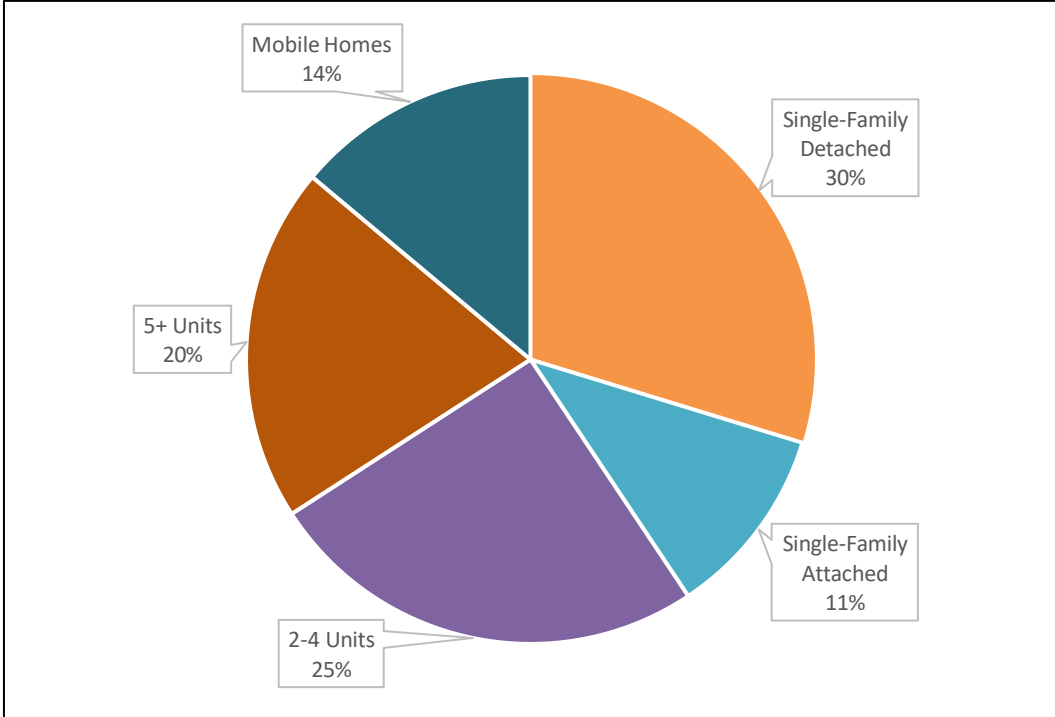
Table 2-26: Housing Units by Type, Capitola and Santa Cruz County

Unit Type	City of Capitola				% Change 2010-2020	Santa Cruz County	
	2010		2020			2020	
	# of Units	% of Units	# of Units	% of Units		# of Units	% of Units
Single-Family Detached	1,638	29.7%	1,634	29.7%	-0.2%	66,913	62.9%
Single-Family Attached	594	10.7%	598	10.9%	0.7%	9,584	9.0%
2-4 Units	1,391	25.1%	1,386	25.2%	-0.4%	9,751	9.2%
5+ Units	1,118	20.2%	1,104	20.2%	-1.3%	13,145	12.4%
Mobile Homes	793	14.3%	763	13.9%	-3.8%	6,952	6.5%
Total	5,534	100%	5,485	100%	-0.9%	106,345	100%

Source: 2010 US Census, Department of Finance E-5 City/County Population and Housing Estimates, 2010-2020

In the 2016-2020 American Community Survey Estimates, multifamily developments with 20 or more units in a structure comprised 8% of Capitola’s housing stock, compared to 6% for the County. Capitola also has a larger percentage of mobile home units, 11% compared to 6% for the County. Mobile homes in Capitola are installed in eight mobile home parks varying in size from 36 to 114 units. The relative proportion of the City’s housing units in each type of structure is shown in Figure 2-7 below.

Figure 2-7: Percent of Capitola Housing Units by Type



Source: DOF E-5 City/County Population and Housing Estimates, 2020

3. Age and Condition of Housing Stock

Most homes begin to exhibit signs of decay when they approach 30 years of age. Common repairs needed include new roofs, wall plaster, and stucco. Homes 30 years or over with deferred maintenance require more substantial repairs, such as new siding, plumbing, or multiple repairs to the roof and walls. According to the 2016-2020 American Community Survey approximately 78% of Capitola’s housing stock is over 30 years old (built prior to 1990) (Table 2-27).

Table 2-27: Year Structure Built

Year Structure Built	# of Units	% of Units
Built 2014 or later	65	1.2%
Built 2010 to 2013	210	4.0%
Built 2000 to 2009	304	5.7%
Built 1990 to 1999	572	10.8%
Built 1980 to 1989	802	15.2%
Built 1970 to 1979	1,036	19.6%
Built 1960 to 1969	1,066	20.1%
Built 1950 to 1959	566	10.7%
Built 1940 to 1949	264	5.0%
Built 1939 or earlier	407	7.7%
Total housing units*	5,292	100%

Source: 2016-2020 American Community Survey 5-Year Estimates

*Total is not representative of total housing units; this table counts only new structures built and not units demolished

Substandard Housing Conditions

The 2016-2020 American Community Survey provides data about the conditions of the City’s existing housing stock (Table 2-28). In general, the housing stock in Capitola is good. None of the owner-occupied units in the City have substandard conditions (lacking plumbing or kitchen facilities) and 1% of renter-occupied households lack kitchen facilities. Overall, in the City, substandard conditions are lower than in Santa Cruz County.

Table 2-28: Lack of Complete Facilities by Tenure

Facility Type	Owner Occupied	Renter Occupied	Total Households	Santa Cruz County
Lacking Complete Kitchen Facilities	0%	1.0%	0.5%	1.0%
Lacking Complete Plumbing Facilities	0%	0%	0%	0.4%
Total Households	2,222	2,436	4,658	96,275

Source: 2016-2020 American Community Survey 5-Year Estimates

Possible code violations can be reported to the City’s Code Enforcement division. Since 2015, the City has received 56 code violation complaints regarding substandard structures, of which only one was for the absence of a kitchen within an accessory dwelling unit (ADU). The list of complaints noted unsafe conditions related to decline of outdated structures including leaking roofs, mold, and issues with electricity. Capitola required improvement on the ADU to comply with building code to include a kitchen. The City is not aware of any additional units needing rehabilitation or replacement as observed by staff inspectors while in the field.

4. Housing Costs

Housing costs are driven by the price of raw land, infrastructure costs (e.g., sewer and water), construction costs, supply relative to demand, and financing costs. The diminishing supply of developable land in Capitola, the built-out nature of the community, its attractive coastal location, and the level of unmet demand for housing in the entire region have driven up the cost of both ownership and rental housing in Capitola.

Ownership Housing

According to the 2016-2020 American Community Survey, approximately 42% of the occupied housing units are owner-occupied. In comparison, in Santa Cruz County, approximately 55% of occupied housing units are owner-occupied.

The value of homes in Capitola varies based on the type, size, and location. Recent listings show prices ranging from \$230,000 for a 2-bedroom, 1-bath mobile home to \$2,875,000 for a 3-bedroom, 2-bath home.¹⁸ In July 2022, the median sale price of a single-family home in Capitola was \$2,147,500 according to the Santa Cruz Association of Realtors (SCAR) (Table 2-29).

Table 2-29: Regional Median Home Values

Jurisdiction	Single-Family Residential	Common Interest Development
City of Capitola	\$2,147,500	\$745,000
City of Santa Cruz	\$1,602,500	\$912,500
City of Scotts Valley	\$1,360,000	\$826,000
City of Watsonville	\$900,000	\$550,000

Source: Santa Cruz Association of Realtors, Regional Median Home Values June 2022

Median home values in neighboring Santa Cruz County communities are lower than that of Capitola, \$1,602,500 in Santa Cruz and \$1,360,000 in Scotts Valley.

¹⁸ Zillow website, www.zillow.com; accessed August 10, 2022.

Rental Housing

The U.S. Census provides information on median contract rents. Table 2-30 shows these rents for Capitola and Santa Cruz County in 2010 and 2020. As shown, the contract rents increased by 43% (\$566) in Capitola and 47% (\$552) in Santa Cruz County.

Table 2-30: Median Contract Rents

Median Contract Rent	2010	2020	% Change
Capitola	\$1,315	\$1,881	43.0%
Santa Cruz County	\$1,170	\$1,722	47.2%

Source: 2006-2010 and 2016-2020 American Community Survey 5-Year Estimates

Because the ACS data may not fully reflect current rent trends, a review of rental listing online was conducted in March 2023. As shown in Table 2-31, the median rents for apartments are \$2,815 for a 1-bedroom and \$2,950 for a 2-bedroom. The median rent for a 3-bedroom townhome is \$3,650 and the rents for a house range from \$3,073 for a 1-bedroom up to \$5,500 for a four-bedroom home.

Table 2-31: Capitola Rent Survey

Unit Type	Number of Listings	Range	Median	Average
Apartments				
Studio	1	\$2,195	--	--
1 bedroom	6	\$2,725-\$3,800	\$2,815	\$2,975
2 bedrooms	7	\$2,695-\$3,582	\$2,950	\$3,017
Townhomes				
3 bedrooms	3	\$3,495-\$4,950	\$3,650	\$4,032
House				
1 bedroom	2	\$1,900-\$4,245	\$3,073	\$3,073
2 bedrooms	2	\$3,900-\$5,500	\$4,700	\$4,700
3 bedrooms	5	\$5,000-\$6,500	\$5,500	\$5,600
4 bedrooms	1	\$5,500	--	--

Source: Zillow.com, Apartments.com and Rent.com, accessed March 2023

The rental housing market in Capitola includes apartments, condominiums, mobile homes and single-family homes. Some of the rental units are rented on a short-term basis as vacation lodging. The 2016-2020 American Community Survey estimates that 410 Capitola dwellings (8% of the City's housing stock) were being used as seasonal, recreational, or occasional units. In 2011, Capitola repealed the City's Mobile Home Park Rent Stabilization Ordinance. The City currently has eight mobile home parks, which have all been subdivided and converted to resident cooperatives or have long-term affordability agreements with tenants. One mobile home park, Cabrillo Mobile Home Estates, faces an expiring rent stabilization agreement in 2023 and is negotiating with the park owner relating to rent increases. The Cabrillo Mobile Home Estate owner has no interest in selling the park; therefore, the residents are working with an attorney on rent negotiations. City staff has provided information on HOME rental assistance for qualified residents within the park under an existing program administered by the County of Santa Cruz.

Given the percentage of units rented on a short-term basis and the median rents described above, residents may face challenges in finding rental units in Capitola.

Vacancy Rates

The residential vacancy rate, a translation of the number of unoccupied housing units on the market, is a good indicator of the balance between housing supply and demand in a community. When the demand for housing exceeds the available supply, the vacancy rate will be low. Concurrently, a low vacancy rate drives the cost of housing upward to the disadvantage of prospective buyers or renters.

In a healthy housing market, a vacancy rate of 1.5% to 2% for ownership housing and 5% to 6% for rental housing is considered necessary to balance demand and supply for housing. These vacant units should be distributed across a variety of housing types, sizes, price ranges, and locations within the City. This allows adequate selection opportunities for households seeking new residences.

According to the 2016-2020 American Community Survey, Capitola's owner-occupied units have a vacancy rate of 0.8%, and rental units have a rate of 4.0%. These rates indicate that the housing market is somewhat tight with little room for buyers or renters to find a suitable unit or negotiate a lower purchase or rental price. However, nearly 12% of all the housing units in the City were classified as vacant, according to the 2016-2020 American Community Survey. Of

these vacant units, 65% (410 units) were vacant for seasonal use as either vacation homes or vacation rental properties. In the county as a whole, more than 4,890 units, or approximately 5% of the entire housing stock in the county, including the cities, were vacant for seasonal use as vacation homes or rentals. As described earlier, the seasonal and vacation rentals may make it difficult for residents to obtain rental housing, particularly within their price range. Occupancy status of housing units in Capitola and Santa Cruz County are shown in Table 2-32 below.

Table 2-32: Occupancy Status of Housing Units in Capitola and Santa Cruz County

Occupancy Status	Capitola		Santa Cruz County	
	# of Units	% of Units	# of Units	% of Units
Owner-Occupied	2,222	42.0%	58,094	54.9%
Renter-Occupied	2,436	46.0%	38,181	36.1%
Total Occupied	4,658	88.0%	96,275	91.0%
Vacant Housing Units	634	12.0%	9,544	9.0%
Total Housing Units	5,292	100%	105,819	100%
Homeowner Vacancy Rate		0.8%		0.8%
Rental Vacancy Rate		4.0%		2.1%

Source: 2016-2020 American Community Survey 5-Year Estimates

5. Housing Affordability and Overpayment

Housing Affordability by Household Income

Housing affordability is dependent upon income and housing costs. Using set income guidelines, current housing affordability can be estimated. According to the HCD income guidelines for 2022, the median income in Santa Cruz County is \$119,300 (adjusted for household size). Assuming that the potential homebuyer has sufficient credit and down payment (10%) and spends no greater than 30% of their income on housing expenses (i.e., mortgage, taxes, utilities, and insurance), the maximum affordable home price and rental price can be determined. The maximum affordable home and rental prices for residents in Santa Cruz County are shown in Table 2-33 below.

Comparing the information from Table 2-33 with the rental and purchase prices described earlier in this section, the following assumptions can be made about affordability in Capitola:

- Home Purchases: With a median home value of \$2,147,500 for a single-family home and \$745,000 for a townhome in Capitola (Table 2-29), purchasing a home or townhome is unaffordable for all low- and moderate-income households.
- Apartment Rentals: The median rents for studios (\$2,195) and one-bedroom (\$2,815) units are unaffordable to all lower- and moderate-income households in Capitola. The median prices for 2-bedroom units (\$2,950) are only affordable to three-person moderate income families. The median rent for 3-bedroom townhome units (\$3,650) is unaffordable for all lower- and moderate-income households.
- Single-Family Home Rentals: The median rents for house rentals (\$3,073 to \$5,500) are unaffordable to all lower- and moderate-income households in Capitola.

One option to increase housing options is to explore “missing middle housing.”¹⁹ In general, the concept of missing middle housing refers to two scenarios. One, housing is not affordable to middle income households. Two, the range of housing available in a community is missing housing types at medium densities. Often these two scenarios overlap, as affordability is correlated with density. Housing in Capitola is generally not affordable to lower and moderate-income households. Even middle income or workforce households, defined as households making up to 150% of the area median income, have difficulty locating affordable and adequate housing options. Missing middle housing focuses on smaller multifamily options, such as duplexes, townhomes, live/work units, and cottages located in a walkable neighborhood.²⁰

19 Association of Bay Area Governments, Missing Middle Housing website. The term “Missing Middle” was coined by Opticos Design in 2010.

20 Missing Middle Housing website, missingmiddlehousing.com, created by Opticos Design.

Table 2-33: Housing Affordability Matrix Santa Cruz County (2022)

	Annual Income	Affordable Costs (All Costs)	Estimated Utilities	Estimated Taxes, Insurance, HOA (Ownership)	Affordable Rent	Affordable Home Price
Extremely Low Income (0-30% AMI)						
1-Person	\$32,700	\$818	\$287	\$286	\$531	\$64,404
2-Person	\$37,350	\$934	\$309	\$327	\$625	\$78,520
3-Person	\$42,000	\$1,050	\$371	\$368	\$679	\$82,094
4 Person	\$46,650	\$1,166	\$439	\$408	\$727	\$84,087
5 Person	\$50,400	\$1,260	\$512	\$441	\$748	\$80,908
Very Low Income (30-50% AMI)						
1-Person	\$54,450	\$1,361	\$287	\$476	\$1,074	\$157,550
2-Person	\$62,200	\$1,555	\$309	\$544	\$1,246	\$184,942
3-Person	\$70,000	\$1,750	\$371	\$613	\$1,379	\$202,006
4 Person	\$77,750	\$1,944	\$439	\$680	\$1,505	\$217,275
5 Person	\$84,000	\$2,100	\$512	\$735	\$1,588	\$224,803
Low Income (50-80% AMI)						
1-Person	\$87,350	\$2,184	\$287	\$764	\$1,897	\$298,447
2-Person	\$99,800	\$2,495	\$309	\$873	\$2,186	\$345,967
3-Person	\$112,300	\$2,808	\$371	\$983	\$2,437	\$383,160
4 Person	\$124,750	\$3,119	\$439	\$1,092	\$2,680	\$418,557
5 Person	\$134,750	\$3,369	\$512	\$1,179	\$2,857	\$442,144
Median Income (80-100% AMI)						
1-Person	\$83,500	\$2,088	\$287	\$731	\$1,801	\$281,959
2-Person	\$95,450	\$2,386	\$309	\$835	\$2,077	\$327,338
3-Person	\$107,350	\$2,684	\$371	\$939	\$2,313	\$361,961
4 Person	\$119,300	\$2,983	\$439	\$1,044	\$2,544	\$395,217
5 Person	\$128,850	\$3,221	\$512	\$1,127	\$2,709	\$416,877
Moderate Income (100-120% AMI)						
1-Person	\$100,200	\$2,505	\$287	\$877	\$2,218	\$353,478
2-Person	\$114,500	\$2,863	\$309	\$1,002	\$2,554	\$408,921
3-Person	\$128,850	\$3,221	\$371	\$1,127	\$2,850	\$454,036
4 Person	\$143,150	\$3,579	\$439	\$1,253	\$3,140	\$497,356
5 Person	\$154,000	\$3,850	\$512	\$1,348	\$3,338	\$524,584

Sources: Calif. Dept. of Housing and Comm. Development (HCD) 2022 Income Limits; Housing Authority of Santa Cruz County (HASCC), 2022 Utility Allowance Schedule; Veronica Tam & Assoc., 2023.

Assumptions:

1. 2022 HCD income limits;
2. 30% of household income spent on housing; HASCC utility allowance; 35% of monthly affordable cost for taxes and insurance; 10% down payment; and 3% interest rate for a 30-year fixed-rate mortgage loan. Taxes and insurance apply to owner costs only; renters do not usually pay taxes or insurance.

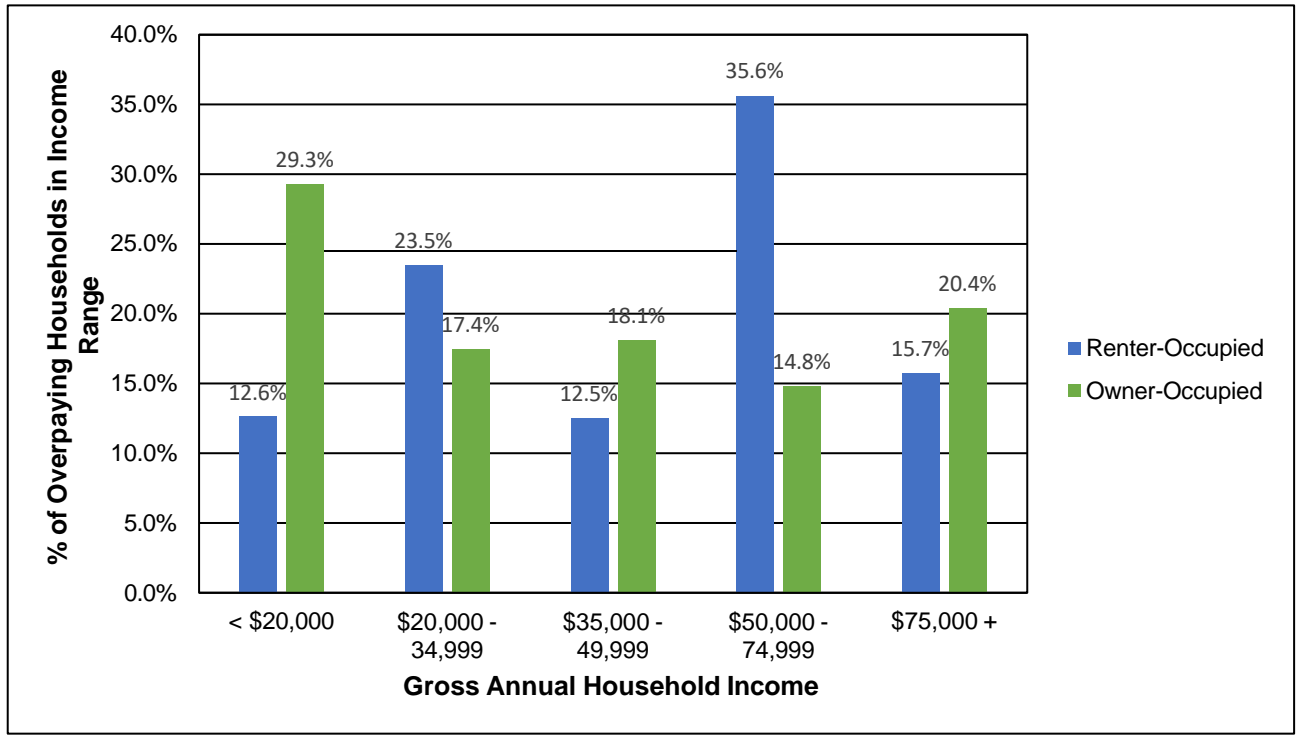
Ability to Pay for Housing/Cost Burden

State and federal standards for housing overpayment are based on an income-to-housing cost ratio of 30% and above. Severe cost burden is when households spend 50% or more on housing. The cost of housing includes rent or mortgage payments, utilities (e.g., water, sewer, electric, gas), taxes, and insurance. Households spending more than 30% of their incomes on housing have limited remaining income for other necessities such as food, clothing, and health care. Because household incomes and sizes vary, the affordable price for each household also varies. For example, a double income household with no children could afford a different level of housing cost than a large family with one lower income wage earner. Figure 2-8 below shows that many households in the lower income ranges paid over 30% of their incomes on housing. Among the lowest income households, a significantly greater proportion of homeowners overpaid than renters. In comparison, of those renters earning between \$50,000 and \$74,999, over 35% were overpaying.

The HUD CHAS data from 2019 shows further detail on cost burden by income category (Table 2-34). Of the 2,100 owner households in Capitola, 895 (42.6%) faced cost burden. Approximately 565 (26.9%) of these households faced severe cost burden. More than 40% of the owner households facing cost burden were extremely low income.

Of those owner households that faced cost burden, more than 45% of Capitola's 2,360 renter-occupied households faced cost burden, and 20% faced severe cost burden. Of the cost burdened renter households, more than 35% were extremely low income.

Figure 2-8: Estimated Percent of Capitola Renter and Owner-Occupied Households Paying over 30% of Income on Housing Cost, by Income Range



Source: 2016-2020 American Community Survey 5-Year Estimates

Table 2-34: Income By Cost Burden

	Cost Burden >30%	Percent	Cost Burden >50%	Percent
Total Owner Households in Capitola	2,100			
Owner Households with Cost Burden	895	42.6%	565	26.9%
Household Income <30% AMI	380	42.5%	325	57.5%
Household Income >30% to <50% AMI	145	16.2%	55	9.7%
Household Income >50% to <80% AMI	185	20.7%	105	18.6%
Household Income >80% to <100% AMI	90	10.1%	25	4.4%
Household Income >100% AMI	95	10.6%	55	9.7%
Total Renter Households in Capitola	2,360			
Renter Households with Cost Burden	1,080	45.8%	475	20.1%
Household Income <30% AMI	385	35.6%	385	81.1%
Household Income >30% to <50% AMI	260	24.1%	40	8.4%
Household Income >50% to <80% AMI	295	27.3%	50	10.5%
Household Income >80% to <100% AMI	65	6.0%	0	0.0%
Household Income >100% AMI	75	6.9%	0	0.0%

Source: HUD CHAS Data Tables, 2015-2019

D. Assisted Housing Developments

State law requires the City to identify, analyze, and propose programs to preserve housing units that are currently deed restricted to low-income families and will possibly be lost as low-income housing as these deed restrictions expire.

There are currently two federally assisted multifamily rental complexes in Capitola. One is the Capitola Supportive Housing Development (formerly Dakota Apartments, at 3245 Clares Street), which has 24 units for very low-income households with one or more persons affected by mobility impairment/traumatic brain injury. The project used funding from the Capitola Redevelopment Agency’s Housing Fund, HOME Program Income Re-Use Funds, and the HUD 811 program. The development is owned by the National Handicapped Housing Institute, a nonprofit agency, and restrictions ensure that the units will remain affordable in perpetuity. The second complex, Bay Avenue Senior Apartments (750 Bay Avenue), has 109 units and has a 55-year affordability requirement that will expire in 2065. Fifty of the units are restricted to extremely low-income senior households, 30 units have been restricted to very low-income senior

households, 28 units have been restricted to low-income senior households and one 2-bedroom unit serves as the manager’s unit and will not be restricted. Thirty-nine units in the development have been set aside to serve seniors who need assistance with certain activities of daily living and qualify under the state’s definition of Chronically III. First Community Housing worked in participation with the County of Santa Cruz to provide assistance through the Mental Health Services Act (MHSA) program to set aside five units to serve extremely low-income seniors with mental illness who are homeless or at risk of homelessness.

Table 2-35 shows details of these two projects. Neither project is set to expire during the 2023-2031 planning period.

Table 2-35: Assisted Multifamily Rental Complexes in Capitola

Development Name	Number of Units			Type of Assistance	Covenant Start	Covenant End
	Extremely Low	Very Low	Low			
Capitola Supportive Housing Development # of units: 24 Supportive Housing for Persons with Disabilities	0	24	0	PRAC/811	2000	Perpetuity*
Bay Area Senior Apartments # of units: 108 Seniors	50	30	28	LIHTC	2010	2065

Source: City of Capitola, affordablehousingonline.com, affordablehomes.chpc.net

*Capitola Supportive Housing Development is owned by the National Handicapped Housing Institute and will remain affordable in perpetuity.

Another affordable housing development at 1900-1920 Courtyard Drive, was a former public housing development. The Housing Authority of the County of Santa Cruz transferred ownership of this development to New Horizons Affordable Housing and Development Inc. The project also has a long-term affordability requirement that is not set to expire within this Housing Element planning period.

E. Mobile Home Parks in Capitola

Mobile home parks provide another important source of affordable housing for Capitola and should be discussed as a separate form of “at-risk” housing. As a tourist and retirement-oriented beach community, Capitola developed over time

with a large number of small cottage homes and mobile home parks. The City today continues to host a total of eight parks serving a total of 681 households.

One park, Pacific Cover, was closed in 2012 due to a flood in 2011, and all of its residents were relocated. Seven of the eight remaining mobile home parks have been subdivided and converted into resident cooperatives or have long-term affordability agreements with tenants. Brookvale Terrace and Tradewinds Mobilehome Park are cooperatives with no ongoing affordability agreements with the City. Loma Vista Estates and Wharf Road Manor have affordable housing income restrictions that all new buyers must comply with. Turner Lane Mobilehome Park also has income restrictions, but they are only applicable to 7 of the 79 spaces. Castle Mobile Home Estates is owned by a nonprofit and has long-term affordability agreements and income restrictions in place. As previously mentioned, Cabrillo Mobilehome Estates had a 12-year affordability agreement in place for rent that expires in July 2023. The residents and City staff are currently working together to identify ways to ensure residents are not displaced by a hike in space rent.

From past experience, a transition to cooperative/nonprofit ownership offers the highest likelihood of preserving long-term affordability. The subdivision of a park also offers some protections to the current residents and provides affordable ownership opportunities consistent with the City's Inclusionary Housing Policy.

There is a concern that another option would be that one or more of the rental parks could close in the future and be converted to other uses. The closure of a park could cause the potential loss of housing stock that currently serves low and moderate-income residents.

In the case of a park closure the City will ensure that:

- The park closure is consistent with applicable sections of City Municipal Code.
- The closure is consistent with relevant state law.

F. Inventory of Affordable Housing Not at-Risk

There are five other affordable housing developments in the City. The majority of these projects were constructed with assistance from the City. None of these projects are at risk during this planning period, and the majority of the projects will remain affordable indefinitely. A summary of these projects is provided below.

1. Shorelife Church Neighborhood Manor

This 20-unit rental property is owned by Shorelife Community Church. Rents are below market, and some units are rented to households who have Section 8 rental assistance, but the project is not deed restricted as affordable housing. The church generally fills vacancies with households referred to them by local social agencies, such as the Housing Authority and the Skills Center, with a preference for disabled, elderly, or low-income students and church staff. Because these units are owned by a nonprofit agency, they are expected to remain affordable indefinitely.

2. Grace Street Apartments

This 12-unit apartment project built in 1997 is managed and owned by the Housing Authority of the County of Santa Cruz. Rents are affordable and units are limited to occupancy by low and very low-income households. Because these units are owned by a nonprofit agency, they are expected to remain affordable indefinitely.

3. Habitat for Humanity Project (38th and Brommer)

This project includes six very low-income dwellings constructed for very low-income first-time homebuyers in 1999. The Capitola Redevelopment Agency (RDA) provided the land, and a CDBG grant was secured to help with costs related to infrastructure improvements. These ownership units will remain affordable in perpetuity and are not at risk of losing their affordability restrictions.

4. Loma Vista Mobile Home Park Resident Acquisition

This project is an existing 90-space mobile home park that was purchased by a resident-owned cooperative in 2000. The project was funded with assistance from the Redevelopment Agency's Housing Fund, CDBG funds and the state's Mobilehome Park Resident Ownership Project (MPROP). The mobile home park lots are owned by the cooperative, and the homes are owned by the individual residents. These lots are bound by a covenant that allows the lots to be sold only to senior households with incomes at or below 120% of the Area Median Income.

5. Wharf Road Manor Mobile Home Park residents Acquisition

This project is an existing 36-space mobile home park that was purchased by a resident-owned cooperative in 2006. The project was funded with assistance from the Redevelopment Agency's Housing Fund, HOME Program Re-Use funds and the state's Mobilehome Park Resident Ownership Program (MPROP). The mobile home park lots are owned by the cooperative, and the homes are owned by the individual residents. Thirty-four of the lots are restricted to moderate-income households with incomes at or below 100% of the area median income. Two units in the park were newly constructed in 2006 with the assistance of HOME Program Re-use Funds. These two units are regulated under the City's Inclusionary Housing Program and are resale restricted to remain affordable for low-income households.

G. Inclusionary Housing Units

Beginning in 2004 the City passed an Inclusionary Housing Ordinance that requires that 15% of the units in any new construction ownership project of seven units or more be made permanently affordable to low- or moderate-income households. Currently, the City has created 12 ownership units through this program.

Inclusionary Ordinance Units

- 1) Heritage Lane (2 units-2006)
1616 & 1615 Heritage Lane

- 2) Capitola Beach Villas (8 units-2013)
1066 41st Avenue
- 3) Pearson Court (1 unit-2014)
4150 Pearson Court
- 4) Tera Commons (1 unit-2020)
1506 Tera Court

The City's Inclusionary Housing Program was designed only to require inclusionary units in the case of for-sale developments of seven units or more. Rental housing developments and projects of six units or fewer do not have an inclusionary requirement.

H. Regional Housing Needs Allocation (RHNA)

The Regional Housing Needs Allocation (RHNA) is a critical part of state housing element law (Government Code §65580). The process for determining the RHNA is briefly described below:

- The California Department of Housing and Community Development uses a California Department of Finance growth projection and other factors to determine the number of housing units that are needed statewide over an 8-year planning period (for Capitola and other Monterey Bay Area jurisdictions, this time period is 2023-2031).
- This statewide housing unit number (called the Regional Housing Needs Determination, or RHND), is divided into regions. Capitola is located within the Association of Monterey Bay Area Governments (AMBAG) region.
- AMBAG is responsible for creating a methodology to distribute the RHND among all of its cities and counties. Each jurisdiction's housing unit number is called the Regional Housing Needs Allocation (RHNA).
- The RHNA is the number of units that a jurisdiction must plan for in the Housing Element update. The units are divided into four categories based on median income: very low (earn <50% of the area median income), low (earn between 51% and 80% of the area median income), moderate (earn between 81% and 120% of the area median income) and above moderate (earn 121% or more of the area median income).

Almost all jurisdictions in the AMBAG region received a larger RHNA this cycle compared to the last housing element cycle, primarily due to changes in state law that led to a considerably higher RHND compared to previous cycles.

Table 2-36 illustrates Capitola’s RHNA by income category for the 2023-2031 planning period. Per state law, local jurisdictions are required to provide an estimate for their projected extremely low income households (those earning 30% or less of the area median income). Jurisdictions can use half of their very low income RHNA allocation to make this projection. Therefore, Capitola is dividing the very low income allocation of 430 units in half to meet this state requirement.

Table 2-36: Capitola’s RNHA By Income Category for Capitola For 2023-2031

Extremely Low (0-30% AMI)	Very Low (31-50% AMI)	Low (51-80% AMI)	Moderate (81-120% AMI)	Above Moderate (>121% AMI)	Total RHNA
215*	215*	282	169	455	1,336

Source: Association of Monterey Bay Area Governments, Final 6th Cycle Regional Housing Needs Allocation Plan 2023-2031, October 2022.

*The City has a RHNA allocation of 430 very low income units (inclusive of extremely low income units). While the RHNA did not separately define housing needs for extremely low income households, the very low income allocation can be split evenly between very low- and extremely low income households.



Chapter 3: Constraints on Housing Production

A variety of factors add to the cost of housing in Capitola and constrain the provision of affordable units. These factors include the market, governmental constraints, and environmental considerations. Moreover, housing goals may at times conflict with the need to promote other important City goals, such as the desire to provide open space and recreational facilities, protect environmental and historic resources, provide visitor-serving accommodations, and maintain current service levels.

State law requires the housing element to analyze potential and actual governmental and nongovernmental constraints to the production, maintenance, and improvement of housing for all persons of all income levels, including persons with disabilities. This chapter analyzes the following three potential constraints:

- A. Market Constraints
- B. Governmental Constraints
- C. Environmental Constraints

A. Market Constraints

The high cost of building new housing in Capitola is at least partially due to the scarcity and high cost of developable land in the City. High materials costs and labor costs also contribute to the high cost of housing development. Capitola's beachfront setting and commutable distance from Silicon Valley have allowed many existing and new Capitola homes to sell and rent at higher-than-average levels. No units affordable to low- or moderate-income buyers or renters are being developed, with the exception of the required Inclusionary Housing units and units that are being built by nonprofit developers with the assistance of federal, state, and local government programs. The only possible exception to this would be the development of accessory dwelling units that, by the nature of their small size, are most likely renting at rates that are affordable to low- and moderate-income households.

1. Land Costs

Capitola is mostly built-out, and vacant residentially zoned lots are almost non-existent. A survey of online real estate listing sites in February 2023²¹ found no vacant residential sites listed for sale in Capitola. Further, only one vacant site, a single-family lot, was sold in the last 3 years at a high cost of \$288 per square foot. Because of the built-out nature of Capitola, new development almost invariably requires the acquisition and redevelopment of prospective in-fill sites. Developing on prospective sites is often more expensive and difficult due to increased acquisition costs, demolition, or rehabilitation of existing buildings, and the possible need to remove toxic materials left by earlier uses on the site. Additionally, because most new residential construction is taking place on sites that contain some existing residential units, the net increase of new units is often greatly reduced. For example, the online survey found one such site zoned multifamily that contained an existing duplex, but was also entitled for a five-unit development. This site sold for \$1,005,000 in 2021. Ultimately, the new owner rehabilitated the duplex and developed a single-family home on the same parcel in front of the existing duplex.

Utilization of available state and federal funding can counterbalance the constraint of high land costs to some extent. The involvement of state or federal funds, however, also dramatically increases the cost of new development in that the

21 Zillow.com, Redfin.com, and Realty.com; accessed February 27, 2023.

use of these funds triggers the need to comply with federal and state relocation laws and prevailing wage regulations. Relocation costs in some instances can be nearly as high as the original cost of site acquisition.

Allowing for increased densities through the City’s Density Bonus Ordinance and Affordable Housing Overlay are important tools to reduce the per unit cost of land in the case of developments that include affordable housing units. These ordinances are actually more successful in lowering per unit land costs than are across-the-board zoning changes that allow density increases. This is because typical zoning changes that allow increased density often cause an increase in the sale price of the property in that zone. The Density Bonus and Affordable Housing Overlay, on the other hand, only allow an increase in density in exchange for guaranteed levels of affordability and therefore do not tend to cause an increase in the sales price of the land.

2. Construction Costs

Development costs for housing can vary significantly depending on the type of housing, such as single-family, townhomes, and apartments. Even within a particular building type, construction costs can vary by unit size, amenities, materials used, and site conditions.

One indicator of construction costs is building valuation data. The International Code Council (ICC) compiles building valuation data on a national level. While the data is not local to Capitola, it gives a general range of building costs. Building valuation for various residential construction types is provided in Table 3-1.

Table 3-1: Average Building Valuation by Construction Type

Construction/Residence Type	Average per Square Foot
Type I or II, R-2 Residential Multi-family	\$158-\$179
Type V Wood Frame, R-2 Residential Multi-family	\$120-\$125
Type V Wood Frame, R-3 Residential One- and Two-family	\$131-\$139
R-4 Residential Care/Assisted Living Facilities	\$152-\$211

Source: International Code Council, Building Valuation Data, February 2021. <https://cdn-web.iccsafe.org/>

Included in the cost of development are the costs of building materials. The cost of building materials varies tremendously depending on the material, quality, style, scale of construction, and shipping costs related to the particular product. Additionally, building material prices increased drastically in the last few years due to supply issues relating to the COVID-19 pandemic.

That being said, there are ways of reducing materials cost in certain development situations. One way to reduce the cost of demolition/rebuild is to reuse and recycle materials from the old (demolished) structure. Not only is this measure cost-effective but it is one of the Green Building methods suggested in the City of Capitola's Green Building program. In addition, selecting materials that are manufactured locally can help save costs associated with materials transport while helping to reinvest development dollars in the local economy.

Lower residential construction costs can also be achieved by reducing amenities, quality, and/or types of building materials and by reducing the actual square footage of the homes being developed. Since the 1950s the square footage of homes has more than doubled in the United States, according to the National Association of Home Builders, while average household size has dropped. Oversized homes require significantly more construction materials than smaller homes, require more land, and use significantly more energy to operate. Reduced square footage can allow for a higher density of development on the site and thus reduce per unit land costs. The City's efforts to allow higher density housing construction and encourage the development of smaller square footage housing units are illustrated in the Capitola Green Building Program, the Accessory Dwelling Unit Ordinance, and the City's Density Bonus and Affordable Housing Overlay Ordinances. The City has also used the Planned Development zoning process to allow for the development of small units at higher densities.

The move toward smaller homes is not new to Capitola. Due to the community's vacation cottage history, many of the City's single-family lots are less than 4,000 square feet in size and can accommodate only fairly modest-sized homes. Capitola's Jewel Box neighborhood, for example, averages 14 units per acre, and the Upper Village neighborhood averages 15 units per acre. Capitola's zoning ordinances help to restrict the size of homes by imposing fairly strict lot coverage, set-back, and height requirements in the single-family zones. In addition, parking requirements for single-family homes vary by house size, thereby further reducing the incentive to build larger homes.

The City of Capitola contains eight existing mobile home parks that have been developed at an average of about 10 units per acre with relatively small individual units. While the development of new parks is not being pursued, the

preservation of these existing parks is seen as an important part of maintaining existing homes that are modest in size and higher than average in density. As the older manufactured homes and mobile homes in the City's existing parks age, the City works to provide financial assistance to park residents who are interested in upgrading their homes with new manufactured homes.

3. Timing and Density

In some cases, market demand can act as a constraint to the development of housing at the densities prescribed in the General Plan. Developers may choose to build larger units rather than at the highest density if they believe this will be more profitable. Another reason sites may not be developed to their maximum density is there are currently no density limits in the mixed-use districts. Therefore, maximum density is really the result of conforming with development standards and the unit size. Also, the parcels within the City's multifamily zones have all been developed; therefore, existing owners must decide if there is potential for more units onsite and analyze the economics of redevelopment. Many of the multifamily and mixed-use sites in Capitola have not been built-out with maximum density. Proposition 13 is likely a reason many apartment complex owners have not redeveloped their sites to maximize the allowed density in multifamily zones. Older buildings generally enjoy low property tax valuations, making the rental properties highly profitable investments. However, given the need for additional housing in the community and escalating housing prices, some multifamily property owners have expressed interest in opportunities to intensify the density on their sites.

Non-governmental constraints can impact the timing between when a project receives approval and when the developer pulls building permits to begin project construction. These constraints may include the time it takes to secure construction financing, securing contractors, and changes in the housing market after project approval. According to building permit records, the typical time between project approval and building permit issuance is 190 days. The time lapse is primarily a function of how quickly the applicant can respond to required changes to construction documents, such as adding screening to mechanical equipment to comply with a condition of approval. NIMBYism also tends to extend timeframe for projects requiring discretionary reviews, particularly regarding impacts on water capacity, traffic, and neighborhood/community character.

4. Financing

Mortgage interest rates have a large influence over the affordability of housing. Increases in interest rates decrease the number of persons able to afford a home purchase. Decreases in interest rates result in more potential homebuyers introduced into the market.

National policies and economic conditions determine interest rates, and there is little that local governments can do to affect these rates. However, jurisdictions can “leverage” funds by offering interest rate write-downs to extend home purchase opportunities to lower income households. In addition, government-insured loan programs may be available to reduce mortgage down payment requirements.

Mortgage interest rates reached historic lows during the COVID-19 pandemic, dropping to under 3%. However, to deal with rising inflation, the Federal Reserve Board raised interest rates multiple times in 2022 and 2023, resulting in mortgage interest rates over 7%.

First-time homebuyers are the most impacted by financing requirements. The recent sharp increase in rates has a significant impact on the home price a household can afford and has the potential to price many households out of the market. Lower initial rates may be available with Graduated Payment Mortgages (GPMs), Adjustable Rate Mortgages (ARMs), and Buy-Down Mortgages. However, variable interest rate mortgages on affordable homes may increase to the point that interest rates exceed the cost of living adjustments, which is a constraint on affordability.

A critical impediment to homeownership involves both the affordability of the housing stock and the ability of potential buyers to fulfill down payment requirements. Typically, conventional home loans will require 80% loan-to-value and represent the largest constraint to homebuyers. Down payment requirements are particularly cumbersome for first-time homebuyers who have not built equity in another property.

One of the greatest impediments to homeownership, however, is creditworthiness. According to the Federal Housing Authority, lenders consider a person’s debt-to-income ratio, cash available for down payment, and credit history when determining a maximum loan amount. Many financial institutions are willing to significantly decrease down payment requirements and increase loan amounts to persons with good credit ratings. Persons with poor credit ratings may be forced to accept a higher interest rate or a loan amount insufficient to purchase a house. Poor credit ratings can be

especially damaging to lower-income residents, who have fewer financial resources with which to qualify for a loan. The FHA is generally more flexible than conventional lenders in its qualifying guidelines and allows many residents to re-establish a good credit history.

Under the Home Mortgage Disclosure Act (HMDA), lending institutions are required to report lending activity by the income, gender, and race of the applicants. Table 3-2 provides loan application data for the City of Capitola. In 2021, there were a total of 707 loan applications. Out of these, 477 (67%) were for refinance loans, 182 (26%) were for conventional purchase loans, 45 (6%) were for home improvement loans and three (<1%) were for government-backed purchase loans. Overall approval rate in the City was 71%. The three government-backed purchase loans had a 100% approval rate, followed by refinance loans (72%), conventional purchase loans (70%) and home improvement loans (60%). Home improvement loans had the highest denial rate, at 22%, while 19% of refinance loans were either withdrawn by the applicant or closed for incompleteness.

Table 3-2: Disposition of Home Loan Applications, Capitola (2021)

Loan Type	Total Applications	Approved	Denied	Other
Conventional Purchase	182	69.8%	13.7%	16.5%
Government-Backed Purchase	3	100.0%	0.0%	0.0%
Refinance	477	71.9%	9.4%	18.7%
Home Improvement	45	60.0%	22.2%	17.8%
Total	707	70.7%	11.3%	18.0%

Source: 2021 Home Mortgage Disclosure Data: <https://ffiec.cfpb.gov>

Note: "Approved" loans include loans originated and applications approved but not accepted. "Other" includes loans withdrawn by the applicant or closed for incompleteness.

5. Down Payments and Move-In Costs

The ability to accumulate a sufficient down payment remains a formidable barrier to many potential homebuyers. Low- and moderate-income households find it difficult to make the transition from rental to ownership units because they cannot accumulate a down payment while renting. A program has been added to this Housing Element to utilize HOME funds for a First-Time Homebuyer (FTHB) program. Eligible FTHB programs include down payment assistance, acquisition with rehabilitation, and infill new construction.

Even with down payment assistance, market rate home sales prices in the Capitola area are so high that the City’s “gap” financing is not typically able to make up the difference. This means that the City’s First-Time Homebuyer Program is used almost exclusively to assist in the purchase of mobile homes and condominiums that already have some level of affordability built into the sale price via the City’s Inclusionary Housing Ordinance or through other forms of City involvement such as the provision of financial assistance in the cooperative conversion of mobile home parks. Historically, the City has utilized affordable housing funds to assist residents in the purchase of mobile home parks.

Low-income households may also be unable to obtain rental housing because they cannot accrue the necessary security deposits and first and last months’ rent. The City’s Security Deposit Program, also administered by the Housing Authority, provides low-income households with deposit assistance of up to one month’s rent. The funds are considered a loan during the time that the renter occupies the unit. When the resident moves out, they are required to return the full amount of the security deposit assistance to the Housing Authority.

Loss Prevention

Capitola has a Landlord Incentive Program. This program is designed to assist Section 8 Landlords to reimburse expenses of up to \$5,000 associated with unpaid rent, property damage, vacancy loss, and legal fees.

Rent and Mortgage Payments

Unexpected financial events (such as job loss, sudden disability, or major medical expenses) prevent households from making their regular monthly rent or mortgage payments. The City has an emergency housing assistance program designed to prevent very low-income Capitola households from becoming homeless due to these types of events. The program provides one-time emergency grants for up to 4 months of rent or mortgage payments. The grants are paid directly to the landlord or mortgage company to prevent the household from being evicted or foreclosed upon. To be eligible for this assistance, households must be at or below 50% of median income and must include children, a disabled person, or an elderly person as household members.

B. Governmental Constraints

Housing affordability is influenced by factors in the public sector. Actions by the City and by the surrounding jurisdictions influence the amount of housing developed, its type, form, location, and ultimate price. Land use controls, site improvement requirements, building codes, fees, and other local programs intended to improve the overall quality of housing may have the additional consequence of serving as a constraint to housing development.

1. Land Use Controls

The Capitola General Plan provides for a range of housing types and densities, including low density single-family development, multifamily development, and mixed-use development. Table 3-3 provides a summary of the General Plan land use designations that allow for residential development, along with the corresponding zoning districts.

Table 3-3: Capitola General Plan Land Use Designations

Land Use Designation	Corresponding Zoning District	Maximum Density	Primary Residential Uses
Single-Family Residential (R-SF)	Residential Single Family (R-1)	10 du/ac	Single family residences
Multifamily Residential (R-MF)	Residential Multifamily, Low Density (RM-L) Residential Multifamily, Medium Density (RM-M) Residential Multifamily, High Density (RM-H)	20 du/ac	Single family, duplexes, townhomes, multifamily residences
Mobile Home Park (MH)	Mobile Home Park (MH)	20 du/ac	Mobile home parks
Village Mixed-Use (MU-V)	Mixed Use, Village (MU-V)	FAR = 2.0	Mixed-use residential; multifamily residential in the village residential overlay zone
Neighborhood Mixed-Use (MU-N)	Mixed Use, Neighborhood (MU-N)	FAR = 1.0	Single family and multifamily residences
Regional Commercial (C-R)	Regional Commercial (C-R)	FAR = 1.5-2.0	Mixed-use residential
Community Commercial (C-C)	Community Commercial (C-C)	FAR = 1.0-1.5	Mixed-use residential

Source: Capitola General Plan, 2014.

In addition to the City’s primary zoning districts included above, the City has adopted overlay districts as well as a Planned Development District to facilitate housing development. These are described in more detail below.

Affordable Housing Overlay

The Affordable Housing Overlay (-AH) was created to meet the 5th cycle Housing Element RHNA. The intent of the Affordable Housing Overlay (-AH) zone is to facilitate the provision of affordable housing through the retention and rehabilitation of existing affordable units and the construction of new affordable units. The -AH zone may be applied to any parcel within a multifamily zone or the C-C zone to permit residential development containing at least 50% affordable units at a density of up to 20 units per acre. At least 25% of the units must be affordable to lower income households. The -AH zone further encourages affordable housing development by providing flexibility in development standards through the design permit review process. However, the Affordable Housing Overlay is obsolete to some extent, given the City's recent comprehensive rezoning program that allows mixed use/residential uses in commercial zones with no density limit and significant density incentives offered by the State Density Bonus law. In addition, it only applies to two properties in the city and none of these properties is included in the sites inventory for meeting the 6th cycle RHNA requirements. Therefore, this Housing Element includes a program to remove the Overlay from the City's Municipal Code and Zoning Map.

Vacation Rental Overlay

The Vacation Rental Overlay (-VRU) zone permits transient rental use in the Central Village District and a small portion of Riverview Avenue (within the R-1 zone), subject to a vacation rental permit. Short-term vacation rentals are prohibited outside the -VRU zone. Limiting vacation rentals to the -VRU zone preserves housing in other areas for permanent residents.

Village Residential Overlay

The Village Residential Overlay (-VR) zone applies to a portion of the Mixed Use Village (MU-V) zone that is reserved exclusively for residential uses. The development standards that apply to the MU-V zone also apply to the -VR overlay.

PD Planned Development District

This district allows mixed land uses and/or varied dwelling types. Development standards are flexible, tailored to the constraints of the site and needs of the development. The PD district approach has proved to be a key tool that has

enabled multi-residential developers to pursue creative, well-designed residential projects with development standards suitable to the specific site.

2. Development Requirements

In addition to regulating the types of uses permitted in each zone, the Capitola Zoning Ordinance regulates the density, scale, and other design components of residential development. These standards are intended to promote high quality development and neighborhood compatibility, along with ensuring safety and quality of life.

Development Standards

Table 3-4 summarizes development standards for zones that allow residential development. Densities range from approximately 8.7 units per acre in the R-1 zone to 20 units per acre in the RM-H zone. In the mixed use and commercial zones, density is regulated in terms of floor area ratio (FAR) rather than units per acre, with FARs ranging from 1.0 to 2.0. The setback requirements for the residential zones provide flexibility, particularly for smaller lots, by requiring side and rear yard setbacks as a percentage of the lot width or depth rather than a flat requirement for all lots. Setback requirements in the mixed use and commercial areas are intended to provide consistency and a pedestrian-friendly environment. Height limits range from 25 feet in the R-1 zone to 40 feet in the commercial zones and are compatible with the density of development permitted in the zone.

Table 3-4: Capitola Development Standards

Zoning District	Minimum Lot Area / Dwelling Unit	Maximum Height	Minimum Setbacks		
			Front	Side	Rear
R-1	5,000	25'	1 st story: 15' 2 nd story: 20'	Interior: 1 st story: 10% of lot width ¹ 2 nd story: 15% of lot width Street: 10'	20% of lot depth; 25' max.
RM-L	4,400	30'	15'	Interior: 10% of lot width Street: 10'	15% of lot depth
RM-M	2,900	30'			
RM-H	2,200	35'			
MU-V	Max. FAR = 2.0	27'	0'	0'	0'
MU-N	Max. FAR = 1.0	27'	10' ²	Interior: 10% of lot width Street: 10'	10' ²
C-C	Max. FAR = 1.0	40'	15' ³	Interior: 0' ⁴ Street: 15' ³	0' ⁴
C-R	Max. FAR = 1.5	40'	15' ³	Interior: 0' ⁴ Street: 15' ³	0' ⁴

Notes:

1. 3' min.; 7' max.
2. 0' from the property line or 10' from the curb, whichever is greater
3. 15' from curb edge; must allow for a 10' sidewalk along frontage
4. Minimum setback from adjacent residential property is 15' for interior side yards and 20' for rear yards.

Source: Capitola Municipal Code, 2023.

Capitola’s development regulations include building height and lot requirements that may have an impact on achieving maximum allowable density in certain residential zones. However, options are available to facilitate higher densities throughout the City: With a comprehensive Zoning Code update in 2018, several of its zoning categories that allow residential development, including Regional Commercial (C-R), Community Commercial (C-C), and Mixed Use Neighborhood (MU-N), currently have no density limits. Projects within the MU-N zone are permitted to be 100% residential; single family and duplexes are permitted uses while multifamily is a conditional use. As indicated by recent development trends, existing non-residential developments consisting of single commercial uses continue to decline whereas development of mixed or blend developments are increasing, especially along major thoroughfares in the City. It is anticipated that development in mixed use zones will feature and integrate residential development where existing

commercial uses are present, thus providing for additional housing capacity on sites that contain neighborhood-serving resources and jobs.

Incentives for Community Benefits

In order to facilitate this residential development the Zoning Code also includes Chapter 17.88: Incentives for Community Benefits. This chapter allows increased FAR and height in exchange for community benefits, such as affordable housing. The incentives are intended to facilitate the redevelopment of underutilized properties along 41st Avenue. Qualifying projects may receive an increased FAR of 2.0 and increased maximum height of 50 feet. Several sites in the 6th Cycle inventory are located in this incentivized zone. A recent feasibility analysis, including a pro forma, was conducted for the Capitola Mall. The study found that adding incentives (higher density, FAR and height) increased residual land value. The study also found that these changes would enhance project feasibility, particularly for multi-family development. The City recognizes the 50-foot height may not be adequate to accommodate an increased FAR of 2.0, incorporating existing and new commercial uses while adding higher density residential uses. Therefore, this Housing Element includes an action to expand the incentivized zone to extend the incentives to more sites included in the sites inventory and to increase the height to 75 feet. The City is also amending the process of obtaining these benefits based on objective criteria. This will result in affordable units being distributed in a more even pattern in Capitola.

Applications for incentives in exchange for benefits under Chapter 17.88 are submitted concurrently with discretionary applications for a project. Applications are considered by the Planning Commission and then reviewed by the City Council for action. The applications must include:

- A description of the proposed amenities and how they will benefit the community.
- Information needed by the city council to make the following findings:
 - The proposed amenities will provide a substantial benefit to the community and advance the goals of the general plan.
 - There are adequate public services and infrastructure to accommodate the increased development potential provided by the incentive.
 - The public benefit exceeds the minimum requirements of the zoning code or any other provisions of local, state, or federal law.
 - The project minimizes adverse impacts to neighboring properties to the greatest extent possible.
 - If in the coastal zone and subject to a coastal development permit, the project enhances coastal resources.

Due to this application process, incentives for community benefits may be a constraint for applicants. Therefore, this Housing Element includes a program to revise the findings to meet objective standards. This will allow applicants to address all discretionary permits needed for a project, including community benefits, to meet the same objective standards. Please also refer to the Objective Design Guideline discussion below. **This would result in a clearer application process in addition to the increased FAR and/or height allowances; thereby, potentially moderating the cost of construction for these projects.**

Parking

Parking standards have the potential to constrain development or limit density on a site due to the cost of constructing parking facilities and space limitations. Capitola’s residential parking requirements are listed in Table 3-5. Parking requirements for single family dwellings are based on the size of the unit. Duplexes require two spaces per unit and multifamily dwellings of three or more units require 2.5 spaces per unit. Although the multifamily parking requirement does not account for the size of the unit, the regulations provide flexibility by allowing a portion of the required spaces to be uncovered. Also, the City does not impose an additional guest parking requirement for multifamily development.

Table 3-5: Residential Parking Requirements

Residential Use	Spaces Required per Unit	Covered Spaces Required
Single Family Dwelling (by unit size)		
< 1,500 SF	2	0
1,501 – 2,000 SF	2	1
2,001 – 2,600 SF	3	1
> 2,600 SF	4	1
Duplex	2	1
Multifamily Dwellings	2.5	1

Source: Capitola Municipal Code, 2023.

Recognizing that parking is a constraint on development in Capitola, the City has implemented strategies that reduce costs and site requirements for parking, while still protecting the integrity of existing neighborhoods. For example, the Zoning Ordinance allows for 30% of required parking to be compact spaces. Additionally, tandem spaces are permitted for all residential uses, provided that spaces configured in tandem are assigned to the same unit.

Section 17.76.050(E) of the Zoning Ordinance allows the Planning Commission to approve “shared parking” arrangements, upon a determination that the periods of occupancy and use of the structures/uses in the development(s) are not simultaneous with each other. This sort of arrangement will likely become more popular in the future as more residential-commercial mixed-use projects are developed in the C-C, C-R and MU-N zoning districts. The Planning Commission may also approve off-site parking for residential uses if it finds that practical difficulties prevent parking from being located on the same lot.

However, the City’s parking requirements for multifamily housing do not vary by size of the unit, potentially constraining the development of smaller units and discouraging higher density. As a program of this Housing Element, the City will revise the multifamily residential parking requirements based on the unit size or number of bedrooms. The program will also revise the current covered parking requirement for multifamily development.

Objective Design Standards

Objective standards are generally defined by state law as standards that involve no personal or subjective judgment and that rely on a uniform benchmark or criterion available and knowable prior to application submittal. The City adopted objective standards for multifamily and mixed-use residential development in November 2022 (Zoning Ordinance Chapter 17.82). The standards are intended to ensure that development exhibits high quality design and enhance Capitola’s unique identity and sense of place, while providing clear direction to designers and developers. The standards address design elements including the following:

- Circulation and streetscape
- Parking and vehicle access
- Building placement, orientation, and entries
- Building massing
- Façade and roof design
- Other site features (e.g., refuse storage areas and equipment screening)

Objective standards increase approval certainty and decrease processing time and costs for projects by allowing developers to design to clear standards prior to initial submittal, rather than having to change the design to meet City requirements later in the process.

Condominium Conversion Ordinance

The Condominium Conversion Ordinance regulates the conversion of apartments to condominiums by requiring conversions involving five or more units to mitigate for the loss of rental housing through a dedication of on-site affordable units and/or payment of in-lieu fees into the City's Housing Trust Fund. No condominium conversions occurred during the 2015-2023 planning period. Due to the rising rents statewide, apartment rental is a profitable investment option for most property owners. Condominium conversion has not been a trend in the last decade or more.

Density Bonus

The City's density bonus ordinance (Zoning Ordinance Chapter 18.03) was adopted in 2009. Therefore, due to significant changes in state density bonus law since 2009, City staff reference state law directly when processing density bonus applications. Recent changes to state density bonus law include the following:

- Requirement to replace existing affordable units and increase in the required affordability period from 30 years to 55 years (AB 2222);
- Density bonuses for developments serving transitional foster youth, disabled veterans, and homeless individuals (AB 2442);
- Increased density bonus and incentives for 100 percent affordable developments (AB 1763); and
- Increase in the maximum provided density bonus from 35 percent to 50 percent (AB 2345).

As part of the housing programs in this Housing Element, the City will amend Chapter 18.03 of the Zoning Ordinance to be up to date with current state density bonus law.

Inclusionary Housing Ordinance

The City's inclusionary housing requirements are contained in Chapter 18.02 of the Municipal Code. The inclusionary requirement applies to projects creating seven or more for-sale housing units, residential parcels, mobile home parcels, or converted condominium units. Applicable projects must restrict 15% of units or parcels for sale to moderate-, low-, or very low-income households. Rental housing is exempt from the inclusionary requirements. Consistent with state

laws, developments subject to the requirement are provided the option of alternative compliance methods, including payment of an in-lieu fee, land dedication, or constructing the units off site.

Multifamily rental housing and other residential development is subject to affordable housing impact fees. The affordable housing impact fee is discussed in more detail in Section B.5, Development Fees of this chapter.

While the inclusionary housing requirements add to the supply of affordable units, the requirements increase the cost of housing development and further limit supply.

Cumulative Impacts of Land Use Controls

Capitola's development regulations include parking, building height and lot requirements that may have an impact on achieving maximum allowable density in certain residential zones. However, the following shows that the City is working to remove these constraints:

- With a comprehensive Zoning Code update in 2018, several of its zoning categories that allow residential development, including Regional Commercial (C-R), Community Commercial (C-C), and Mixed Use Neighborhood (MU-N), currently have no density limits. Projects within the MU-N zone are permitted to be 100% residential; single family and duplexes are permitted uses while multifamily is a conditional use.
- As indicated by recent development trends, existing non-residential developments consisting of single commercial uses continue to decline whereas development of mixed or blend developments are increasing, especially along major thoroughfares in the City. Recent developments in the City are described below:
 - 1066 41st Avenue: The 81,357 square-foot site was formerly used as a car sales lot, and then used by the adjacent businesses at Begonia Plaza, as off-site parking. Redeveloped into a mixed-use site with 53 residential units and 3,000 square feet of commercial. Density 29.6 units per acre.
 - 3606 – 3610 Capitola Rd (Heritage Lane). The project site is made up of two parcels totaling 53,351 square feet (1.22 acres). The site previously contains two single-family residences, each on their respective parcel. Redeveloped with 14 new units and a density of 12.3 units per acre.
 - 1500 Tera court – previously Recycle Center to purchase used industrial/construction equipment and goods. Redeveloped with 11 new units and a density of 15.5 units per acre.
 - 4025 Brommer – previously one single-family home. Redeveloped with a density of 17.4 units per acre.

- A program to expand the Incentives for Community Benefits. This Zoning chapter allows increased FAR and height in exchange for community benefits, such as affordable housing. The incentives are intended to facilitate the redevelopment of underutilized properties along 41st Avenue. Qualifying projects may receive an increased FAR of 2.0 and increased maximum height of 50 feet. Several sites in the 6th Cycle inventory are located in this incentivized zone. This Housing Element includes an action to expand the incentivized zone to extend the incentives to more sites included in the sites inventory. When the zone boundaries are expanded, the City will also modify the required findings so that projects meet objective design standards for the incentive application process.
- A program to revise the multifamily residential parking requirements based on the unit size or number of bedrooms and revisions to the current covered parking requirement for multifamily development.
- Maximum density regulations are typically included in zoning districts to limit the number of units allowed per acre. For instance, the City of Carmel has a maximum density of 33 units per acre in commercial districts and the City of Santa Cruz has a maximum density of 55 units per acre in mixed use zones, which includes both residential and commercial uses in the calculation. Capitola does not have density limits in mixed use and commercial zones; therefore, developers have flexibility when deciding what density will work best in terms of the site and development goals. However, to further facilitate affordable housing in the City, Capitola has included the following provisions in the Development Standards program of this Element:
 - Corner lot duplexes in the R-1 zone: Allow corner lots in single-family neighborhoods to accommodate duplex units. Such a strategy is intended to provide flexibility compared to SB 9 requirements, with the goal of introducing moderately priced homes in the neighborhoods. Objective development standards will be used for these projects.
 - Examine the maximum densities in the RM-L and RM-M zones to determine if higher density limits will help facilitate multi-family development in the City.
 - The Fair Housing Actions table in this Element expands on facilitating housing production using these actions.

3. Zoning for a Variety of Housing Types

Housing element law requires jurisdictions to designate zoning districts within the City to encourage and facilitate the development of a variety of residential uses and types for all economic segments of the community and groups having special housing needs. This includes a wide range of residential uses, including traditional single-family and multifamily housing, mixed-use development, transitional and supportive housing, farm worker and employee housing, and emergency shelters.

Table 3-6 summarizes the various residential uses permitted in Capitola by zone. These uses are discussed in more detail in the following sections.

Table 3-6: Permitted Residential Uses by Zone

Residential Use	R-1	RM-L	RM-M	RM-H	MH	MU-V	MU-N	C-C	C-R
Single Family	P	P	P	P	C	- / P ¹	P	-	-
Duplex	-	P	P	P	-			-	-
Multifamily	-	P	P	P	-	- / P ¹	P	C ⁵	C ⁵
Mixed-use	-	-	-	-	-	P / C ⁴	C	C	C ⁶
Group Housing	-	P	P	P	-	C ²	C	-	-
Mobile Home Parks	-	C	C	C	P	-	-	-	-
Residential Care Facility, Small (6 or fewer)	P	P	P	P	C	3	3	-	-
Residential Care Facility, Large (7 or more)	C	C	C	C	C	3	3	-	-
Accessory Dwelling Units	A	A	A	A	-	A	A	A	A

P = Permitted; A = Administrative Permit required; C = Conditional Use Permit required; - = Use not allowed

1. Only allowed in village residential (-VR) overlay zone.
2. Allowed only on the second or third story of a mixed-use development out of the -VR overlay zone. Allowed in any story in the -VR overlay zone.
3. Residential care facilities shall be allowed with the permits required for dwellings of the same type within the applicable zoning district. For example, a residential care facility in a detached single-family home requires the same permits and is subject to the same use regulations as a detached single-family home.
4. If a proposed residential mixed-use project contains any use that requires a conditional use permit, the entire project, including the residential use, requires a conditional use permit. If a proposed residential use replaces an existing upper-floor commercial use, the residential use is allowed by right.
5. Only allowed as part of a mixed-use project integrated with commercial structures on the same site.
6. Residential uses are prohibited on the first story.

Source: Capitola Municipal Code, 2023.

Single-Family Residences and Duplexes

The City permits single-family residences in all residential zones as well as in the MU-N zone and the Village Residential Overlay zone. Duplexes are permitted in all three multifamily zones.

Multifamily Residences

Multifamily development is permitted in the City's multifamily zones (RM-L, RM-M, and RM-H). Standalone multifamily development is also permitted by right in the MU-N zone and the Village Residential Overlay zone. Multifamily development is permitted with a conditional use permit in the C-C zone.

Mobile Homes and Mobile Home Parks

Manufactured homes offer affordable housing opportunities to City residents through lowered construction costs. Single-family manufactured housing units and modular homes are permitted in all residential districts, and manufactured homes are allowed in the City's mobile home parks that are regulated by the California Department of Housing and Community Development.

The Mobile Home Park (MH) zone provides areas for exclusive development of mobile home parks. Zoning Ordinance Section 17.16.030(D) provides development standards specific to the MH zone. Mobile home parks are permitted with a conditional use permit in the RM zones. Chapter 17.100 of the Zoning Ordinance provides specific requirements similar to state law that protect the City's existing mobile home parks from conversion to another use, through the Relocation Impact Report and other requirements.

Mixed-Use Developments

Mixed-use development refers to development that locates multiple uses on the same site. Mixed-use developments combining commercial and residential uses typically locate the residential use behind the commercial use or on the upper stories of the building. Mixed-use development is beneficial in that it increases neighborhood walkability and access to transit and other services for residents.

The City has two mixed-use zones, the MU-V and MU-N zones. In the MU-V zone, mixed use development is permitted by right; however, if any use in the development requires a conditional use permit, that requirement will apply to the entire development. Mixed use projects also require a conditional use permit in the MU-N zone. The commercial zones (C-C and C-R) require a conditional use permit for mixed use. Conditional use permit approval is common for mixed use development in many cities, to ensure that uses are compatible and potential negative impacts of various uses sharing a site are mitigated.

Accessory Dwelling Units

As defined by Chapter 17.74 of the Capitola Zoning Ordinance, an accessory dwelling unit (ADU) is “a self-contained living unit located on the same parcel as a primary dwelling unit.” The City last updated its ADU regulations in 2022. Per Chapter 17.74, ADUs are permitted on any parcel with a proposed or existing single- or multifamily dwelling. The City’s regulations allow for the ministerial review of ADUs that meet the requirements outlined in state law. ADUs that do not meet these requirements are subject to design permit review by the Planning Commission.

Capitola has undertaken many steps in recent years to facilitate the development of ADUs. This includes:

1. Updating ADU standards within the zoning code in 2020 and 2022 to align with new state law.
2. Created three prototype ADU design. Each design is building permit ready and has three options of different architectural styles including beach cottage, modern, and craftsman.
3. Published an ADU guidance document for Capitola residents which explains the administrative review process and allowed development standards. The ADU guidance document is highly illustrative to clearly explain development of ADUs to readers with little or no development experience.

Single Room Occupancy Developments and Group Homes

The Capitola Zoning Ordinance defines single-room occupancy as “housing consisting of a single-room dwelling unit that is the primary residence of its occupants. A single-room occupancy must include either food preparation or sanitary facilities (or both) and must be four hundred square feet or less.” Due to their smaller size and, in some cases, shared facilities, single-room occupancy units provide an affordable option for lower income individuals. Single-room occupancy developments in Capitola are permitted as group housing.

Group housing is a permitted use in the City’s multifamily zones (RM-L, RM-M, and RM-H) and is conditionally permitted in the mixed-use zones. When a conditional use permit is required, there is an opportunity for public comment that aligns with the review process for mixed-use and multifamily residential developments.

Transitional and Supportive Housing

California Health and Safety Code (§50675.2) defines “transitional housing” and “transitional housing development” as buildings configured as rental housing developments, but operated under program requirements that call for the termination of assistance and recirculation of the assisted unit to another eligible program recipient at some predetermined future point in time, which shall be no less than 6 months. Residents of transitional housing are usually connected to supportive services designed to assist the homeless in achieving greater economic independence and a permanent, stable living situation. Transitional housing can take several forms, including group quarters with beds, single-family homes, and multifamily apartments, and typically offers case management and support services to help return people to independent living. The Capitola Zoning Ordinance does not include a definition for transitional housing; however, the definition of residential care facility includes transitional housing as a type of residential care facility. Residential care facilities are regulated based on the number of clients they serve (see discussion later in this chapter).

California Government Code §65582 defines supportive housing as housing with no limits on the length of stay that is occupied by a “target population” and links this population with the provision of housing and social services. “Target population” means persons with low incomes who have one or more disabilities, including mental illness, HIV/AIDS, substance abuse, or other chronic health condition, or individuals eligible for services provided pursuant to the Lanterman Developmental Disabilities Services Act (Division 4.5 (commencing with §4500) of the Welfare and Institutions Code) and may include, among other populations, adults, emancipated minors, families with children, elderly persons, young adults aging out of the foster care system, individuals exiting from institutional settings, veterans, and homeless individuals (California Government Code §§65582(f) and (g)). The Capitola Zoning Ordinance does not include a definition of or regulations pertaining to supportive housing.

State law requires transitional and supportive housing to be defined as a residential use that is subject only to the same regulations that pertain to comparable residential uses in the same zone. For example, a transitional housing development configured as multifamily housing should be subject to the requirements that pertain to other multifamily

developments. Additionally, with the passage of AB 2162, state law makes further allowances for supportive housing projects in zones where multifamily and mixed-use development are permitted. Supportive housing of 50 or fewer units is permitted by right in these zones and parking requirements are prohibited for developments within one-half mile of a public transit stop. The Housing Element contains a program to remove constraints to the development of transitional and supportive housing by clarifying requirements and ensuring compliance with applicable state requirements.

Emergency Shelters and Low Barrier Navigation Centers

Emergency shelters are currently permitted by right in Capitola's Industrial zone. Section 17.96.030 of the Zoning Ordinance contains supplemental standards that apply to emergency shelters, which include requirements for parking, common facilities, security, lighting, and submittal of a management plan to the City annually. Specifically, the City requires one parking space per staff member and one parking space per six occupants. The City also requires bicycle parking at a rate of one space per occupant. The City has not established a bed limit or separation requirement for emergency shelters.

Government Code §65583(a)(4)(B) lists the operational and development standards that cities are permitted to regulate. These include security, lighting, length of stay, separation from other shelters, provision of on-site management, and parking, among others. A comparison between Zoning Ordinance §17.96.030 and Government Code §65583(a)(4)(B) reveals some inconsistencies. Specifically, state law (AB 139) mandates that the parking requirement imposed by cities may only be based on staffing levels of the facility, not number of occupants, and does not allow for the requirement of bicycle parking.

Additionally, with the passage of AB 2339 in 2022, emergency shelters must be permitted in a zone where residential uses are permitted or in a nonresidential zone where the city can demonstrate that the emergency shelter would be near necessary amenities and services for homeless individuals. The City will amend the Zoning Ordinance to identify the Community Commercial zone where emergency shelter is permitted by right. The Community Commercial zone provides the best access to transit and services in the community. As shown later in this Housing Element, the sites inventory includes 21 parcels totaling 14.6 acres of underutilized Community Commercial land. In addition, many parcels not included in the sites inventory have the potential for adaptive reuse. Capitola has an unsheltered homeless population of 35 persons. Given the general guidance of AB 2339 – an average of 200 square feet of shelter space is

needed per person – an estimated 7,000 square feet of building space is needed for 35 persons. Developing new shelter space may be cost prohibitive. However, adaptive reuse of existing buildings can be a feasible option.

In addition to requirements for traditional emergency shelters, AB 101 requires cities to allow the development of Low Barrier Navigation Centers by right in areas zoned for mixed uses and nonresidential zones permitting multifamily uses if the Centers meet specified requirements. A “Low Barrier Navigation Center” is defined as “a Housing First, low-barrier, service-enriched shelter focused on moving people into permanent housing that provides temporary living facilities while case managers connect individuals experiencing homelessness to income, public benefits, health services, shelter, and housing.” (Government Code Section 65660(a).) Low Barrier Navigation Centers best practices include options such as allowing pets, permitting partners to share living space, and providing storage for residents’ possessions. AB 101 also sets a timeline for jurisdictions to act on applications for Low Barrier Navigation Center developments. The requirements of this bill are effective through the end of 2026, at which point they are repealed.

A program has been included in the Housing Element to amend the Zoning Ordinance to add provisions for Low Barrier Navigation Centers, to review and amend emergency shelter standards, and to identify the Community Commercial zone where emergency shelters are permitted by right that is compliant with the new requirements of AB 2339.

Employee Housing and Farm Worker Housing

The Employee Housing Act (Health and Safety Code §17021.5) requires that employee housing providing accommodations for six or fewer employees be deemed a residential use subject to the same standards as single-family residences. The Capitola Zoning Ordinance does not include provisions for employee housing; therefore, the Housing Element includes a program to amend the Zoning Ordinance to allow employee housing for six or fewer employees where single-family residences are permitted.

Pursuant to the Employee Housing Act (Health and Safety Code §17021.6), any employee housing consisting of no more than 36 beds in a group quarters or 12 units shall be deemed an agricultural land use to be similarly permitted in zones that permit agricultural activities. The City permits Urban Farms conditionally in its residential, mixed use, and commercial zones. Urban Farm is defined as “privately or publicly owned land used for the cultivation of fruits, vegetables, plants, flowers, or herbs by an individual, organization, or business with the primary purpose of growing food for sale.” However, the City has no commercial-scale farming operations and is unlikely to have any in the future.

The Housing Element includes a program action to amend the Zoning Ordinance to define the types of small-scale hobby farming activities (not commercial farming) permitted in the City and remove the Urban Farms as a permitted use.

According to the 2016-2020 American Community Survey, just 19 Capitola residents were employed in the agriculture, forestry, fishing and hunting, and mining industries. Therefore, given the absence of farm workers in the community, the City has not identified a need for specialized farm worker housing beyond overall programs for housing affordability.

4. Housing for Individuals with Disabilities

Pursuant to SB 520, this section analyzes potential and actual constraints upon the development, maintenance, and improvement of housing for persons with disabilities; discusses local efforts to remove governmental constraints that hinder the locality from meeting the need for housing of persons with disabilities; and identifies programs that remove constraints or provide reasonable accommodations for housing designed for persons with disabilities.

Building Code and Public Improvements

Capitola endeavors to accommodate disabled access within the existing and future housing stock. The majority of Capitola's arterial streets are fitted with curb cuts, disabled access signal controls, and seeing-impaired crossing signals. The City Building Department enforces the Americans with Disabilities Act (ADA) requirements on new and rehabilitated development and provides no cost consultations to assist in the development of plans for ADA retrofitting upon request. In addition to the requirements of Chapter 11 of the California Building Code, Section 15.04.040 of the Capitola Municipal Code requires that residential units have a minimum clear width of 30 inches at all doorways with the exception of shower doors and closet or pantry doors that are less than 3 feet deep.

Residential Care Facilities

Pursuant to the Lanterman Disability Services Act, small residential care facilities for up to six clients are permitted in the City's residential zones. In the mixed-use zones, these facilities are subject to the same requirements as other residential uses. Large residential care facilities for seven or more clients are allowed as a conditional use in the City's residential zones, which requires a public hearing before the Planning Commission. Capitola Zoning Code Section 17.96.080 includes the conditions for large residential care facilities:

- A large residential care facility in a residential zoning district shall not be located within five hundred feet of another large residential care facility.
- A wall or fence shall be provided for purposes of screening and securing outdoor recreational areas in compliance with Chapter 17.60 of the Zoning Code.
- The care provider shall obtain and maintain a license from the State of California Department of Social Services. Large residential care facilities shall be operated according to all applicable state and local regulations.
- The applicant is required to have the facility inspected and submit a letter of compliance from the following:
 - City Building Department. The facility shall be inspected and brought into compliance with the building codes relative to the proposed use.
 - Fire Marshall. The facility shall be inspected and brought into compliance with the California Health and Safety Code and fire code relative to the proposed use.

The findings for use permit approval are:

- The proposed use is allowed in the applicable zoning district.
- The proposed use is consistent with the general plan, local coastal program, zoning code, and any applicable specific plan or area plan adopted by the City Council.
- The location, size, design, and operating characteristics of the proposed use will be compatible with the existing and planned land uses in the vicinity of the property.
- The proposed use will not be detrimental to public health, safety, and welfare.
- The proposed use is properly located within the city and adequately served by existing or planned services and infrastructure. (Ord. 1043 § 2 (Att. 2), 2020)

The majority of the conditions are objective standards geared at balancing safety for residents with disabilities while ensuring mitigation of impacts associated with large residential care facilities. The compatibility requirements may be considered subjective. Due to this, a program has been included in this Housing Element to amend the Zoning Code by

the end of 2025 to permit large residential care facilities in zones where residential uses are permitted and only subject to objective approval standards. Reasonable Accommodations

Chapter 17.140 of the Capitola Zoning Ordinance provides a procedure to request reasonable accommodation for persons with disabilities seeking equal access to housing under the Federal Fair Housing Act and the California Fair Employment and Housing Act in the application of zoning laws and other land use regulations, policies, and procedures. Reasonable accommodation requests are reviewed and approved by the Community Development Director, unless the request is filed concurrently with an application that requires discretionary review before the Planning Commission or the City Council.

The review authority shall make a written decision and approve, approve with modifications, or deny a request for reasonable accommodation based on consideration of all of the following factors:

- Whether the housing which is the subject of the request will be used by an individual defined as disabled under the Americans with Disabilities Act.
- Whether the request for reasonable accommodation is necessary to make specific housing available to an individual with a disability under the Americans with Disabilities Act.
- Whether the requested reasonable accommodation would impose an undue financial or administrative burden on the City.
- Whether the requested reasonable accommodation would require a fundamental alteration in the nature of a City program or law, including but not limited to land use and zoning.
- Potential impacts on surrounding uses.
- Physical attributes of the property and structures.

Other reasonable accommodations that may provide an equivalent level of benefit.

The two findings relating to “potential impacts on surrounding uses” and “physical attributes of the property and structures” may be considered subjective with the potential to constrain the development and improvement of housing for persons with disabilities. This Housing Element includes a program action to remove the potentially subjective findings.

Definition of Family

Local governments may restrict access to housing for households failing to qualify as a “family” by the definition specified in the Zoning Ordinance. Specifically, a restrictive definition of “family” that limits the number of and differentiates between related and unrelated individuals living together may illegally limit the development and siting of group homes for persons with disabilities but not for housing families that are similarly sized or situated.

The Capitola Zoning Ordinance does not contain any definition for family and therefore, does not constrain development of housing for unrelated persons in the same household.

5. Development Fees

The City charges various fees to cover costs associated with project review, plan check, building permits and inspections. Additionally, impact fees are imposed by outside agencies which are intended to offset the future impact of development on infrastructure and services.

Table 3-7 provides a comparison of typical planning fees for cities in Santa Cruz County. Design permits are the most commonly required entitlement for residential projects in Capitola. Design permit review costs \$2,977 for a new single-family residence and \$4,165 for a new multifamily development, which on a per-unit basis, is less than for single-family housing. The majority of Capitola’s fees are charged on a time and materials basis, with a required minimum deposit. A developer may be billed for additional time if necessary, and any remaining funds are refunded after the project review process is complete. As shown in the table, Capitola’s planning fees tend to be comparable or lower than other regional jurisdictions.

Table 3-7: Planning Fee Comparison

Fee Type	Capitola	Santa Cruz	Scotts Valley	Watsonville
Design Permit	SF, minor: \$870 SF, PC review: \$2,977 MF, minor: \$2,000 deposit* MF, PC review: \$4,165	Minor: \$1,920 Major: \$472 per 1,000 square feet	\$3,548 deposit	N/A
Minor Use Permit	\$1,756	\$2,754	\$3,538	\$1,644
Conditional Use Permit	\$3,000 min. deposit*	\$3,778	\$7,077	\$6,015
Tentative Parcel Map	\$2,000 min. deposit*	\$9,453	\$12,418 deposit	\$9,265 per lot
Tentative Tract Map	\$5,000 min. deposit*	\$18,978	\$12,418 deposit	\$23,978 (1 st 10 lots); \$927/additional lot
General Plan Amendment	\$5,000 min. deposit*	\$6,222 deposit	\$12,418 deposit	\$23,978
Rezone	\$5,000 min. deposit*	\$6,222 deposit	\$9,225 deposit	\$14,169

*Deposit accounts are billed on a time and materials basis. Additional deposits may be necessary depending on the complexity of the project. Unused funds are refunded following case closure.

Sources: City of Capitola, 2022-2023 Amended Fee Schedule; City of Santa Cruz, Unified Master Fee Schedule, 2023; City of Scotts Valley, Fee Schedule, FY 2022-2023; City of Watsonville, Fees, Rates, and Charges for City Services, Effective July 1, 2022.

In addition to planning fees, residential development is subject to building permit, plan check, and impact fees, which can add significantly to the cost of the development. 0 includes a comparison of fee amounts for a typical single-family dwelling and a four-unit multifamily dwelling. The City’s approach to development fees usually results in a lower per-unit fee cost for multi-unit projects. As shown in 0, the per-unit fee for the multifamily project was \$67,827, compared to \$118,216 for the single-family dwelling. Based on the valuation notes in the table, development fees comprise 15 percent of the valuation for single-family units and 19 percent of the valuation for multi-family units. It should be noted that over 30 percent of the total development fees (32% of single-family fees and 38% of multi-family fees) come from outside agencies and are not set by the City of Capitola. In addition, the largest City-initiated fee is the affordable housing impact fee, which is based on square footage. This fee is not assessed for affordable housing projects. Therefore, the City’s development fees do not present a constraint to development.

Table 3-8: Residential Development Fees

Fee Type	Single-Family Dwelling ¹	4-Unit Multifamily Dwelling ²
City Fees		
Design Permit	\$2,977	\$4,165
CBSC Fee (State Fee)	\$32	\$56
Combo Permit Fee	\$6,933	\$11,320
Combo Plan Check Fee	\$4,506	\$7,358
General Plan Fee	\$3,957	\$6,990
Green Building Fee	\$1,979	\$3,495
IT Combo Fee	\$347	\$566
Seismic Cat 2 Fee	\$103	\$182
Planning Fee Combo- Planning Plan Check and Final Inspection	\$1,387	\$2,264
Zone V- Impervious area Fee	\$3,584	\$8,005
Affordable Housing Impact Fee	\$57,075	\$127,475
Outside Agency Fees		
School Impact Fee	\$9,315	\$20,804
Sewer Connection Fee	\$3,000	\$12,000
Fire District Fee	\$1,210	\$2,702
Soquel Creek Water District Fees ^{3, 4}	\$24,790	\$68,090
Total Cost	\$118,216	\$271,308
Cost per Unit	\$118,216	\$67,827

1. Assumptions for single-family dwelling: 2,283 square feet; valuation of \$791,400.

2. Assumptions for multifamily dwelling: 5,099 square feet total; two units over 640 square feet and two units under 640 square feet; valuation of \$1,398,000.

3. Total includes application fees, water capacity fee, meters, and inspection deposit. Fee does not include connection; developer must hire a contractor to install the new service (typically \$12,000-\$15,000).

4. Fees for projects served by the Santa Cruz City Water are less than the Soquel Creek Water District.

Development and impact fees that apply to residential development in Capitola are low relative to most areas in California. There are no parks, transportation, administration, roadside improvement, childcare, or other infrastructure exactions imposed by the City. The City established an Affordable Housing Impact Fee in 2021. Prior to establishing the fee, the City conducted a nexus study that examined the link between new market rate housing and the demand for affordable housing to accommodate new worker households. The Affordable Housing Impact Fee is charged at a rate of \$25 per square foot. Because the fee is charged on a per square foot basis, rather than a per unit basis, it does not unduly impact multifamily development compared to single-family development. For-sale housing developments of

seven or more units are exempt from the impact fee; however, they are subject to the City's inclusionary housing requirements.

Outside agencies impose impact fees on residential development as well. These include the following:

- School fees totaling \$4.08 per square foot to Live Oak School and Soquel Union Elementary School District;
- Sewer connection fee to the County of Santa Cruz Sanitation District;
- Water connection fee to either the Soquel Creek Water District or the Santa Cruz Water District, depending on the area in which the development is located; and
- Fire District fees at \$0.53 per square foot to the Central Fire District.

In general, these fees can be a constraint on housing development and compromise affordability because the additional cost borne by developers contributes to overall increased housing unit cost. However, the fees are necessary to maintain adequate planning services and other public services and facilities in the City. This Housing Element includes a program to incentivize affordable housing development, which may include deferral of fees for affordable housing.

6. Local Processing and Permit Procedures

The evaluation and review process required by the City's procedures contributes to the cost of housing in that holding costs incurred by developers are ultimately reflected in the unit's selling price. The City's goal is to further expedite the processing of all residential development applications.

Typical Permit Process and Timeline

Because Capitola is nearly built-out, most residential projects are small infill or redevelopment projects. New single family and new multifamily construction requires a design permit; therefore, the review and approval process is similar for both housing types.²² The approval process entails a site review by Community Development Department staff, an advisory review by the Development and Design Review Committee, review and approval by the Planning Commission,

²² For residential projects that are not subject to a design permit per state law then the City's Objective Design Standards apply.

followed by plan check by building and planning staff. Total time to process an application typically ranges from 2 to 3 months. For projects that require a Conditional Use Permit, the permitting process will usually take 2 to 6 months. Most zoning districts in the City allow some type of residential use (single-family or multifamily) as principally permitted. The Community Commercial and Commercial/Residential zoning districts allow residential-commercial mixed-use development as a conditional use. Because the Conditional Use Permit only adds an additional 2 to 3 months to the permitting process, it is not seen as a constraint to this sort of development. Coastal permits are processed and approved concurrently for most projects in the Coastal Zone.

After a project has received a permit from the Planning Department, it must obtain a building permit before construction begins. The City of Capitola Building Department provides plan checking and building inspection services to assure compliance with the California Building Code. The Building Department enforces the provisions of the 2022 California Building Code and appendices. Additionally, the Building Official serves as the City of Capitola's Americans with Disabilities Act compliance officer. The City has made no local amendments to the building code that would constrain housing development.

Local Coastal Program and Coastal Permits

The City of Capitola's Local Coastal Program has been certified by the California Coastal Commission, and coastal permits are issued by the City. Within the City of Capitola, the location of a project in the coastal zone generally does not result in a more complex or time-consuming development review process. Because the City requires Development and Design Review (design permit) for nearly all development, the fact that a coastal permit may also be required does not generally result in a substantively different application review process or timing. The City of Capitola typically carries out development review for design review of principally permitted uses in a very timely way, usually completed within 2 to 3 months of application submittal.

General Plan Amendment and Zoning Code Amendment Processing

Applications for amendments to the City General Plan and the Zoning Code are reviewed as discretionary actions. These applications are reviewed by the Community Development Department, then forwarded to the Planning Commission. The Planning Commission holds a public hearing, reviews the application, and forwards its recommendation to the City Council. The City Council is the approving body for all General Plan and Zoning Code amendments. It is the City's goal

to process these actions within 6 months after a complete application is received, or as required under CEQA and other applicable laws.

Conditional Use Permits

Conditional Use Permits (CUPs) for residential uses are shown in Table 3-6. Provisions for CUPs are described in Chapter 17.124 of the City's Municipal Code. The Planning Commission takes action on CUPs.

When evaluating a conditional use permit, the Planning Commission shall consider the following characteristics of the proposed use:

- A. Operating characteristics (hours of operation, traffic generation, lighting, noise, odor, dust, and other external impacts).
- B. Availability of adequate public services and infrastructure.
- C. Potential impacts to the natural environment.
- D. Physical suitability of the subject site for the proposed use in terms of design, location, operating characteristics, shape, size, topography.

To approve a conditional use permit, the Planning Commission shall make all of the following findings:

- A. The proposed use is allowed in the applicable zoning district.
- B. The proposed use is consistent with the general plan, local coastal program, zoning code, and any applicable specific plan or area plan adopted by the city council.
- C. The location, size, design, and operating characteristics of the proposed use will be compatible with the existing and planned land uses in the vicinity of the property.
- D. The proposed use will not be detrimental to the public health, safety, and welfare.

- E. The proposed use is properly located within the city and adequately served by existing or planned services and infrastructure.

Finding C may be considered a constraint due to the language of “compatible with the *existing* land uses in the vicinity of the of the property”. However, since “*planned* land uses” is also included in the finding, this provides flexibility in different types of housing that may not currently be in a particular area. With the comprehensive Zoning Code update in 2018, several of its zoning categories that allow residential development, including Regional Commercial (C-R), Community Commercial (C-C), and Mixed Use Neighborhood (MU-N), currently have no density limits. Projects within the MU-N zone are permitted to be 100% residential; single family and duplexes are permitted uses while multifamily is a conditional use. As indicated by recent development trends, existing non-residential developments consisting of single commercial uses continue to decline whereas development of mixed or blend developments are increasing, especially along major thoroughfares in the City. It is anticipated that development in mixed use zones will feature and integrate residential development where existing commercial uses are present. Therefore, due to the flexibility in the findings and the recent development trends of conditionally permitted residential uses, the CUP process is not considered a constraint to housing development in Capitola.

7. Required On-Site and Off-Site Improvements

The City requirements for on-site and off-site improvements are decided on a case-by-case basis. However, a few required improvements are standard for most residential development.

On-Site Improvements

Most projects must submit a final Landscaping Plan and Irrigation Plan at the time of building permit submittal and install improvements prior to final building occupancy. The utilities are to be underground to the nearest utility pole in accordance with PG&E. Required on-site improvements are generally not development or cost prohibitive.

Off-Site Improvements

Required off-site improvements are more costly than on-site improvements; however, they are necessary to achieve consistency within neighborhoods and contribute to systems that benefit the entire community. One such example is

requiring curbs and gutters to provide stormwater mitigation. The City requires that any curbs, gutters (concrete swale) and/or sidewalks that are damaged during construction be repaired or replaced.

8. Transparency in Development Processes and Regulations

The City of Capitola strives for transparency in the development review process, facilitating in the streamlining of the development application and review process. A key factor in transparency is providing readily accessible information about the City’s development application review requirements, processes, fees, and development regulations on the City website. Table 3-9 provides a listing of development information provided and its location on the City’s website.

Table 3-9: Development Resources on the Capitola Website

Development Information	Website Location
General Plan	https://www.cityofcapitola.org/communitydevelopment/page/capitola-general-plan
Municipal Code / Zoning Ordinance	https://www.codepublishing.com/CA/Capitola/#!/Capitola17/Capitola17.html
Zoning Map	https://www.cityofcapitola.org/communitydevelopment/page/zoning-maps
Forms and Applications	https://www.cityofcapitola.org/forms?field_microsite_tid=27&field_microsite_tid_1=All
Fee Schedule	https://www.cityofcapitola.org/finance/page/fee-schedule

9. Jobs/Housing Balance

The City of Capitola intends to work toward the implementation of SB 375, the Sustainable Communities and Climate Protection Act. The City of Capitola is an active participant in AMBAG’s Sustainable Communities Planning Program to help in the development of preferred land use patterns that will support improved mobility, reduce greenhouse gas emissions, and reduced dependency on single-occupant vehicle trips. In response to the requirements of the Federal Clean Air Act, the State of California has formulated a State Implementation Plan (SIP) that sets forth the measures that are necessary to ensure the attainment and maintenance of the National Ambient Air Quality Standards (NAAQS) contained in the Act. As a means of carrying out the SIP and ensuring that the NAAQS are attained in the Monterey Bay/Santa Cruz County region, in which Capitola is located, the Monterey Bay Unified Air Pollution Control District has adopted a Regional Air Quality Management Plan (AQMP). The AQMP, in turn, requires all jurisdictions within its region revise their general plans to be consistent with the SIP. A local general plan is consistent with the SIP if the development allowed by the plan promotes balanced development and traffic management strategies.

The City of Capitola’s adopted General Plan permits a mix of residential, mixed commercial-residential, commercial, and industrial development. Although a good portion of its land area is in residential uses, Capitola has a strong regional commercial center and a commercial tourism industry focused on its seashore location.

The Capitola General Plan also promulgates a traffic level of service “C,” which indicates that the roadway is operating at 71% to 80% of its design capacity, and traffic is moving at a moderate pace. Increases in residential development that cause traffic to increase and roadways to exceed level of service “C” would be judged inconsistent with that standard, and CEQA review/mitigation measures would occur. Lower levels of service may be accepted if necessary improvements are infeasible or result in significant environmental impacts. Furthermore, LOS is no longer analyzed under CEQA. As a policy of this Housing Element, the City will locate higher density zoning along transportation corridors and seek opportunities to expand transit ridership and alternative modes of transportation in the community.

Many of the key housing development Opportunity Sites identified in Appendix D are located along major transportation routes that are served by transit buses, bike lanes, and sidewalks. Many are located close to job centers. The City plans to work with nearby jurisdictions to retain and utilize the trail right-of-way, which runs along Capitola’s entire coastal edge. In the short term, the trail will likely serve as a walking/bicycle trail and in the long-term may include a light-rail system. The City’s opportunity sites are also oriented to take advantage of this future alternative transportation opportunity.

C. Environmental and Infrastructure Constraints

1. Environmental Conditions

Environmental conditions can affect development potential. Compliance with regulations pertaining to the coastal zone, riparian corridors, and environmentally sensitive habitat areas can constrain development potential on certain sites. A portion of the opportunity sites identified in Chapter 4 of this Housing Element are in the Coastal Zone; however, apart from four smaller vacant parcels, the sites are already developed or are in a developed area, so are unlikely to cause a significant environmental impact. Within the 2015-2023 housing element cycle, 68 units within the Coastal Zone were demolished. However, they were replaced with new homes. Because all but four of the opportunity sites are already developed, few environmental and infrastructure constraints are projected to be significant. [Figure 3-1](#), [Figure 3-2](#) and [Figure 3-3](#) show environmental factors that impact the City of Capitola. [Figure 3-1](#) shows the Environmentally Sensitive

Habitat Areas (ESHA), including coastal bluffs/sea cliffs, riparian corridors and the Monarch Butterfly Grove, while [Figure 3-2](#) shows the flood plain area and [Figure 3-3](#) illustrates the geological hazards in the City. Most of these environmental resource and constraints areas are located along the coastline, in the Soquel Creek and north of Monterey Avenue.

Figure 3-1: Environmentally Sensitive Habitat Areas (ESHAs) in Capitola



Figure 3-2: Flood Zones in Capitola



Figure 3-3: Geological Hazards in Capitola



2. Traffic Constraints

Traffic congestion throughout the region is a significant constraint. Highway 1 along much of its length contains only two lanes in each direction, and it operates at Level of Service F during peak hours as well as at other times. In 2008, Caltrans completed the construction of auxiliary lanes at the interchange of Highway 1 and Highway 17. While this work eased traffic congestion in this area, congestion is still present in the remainder of the corridor. To improve traffic and safety operations on Highway 1, the Santa Cruz County Regional Transportation Commission (SCCRTC) is constructing auxiliary lanes and bus-on-shoulder improvement throughout the county including the segment between the Bay Avenue/Porter Street and State Park Drive interchange. Also, the Capitola Avenue over cross will be replaced as part of the project.

Within the City of Capitola, traffic congestion along the 41st Avenue corridor remains problematic. The County of Santa Cruz completed improvements to the 41st Avenue overcrossing at Highway 1, which include restriping of the bridge deck to add an additional southbound lane. An adaptive signal and bicycle lane mileage for 41st Avenue have also been added. If the development creates traffic impacts, then a mitigation measure or condition of approval is imposed.

3. Water Supply and Infrastructure

The City is currently served by two water districts: the Soquel Creek Water District and the City of Santa Cruz Water Department. The Soquel Water District relies exclusively on available groundwater, while the Santa Cruz Water District uses a combination of groundwater and surface water to serve its customers. Increases in water connection fees, which are beyond the City's control, correlate with the impacts of the drought and saltwater intrusion on the area's water resources. To support water conservation, the City of Capitola encourages residents to take advantage of residential water rebates offered by the Soquel Creek Water District and the Santa Cruz Water District, including rebates on drip irrigation retrofits, graywater landscaping, turf replacement, water efficient toilets and washers, and rain catchments.

According to the City of Santa Cruz 2020 Urban Water Management Plan,²³ annual water use was about 2.6 billion gallons in 2020. Due to long-term conservation measures, demand is expected to grow very slowly over the next 25 years. Accounting for projected population growth, demand is anticipated to reach about 2.8 billion gallons per year by

23 City of Santa Cruz, 2020 Urban Water Management Plan, <https://www.cityofsantacruz.com/home/showpublisheddocument/87122/637739611535800000>.

2045. Based on these projections, the District can meet future demand with the implementation of its planned supply augmentation strategy if the region experiences typical rainfall. In 2025, the City will have implemented proposed water rights modifications as described in the Santa Cruz Water Rights Project Draft Environmental Impact Report, and in 2030, the City will have implemented the Aquifer Storage and Recovery (ASR) in the Santa Cruz Mid-county Groundwater Basin and/or the Santa Margarita Groundwater Basin. Under multi-year drought conditions in the near term (2025), with proposed water rights modifications but before implementation of the ASR and planned infrastructure projects, available supplies would meet projected demand in years one through four of the multi-year drought scenario, but would fall short of demand by 27 percent in year five. While the analysis characterizes this vulnerability for year five of the drought period, depending on sequencing of rain years, in reality it is possible that such a shortage could occur sooner and persist longer through a multiple dry year period. Under multi-year drought conditions after 2030, with implementation of the ASR and planned infrastructure projects, available supplies would meet projected demand in years one through four of the mutli-year drought scenario, and the year-five shortage is anticipated to be substantially reduced with projected shortages no larger than a negligible two percent. Soquel Creek Water District relies entirely on groundwater for its water supply, which is overpumped and experiencing seawater intrusion, a condition that allows seawater to enter and contaminate the groundwater supply. However, the District has taken action with the Pure Water Soquel project to increase groundwater replenishment and prevent salt water intrusion. The project takes highly treated wastewater that would previously have been discharged into Monterey Bay and purifies it to replenish the groundwater basin.

According to the District's 2020 Urban Water Management Plan,²⁴ water use in 2020 was 3,062 acre-feet per year (AFY) and is projected to be 3,655 AFY in 2040. This projection takes into account many factors, including anticipated population growth. The Pure Water Soquel Project is a key component to meeting this demand while protecting groundwater resources, and the District projects that water supply in 2040 will be 3,655 AFY, sufficient to meet projected demand.

The Soquel Creek Water District's Water Demand Offset (WDO) Program was implemented beginning in 2003 to allow development to continue while conserving water and minimizing the impact on the overdrafted groundwater basin. The

24 Soquel Creek Water District, 2020 Urban Water Management Plan, <https://www.soquelcreekwater.org/DocumentCenter/View/1665/2020-Urban-Water-Management-Report-PDF?bidId=>.

WDO Policy required the development projects to offset approximately two times the amount of water the project was projected to use so that there was a “net positive impact” on the District’s water supply. However, given the progress of sustainable groundwater management, conservation efforts, and the Pure Water Soquel project, the District’s Board of Directors ended the program in February 2023.

With the water conservation measures described above, the Soquel Creek Water District and the City of Santa Cruz Water Department will have sufficient water to meet projected demands, including the 6th Cycle RHNA. This Housing Element includes a program for the City to actively pursue water conservation techniques and to notify water service agencies of their obligation to prioritize water allocation to affordable housing projects, pursuant to SB 1087.

4. Stormwater and Wastewater

Water quality issues may impact the developable areas of projects within the City of Capitola. Federal and state-mandated clean water programs aimed at removing pollutants from stormwater systems will require on-site treatment and percolation of stormwater from all new and redevelopment projects. This program is regulated by the Central Coast Regional Water Quality Control Board, which adopted Post-Construction Requirements effective March 2014 for development projects. These requirements include minimizing impervious surfaces, limiting clearing and grading, treating runoff on site, and limiting off-site discharge, even during significant rain events. While these requirements add to the total cost of residential development, they are necessary to mitigate runoff and prevent pollutants from entering the watershed.

Sanitary sewer services in Capitola are provided by the Santa Cruz County Sanitation District. The sewer system in the District consists of 186 miles of gravity sewers and 35 pump stations. The District has an annual capital improvement program aimed at addressing maintenance and capacity needs in the system. New residential development is charged a sewer connection fee based on the size of the development. These fees are necessary to ensure that ongoing capacity improvements and regular maintenance on the system can be completed.

Wastewater is treated at the City of Santa Cruz Wastewater Treatment Facility. The facility has been expanded several times to accommodate growth and additional flows and has a current capacity of 17 million gallons per day (MGD), with an average daily flow of less than 10 MGD. Therefore, treatment capacity is adequate through the current planning period and wastewater infrastructure is not considered to be a constraint to development.

Chapter 4: Housing Need and Opportunities

This section analyzes the resources available for the development, rehabilitation, and preservation of housing in Capitola. This analysis includes an evaluation of the availability of land resources for future housing development, the City’s ability to satisfy its share of the region’s future housing needs, financial resources available to support housing activities, and administrative resources available to assist in implementing the City’s housing programs and policies. Additionally, this section examines opportunities for energy conservation.

A. Future Housing Needs

1. State Requirements

State law requires each community to play a role in meeting the region’s housing needs. As such, the Association of Monterey Bay Area Governments (AMBAG) has allocated the City of Capitola housing production goals for the 6th cycle Housing Element update. This section discusses how Capitola has adequate residential and mixed/multi-use site capacity to accommodate its share of regional housing needs during the planning period.

The California Government Code requires that the Housing Element include an “inventory of land suitable for residential development, including vacant sites and sites having the potential for redevelopment” (California Government Code §65583(a)(3)). It further requires that the Housing Element analyze zoning and infrastructure on these sites, to ensure that development with housing during the planning period is actually feasible. Through this process, the City must demonstrate that it has a sufficient amount of land to accommodate its fair share of the region’s housing need for the 2023-2031 Housing Element cycle.

2. Inventory of Land Suitable for Residential Developments

Demonstrating an adequate land supply, however, is only part of the task. Capitola must also show that this supply is capable of supporting housing demand from all economic segments of the community, including lower income households. This means providing sufficient land for multifamily housing as well as single-family housing, and accommodating a wide variety of housing types, including apartments.

The City conducted a survey of all available land within its jurisdiction and has identified 76 sites that are potentially suitable for new residential development. None of these sites were identified in the 5th Housing Element cycle, and all have been deemed suitable and realistic for future housing development. Through the identification of these sites, as well as the projected development of accessory dwelling units, the City will address its RHNA allocation for the 2023-2031 Housing Element cycle.

B. Regional Housing Needs Assessment (RHNA) Requirement

State law requires that a community provide an adequate number of sites to allow for and facilitate production of a city's regional share of housing. To determine whether the City has sufficient land to accommodate its share of regional housing needs for all income groups, the City must identify "adequate sites." Under state law (California Government Code §65583[c][1]), adequate sites are those with appropriate zoning and development standards, with services and facilities needed to facilitate and encourage the development of a variety of housing for all income levels. Compliance with this requirement is measured by the jurisdiction's ability to provide adequate sites to accommodate the RHNA. The Association of Monterey Bay Area Governments (AMBAG), as the regional planning agency, is responsible for allocating the RHNA to individual jurisdictions within the region.

For the 2023-2031 Housing Element update, the City of Capitola is allocated a RHNA of 1,336 units, a 934% increase from the 5th cycle allocation of 143 units. The 6th cycle RHNA is distributed by income as follows:

- Extremely Low-Income (up to 30% of AMI): 215 units²⁵ (16.1%)
- Very Low-Income (31% to 50% of AMI): 215 units (16.1%)
- Low-Income (51% to 80% of AMI): 282 units (21.1%)
- Moderate-Income (81% to 120% of AMI): 169 units (12.7%)
- Above Moderate-Income (more than 120% of AMI): 455 units (34.0%)

25 The City has a RHNA allocation of 430 very low-income units (inclusive of extremely low-income units). Pursuant to state law (AB 2634), the City must project the number of extremely low-income housing needs based on Census income distribution or assume 50% of the very low-income units as extremely low.

While the Housing Element covers the planning period of December 15, 2023 through December 15, 2031, the RHNA planning period is slightly different – June 30, 2023 through December 15, 2031 (i.e., 2023-2031 RHNA).

Projects within the City’s entitlement or building plan-check process, but that have not obtained a building permit as of July 1, 2023, can be counted toward the 6th Cycle RHNA requirement. Because these projects have development proposals being considered by the City, the potential units associated are considered likely to redevelop during the planning period and can be included within the sites inventory without additional justification.

C. Realistic Capacity and Recycling Trends

1. Realistic Capacity

California Government Code §65583.2(c) requires, as part of the analysis of available sites, cities to calculate the projected residential development capacity of the sites identified in the Housing Element that can be realistically achieved. For this Housing Element, calculations of realistic capacity assume that properties will achieve a density less than the maximum allowed density.

This reduction accounts for applicable land use controls and site requirements (i.e., the cumulative impact of standards such as maximum lot coverage, height, open space, parking, on-site improvements such as sidewalks or easements, and floor area ratios), and adjustments based on recent development trends (e.g., local or regional residential development trends in the same nonresidential zoning districts, local or regional track records, past production trends, or net unit increases/yields for redeveloping sites or site intensification, or local or regional track records, trends, or build out yields for redeveloping sites or site intensification). Capacity adjustments for infrastructure availability (i.e., any limitation as a result of availability and accessibility of sufficient water, sewer, and dry utilities) and environmental impacts have not been factored, as infrastructure availability concerns or environmental constraints are not anticipated for sites identified in the inventory.

In the case of Capitola, several of its zoning categories that allow residential development, including Regional Commercial (C-R), Community Commercial (C-C), and Mixed Use Neighborhood (MU-N), currently have no density limits. There is no proposed rezoning as a part of this housing element update and its sites inventory. As a result, the standard procedure of calculating realistic capacity based on a percentage of allowed maximum density is replaced with

an analysis of average densities for various zoning categories of existing developments and applying similar densities to the projected housing units within those zoning categories. With mixed-use developments anticipated to be a future trend in Capitola, this Housing Element conservatively assumes mixed-use projects to be developed at the densities shown in Table 4-1: Adjustment Capacity Factors which result in an adjusted capacity to less than the maximum density allowed (unlimited).

Density realization should not be construed as a result of the City’s development standards. In most instances, developers choose not to maximize the development potential of the subject property due to the economics and profitability of their investment. Further, achievable density on a property is often influenced by unique site constraints, architectural design, engineering, building code requirements, and how much a developer is able to spend on a development in order to generate a return on their investment, all of which are factors that are beyond the control and discretion of the City of Capitola.

Table 4-1: Adjustment Capacity Factors

Capacity Factor	Adjustment	Reasoning
Land Use Controls and Site Improvements	55% - 95%	For net acreage due to on-site improvements including sidewalks, utility easements; these are assumed to be included in existing projects upon which realistic capacity is based.
Realistic capacity	Average densities of existing developments used to project realistic capacity of future housing PD: 19.0 du/ac RM-H: 37.2 du/ac RM-M: 17.1 du/ac C-C: 16.5 du/ac MU-N: 22.2	Assumptions based on past local and regional development trends of residential and mixed-use projects, as well as programs to incentivize development. The densities represent averages of the existing projects analyzed in Table 4-2: Actual Residential Densities
Typical densities	95%	Affordable housing projects are built out to almost maximum density.
Infrastructure availability	No adjustment	Infrastructure available, no constraints
Environmental constraints	No adjustment	No known site constraints. The identified sites are not located within the 100-year Floodplain or Environmentally Sensitive Habitat Areas.

Table 4-2 provides actual densities of approved or constructed housing projects in the various districts that allow residential and mixed-use development which is used as a basis to calculate realistic capacity.

Table 4-2: Actual Residential Densities

PD (Planned Development)	MU-N (No maximum density)
<ul style="list-style-type: none"> • 1066 41st Avenue (Capitola Beach Villas): 29.4 units per acre • Francesco Cir.: 11.4 units per acre • Heritage Ln.: 12.3 units per acre • Ruby/Diamond/Jade/42nd/45th: 22.8 units per acre 	<ul style="list-style-type: none"> • 4524 Capitola Road: 22.2 units per acre • 4401 Capitola Road:(just entitled)
RM-H (base 19.8 units per acre)	C-C (No maximum density)
<ul style="list-style-type: none"> • 815 Balboa Ave.: 42.6 units per acre • 825 Balboa Ave.: 41.0 units per acre • 850 Park Ave.: 32.6 units per acre • 870 Park Ave.: 32.7 units per acre 	<ul style="list-style-type: none"> • 1500 Tera Court (Tera Commons): 15.5 units per acre • 4025 Brommer St.: 17.4 units per acre
RM-M (base 15.0 units per acre)	RM-M (Continued)
<ul style="list-style-type: none"> • 1945 42nd Ave.: 38.8 units per acre • Sea Pines Ct.: 13.8 units per acre • 4320 Clares St.: 8.6 units per acre • 4350 Clares St.: 14.9 units per acre • 919 Capitola Ave.: 34.4 units per acre • 406 Pine St A: 9.8 units per acre • 408 Pine St A: 9.7 units per acre • 410 Pine St 1: 18.0 units per acre 	<ul style="list-style-type: none"> • 503 Pine St A: 12.6 units per acre • 719 Rosedale Ave.: 15.0 units per acre • 735 Rosedale Ave.: 8.5 units per acre • 733 Rosedale Ave 3.: 8.8 units per acre • 501 Plum St.: 37.6 units per acre • 1505 42nd Ave.: 14.0 units per acre • 4211 Clares St.: 9.5 units per acre • 46th Ave.: 23.8 units per acre

2. Existing Uses Not Impeding Future Development

The City of Capitola continues to experience recycling of existing lower intensity uses into higher density development. Below are some recent examples of redevelopment activities.

- 1066 41st Avenue - The 81,357 square-foot site was formerly used as a car sales lot, and then used by the adjacent businesses at Begonia Plaza, as off-site parking. This site was redeveloped into an 59-unit project, with eight inclusionary units.
- 3606 – 3610 Capitola Rd (Heritage Lane) - The project site is made up of two parcels totaling 53,351 square feet (1.22 acres). The site previously contains two single-family residences, each on their respective parcel. This

project involved the demolition of these two homes and subdivision into 12 lots, four of which included ADUs, for a total of 16 units (or 12 net new units).

- 1500 Tera Court – Previously Recycle Center to purchase used industrial/construction equipment and goods, redeveloped into an 11-unit development, consisting of five duplexes and one single-family unit.
- 4025 Brommer – Previously one single-family home, redeveloped into a mixed use development (commercial on the ground and two new units above).
- 525 Burlingame - Prior use Golden Age Convalescent Hospital. Sold and redeveloped to subdivide one existing parcel into three parcels, with two new single-family homes with 1 ADU located at 523 and 525 Burlingame Avenue within the R-1 (Single-Family Residential) zoning district and a fourplex at 524 Capitola Avenue in the C- N (Neighborhood Commercial) zoning district; 7 new units total.
- Bay Avenue Senior Apartments – This project was formerly the 96-unit Silvercrest Apartments that had fallen into disrepair. First Community Housing acquired the property from The Salvation Army and rehabilitated five of the six two-story buildings (16 units each) on site. The sixth building was demolished and replaced with a three-story, 109-unit affordable project. The project is comprised of 108 units affordable to lower income seniors and a manager's unit.

Information on the characteristics of the prior uses on these project sites is no longer available. The Assessor's records have already been updated to reflect the redeveloped/reassessed conditions. Nonetheless, these projects illustrate the types of uses being recycled, including uses that may have higher FAR and ILR such as the Convalescent Hospital, and uses that represent auto-related activities.

In addition, the City has two active applications:

- 1098 38th Avenue (034-17-201) – previously Capitola Manor convalescent hospital. Will become a 52-unit 100% affordable development for very low and low income households. The Assessor's data on this parcel is limited, as the existing structures have already been demolished. However, the Assessor's records indicate that the property was sold in 2016 for \$5.2 million. This likely means that the ILR was high, well above 1.0, for the previous use.

- 4401 Capitola Road (034-12-305) - Four existing office buildings, totaling approximately 3,700 square feet will be demolished to accommodate the 36-unit residential project. This property has an IRL of 1.01 and the office buildings were constructed in 1985 and an existing FAR of about 1.34.

These two projects are located along the corridors and similar in characteristics as other sites included in the sites inventory. Based on the information above, the following factors were used in selecting sites for the sites inventory. A parcel is included in the sites inventory if there is expressed interest from owner or developer for redevelopment, existing use is already discontinued, or if a parcel meets two of the three factors (FAR, Age, and ILR).

FAR – The sites selected, particularly for lower income RHNA, are primarily zoned for CC and CR uses which offer unlimited density and an FAR of 1.5 or 2.0, respectively, depending on the site location. Both 1098 38th Avenue and 4401 Capitola Road (FAR 1.34) demonstrate that properties with significant existing buildings can be redeveloped given the declining trend of office and commercial uses. Existing uses on the majority of the selected sites have FARs that are significantly below the allowable FAR and therefore offer great potential for intensification and increase utilization and value of the properties. This analysis uses a threshold of less than 50 percent of the maximum FAR.

Building Age – As shown, the office buildings at 4401 Capitola Road were constructed in 1985. Buildings older than 30 years usually require significant systems upgrades and buildings built prior to 1990 are not compliant with ADA requirements. Retrofitting existing structures to meet current ADA standards is usually cost prohibitive or even physically not feasible. Buildings that face such financial or physical constraints rarely invest significantly for modernization or systems upgrades, rendering the buildings progressively not suitable for current trends. Furthermore, shopping centers are usually outdated if older than 20 years, as retail trends are volatile. This analysis utilizes 1990 as an indicator. The majority of the parcels contain buildings that are at least 50 years old. For parcels with no information on building age, to the extent feasible, visual survey is used to assess the style and age of structures, whether they are consistent in character with surrounding structures and therefore were likely to be developed during the same period.

Improvement to Land Ratio – In general, ILR of less than 1.0 shows that the land is worth more than the structures on site, a good indication of potential for redevelopment. However, certain uses, by nature of the type of development, have high ILRs. These include multi-story office buildings and shopping centers, which often have expensive tenant improvements. Typical ILRs for these uses range from 2.0-3.5. Despite the high ILRs, these are declining uses due to the accelerated trends of remote working, increased automation, and online shopping. The high ILRs mean high property

tax liabilities while revenues and incomes may be declining. Therefore, this analysis uses a threshold of 1.0 for all other uses but 3.0 for office and shopping centers. There are also other exceptions – for some shopping centers, the Housing Element sites inventory assumes only the use of a portion of the site (mostly the parking areas) for infill development. These sites are included even though the City cannot arbitrarily adjust the ILR for portions of the site.

Additional information on the existing uses is also provided. Only four of the 80 parcels included in the sites inventory are vacant. The remaining 76 parcels all have existing uses, and 15 parcels (20 percent) have developer/owner interests for redevelopment. Parcels with expressed redevelopment interests consist of a range of commercial uses, including shopping center/retail, private sports/recreation, office, medical uses, and personal services. These uses are similar to the existing uses on other parcels also included in the inventory. There are also 13 parcels with non-conforming or discontinued uses, with six parcels being nonconforming single-family residential use. As previously shown, the City has a history of intensifying existing residential uses on site (e.g., 3606 – 3610 Capitola Rd, 4025 Brommer, and 525 Burlingame).

Also an important trend of redevelopment of commercial uses, especially shopping centers, is adaptive reuse/reconfiguration of existing uses on site, in lieu of a complete demolition and reconstruction and displacing all existing uses. Various strategies would allow for the intensification of the property while incorporating viable existing uses, such as redevelopment in small phases where viable uses/structures would remain or temporarily relocated.

3. Likelihood of 100 Percent Nonresidential Development

Many of the recent residential developments in the City have been on sites zoned for commercial or mixed uses (C-C and MU-N zones). Development projects in these zones are permitted to be 100 percent nonresidential uses. As mentioned in the Constraints chapter of this element, the C-C and MU-N zones have no density limits for residential uses and projects within the MU-N zone are permitted to be 100 percent residential. As shown above, there is a trend for property owners/developers to want to reuse non-residential properties to include residential components (including mixed-use). In the last three years, the City received two redevelopment project applications in the C-C zone. Both were for the addition of residential units above existing commercial. During the same time period, the City received three project applications in the MU-N zone and all of them were for 100 percent residential developments (a 100% affordable 36-unit project, a seven-unit project and a duplex). As a result, there is a high likelihood that the sites in the inventory will continue this trend and no adjustment to capacity based on this non-residential-to-residential transition was made.

4. Variety of Residential Types and Densities in Past Projects

The following pages show projects that have been built in Capitola over the years. The purpose of these pictures and associated project details is to visually show the types of residential uses and variety of scale and densities that are possible for residential development in Capitola. Densities range from 21.3 to 41.0 dwelling units per acre.

850 Rosedale Ave
Density: 21.3 du/ac
Zone: RM-M
Units:62



750 Bay Ave

Density: 22.7 du/ac

Zone: RM-M

Units: 95



Jade St & Ruby Ct & 45th

Density: 22.8 du/ac

Zone: PD

Units: 348



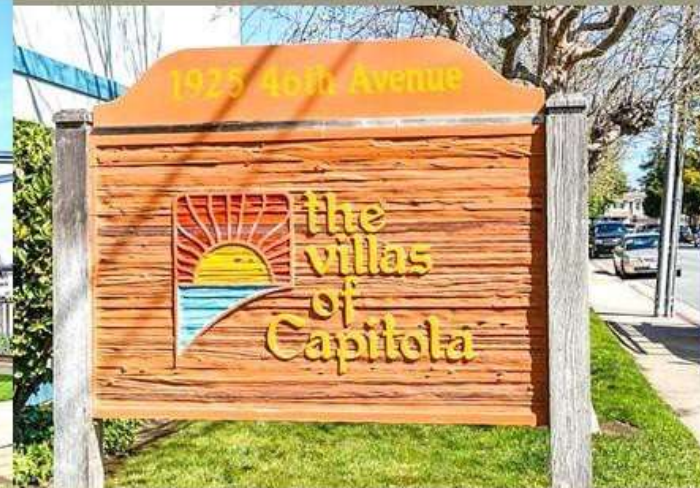
1925 46th Ave

The Villas of Capitola

Density: 23.8 du/ac

Zone: RM-M

Units: 172



900 Capitola Ave
Density: 25.3 du/ac
Zone: RM-M
Units: 28



4820 Opal Cliff Dr
Density: 28.8 du/ac
Zone: RM-M
Units: 12



1066 41st Ave – Beach Villas

Density: 29.4 du/ac

Zone: PD

Units: 55



850 & 870 Park Ave

Density: 32.6 du/ac

Zone: RM-H

Units: 108



919 Capitola Ave
Capitola Mansion
Density: 34.4 du/ac
Zone: RM-M
Units: 66



501 Plum St

Density: 37.6 du/ac

Zone: RM-M

Units: 51



1945 42nd Ave

Density: 38.8 du/ac

Zone: RM-M

Units: 36



815 & 825 Balboa Ave
Anchor West
Density: 41.0 du/ac
Zone: RM-H
Units: 49



D. Estimating Potential Units by Income Category

State law requires that Housing Elements demonstrate that the land inventory is adequate to accommodate that jurisdiction's share of the regional growth. The City is committed to identifying sites at appropriate densities as required by law. The State of California, through Assembly Bill 2348 (AB 2348), has established "default" density standards for local jurisdictions. State law assumes that a density standard of 20 units per acre for a suburban community, such as Capitola, is adequate for facilitating the production of housing affordable to lower income households.

E. Methodology for Identifying Sites

The City's recyclable land inventory was developed with the use of a combination of resources, including the city's GIS database, updated Assessor's data, field and digital surveys, and review of the City's Land Use Element and Zoning Ordinance. The inventory includes large sites and small parcels anticipated to be consolidated that can be redeveloped for more intense residential uses.

F. Recyclable Residential Land

In addition to vacant sites, future housing units can be accommodated on underutilized lots where development is not built out to the maximum density permitted. As a primarily built-out community, recycling opportunities identified in this inventory primarily focus on the C-R zone, which assumes 21 units per acre; the C-C zone, which assumes 17 dwelling units per acre; and the MU-N zone, which assumes 17 units per acre. Some additional units will be accommodated on multifamily lots and religious facilities.

1. Single-Family and Multifamily Residential Zones

The Single Family Residential zone is the most prevalent type of land use designation in Capitola. The City intends to preserve its single-family neighborhoods with a current maximum density of 8.7 units per acre. The two single-family-zoned parcels projected for housing as part of the sites inventory are religious facilities. See the Religious Facilities subsection in this document for an expanded description of these sites.

In the Multi-Family Residential zones, development ranges from small-scale duplexes and triplexes to three-story apartments. The City has three multifamily residential zones. They include the Multi-Family Residential – Low Density (RM-L) zone with up to 9.9 units per acre, the Multi-Family Residential – Medium Density (RM-M) zone with up to 15.0 units per acre, and the Multi-Family Residential – High Density (RM-H) zone with up to 19.8 units per acre. Such density level has facilitated the development of housing including affordable to moderate-income households. The four multifamily-zoned parcels projected for housing as part of the sites inventory include the following sites (two are in the RM-L zone and two are in the RM-M zone):

- 1710 44th Avenue (Capitola Gardens); residential infill – 16 projected units
- 1098 38th Street: Rehabilitation development with 52 new low income/affordable units
- Two Clares Street sites with five projected units total

As shown on Table 4-2, past projects located in the RM-M zones have developed at a wide range of densities (8.5 du/ac to 38.8 du/ac) with an average of 16.8 du/ac. The assumed density of 15 du/ac in the sites inventory is a conservative estimate based on what has been built in the past and is well within reason of potential units.

2. Commercial and Mixed Use Zones

Given the scarcity of developable residential land in the City and the continuing demand for housing, recycling of underutilized land has been the prevalent trend of development in Capitola. Many of the City's commercial-zoned corridors allow residential development with no maximum density. These include the Regional Commercial (C-R), Community Commercial (C-C) and Mixed Use Neighborhood (MU-N) zones. Given that Capitola is an almost completely built-out community, with only two vacant lots, the vast majority of the sites inventory include sites within these three zoning areas. There is great potential for including residential units within the commercially zoned areas and roadway corridors given the recent statewide trend of mixed-use projects within commercial areas and declining commercial-only brick and mortar developments. The commercially zoned corridors that are projected to accommodate future housing include Capitola Road, Bay Avenue, and 41st Avenue, which includes the Capitola Mall site (see the Capitola Mall discussion later in this section) and Kings Plaza. Overall, the density assumptions for the sites in the C-C zone are 17 du/ac, with the exception of site 18 which is 25 du/ac. Table 4.2 shows that two projects in this zone approved residential uses with densities of 15.5 du/ac and 17.4 du/ac. This trend illustrates that proposed densities at 17 du/ac

are feasible in the C-C zone. The Mixed Use Neighborhood sites are projected to include 173 units and are located along the main roadway corridors of Capitola Road and Capitola Avenue. Assumed densities in this zone for the site inventory is 17 du/ac. Two recent projects in the MU-N zone had densities of 22.2 du/ac and 11.1 du/ac (4401 Capitola Ave), illustrating that the densities assumed in the sites inventory are within the range of past development.

The projected units for these three commercial and mixed-use zones are distributed across most of the City, and their proximity to main transportation corridors provides opportunities for public transit and potential future light rail travel along the rail corridor.

A developer can request density increase allowances on sites under these mixed-use zones subject to the required provision of 20% of the units set aside to lower income households or a lesser percentage of the units set aside for extremely low- and very low-income households. An option for payment of in-lieu fees may be provided if development of affordable units as part of an eligible project is not feasible. In-lieu fees collected by the City are anticipated to be used exclusively to facilitate the development of affordable housing throughout the community. Selected mixed-use sites are identified in the Appendix D –Sites Inventory. The selected properties are considered ideal for mixed use based on the potential for transition and redevelopment due to the age, condition, suitability for consolidation, and location within transit corridors. However, as detailed in the Housing Constraints chapter of this Housing Element, actual construction and development of housing will be heavily predicated on the private development industry, private property owners, and processing of required entitlements subject to City review and approval. Projects within the Mixed Use Neighborhood zone are permitted to be 100% residential.

3. Accessory Dwelling Units (ADUs)

In compliance with state law, the City of Capitola allows Accessory Dwelling Units (ADU) and Junior Accessory Dwelling Units (JADU) to be constructed by-right on all residential sites including multifamily and mixed-use-zoned properties in the City. To estimate the number of ADUs that can be counted toward the City’s RHNA inventory, the City used the HCD-sanctioned methodology of analyzing ADU development trends from the last 4 years (2019–2022) as the benchmark for future ADU production. Three ADUs were permitted in 2019. Five ADUs were permitted in 2020. Eight ADUs were permitted in 2021, followed by seven ADUs permitted in 2022. In 2023, 10 ADU permits were issued while three more are under review. Based on the average ADU production from 2019 to 2023, the City assumes a projection

of six ADUs each year through the 2023-2031 planning period, equating to an estimated total of 50 ADUs during the planning period. These ADUs are currently divided among each income category, as shown in [Table 4-7: Inventory of Land Suitable for Residential Development Summary](#).

In accordance with state law (AB 671), the City will promote the creation of ADUs by providing additional material at Capitola City Hall and on the City's website related to the development of ADUs, including various state and county incentives as available. Additionally, the City will seek to streamline processing of proposed ADUs. Additionally, Capitola will continue to monitor the development of ADUs throughout the City and will amend the Capitola Municipal Code for compliance with changes to state law as applicable.

4. Small Sites and Lot Consolidation

Several of the non-vacant sites identified consist of multiple smaller parcels with different owners, and their development within the planning period will depend on whether they can be consolidated.

In addition to a number of large residential parcels under single ownership elsewhere in Capitola, these smaller sites provide development opportunities to accommodate the City's RHNA fair-share allocation within the planning period along with providing a wider distribution of projected housing opportunities throughout the City. Two of the recent residential projects described in the *Realistic Capacity and Recycling Trends* section above included lot consolidation: 3606-3610 Capitola Road and 4401 Capitola Road.

As detailed in Appendix D: Sites Inventory, all parcels identified as affordable that are less than 0.5 acres in size are assumed to be consolidated into clustered sites that are a minimum 0.5 acres in size. Table 4-43 shows information about these sites. Of the [eight](#) consolidated sites, [five](#) have parcels under common ownership (Consolidated Sites A, B, E, F, [and H](#)), making potential development more feasible. For the three sites with different ownership, analysis of the parcels has shown that there is the potential for shared access given their corner lot locations, which makes the likelihood of consolidation greater and will allow for the needed densities for lower income units. [The eight sites are also located in zones that do not have a density limit, thereby giving the City and developers flexibility to make lower income and/or mixed income projects feasible.](#) The Housing Resources Chapter addresses how the City will facilitate lot consolidation and small site development. lot consolidation of parcels with different owners.

Table 4-3: Consolidated Sites Analysis

Site Address	Site #	APN	Consolidated Sites	Single Owner	Shared Access
2175 41ST AVE	1	034-192-07	A	Yes	Yes
2165 41ST AVE	2	034-192-08	A	Yes	Yes
2155 41ST AVE	3	034-192-09	A	Yes	Yes
4815 CAPITOLA RD	11	034-261-40	B	Yes	Yes
3775 CAPITOLA RD	12	034-261-39	B	Yes	Yes
1395 41ST AVE	20	034-164-12	C	No	Potential
4855 BROMMER ST A	21	034-164-09	C	No	Potential
1355 41ST AVE	22	034-164-13	C	No	Potential
831 BAY AVE	43	035-381-03	D	No	Yes
827 BAY AVE	44	035-381-04	D	No	Yes
911 CAPITOLA AVE	48	036-011-13	E	Yes	Yes
911 CAPITOLA AVE	49	036-011-14	E	Yes	Yes
911 CAPITOLA AVE	50	036-011-12	E	Yes	Yes
911 CAPITOLA AVE A	51	036-011-11	E	Yes	Yes
816 BAY AVE	52	036-051-26	F	Yes	Potential
816 BAY AVE A	53	036-051-29	F	Yes	Potential
800 BAY AVE	54	036-051-30	F	Yes	Potential
712 CAPITOLA AVE	57	036-062-14	G	No	Potential
706 CAPITOLA AVE	58	036-062-15	G	No	Potential
715 CAPITOLA AVE	59	036-051-34	H	Yes	No
700 BAY AVE	60	036-051-35	H	Yes	No
600 BAY AVE	61	036-051-12	H	Yes	No

The City's efforts to facilitate lot consolidation will include the following actions:

- Opportunity sites marketing and outreach: The City will make a list of prime opportunity mixed-use sites available on the City's website. The list will include information on parcel size, zoning, and existing uses, as well as highlight opportunities for lot consolidation.
- Outreach to real estate community: The City will establish an outreach program to local real estate brokers and the Santa Cruz County Association of Realtors to increase awareness of lot consolidation opportunities.
- Reduced or Alternative Parking: Required parking may be reduced subject to finding that adequate parking will be available to serve the subject project. To facilitate lot consolidations, tandem, shared, and off-site/remote parking options may be allowed, subject to finding that adequate parking will be available to serve the project.
- Technical assistance: The City will provide technical assistance to expedite the site acquisition, plan review, and entitlement process.

G. Religious Facilities Sites

Adopted in September 2020, Assembly Bill 1851 (AB 1851) increases opportunities to develop housing on religious institutional properties by removing parking as a barrier to development. The new law allows for a 50% reduction in religious use parking spaces to accommodate affordable housing and allows the number of religious use parking spaces available after completion of an affordable housing project to count toward the housing project's parking requirements. As part of the Housing Element's public outreach process, religious institutional leaders expressed interest in developing housing on their properties and indicated that the provision of affordable housing on these sites would be aligned with their core mission.

The City includes many places of worship, with the majority located along major and secondary arterials. Several of these sites include excess surface parking lots and underutilized buildings that have the potential to carry residential units. Staff recommend allowing affordable housing to be constructed on such properties, consistent with state law and other requirements. Understanding the importance of providing diverse housing opportunities citywide, Capitola is committed to updating the zoning ordinance to clarify state law and applicable development standards that would allow

residential units to be constructed primarily on open or parking areas on religious institutional sites as a permitted use, as well as creating development standards that facilitate residential development.

The following methodology was used, along with development interest from the religious institutions, to determine which properties were suitable for housing (in descending order of importance):

- Properties at least 0.5 acres in size
- Properties with large parking areas; and
- Properties along major corridors.

Since this is a new housing concept, there are no specific projects being reviewed by the City. Based on discussions with the owners, staff identified two properties that were the most suitable for housing. The residential capacity for these two sites is estimated at 8.7 units per acre, consistent with the R-1 zoning. A conservative total of 10 units (five moderate-income and five above-moderate income), based on primarily the parking area, are projected as part of the of the 6th cycle Housing Element Update. Five units each were assigned to both the Shorelife Community Church and Saint Joseph's Catholic Church properties.

Potential religious institutional sites with excess surface parking and/or underutilized buildings are identified below in Table 4-4.

Table 4-4: Religious Facilities Sites

Religious Institution	Zoning	Site Acreage	Unit Potential
Shorelife Community Church	R-1	5.02	5
Saint Josephs Catholic Church	R-1	3.14	5
Total		8.16	10

Source: City of Capitola 2023
RF-OZ = Religious Facilities Overlay Zone

H. Vacant and Non-Vacant Land

1. Vacant Land

State law requires that jurisdictions demonstrate in the Housing Element that the land inventory is adequate to accommodate that jurisdiction’s share of the region’s projected growth. Capitola is a built-out community with limited opportunities for development on vacant land. The City’s inventory of vacant residential land totals just 0.69 acres. The only four vacant parcels within the City are designated Mixed Use Neighborhood (MU-N) and can accommodate residential uses. Combined, these parcels have the realistic capacity to yield 12 housing units. Each identified site is adjacent to developed land and can be readily served with existing infrastructure. Table 4-5 Residential Development Potential on Vacant Residential Zoned Sites summarizes Capitola’s vacant residential development potential by land use designation and zoning.

Table 4-5: Residential Development Potential on Vacant Residential Zoned Sites

Land Use (Zoning)	APN	Base Density	Site Area Bonus	Housing Opportunity Overlay	Vacant Acres	Realistic Capacity*	Affordability Level
Mixed Use Neighborhood (MU-N)	034-022-18	Unlimited	–	–	0.12	2	Mixed Income
Mixed Use Neighborhood (MU-N)	034-022-19	Unlimited	–	–	0.12	2	Mixed Income
Mixed Use Neighborhood (MU-N)	036-011-13	Unlimited	–	–	0.16	3	Mixed Income
Mixed Use Neighborhood (MU-N)	036-051-12	Unlimited	–	–	0.29	5	Mixed Income
Total					0.69	12	

*Adjustment capacity factors applied
 Source: City of Capitola, 2023

2. Non-Vacant Sites

The sites inventory consists of a selection of non-vacant sites that are most likely to be redeveloped at the various income levels over the 6th cycle. It is important to note that Capitola only has two vacant sites in the city. To identify sites, the City focused much of its housing growth in specific areas and along major corridors. These include 41st Avenue, Capitola Road, Capitola Avenue, and Bay Avenue. The City’s RHNA of 1,336 units is considered very high, and for the purposes of identifying sites, this analysis considered commercially and mixed-use zoned parcels to accommodate the majority of the required RHNA units.

Moreover, the varied geographic disposition of these sites also factored strongly in their selections. While located in various parts of the City, the non-vacant sites are almost all within high-resource areas served by existing infrastructure, an arterial roadway network, employment centers, retail services, and community amenities (schools and parks). All the parcels and sites identified in Appendix C remain available to assist in meeting the City’s 2023-2031 RHNA allocation.

In all, 74 non-vacant sites have been identified, covering approximately 94.26 acres and having capacity for an estimated 1,497 units. Of these, 857 units are considered affordable to lower-income households, while the remaining 640 units are considered suitable for moderate-income and above-moderate-income housing. A precise breakdown of the number and affordability of potential units on each site and individual parcels may be found in Appendix D: Sites Inventory. These numbers have been derived by analyzing recent development trends within Capitola and the surrounding communities.

Pursuant to California Government Code §65583.2, if the housing element relies upon non-vacant sites to accommodate more than 50% of the RHNA for lower-income households, it must demonstrate that existing uses are not an impediment to additional residential development. As shown in the sites inventory in Appendix D, non-vacant sites will be utilized to accommodate nearly all the projected housing development, as Capitola is virtually a built-out community. This includes housing for lower-income households. However, the non-vacant sites selected for inclusion in the inventory have been chosen because they represent the best opportunities to add significant numbers of units to the City's housing stock and possess the highest potential for becoming available for residential development over the 8-year planning period. As described below, several of the parcels selected have discontinued commercial use or the property owner has expressed interest in redeveloping. It should also be noted that units on many of the non-vacant sites in the inventory are only based on the underutilized portion of the developed area, not the entire parcel. The Housing Element includes programs to facilitate shopping/commercial center redevelopments that would allow existing uses to continue. In terms of religious facility sites that still have a portion with a viable use, AB 1851 states that 50 percent of the parking that is used for housing does not need to be replaced.

Since the City's comprehensive rezoning to allow mixed use development in commercial areas, redevelopment of these properties have all primarily included a residential component. Two recent examples are the Tera Court and Capitola Beach Villas projects, which were primarily residential projects in commercial zones (see Table 4.2a). The Capitola Beach Villas is a 53-unit housing development with eight inclusionary units. It includes 3,000 square feet of commercial space on the street frontage. Tera Court is 100 percent residential. With the increasing demand for housing and need to reimagine retail and office uses, the City anticipates mixed use development to be the predominant products in the upcoming years.

Regarding the congregational sites located in the R-1 zone, capacity for these two sites is estimated at 10 units (five moderate-income and five above-moderate income), using primarily the parking area (conservative estimate based on the 8.7 du/ac permitted in the R-1 zone). Five units each were assigned to both the Shorelife Community Church and Saint Joseph's Catholic Church properties.

In selecting sites for meeting the RHNA, the following criteria are used (the Sites Inventory table in Appendix D shows how each of the selected sites meets the criteria):

1. Property owner or developer interest to redevelop
2. Structures over 40 years old and/or occupied by marginal, low-value or low-intensity non-residential uses (including parking lots)

3. Property located in mixed use zones
4. Considered underdeveloped/underutilized
5. Parcel can be consolidated with adjacent properties and may feature common or government ownership
6. Use is discontinued or non-conforming to the zoning district
7. Parcel is vacant, devoid of structures, site improvements or an established use
8. Current market demand for the use
9. Existing long-term leases
10. Development trends, market conditions, and other incentives

Property Owner or Developer Interest. The City has received development interest from various property owners and developers who seek to repurpose land throughout the City. Interest includes development of residential uses, either exclusively or part of a mixed-use project. The sites inventory analysis has identified several non-vacant parcels selected to accommodate lower-income units where a property owner or developer has stated recent interest to the City in developing residential uses:

- Six parcels along 41st Avenue – These sites have been identified for the Capitola Mall redevelopment (see Capitola Mall sub-section)
- 3720 Capitola Road – a discontinued use
- 1404 38th Avenue – site owner submitted form with interest in redevelopment
- 4148 and 4160 Clares Avenue – a family-owned property; owners have expressed interest in redevelopment
- 1098 38th Avenue – Owners have expressed interest in redevelopment
- 1840 41st Avenue
- 4243 Capitola Road
- Two sites at 4401 Capitola Road
- 4450 Capitola Road
- 1430 41st Avenue – a discontinued use

Age/Condition of Structure. Age of structure is a significant factor in determining suitability of nonvacant sites. Building deterioration, lack of adequate property maintenance issues, as well as other market-driven factors contribute to the likelihood that many existing non-residential uses are being eliminated. In the last housing cycle,

the City had success in converting existing older developments into higher density residential development. For example, the 11-unit Tera Commons Development replaced an outdated salvage yard.

Mixed-use Zones. As mentioned, a majority of the non-vacant parcels are located in mixed use zones and consist mainly of underdeveloped commercial and mixed-use properties with low-value or marginal uses. As indicated by recent development trends, existing non-residential developments consisting of single commercial uses continue to decline whereas development of mixed or blend developments are increasing, especially along major thoroughfares in the City. It is anticipated that development in mixed use zones will feature and integrate residential development where existing commercial uses are present, thus providing for additional housing capacity on sites that contain neighborhood-serving resources and jobs. Projects within the Mixed Use Neighborhood zone are permitted to be 100% residential. Single family and duplexes are permitted uses; multifamily is a conditional use.

Lot Consolidation Potential. Parcels were considered for inclusion based on whether they can be consolidated with adjacent properties to form contiguous development sites that can take advantage of incentives including use of federal, state, regional funding to write-down the cost of land for development of lower and moderate-income housing, and technical assistance provided by the City in the form of permit streamlining and expediting for mixed-use projects. The sites inventory analysis has identified approximately 23 non-vacant parcels selected to accommodate lower-income units which have the potential for lot consolidation based on adjacency with like properties. The City recently approved a density bonus application for 4101 and 4205 Clares Street, adjacent properties but separately owned. These projects were approved for ten units.

Discontinued Uses. Some parcels throughout the City contain commercial businesses that are no longer in operation; however, these properties remain improved with vacated structures. With no site activity, these structures quickly fall into disrepair and minimal to no property maintenance is conducted by the owner. With greater demand for housing than commercial uses, there is a high likelihood that redevelopment will include new residential units. The sites inventory analysis has identified at least eight non-vacant parcels selected to accommodate lower-income units that contain discontinued uses:

- 1430 41st Avenue – Site has been without a tenant for 2 years
- 1210 41st Avenue – Site will be vacant soon; current tenant is moving up 41st Avenue to Kings Plaza
- 3825 Clares Street

- 1098 38th Avenue
- Four sites at 911 Capitola Avenue

Current Market Demand for the Existing Use. The City of Capitola has many businesses that are in high demand, including grocery stores, restaurants, gyms, and retail. Properties with high demand from consumers have a low probability of redeveloping and therefore were not included in the sites inventory. On the flip side, types of businesses that are experiencing decreased demand for brick-and-mortar structures, such as banks, were included in the sites inventory.

Existing Long-Term Lease. Businesses with an existing long-term lease have a low probability of redeveloping within the next housing cycle. Sites with newer business or known long-term leases were not included in the sites inventory.

Development Trends, Market Conditions, and other Incentives. In creating the sites inventory, development trends, market conditions, and development incentives were considered. With the relatively new trend of more employees working from home and decreased demand on office space, office buildings were considered for inclusion in the sites inventory if they also met additional criteria for selection such as age and underutilization. In terms of incentives, the City adopted an overlay zone in 2018 to incentivize community benefits in exchange for increased FAR and height. Properties included in the incentivized zone, which include additional favorable criteria for selection, were included in the sites inventory.

Representative Sites

As described above, the City focused much of its housing growth in specific areas and along major corridors when identifying sites. These include Bay Avenue, Capitola Avenue, 41st Avenue South (south of Capitola Road) and 41st Avenue North (north of Capitola Road).

Bay Avenue Corridor

Bay Avenue runs from Highway 1 to Monterey Avenue. Land uses along this street include Community Commercial (C-C) and residential uses. Sites selected along this corridor are all within the C-C zone, which has no density limits.

Sites along this corridor include Sites 47 through 52 and 57 through 59. The majority of existing buildings on these sites were built in the 1970s and, with the exception of one site, have FARs of less than 0.30. These sites are located near shopping, a museum, City Hall and the ocean. Of the nine sites on this portion of Bay Avenue, five of them can be consolidated due to a common owner and/or shared access. As described above, the realistic capacity for the C-C zone is 17 dwelling units per acre and a mix of uses (commercial and residential) are allowed. Recent trends in the region (City of Watsonville, City of Santa Cruz and County of Santa Cruz) have shown an increase of blended or mixed uses versus stand-alone commercial uses. Furthermore, redevelopment of shopping centers throughout California is prevalent and often through a variety of strategies, including incorporating some existing uses, infilling the parking areas, and adapting/redeveloping outdated structures into new uses.

Table 4-6: Representative Sites – Bay Avenue

<u>Site</u>	<u>Description</u>	<u>Size (Acres)</u>	<u>Capacity (Units)</u>
<u>816 Bay Ave (Site 57)</u>	<u>Fast food restaurant, building has been there since 1967. Same owner as sites 58 and 59 and potential for shared access.</u>	<u>0.38</u>	<u>6</u>
<u>816 Bay Ave A (Site 58)</u>	<u>Small shopping center with substantial parking area. Buildings, totaling about 13,000 square feet, have been there since 1971. Same owner as sites 58 and 59 and potential for shared access.</u>	<u>1.36</u>	<u>23</u>
<u>800 Bay Ave (Site 59)</u>	<u>Non-conforming residential use with structure from 1936. Same owner as sites 58 and 59 and potential for shared access.</u>	<u>0.44</u>	<u>7</u>

Figure 4-1: Bay Avenue Corridor



Source: County of Monterey Geographic Information System

Capitola Avenue Corridor

Capitola Avenue extends from Highway 1 to Monterey Avenue near the coastline. The sites along this corridor are zoned for Mixed-Use Neighborhood (MU-N), which permits a variety of uses and has no density limits. Sites along this corridor include Sites 60 through 65 and 67 through 76 (Site 66 is a vacant parcel). The FAR of these locations are 0.16 to 0.50 and were built between 1910 and 1977. Five sites may be consolidated due to common ownership and/or shared access. These sites have access to the Capitola Village, shopping, recreation areas, and City Hall and are located at key intersections of the city. As described above, the realistic capacity in the MU-N zone is 17 dwelling units per acre. Uses on these sites are similar to uses that have been redeveloped throughout the region, such as standalone retail, small office buildings, and restaurants.

Table 4-7: Representative Sites – Capitola Avenue

<u>Site</u>	<u>Description</u>	<u>Size (Acres)</u>	<u>Capacity (Units)</u>
<u>718 Capitola Ave (Site 60)</u>	<u>Small center with a restaurant and service businesses. Building has been there since 1946</u>	<u>0.86</u>	<u>15</u>
<u>716 Capitola Ave (Site 61)</u>	<u>Small center with stores and offices. Buildings there since 1966.</u>	<u>0.50</u>	<u>8</u>
<u>712 Capitola Ave (Site 62)</u>	<u>Single-story building there since 1965. Low FAR (0.23) . Potential for shared access with Site 63.</u>	<u>0.27</u>	<u>5</u>
<u>706 Capitola Ave (Site 63)</u>	<u>Small center with stores and offices. Buildings there since 1966. Potential for shared access with Site 62.</u>	<u>0.88</u>	<u>15</u>

Figure 4-2: Capitola Avenue



Source: County of Monterey Geographic Information System

41st Avenue South (south of Capitola Road)

41st Avenue is one of the highest capacity roadways in Capitola and extends from Highway 1 to the City's southern boundary. The portion south of Capitola Road is zoned Community Commercial (C-C) on either side of the street. The C-C zone does not have any density limits and allows for a mix of uses. Sites 24 through 28, 45 and 46 run along 41st Avenue south of Capitola Road, while other sites are along Capitola Road or adjacent roadways. These sites are near transit options, shopping and community facilities. Of the seven sites located along 41st Street, three have developer interest and three have discontinued or nonconforming uses.

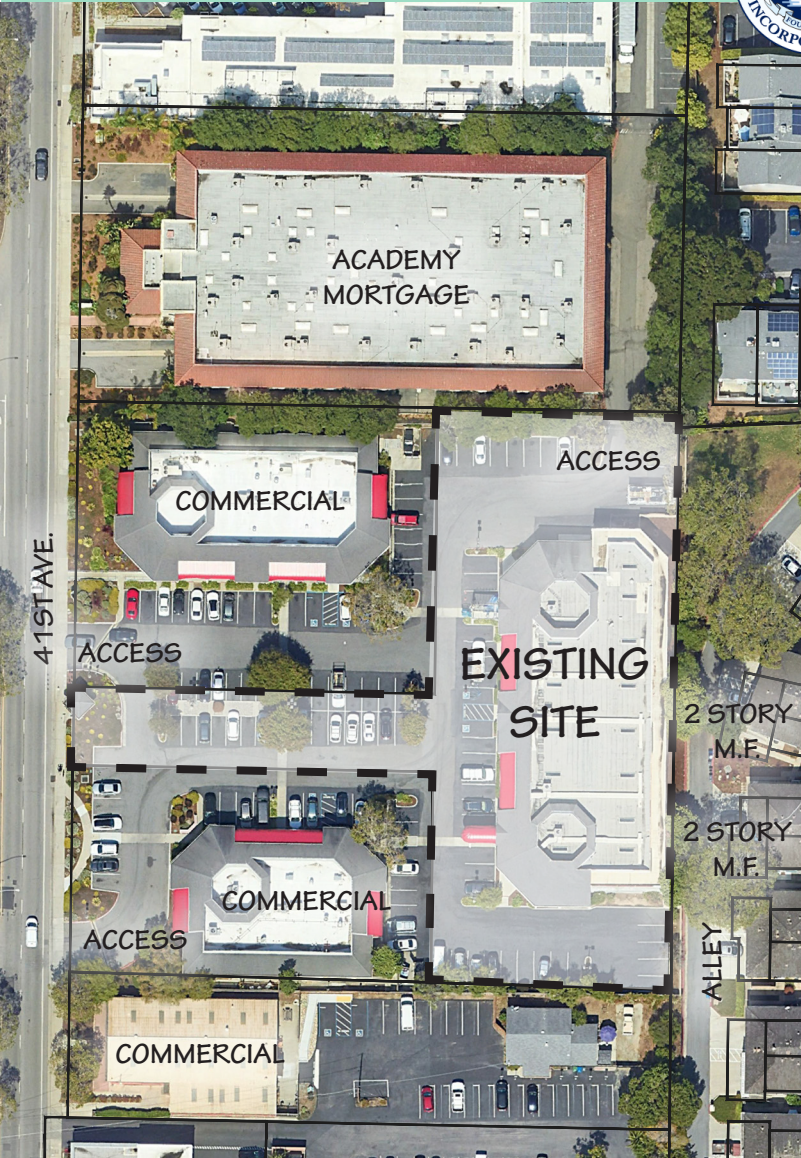
An architectural site concept was developed for 1430 41st Avenue (Site 44). The site concept, including conceptual massing, shows how residential or mixed use development can occur adjacent to parcels with existing commercial uses. The shape of this parcel could allow for a mixed use building that would blend well into the surrounding area. The building is currently vacant.

CAPITOLA HOUSING ELEMENT UPDATE ARCHITECTURAL SITE CONCEPT

1430 41ST AVENUE



CAPITOLA



Existing Site

1.1 Acres
 Zoning: Community Commercial
 Density: Unlimited
 Unit Target: 19
 FAR: 1.0
 Height Max: 40 ft
 Setbacks: 0 ft Typ, 20 ft Rear
 Required Parking: 2 Spaces/Unit
 1:300 Space/Commercial sf

Project Program

Mixed Use Building
 3,300 sf Retail
 18x 2 Bedroom Units
 6x 3 Bedroom Units
 3 stories, approx. 10 ft floor, 2 story retail
 Parking: 48 spaces required
 1:300 Space/Commercial sf = 11 parking spaces
 Provided Parking: 59 Spaces

CAPITOLA HOUSING ELEMENT UPDATE ARCHITECTURAL SITE CONCEPT

1430 41ST AVENUE



CAPITOLA



CONCEPTUAL MASSING - VIEW FROM WEST



CONCEPTUAL MASSING - VIEW FROM NORTH EAST

41st Avenue North (north of Capitola Road)

Land uses for parcels along 41st Avenue north of Capitola Road are zoned for Regional Commercial (C-R), which allows for mixed use. A majority of the parcels west of 41st Avenue and north of Capitola Road are part of the Capitola Mall. Similarly, many of the sites in the inventory located along this portion of the corridor are within the Mall. The section below describes the Mall and redevelopment opportunities.

I. Capitola Mall Site

The Capitola Mall site is located within the northwest portion of Capitola and is bounded by Clares Street to the north and west, 41st Avenue to the east, and Capitola Road to the south. It is surrounded by regional commercial uses to the north, west and east, and community commercial uses to the south. The Capitola Mall is 46.16 acres in total and 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 site is currently zoned Regional Commercial (C-R).

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.

The City prepared the 41st Avenue/Capitola Mall Re-visioning Plan in 2011 as part of the City's General Plan Update. The General Plan includes goals, policies, and actions which support redevelopment of the Capitola Mall with a focus on introducing housing sites, encouraging parking lot redevelopment, improving the retail and entertainment experience, and enhancing multimodal transportation alternatives. 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. Updates to the zoning code included incentives allowing increased FARs from 1.5 to 2.0 and a building height increase from 40 feet to 50 feet in exchange for community benefits (Municipal Code Chapter 17.88, Incentives for Community Benefits). Currently, mixed use redevelopment of the Capitola Mall site qualifies as a community benefit where incentives may be applied, such as increased height and FAR. The Regional Commercial Zone was also updated to allow residential development adjacent to commercial development on the same site. Within this zone, the first story of a structure does not have to be commercial. A recent feasibility analysis, including a pro forma, was conducted for the Capitola Mall. The study found that adding incentives (higher density, FAR and height) increased residual land value. The study also found that these changes would enhance project feasibility, particularly for multi-family development. The shopping center redevelopment program included in this Housing Element addresses the need to update the community benefits program for mall redevelopment with clear objective standards, increased incentives, and acknowledgement of phased development.

Since 2011, the City of Capitola has taken part in discussions with the Capitola Mall owners regarding potential development concepts for an integrated housing development and retail and commercial services. In 2019 Merlone Geier Partners (MGP), the property owner of five contiguous mall parcels, submitted a mall redevelopment application which included 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 of commercial space. The application also included 637 multi-family residential units at 20 units per acre. Two mixed use structures were proposed that would have ground floor commercial and residential above "wrapped" around two parking garages. The floor area ratio (FAR) of the entire mixed use project was 1.19, well under the C-R zone maximum of 1.5 and the Community Benefit Overlay zone of 2.0. In 2020, Merlone Geier Partners withdrew the application due to the pandemic.

Redevelopment of the Capitola Mall is a priority project for MGP. The City and **MGP** have had recent conversations regarding redevelopment and incorporation of more than the originally proposed 637 residential mixed-income units, including very low-, low-, moderate- and above moderate-income households to be included in the 6th cycle Housing Element update. As stated above, **MGP's** previous mall redevelopment conceptual application included 637 units at 20 units per acre and was under the maximum FAR. Throughout the Housing Element Update process, conversations with MGP as well as public comments during meetings held by the Planning Commission and City Council have resulted in approximately 37 of the 46 acres of the Capitola Mall being included in the Housing Element Sites Inventory. The realistic development density is proposed at 48 dwelling units per acre. Due to the multiple property owners and cases of long-term leases on some parcels, the mall properties are expected to be redeveloped in phases during the Housing Element planning period to allow for reconfiguration of existing uses, timing for market absorption, etc.

The details of the Mall redevelopment include:

- Twelve parcels total
 - Four of the parcels are owned by **MGP**.
 - The Sears building is vacant
 - The Takara Restaurant has closed and has a short-term lease with a religious establishment
- Table 4-6 shows the potential unit capacity of the Capitola Mall: 1,777 total units with 266 (15%) lower income units and 89 (5%) moderate income units. Lower income units will be deed restricted to remain lower income. The moderate income units (5%) may be, at developers option, either moderate by deed restriction or by design as studio units. A studio unit includes a kitchen and living space, does not have a separate bedroom, and is smaller than a one bedroom unit.
- The proposed 48 dwelling units per acre can be achieved by permitting building heights up to 75 feet on the Capitola Mall parcels.²⁸ This will allow commercial uses on the first floor and residential uses on upper floors. The Shopping Center Redevelopment Program within the Housing Plan section of this element includes amending Municipal Code Chapter 17.88, Incentives for Community Benefits, to permit this increased height. This will apply to the Capitola Mall site only which is the area bounded by Clares Street, 41st Avenue, and Capitola Road. It will not include the rest of the parcels within the Community Benefit Incentivized zone.

²⁸ Using HCD's general assumption of 10 units per acre per floor, 75 feet allows 15-foot first story commercial uses.

- With its 2019 application, MGP proposed a mixed-use development program that included residential and commercial uses. MGP continues to revise its residential/commercial mixed-use development program, including in response to this Housing Element update.

Table 4-68: Site Analysis – Capitola Mall

<u>Site Inventory #</u>	<u>APN</u>	<u>Address</u>	<u>Parcel Size</u>	<u>GP/Zoning Designation</u>	<u>Parcel Owned by MGP</u>	<u>Realistic Unit Capacity*</u>	<u>Realistic Lower Income Units**</u>
<u>7</u>	<u>034-261-35</u>	<u>3400 Clares St</u>	<u>0.66 acre</u>	<u>(C-R)</u>	<u>No</u>	<u>31</u>	<u>5 Lower</u> <u>2 Mod</u>
<u>8</u>	<u>034-261-36</u>	<u>3700 Clares St</u>	<u>1.45 acre</u>	<u>(C-R)</u>	<u>No</u>	<u>69</u>	<u>10 Lower</u> <u>3 Mod</u>
<u>9</u>	<u>034-261-53</u>	<u>1955 41st Ave</u>	<u>3.94 acre</u>	<u>(C-R)</u>	<u>No</u>	<u>189</u>	<u>28 Lower</u> <u>9 Mod</u>
<u>10</u>	<u>034-261-54</u>	<u>1995 41st Ave</u>	<u>0.48 acre</u>	<u>(C-R)</u>	<u>No</u>	<u>23</u>	<u>3 Lower</u> <u>1 Mod</u>
<u>11</u>	<u>034-261-34</u>	<u>1865 41st Ave</u>	<u>3.84 acre</u>	<u>(C-R)</u>	<u>No</u>	<u>184</u>	<u>28 Lower</u> <u>9 Mod</u>
<u>12</u>	<u>034-261-15</u>	<u>1855 41st Ave</u>	<u>1.16 acre</u>	<u>(C-R)</u>	<u>No</u>	<u>55</u>	<u>8 Lower</u> <u>3 Mod</u>
<u>13</u>	<u>034-261-38</u>	<u>1855 41st Ave</u>	<u>3.57 acre</u>	<u>(C-R)</u>	<u>Yes</u>	<u>171</u>	<u>26 Lower</u> <u>9 Mod</u>
<u>14</u>	<u>034-261-37</u>	<u>1855 41st Ave</u>	<u>8.36 acre</u>	<u>(C-R)</u>	<u>Yes</u>	<u>401</u>	<u>60 Lower</u> <u>20 Mod</u>
<u>15</u>	<u>034-261-51</u>	<u>1855 41st Ave</u>	<u>2.59 acre</u>	<u>(C-R)</u>	<u>No</u>	<u>124</u>	<u>19 Lower</u> <u>6 Mod</u>
<u>16</u>	<u>034-261-40</u>	<u>4015 Capitola Rd</u>	<u>10.05 acre</u>	<u>(C-R)</u>	<u>Yes</u>	<u>482</u>	<u>72 Lower</u> <u>24 Mod</u>
<u>17</u>	<u>034-261-39</u>	<u>3775 Capitola Rd</u>	<u>0.28 acre</u>	<u>(C-R)</u>	<u>Yes</u>	<u>13</u>	<u>2 Lower</u> <u>1 Mod</u>
<u>18</u>	<u>034-261-14</u>	<u>4055 Capitola Rd</u>	<u>0.68</u>	<u>(C-R)</u>	<u>No</u>	<u>32</u>	<u>5 Lower</u> <u>2 Mod</u>
<u>Subtotal (Parcels owned by MGP: Site Inventory #s 13,14,16,17)</u>			<u>22.26</u>			<u>1,069</u>	<u>160 Lower</u> <u>54 Mod</u>
<u>TOTAL</u>			<u>37.06</u>			<u>1,777</u>	<u>266 Lower</u> <u>89 Mod</u>

*Assumes 48 dwelling units per acre

** Lower = lower income units (15% of total units); Mod = moderate income units (5% of total units). Lower-income units will be deed restricted to remain lower income. The moderate income units (5%) may be, at developers option, either moderate by deed restriction or by design as studio units. A studio unit includes a kitchen and living space, does not have a separate bedroom, and is smaller than a one bedroom unit.

The City encourages additional housing on Capitola Mall(all mall parcels) and proposes a height increase up to 75 feet to accommodate densities at 48 to 60 units per acre. Redevelopment of the Mall would not only provide for additional housing options in Capitola but would also be consistent with the City’s goal of developing a “lifestyle” center that emphasizes high-quality, walkable residential communities where dining, shopping, and entertainment, are all part of an interconnected ecosystem. The growing trend of repositioning large obsolete retail stores, like the now-defunct Sears locations, to accommodate residential capacity as part of larger “lifestyle” centers can be observed throughout various California regions. The Shopping Center Redevelopment Program within the Housing Plan section of this element includes amending Municipal Code Chapter 17.88, Incentives for Community Benefits, to permit this increased height based on increased density. This will apply to Capitola Mall only (not the rest of the parcels within the Community Benefit Incentivized zone).

The City of Capitola has included funding in the 2023/2024 budget to fund a study to identify additional actions the City could take to assist in mall redevelopment. The City Council authorized the study and the formation of a mall technical committee in September 2023.

J. Comparison of Sites Inventory and RHNA

1. Sites Inventory Capacity

Table 4-7 shows the inventory of land suitable for residential development. After the 50 ADUs anticipated to be built during the 2023 - 2031 planning period, the remaining RHNA is 1,286 units (424 extremely low, very low income, 278 low income, 139 moderate income and 445 above moderate income). Properties identified in the sites inventory have the combined capacity to accommodate approximately 2,511 1,468 additional housing units on underutilized sites. These sites, and the associated existing land use regulations, can facilitate the production of 426 extremely low-/very low-income units, 290 low-income units, 180 moderate-income units, and 1,615 above-moderate-income units during the planning period.

Table 4-79: Inventory of Land Suitable for Residential Development Summary

	<u>Extremely Low/ Very Low Income</u>	<u>Low Income</u>	<u>Moderate Income</u>	<u>Above Moderate Income</u>	<u>Total Residential Capacity</u>
<u>6th Cycle RHNA</u>	<u>430</u>	<u>282</u>	<u>169</u>	<u>455</u>	<u>1,336</u>

ADUs	6	4	30	10	50
Remaining RHNA for Adequate Sites	424	278	436	445	1286
Remaining RHNA for Adequate Sites	424	278	1396	445	1,286
R-1 (churches)	0 6	0 4	9 5	0 5	10
RM-L	5	3	4	6	18
RM-M	31	21	1	2	55
MU-N	49	33	30	61	173
C-R	236	157	99	1,439	1,931
C-C	105	76	41	102	324
CE	1	1	6	6	12
Total	426 499	290 —	180 —	1,615 464	2,511 4,530

2. Future Housing Opportunities (Additional Residential Buffer)

This Element includes a program for the City to facilitate discussions between the Soquel Union Elementary School District and nonprofit developers for potential residential opportunities. Two school sites have been identified: New Brighton Middle School on Monterey Avenue and Opal Cliffs Elementary School on Jade Street. These locations were chosen due to portions of these sites being used for fields or parking that could be utilized for housing. It is assumed that any future residential development would be in addition to the school uses and would not replace them. While these locations were not included in the sites inventory for the 6th cycle, six units of moderate-income and six units of above-moderate income housing are being incorporated into the City's buffer. This is due to interest expressed by nonprofit developers, making residential development on these parcels a possibility during the 2023-2031 planning period.

State-owned land comprises eight percent of the City's total acreage (New Brighton State Beach and the Department of Motor Vehicles site). Given the lack of vacant land within the City, interest has been expressed for the potential of housing located in the eastern end of the City on state land (New Brighton State Beach) within the Parks and Open Space zone. Part of this proposal is due to the area's proximity to existing housing along McGregor Drive and within close proximity to Highway 1 and the Park Avenue corridor. This interest was reiterated during a Planning Commission hearing conducted on the Housing Element in October 2023.

Table 4-810: Comparison of Sites Inventory and RHNA

	Lower	Moderate	Above Moderate	Total
6 th Cycle RHNA	712	169	455	1,336
ADUs	10	30	10	50
Remaining RHNA for Adequate Sites	702	139	445	1,286
Sites Inventory				
Recyclable Land*	716	180	1,615	2,511
Sites Inventory Total	716	180	1,615	2,511
Additional Residential Buffer**	0	6	6	12
Surplus/Deficit	+14	+47	+1,176	+1,237

*Includes vacant sites, underutilized land, and pending projects

**Includes potential units on two school district sites

K. Summary of Residential Capacity on Vacant, Recyclable, Religious and ADU Sites

The analysis indicates that the City’s inventory of underutilized/recyclable sites, along with entitled units under plan review and potential ADU production has the potential for the development of 1,530 residential units on existing residential properties and within existing zoning categories. A detailed sites inventory table is also presented in Appendix D.

Table 4-9 below shows the distribution of the City’s RHNA allocation and low and very-low income units. While the projects focus on areas rich in transit and other amenities, the projections are spread throughout the City in various districts and neighborhoods. This includes infill single-family, ADUs and multiple-family, high density corridors, urban density corridors, and transit-oriented development.

Table 4-911: Summary of Housing Units

Sub-Area	Low and Very-Low Income Units	Total Units	Percent of RHNA
Single Family zone (religious sites only)	0	10	0.7%
Multi-Family Residential zones	60	73	5.4%
Commercial zones that permit residential projects	393	1,931	20.3%
Mixed Use Neighborhood zone	82	173	12.9%
Accessory Dwelling Units (ADUs)	10	50	3.7%
Total*	726	2,561	28.3%

*Total RHNA for lower and very low: 712; total RHNA is 1,336

L. Environmental Conditions for Sites

As discussed in the Constraints chapter of this Element, the City has several important environmental features and conditions including the Coastal Zone, Environmentally Sensitive Habitat Areas (ESHA), floodplains and geological hazards. The sites for the inventory are not located in the floodplain, along bluffs, or within ESHA boundaries.

A portion of the opportunity sites identified this Housing Element are in the Coastal Zone; however, apart from four smaller vacant parcels, the sites are already developed or are in a developed area, so are unlikely to be subject to environmental conditions that would constrain development. Within the 2015-2023 housing element cycle, 68 units within the Coastal Zone were demolished. However, they were replaced with new homes. Because all but four of the opportunity sites are nonvacant sites with existing uses, environmental and infrastructure constraints are not expected to constrain development. In addition, none of the sites are constrained due to lot shape, access, contamination, overlays, or easements.

M. Opportunities for Energy Conservation

Under current law (Government Code Section 65583(a)(7)), this Capitola Housing Element must include analysis of opportunities for energy conservation with respect to residential development. In 1974 the Legislature created the California Energy Commission to address the issue of energy conservation. The Commission, in 1977, adopted Title 24 of the California Administrative code, conservation standards for new buildings.

Energy-related housing costs can directly impact the affordability of housing. While state building code standards contain mandatory energy efficiency requirements for new development, the city and utility providers are also important resources to encourage and facilitate energy conservation and to help residents minimize energy-related expenses. In addition to required compliance with the Building Code and Title 24, the City's Climate Action Plan and General Plan sets forth goals and policies that encourage the conservation of non-renewable resources in concert with the use of alternative energy sources to increase energy self-sufficiency. Though Capitola is predominantly developed, there is opportunity for energy savings in existing housing as most residential structures can be retrofitted with conservation measures that nearly provide the energy savings achieved with new construction.

1. Site Planning

The City requires a site plan review of all multiple-family developments and subdivisions. Through this review process, the City promotes energy conservation methods of design and orientation of the housing units. It is a specific goal of the City that all developments of a public or private nature are conscious of the need to conserve energy in all forms using good site planning techniques. Energy conservation can also be promoted by locating residential developments in proximity to schools, employment centers, public transit, and services. The City's Land Use Element and Housing Element make concerted efforts to distribute residential areas in ways that make them accessible to these various amenities and services and are thus more likely to reduce vehicular traffic.

Gases that trap heat in the atmosphere are called greenhouse gases and contribute to global temperatures through the greenhouse effect. Because automobile emissions are major sources of greenhouse gases, a reduction in vehicle trips is the most effective strategy to reduce global warming. The city's policy and land use planning approach will foster infill developments, at appropriate densities, and incentives (through density and height) for infill development near the Capitola Mall Metro Transit Center, and the adoption of mixed uses along major corridors and near major commercial,

office, and entertainment/tourist uses. These strategies aim to provide an adequate supply of housing for a full range of income groups reducing long commutes in search of affordable housing.

Specifically, the City has identified several policies/programs in this 2023-2031 housing element that will provide energy conservation opportunities and benefits. Policies and programs for resource conservation and to assist lower income, seniors, and disabled households with necessary repairs, including energy efficiency improvements, are included in Chapter 5: Housing Plan.

2. Capitola Green Building Ordinance

In May 2008, the Capitola City Council approved an amendment to the Zoning Code to include Chapter 17.10 “Green Building Regulations”. The Capitola Green Building program became effective July 1, 2008. The program is mandatory and requires that every new development (residential and/or commercial), and major remodels of a specified size, meet certain Green Building requirements. The Green Building requirements are intended to improve or achieve energy efficiency, indoor air quality, water conservation, reduced waste generation, and reduced carbon emissions. The program has been effective due to its flexibility and comprehensible requirements.

In relation to new residential development, and especially affordable housing, construction of an energy efficient building can add to the original production costs. Over time, however, housing with energy conservation features should have reduced occupancy costs because the consumption of fuel and electricity is decreased. This means the monthly housing costs may be equal to or less than what they otherwise would have been if no energy conservation devices were incorporated in the new residential buildings. Reduced energy consumption in new residential structures is one way of achieving affordable housing costs when those costs are measured in monthly carrying costs as contrasted to original sales price or production costs.

Strategies a developer can undertake to achieve energy efficient construction include:

- Locating the structure on the northern portion of the sunniest area on the site.
- Designing the structure to permit the maximum amount of sunlight into the building and to reduce exposure to extreme weather conditions.

- Locating indoor areas of maximum usage along the south face of the building and placing corridors, closets, laundry rooms, power core, and garages along the north face of the building to serve as a buffer between heated spaces and the colder north face.
- Making the main entrance a small, enclosed space that creates an air lock between the building and its exterior; orienting the entrance away from prevailing winds; or using a windbreak to reduce the wind velocity against the entrance.
- Locating window openings to the south and keeping east, west, and north windows small, recessed, and double-glazed.
- Installing more efficient appliances and incorporating weatherization building practices.

These and other potential energy efficient opportunities are evaluated and promoted by the City during the site plan review process.

3. Capitola Green Energy Incentive Program

The Capitola City Council adopted the Green Energy Incentive Program in 2014 to promote sustainable energy practices. This program provides for expedited and free permit processing for private rooftop solar systems, solar water heaters, and electric vehicle charging stations.

4. Capitola Commission on the Environment

Members of the Capitola Commission on the Environment have an interest in protection and enhancement of the City's environment and assist the City Council in promoting sustainable development, greenhouse gas reduction measures, green building techniques, protection and enhancement of Soquel Creek, the ocean and Capitola Beach, and associated riparian and special habitat areas. The commission members generally meet on the third Wednesday of each month.

N. Financial Resources

A variety of potential funding sources are available for housing activities in general. However, due to both the high costs of developing and preserving housing, and limitations on both the amount and uses of funds, additional funding sources may also be required. The following describes in greater detail the primary federal, state, and local funding sources currently used in, and available to, Capitola. These funding sources can potentially be used to assist in the preservation, improvement, and development of affordable housing in Capitola.

1. Federal Funding Sources

Community Development Block Grant (CDBG) Funds

CDBG is a federal HUD program that can provide funds for a wide range of community development projects including affordable housing and economic development activities. As a small jurisdiction Capitola is not an “entitlement City” under HUD regulations but can apply for competitive grants on an annual basis through the California Department of Housing and Community Development (HCD).

CDBG funds are subject to certain restrictions and cannot be used for the actual construction of new housing. The program benefits primarily persons/households with low-incomes not exceeding 80 percent of the area median income. In the past CDBG grants have provided funding for infrastructure development for the 6-unit Habitat for Humanity homeownership project, the Housing Needs Assessment Survey, disabled access retrofits, membership share loans to Loma Vista Mobile Home Park Cooperative members, and loans to income-eligible borrowers under the City’s Owner Occupied Rehabilitation Assistance Program. As CDBG funded loans are repaid, the funds are returned to the City’s CDBG Reuse account and can be used again for CDBG eligible activities.

In 2014, the City was awarded a \$500,000 CDBG grant to reinstate funding for the Housing Rehabilitation Loan Program and Mortgage Assistance Program (First-Time Homebuyer Program). The programs are designed to assist low-income Capitola residents with needed home repairs and purchasing a home.

Housing Choice Vouchers (Section 8) Rental Assistance

The federal Section 8 program provides Housing Choice Vouchers to very low-income households in need of affordable housing. The Housing Choice Vouchers program assists a very low-income household by paying the difference between 30 percent of the gross household income and the cost of rent. The vouchers program allows the voucher recipients to choose housing that may cost above the fair market rent as long as the recipients pay for the additional cost. The Housing Authority administers approximately 206 households in Capitola to receive rental assistance under the HUD Housing Choice Vouchers program in 2023.

Home Investment Partnership (HOME) Program

HOME is a federal HUD program that can fund a variety of activities to assist either rental or home ownership projects through acquisition, construction, and rehabilitation of affordable housing. Under the HOME program, smaller jurisdictions with populations under 50,000 are allowed to apply for competitive grants administered on an annual basis by the State Department of Housing and Community Development (HCD). HOME funds have been used in past years to assist housing projects including the 12-unit Clares Street, Brookvale Terrace Mobile Home Park purchase and the City's Mobile Home Rehabilitation Loan Program. The City continues to receive program income from the HOME program when loans are paid-off.

ESG and HOPWA

Provided by HUD, the Emergency Shelter Grant program provides homeless persons with basic shelter and essential supportive services. ESG funds can be used for a variety of activities, including rehabilitation or remodeling of a building to be used as a shelter. The Housing Opportunities for Persons with AIDS/HIV (HOPWA) program provides grant funds to help meet the housing needs of low and moderate-income people living with HIV/AIDS.

HUD 811 and 202 programs

The Section 811 program provides funding for the development of rental housing with the availability of supportive services for adults with disabilities. The Section 811 program allows for persons with disabilities to live as independently as possible in the community. The program also provides project rental assistance. The Section 202 program provides funds to finance the construction, rehabilitation or acquisition of structures that will serve as supportive housing for very

low-income elderly persons, including the frail elderly, and provides rent subsidies for the projects to help make them affordable. The 25-unit Dakota Apartments project on Clares Street was developed in 1996 with assistance from the City's CDBG Reuse fund and the HUD 811 program.

Low-Income Housing Tax Credits

The Low Income Housing Tax Credit program is a federal program which provides each state an allocation of tax credits to be used to create affordable housing for low-income households. The tax credits are used as an incentive for private businesses to invest in affordable housing. This program can be used in conjunction with the mortgage revenue bond program. In addition to federal tax credits, California has created a state tax credit program to be used in conjunction with the federal credits. Low Income Housing Tax Credits are a major source of funding for Capitola's \$28 million Bay Avenue Senior Apartments project. The Bluffs is a very recent project that utilized low income tax credits and was entitled in 2023 for 36 units including 25 very low income units, 10 low income units and one staff unit.

2. State Funding Sources

Proposition 1C Funding

Proposition 1C authorized about \$2.85 billion in state funds for a variety of housing programs. Potential uses of Proposition 1C funds include brown-field cleanup and infill incentives, multifamily housing programs, implementation of Transit Oriented Development (TOD), the state's Homeownership Down payment Assistance Program, Supportive Housing, farmworker housing, emergency housing assistance and programs for homeless youth.

Senate Bill (SB) 2/LEAP Grants

In 2017, Governor Jerry Brown signed a 15-bill housing package aimed at addressing the state's housing shortage and high housing costs. Specifically, it included the Building Homes and Jobs Act (SB 2, 2017), which establishes a \$75 recording fee on real estate documents to increase the supply of affordable homes in California. To date, the City has been awarded \$160,000 under the SB 2 grant program and \$65,000 under the LEAP grant program. Because the number of real estate transactions recorded in each county will vary from year to year, the revenues collected will fluctuate. SB 2 PLHA funds can be used to:

- Increase the supply of housing for households at or below 60% of AMI.
- Increase assistance to affordable owner-occupied workforce housing.
- Assist persons experiencing or at risk of homelessness.
- Facilitate housing affordability, particularly for lower and moderate-income households
- Promote projects and programs to meet the local government’s unmet share of regional housing needs allocation.

Multifamily Housing Program

The Multifamily Housing Program (MHP) is used to assist the new construction, rehabilitation and preservation of permanent and transitional rental housing for lower income households. The state’s supportive housing program was a major funding source for the Bay Avenue Senior Apartments Project.

Mental Health Services Act Program

Mental Health Services Act (MHSA) Housing Program was established to fund permanently supportive housing projects for people with psychiatric disabilities and children with serious emotional disturbance. The MHSA program for Santa Cruz County is administered by the County. MHSA funding has been provided for five of the units at the Bay Avenue Senior Apartments project. Those units are occupied by extremely low- income seniors with psychiatric disabilities.

Building Equity and Growth in Neighborhoods (BEGIN)

BEGIN funding includes grants to local public agencies to make deferred payment second mortgage loans to qualified buyers of new homes in projects with affordability enhanced by local regulatory incentives or barrier reductions. The City no longer receives funding from the BEGIN program.

CalHOME Funds

CalHOME funding includes grants to local public agencies and nonprofit corporations to assist individual households through deferred-payment loans, as well as direct, forgivable loans. The grants are used to enable low and very low income residents to become or remain homeowners. The City may pursue this funding during the 2023-2013 6th cycle.

Workforce Housing Reward Program

This program provides financial incentives to cities and counties that issue building permits for new housing affordable to very low- or low-income households. Grants can be used for construction or acquisition of capital assets. The grant amount is determined based on the number of units developed. The City may pursue this utilizing this program during the 2023-2013 6th cycle if there are interested developers.

California Housing Finance Agency (CHFA)

CHFA is a state agency that administers programs that provide below market interest rate mortgage capital through the sale of tax-exempt notes and bonds. CHFA sells tax-exempt Mortgage Revenue Bonds to provide below market rate financing through approved private lenders to first-time homebuyers for the purchase of new or existing homes. The program operates through participating lenders who originate loans for CHFA purchases.

CHFA also operates a Multifamily Rental Housing Mortgage Loan Program. This program finances the construction or substantial rehabilitation of projects containing 20 or more units where 20% of the units in the project are set aside for low income tenants at affordable rents for the greater of 15 years or as long as the mortgage is outstanding.

A new program of CHFA is the HELP Program. This program provides low interest loan assistance to local governments to assist in the provision of affordable housing. The terms of the low interest loans are 3% simple interest per annum for up to 10 years, with a maximum loan amount of \$2,000,000 per project.

Inclusionary Housing Ordinance

In 2004, the City adopted an inclusionary housing ordinance that requires residential developers to provide a percentage of the total number of units as affordable to moderate-, low-, or very low-income households. Developers may choose to build the units and designate them as for-sale or as rental units or propose to use an alternative method of compliance to meet the requirement, one of which is the payment of an in-lieu fee. Under the Inclusionary Ordinance, under limited circumstances, developers can pay in lieu fees rather than providing the required inclusionary housing units. Those fees are deposited into the Affordable Housing Trust Fund (AHTF) and help support affordable housing development in other projects.

Former Redevelopment Agency Housing Set-Aside

Until the dissolution of Community Redevelopment Agencies under AB X1 26, Redevelopment Housing Set-Aside funds were one of the primary sources of financing used for preserving, improving, and developing affordable housing. As of 2013, Redevelopment Housing Set-Aside funds are no longer available for agency use, as all tax increment that previously went to the Agency is diverted to the underlying taxing entities under AB X1 26. Any redevelopment agency housing set-aside loans that are paid off will be reutilized toward future affordable housing projects.

Permanent Local Housing Allocation (PLHA)

PLHA provides funding to local governments in California for housing-related projects and programs that assist in addressing the unmet housing needs of their local communities. There are two types of assistance under PLHA:

- Formula grants to entitlement and non-entitlement jurisdictions based on the formula prescribed under federal law for the Community Development Block Grant.
- Competitive grants to non-entitlement jurisdictions. Funding amounts will vary based on annual revenues to the Building Homes and Jobs Trust Fund.

The state estimates a total of \$630,557 in funding for Capitola over the five-year funding cycle 2020-2024. The City has applied for a grant which is currently pending approval.

3. Local Funding Sources

Capitola Affordable Housing Trust Fund

This fund was adopted by the City Council in November 2004 to utilize Inclusionary Housing In-Lieu Fees and to accept donations from individuals and organizations. The Affordable Housing Trust Fund provides the City with a mechanism for accumulating and administering additional housing resources. These funds can be used as matching funds to state and federal funding sources. To date, the only source of revenue for the Trust Fund has been Inclusionary Housing Fees. The Housing Trust Fund continues to be administered per Section 18.02 of the Capitola Municipal Code. There is currently \$144,000 in available funds.

O. Administrative Resources

1. City of Capitola Community Development Department

The overall department functions include planning, building and safety, housing, community development grant administration, zoning, permit information and guidance, and economic development. While the Building Division ensures compliance with life-safety standards and building codes, the Planning Division provides comprehensive land use services. The Planning Division's primary goal is to ensure and enhance the quality of life in the community through the administration of the Capitola Municipal Code relative to zoning and subdivisions, the General Plan, the California Environmental Quality Act, and a variety of interrelated laws involving public health, safety, and welfare. The Planning Division is also responsible for the City's code enforcement program and finding solutions to problems resulting from violations of the Municipal Code. If left unattended, Code violations can detract from the positive appearance of neighborhoods and the business community. Code enforcement efforts help preserve the housing stock by requiring owners to maintain their properties in a sound condition.

Additionally, the City has offered financial assistance to homeowners through its Housing Rehabilitation Program. There currently is not an active rehabilitation program, but the City plans to administer a program during the 6th cycle to maintain the safety and quality of residences occupied by low-income residents through a Grant Program. Under the grant program, a grant will be offered for owner-occupied homes.

2. Nonprofit Developers

Due to the high cost of housing development in coastal California, many communities have found that partnerships with nonprofit housing developers are an effective tool for creating affordable housing units. The City of Capitola is currently working with Mid-Peninsula Housing Coalition on a future 100 percent affordable housing project at 1098 38th Avenue.

3. Additional Agencies Involved in Capitola Housing

Described below is a sample of public and non-profit agencies that have been involved in housing activities in north Santa Cruz County. These and other agencies play important roles in meeting the housing needs of the community. In particular, they are, or can be, involved in the improvement of the housing stock, expansion of affordable housing

opportunities, preservation of affordable housing, and/or provision of housing assistance to those in need. Many of the affordable housing funding sources listed in the Financial Resources section above can only be accessed through involvement of nonprofit affordable housing agencies who serve as the developers, owners and managers of affordable housing projects.

- **County of Santa Cruz Housing Authority** – The County of Santa Cruz County Housing Authority is a key partner in the development and preservation of affordable housing. The Housing Authority’s project-based voucher (PBV) program is an important resource in stimulating and supporting affordable housing development. The PBV Program directly counters market barriers (high land and construction costs) by providing the owner with market rate rents on below-market, affordable units, allowing the owner to sufficiently cover operating expenses. Moreover, the Housing Authority is expanding its nascent self-development activities. The Housing Authority manages the 12-unit Grace Street apartments, administers the Housing Choice Voucher rental assistance program and operates the Mortgage Credit Certificate program for Capitola.
- **Community Action Board of Santa Cruz County, Inc. (CAB)** – CAB conducts, administers and coordinates community programs to combat poverty in Santa Cruz and Monterey Counties. CAB offers several programs: energy/utility payment assistance; the Shelter Project (housing and homeless services); job training and employment services; immigration assistance; and community building. CAB operates five services for homeless people or those at risk of homelessness, including: Housing for Medical Emergencies Program, Motel Vouchers for homeless persons facing emergency medical situations, Emergency Rent Assistance to prevent eviction, and a Message Center (voice mail), Shelter Hotline, and Resource Guide.
- **Senior Network Housing Program** – The Senior Network Housing Program provides some housing-related services to elderly individuals and households. The City of Capitola contracts for provision of these services to city residents through a contract under the Community/Human Services Program. The senior network program has been active in matching seniors in shared housing arrangements. In addition, staff maintains an inventory of senior housing developments and provides information on location, eligibility requirements, affordability and level of services offered.
- **California Rural Legal Assistance** – Fair housing information and tenant-landlord dispute mediation is available through California Rural Legal Assistance. Information and resources are provided to both tenants and landlords regarding their rights and responsibilities. The City of Capitola contracts for provision of these

services to City residents through a contract with California Rural Legal Assistance under the Community/ Human Services Program.

- **Habitat for Humanity** – Habitat for Humanity is a nonprofit organization dedicated to building and rehabilitating affordable ownership housing for lower income families. Habitat for Humanity builds and repairs homes with the help of volunteers and partner families. Habitat homes are sold to partner families at no profit with affordable, no-interest loans.
- **Eden Housing** – Eden Housing creates and sustains high-quality affordable housing communities that advance equity and opportunity for all. Eden has worked in partnership with cities and local community partners to develop or acquire more than 10,600 homes in communities throughout California, currently serving a diverse population of 22,000 low-income residents from all cultures and backgrounds. Since its inception, more than 100,000 people have come home to an Eden community. Eden housing has projects within Santa Cruz County and has expressed interest in Capitola.
- **Mid-Peninsula Housing Coalition (MPHC)** – Mid-Peninsula Housing Coalition is an established regional non-profit organization involved in the development, management, acquisition, and rehabilitation of affordable rental housing. MPHC primarily develops affordable family and senior rental apartments. Since its founding in 1971, MPHC has developed over 3,700 units and rehabilitated over 300 units in six Northern California counties, including several projects in Santa Cruz County.
- **First Community Housing (FCH)** – First Community Housing is a San Jose based non-profit affordable housing developer committed to building high quality, sustainable, affordable housing and passing the energy savings along to their tenants. FCH’s incorporation of Green Building materials has been featured in numerous Green Building journals. First Community Housing develops family housing, senior housing, single room occupancy housing, live/work lofts, mixed-use development and housing for people with disabilities. Since its founding in 1986, FCH has developed over 800 units with another 200 in development. FCH is the owner/developer of the 109-unit Bay Avenue Senior Apartments project in Capitola, a \$28 million acquisition/rehabilitation and new construction project that will serve extremely low, very low and low-income seniors including some units for residents who are chronically ill and who have psychiatric disabilities.
- **South County Housing** – South County Housing is a Gilroy-based non-profit affordable housing developer. South County Housing is a nonprofit community development corporation operating in the California counties

of Santa Clara, Santa Cruz, Monterey, and San Benito. Since 1979, they have developed over 2,500 units, including 1,435 affordable apartments. South County Housing's model, which includes combining mixed income housing with on-site services, addresses the unique needs of each community. When they build neighborhoods, they invest in their long-term success with recreational amenities, childcare facilities and community buildings with computer labs. South County Housing has also been active in Santa Cruz County with the acquisition and rehabilitation of mobile home parks. In Capitola they have assisted the City with feasibility studies for future additional cooperative or non-profit mobile home park acquisitions.



Chapter 5: Housing Plan

Providing for the diverse housing needs of the community is a fundamental priority for the City of Capitola. The Housing Plan describes Capitola's seven housing goals and the policies and programs necessary to implement them. The Housing Plan represents the City's official housing policy for the 2023-2031 Housing Element planning period.

A. Goals, Policies and Programs of the 2023-2031 Housing Element

- Goal 1.0: Housing Production
- Goal 2.0: Affordable Housing Development
- Goal 3.0: Housing for Persons with Special Needs
- Goal 4.0: Housing Assistance
- Goal 5.0: Neighborhood Vitality
- Goal 6.0: Resource Conservation
- Goal 7.0: Affirmatively Furthering Fair Housing

Goal 1.0 Housing Production

Diversity in housing types and affordability levels to accommodate the needs of Capitola Residents

Persons and households of varying ages, types, incomes, and lifestyles have a range of housing needs and preferences. Moreover, housing needs evolve over time in response to changing life circumstances. Providing an adequate supply and diversity of housing accommodates changing housing needs of residents at all stages of life, promotes an inclusive community that welcomes all residents, and achieves larger social and equity goals in Capitola.

Housing Production Policies

- Policy 1.1** Provide adequate sites and supporting infrastructure to accommodate present and future housing needs of Capitola residents.
- Policy 1.2** Encourage mixed-use developments.
- Policy 1.3** Provide opportunities for the development of alternative housing options, such as Accessory Dwelling Units.
- Policy 1.4** Periodically review development regulations, permit processes, and fees and their effect on development to ensure that such requirements facilitate housing production and rehabilitation.

Housing Production Programs

Program 1.1 Adequate Housing Sites and Monitoring of No Net Loss: Provide adequate sites for new housing to accommodate the Regional Housing Needs Allocation (RHNA) of 1,336 units for the 2023-2031 planning period. The income distribution of the RHNA is 430 very low income; 282 low income; 169 moderate income; and 455 above moderate income units. Adequate sites are those in close proximity to jobs, goods, and services, have mitigatable or no constraints, and have adequate existing or planned infrastructure. The City projects that 50 Accessory Dwelling Units will be permitted over the next eight years. The majority of the City's RHNA will be accommodated on commercial sites where mixed use development is permitted. The comprehensive rezoning that took place in 2018 provided adequate capacity to accommodate the City's RHNA for the 6th cycle Housing

Element. The updates to the ADU ordinance (2020 and 2022), the adoption of the SB-9 Ordinance (2022), and multi-family and mixed use objective standards ordinance (2022) further increased opportunities for missing middle housing and removed impediments to housing development within all residential zones, including the R1 zone.

- The City will comply with SB 166 (No Net Loss) by monitoring the consumption of residential and mixed-use acreage to ensure an adequate inventory is available to meet the City’s RHNA obligations. To ensure sufficient residential capacity is maintained to accommodate the RHNA, the City will develop and implement a formal ongoing (project-by-project) evaluation procedure pursuant to Government Code §65863 by July 2024. If an approval of development results in a reduction of capacity below the residential capacity needed to accommodate the remaining need for lower income households, the City will identify and, if necessary, rezone sufficient sites to accommodate the shortfall and ensure “no net loss” in capacity to accommodate the RHNA.

Some sites in the inventory would require consolidation to enhance their feasibility for redevelopment. The City will facilitate lot consolidation of small sites.

The City had previously created an Affordable Housing Overlay (-AH) and designated specific parcels with the Overlay to incentivize the development of affordable housing. However, with the recent comprehensive rezoning program that provides for mixed use development in most of the City’s commercial districts with no density limits, the Overlay has become obsolete. The City will remove the Affordable Housing Overlay from the City’s Zoning Ordinance and Zoning Map since the City has a new mixed use strategy that offers adequate incentives for affordable housing development. None of the sites in the inventory were previously included in the 4th or 5th cycle Housing Element.

Timeline and Objectives:

- Facilitate the development of 1,336 housing units over 8 years.
- Maintain an inventory of available vacant and prospective sites that can accommodate new housing; update annually.
- Annually meet with property owners and interested developers to pursue housing development in the City.

- By July 2024, develop a formal procedure to monitor no net loss in capacity pursuant to SB 166.
- By the end of 2025, develop strategies to provide for missing middle housing, such as conversion of second story commercial/office space, live/work housing, and duplex/triplex.
- Facilitate lot consolidation:
 - Make the list of potential sites for lot consolidation available to interested developers. The list will be available online with information on parcel size, zoning, and existing uses.
 - Establish an outreach program to local real estate brokers and the Santa Cruz County Association of Realtors to promote opportunities and incentives for lot consolidation.
 - Facilitate communications between property owners and interested developers as part of the annual meetings (see above). Include site development options, including zones in the City that have no density limits.
 - Provide technical assistance to expedite the site acquisition, plan review, and entitlement process.
 - By the end of 2025, develop incentives to encourage lot consolidation. Typical strategies include ministerial approval of lot line adjustments and flexible development standards (such as reduced or alternative parking arrangements, increased height or lot coverage) for large sites.
- As part of the Zoning Ordinance update by the end of 2025 remove the Affordable Housing Overlay from the Zoning Code and Zoning Map.
- Capitola will work with AMBAG in the 2050 MTP/SCS (scheduled for June 2026) to designate the Capitola Mall as a planned high-quality major transit stop.

Responsibility:

Community Development/Planning

Funding:

General Plan Fund

Program 1.2 Replacement Housing: Development on non-vacant sites with existing residential units is subject to replacement requirements, pursuant to AB 1397. Specifically, AB 1397 requires sites with a residential use within the last 5 years the replacement of units affordable to the same or lower income level as a condition of any development on a non-vacant site consistent with those requirements set forth in state Density Bonus Law.

Timeline and Objectives:

- By December 2024, amend the Zoning Code to address the replacement housing requirements.

Responsibility:

Community Development/Planning

Funding:

General Plan Fund

Program 1.3 Accessory Dwelling Units (ADUs): The City facilitates the development of Accessory Dwelling Units (ADUs) and Junior Accessory Dwelling Units (JADUs) through the following actions:

- Dedicated webpage on City website to provide resources and guidance on ADU construction.
- ADU Resource Guide created by the City to assist homeowners with the review process.
- Five pre-designed ADU Plans that are building code approved by the City's Building Official and are available free of charge.

The City will take additional actions to promote and monitor the trend of ADU development, including pursuing ADUs that can be made affordable to lower income households.

Timeline and Objectives:

- Facilitate the development of 50 ADUs over 8 years.
- By December 2024, update City ADU webpage to include other resources available, such as the \$40,000 grant for pre-development costs available to lower income homeowners through California Housing Finance Agency (CalHFA).
- By July 2024, develop a Fair Housing Factsheet to be included in the ADU webpage and application packet to inform property owners of their responsibility to comply with state and federal fair housing laws.
- Beginning in 2025 and every three years thereafter, update the ADU Resource Guide to align with building code updates.
- Beginning in 2025, and every three years thereafter, update Capitola ADU Prototype Building Plans to comply with building code updates.

- Beginning in 2025, and annually thereafter, pursue funding sources available to enhance ADU affordability with the goal of creating ten affordable ADUs, targeting assistance in lower density neighborhoods.
- By July 2027, conduct a mid-term review of the City’s ADU construction trend to determine the City’s progress in meeting projected ADU units. If the City’s ADU construction activities fall behind projection, the City will develop additional incentives, resources, and/or tools to encourage ADU development.

Responsibility:

Community Development/Planning

Funding:

General Plan Fund; CalHFA funds

Program 1.4 Mixed-Use Developments: Capitola is nearly built out, and there are very few vacant residentially zoned sites left in the City. To protect open space, encourage alternative transportation, and create opportunities for affordable housing, the Housing Element encourages mixed-use developments along major transportation corridors. The City Zoning Code identifies commercially zoned areas in which mixed uses are allowed by-right or with the approval of a conditional use permit. These include the CC (Community Commercial), CR (Regional Commercial), Mixed Use Neighborhood (MU-N), and Village Mixed Use (MU-V) zones. The City will continue to support mixed-use developments to expand housing opportunities.

Timeline and Objectives:

- Annually meet with property owners and interested developers to pursue mixed-use housing development in the City, especially on sites identified in the sites inventory for RHNA. The sites inventory identifies capacity for 1,298 units on mixed-use properties.
- By the end of 2025, expand the incentivized zone for increased FAR and Height to facilitate mixed use development, targeting commercial corridors where key sites are identified for RHNA, in exchange for an expanded list of community benefits that complement mixed use residential development (such as child care facilities, recreation areas, etc.)
- Utilize the City’s newly established Objective Design Standards to streamline review of mixed-use developments.

- By December 2025, incentivize development of affordable housing on commercial sites along transit corridors.
- Monitor and include an update in the annual Housing Element Progress Report of all mixed-use development activities to identify unforeseen barriers that should be addressed and incorporate additional incentives that may be needed.

Responsibility:

Community Development/Planning

Funding:

General Plan Fund

Program 1.5 Alternative Housing: The cost of land and the lack of vacant sites for conventional lower-density housing has heightened the need for the development of alternative types of housing in Capitola. These alternative housing types, including Single Room Occupancy (SRO) units, Accessory Dwelling Units (ADUs), live/work units, micro units, and co-housing programs may offer arrangements that could provide for enhanced affordability, neighborhood interaction, and support services for residents. Capitola is already heavily involved and supportive of the use of manufactured homes within the community’s eight mobile home parks and will continue with that effort. Given the demand for a variety of housing, the City also facilitates the development of ADUs by providing technical guidance and referral to resources on the City website.

Timeline and Objectives:

- Continue to work with local mobile home park residents, owners, and the state to improve mobile home park affordability and sustainability.
- Encourage and facilitate the development of other alternative housing types, such as factory-built housing, live/work units, SRO units, Small Ownership Units (SOUs), and micro units. By the end of 2025, review and revise as appropriate, the Zoning Code to facilitate alternative housing types.

Responsibility:

Community Development/Planning

Funding:

General Plan Fund

Program 1.6 Development Regulations: Development standards should reflect the market conditions and development trends and therefore should be reviewed and revised periodically in order to facilitate developments that reflect current and projected demands. The City will review and revise development regulations to address governmental constraints and further incentivize the development of housing. Specifically, the following revisions are needed:

- **Parking Standards:** The City’s parking requirements for multifamily housing do not vary by the size of the unit, potentially constraining the development of smaller units and discouraging the reaching of higher density. However, the City allows parking studies to request flexibility with mixed use development. The City will revise the multifamily residential parking requirements based on the unit size or number of bedrooms and will also revise the current covered parking requirement for multifamily development.
- **Density Bonus:** The State Density Bonus law has been amended multiple times in recent years. The City’s Density Bonus ordinance will be updated to be consistent with state law.
- **Affordable Housing Overlay:** Since this overlay is now obsolete, remove it from the Zoning Code and Zoning Map.

Timeline and Objectives:

By the end of 2025:

- Review and revise as appropriate, requirements such as the minimum unit size, setbacks, parking requirements, and height restrictions to ensure they are necessary and pertinent and do not pose constraints on the development of housing. This includes assessing the maximum densities allowed in the RM-L and RM-M zones to determine if higher densities can help facilitate multi-family development in the City.
- Revise the multifamily residential parking requirements based on the unit size or number of bedrooms and will also revise the current covered parking requirement for multifamily development. Continue to allow the use of parking studies to request flexibility with mixed use standards, including shared parking with commercial uses.

- Include reduced parking standards for senior and special needs housing.
- Using the results of the Capitola Mall study (see Program 1.7), analyze the zoning and development standards in the Incentives for Community Benefits Ordinance and modify the findings required for Chapter 17.88, Incentives for Community Benefits, to meet objective standards. This will allow project applicants to meet all discretionary permits with the same objective standards. These revisions will occur at the same time the Incentives for Community Benefits zone boundaries are expanded. Capitola Mall Redevelopment projects will have an FAR of 2.0. **Additional amendments to Chapter 17.88 will include height allowances up to 75 feet for the Capitola Mall parcels.**
- Corner lot duplexes in the R-1 zone: to allow corner lots in single-family neighborhoods to accommodate duplex units. Such a strategy is intended to provide flexibility compared to SB 9 requirements with objective development standards, with the goal of introducing moderately priced homes in the neighborhoods. Objective development standards will be used for these projects.

Consider development standards modifications, streamlined processing for applications related to the creation of affordable housing, and fee modifications for projects proposing affordable units that are required to apply for variations to the existing development standards. By December 2025; revise the City’s Density Bonus ordinance, parking standards and development modifications, and streamline processing for affordable housing projects.

Responsibility:

City staff

Funding:

General Plan Fund

Program 1.7 Shopping/Commercial Center Redevelopment: Nationwide, the shift to online shopping has resulted in changes to the retail landscape. Many shopping and commercial centers are being reimaged as vibrant residential/commercial mixed-use neighborhoods. However, redeveloping shopping centers presents some challenges with regard to the large site scale, configuration of existing structures and parking areas, existing lease terms, CC&R provisions, shared parking agreements, and community desire to maintain and rejuvenate retail services. The City will launch a study with recommended options to initiate mall redevelopment and then establish

policies and development regulations to enable residential development at shopping centers through a range of approaches to allow strategies such as:

- Full redevelopment;
- Addition of residential uses in existing surface parking areas;
- Clustering residential development on underutilized portions of the site; and/or
- Adding to or reconfiguring existing structures to include residential uses.

Specifically, the City will develop land use policies and zoning development standards in alignment with the outcome of the study to facilitate development of the Mall site. Capitola Mall Redevelopment projects will have an FAR of 2.0. Chapter 17.88 (Incentives for Community Benefits) shall be amended to include height allowances up to 75 feet for the Capitola Mall parcels. This increased height will permit the Capitola Mall to be redeveloped with an economically feasible project during the 2023 – 2031 planning period that includes residential units for a variety of income levels.

Timeline and Objectives:

- By the fall of 2024, complete a study identifying strategies to initiate mall redevelopment and establish a technical committee to provide input on the study and recommended options.
- By the end of 2024, develop land use policies to facilitate shopping center redevelopment with a strong sense of urban design cohesion.
- By the end of 2024, as part of the Zoning Code updates, amend the Municipal Code Chapter 17.88 to include the following:
 - Establish the Capitola Mall as the area between Clares Street, 41st Avenue and Capitola Road.
 - Allow for building height up to 75 feet for Mall Redevelopment.
 - Define “Mall Redevelopment” to mean a mix of uses that includes residential and retail/commercial components.
 - Exclude parking garages from the project FAR calculations.
 - Adopt objective development standards to facilitate mall redevelopment.
- Annually contact property owners and developers with experience in shopping center redevelopment to pursue redevelopment opportunities.

- Monitor approvals and progress of the mall redevelopment as part of the Annual Progress Reports. By 2027, if it becomes apparent that redevelopment of the Mall site is not achievable **in the planning period**, the City will develop alternative strategies, including, but not limited to, rezoning to meet the 6th Cycle RHNA requirement.

Responsibility:

Community Development/Planning

Funding:

General Plan fund

Program 1.8 Religious Facility Housing: AB 1851 (Religious Facility Housing) provides relief in parking requirements when a religious institution partners with a nonprofit organization to provide affordable housing on site. This new state law applies only to religious facility properties in residential zones or nonresidential zones that also allow residential uses. SB 4 (Housing on Higher Education Institution and Religious Institution Sites), passed in September 2023 and to become effective in January 2024, ensures that churches, faith institutions, and nonprofit colleges will be able to build affordable housing on their land without having to go through an expensive and difficult rezoning and discretionary approval process. Religious facilities are located throughout the City and oftentimes are situated in high resource areas where there is currently insufficient supply of affordable housing. Facilitating Religious Facility Housing will provide missing middle and workforce housing opportunities, including in lower density neighborhoods. The residential sites inventory has been expanded to include religious facility properties, particularly in high resource areas.

Timeline and Objectives:

- Capitola is committed to updating the zoning ordinance by the end of 2025 to clarify state law and applicable development standards that would allow residential units to be constructed primarily on open or parking areas on religious institutional sites as a permitted use, as well as creating objective development standards that facilitate residential development.
- Conduct an outreach and education campaign in 2026 to inform educational and religious institutions the opportunities and resources available for developing affordable housing on site.

- Support the funding applications by educational and religious institutions in pursuing funding for affordable housing.
- By the end of 2027, monitoring affordable housing development on religious facility sites to ensure the City continues to have the ability to meet its RHNA for all income groups. If affordable housing is determined to be not feasible, the City will develop alternative strategies to fully accommodate its RHNA by the end of 2028.

Responsibility:

Community Development

Funding:

General Fund

Program 1.9 SB 9 Support: SB 9 provides for the ministerial approval of converting existing homes occupied by a homeowner into a duplex if certain eligibility restrictions are satisfied. It also allows a single-family home lot to be split into two lots and a duplex to be built on each lot, provided that the initial home is occupied by an owner who attests that the owner will continue to live in a unit on the property as their primary residence for at least three years. Capitola has updated the Subdivision Ordinance and Zoning Ordinance to comply with SB 9 and in 2023 the City had two applications for SB 9 lot splits. The City is committed to facilitate SB 9 development throughout the 6th Housing Element Cycle.

Timeline and Objectives:

- By December 2024, the City will develop a Guidance Document about SB 9 SB9 (urban lot splits and two-unit developments), including the relevant objective design standards and streamlined review available for such units. This document will be available online and at City Hall.
- By December 2023, the City will begin providing technical assistance to the public about the SB 9 process.
- By December 2024, the City will develop a Fair Housing Fact Sheet to be provided to applicants that all SB 9 projects will comply with Federal and State fair housing laws. The Fact Sheet will also include information that homeowners' associations' and CC&Rs are preempted by state law and cannot prohibit SB 9 development.
- The City will aim to facilitate 10 SB 9 applications in the eight-year planning period (2023-2031).

Responsibility:

Community Development

Funding:

General Fund

Program 1.10: Housing on Publicly and Quasi-Publicly Owned Land: Facilitating the building of housing on publicly or quasi-publicly owned land is another opportunity for future housing production. Two school properties in the City have been identified due to portions of these sites being used for fields or parking that could be utilized for housing. It is assumed that any future residential development would be in addition to the school uses and would not replace them. While these locations were not included in the sites inventory for the 6th cycle, six units of moderate-income and six units of above-moderate income housing are being incorporated into the City's buffer. This is due to interest expressed by nonprofit developers, making residential development on these parcels a possibility during the 2023-2031 planning period. Additionally, the state-owned New Brighton Beach Area includes land that could potentially be utilized for housing during the 7th cycle of the Housing Element update.

Timeline and Objectives:

Beginning in 2025:

- Facilitate discussions between the school district and nonprofit developers for potential residential opportunities,
- Begin coordination with the State for the future development of housing in New Brighton State Beach and the Department of Motor Vehicles site on Capitola Road and ensure compliance with Surplus Land Act.
- Explore coordination with quasi-publicly owned sites that fall under the provisions of SB 4 (when signed).
- If coordination with the State has not progressed by the end of 2027, and by the end of 2028, the City will dedicate additional efforts in pursuing opportunities on religious facility sites including developing incentives and assisting in pursuing funding and partnership opportunities.

Responsibility:

Community Development

Funding:

General Fund

Goal 2.0 Affordable Housing Development

Increased and protected supply of housing affordable to extremely-low, very-low, low, and moderate-income households

Provision of housing for extremely-low, very-low, low, and moderate-income households is a City priority. Affordable housing allows persons of all economic segments to live in the community, provides housing for the City’s workforce, and helps to ensure housing opportunities exist for the elderly and diverse racial/ethnic groups. The City’s affordable housing policies encourage the production and preservation of affordable housing.

Affordable Housing Policies

- Policy 2.1** Encourage continued affordability of affordable rental housing supply in existing mobile home parks, subsidized rental housing, and special needs housing.
- Policy 2.2** Continue participation in state and federally sponsored programs designed to maintain housing affordability, including the HUD Housing Choice Voucher (HCV) Program.
- Policy 2.3** Preserve existing unrestricted affordable rental housing during the Housing Element planning period.
- Policy 2.4** Promote the development of affordable housing.
- Policy 2.5** Maintain the City’s Housing Trust Fund.
- Policy 2.6** Encourage the production of affordable ownership and rental housing through the City’s Affordable “Inclusionary” Housing Ordinance.

Affordable Housing Programs

Program 2.1 Mobile Home Park Assistance: Mobile home parks offer an affordable housing option for many lower income households. The City works to preserve the affordability of this important affordable housing source. Capitola has eight mobile home parks. Six parks have converted to resident-controlled ownership either as cooperatives or through subdivision. Another park – Castle Mobile Estates – was purchased by Millennium Housing, a nonprofit housing provider. The City continues to work with the residents and owners of the remaining rental park (Cabrillo MHP Estates) to identify potential plans to transition from the rental park model in ways that will protect the financial investment of existing residents and the park owners and help preserve, to the extent possible, the affordable housing stock represented by these mobile home units.

The long-term lease of Cabrillo was set to expire on June 1, 2023. Residents received notification of a 56 percent rent increase. On May 25, 2023, the City Council adopted an urgency ordinance to establish mobile home park rent stabilization, which became effective immediately upon adoption. A regular rent stabilization ordinance was adopted on June 8, 2023 and became effective on July 8, 2023. The City’s rent stabilization ordinance sets annual rent increase at 5 percent plus CPI, or up to 10% of the base rent, whichever is lower.

Timeline and Objectives:

- Annually monitor the effectiveness of the rent stabilization ordinance in preserving affordability of mobile home park rents.
- Annually, provide technical assistance, funding, and/or support for funding applications for resident-controlled and nonprofit-owned mobile home parks, and potential tenant/nonprofit acquisition of the remaining park.
- Identify funding opportunities through state, city, or nonprofits for financial assistance to mobile home park residents to facilitate their acquisition or conversion efforts. Assist and/or support in funding application.
- If conversions of use are contemplated, ensure that resident investment values are preserved and that adequate relocation assistance is provided pursuant to state law. To the extent possible, preserve or replace affordable housing units. (Mobile home park closures are subject to rigorous state regulations.)
- Identify necessary infrastructure improvements as part of the acquisition or conversion process.

Responsibility:

Community Development

Funding:

PLHA Fund, Housing Trust Fund; HCD MORE; CDBG; HOME

Program 2.2 Affordable Housing Monitoring: Preserving the City’s existing affordable housing inventory is an important community goal. While no deed-restricted affordable housing units are at risk of converting to market rate during the Housing Element planning period, the City will proactively monitor these units to encourage continued affordability beyond existing covenants and work proactively with owners of affordable units.

Timeline and Objectives:

- Maintain contact with property owners of affordable housing regarding any change in status/intent or need for assistance, such as rehabilitation assistance.
- Maintain the AB 987 database to include detailed information on all subsidized units, including those that have affordability covenants. Update annually.

Responsibility:

Community Development

Funding:

Housing Trust Fund

Program 2.3 Preservation of Rental Housing: The City will provide proactive assistance to preserve and to enhance the quality of existing rental housing in City of Capitola. Two rental housing properties may require rehabilitation during the planning period – Dakota Apartments (24 units) and Bay Avenue Senior Apartments (108 units). The City is currently working with Dakota Apartments on future rehabilitation efforts to preserve the affordable housing on-site.

Timeline and Objectives:

- Annually investigate new funding and financing opportunities to encourage the acquisition/rehabilitation of existing rental housing and conversion into long-term affordable housing.
- Pursue one acquisition/rehabilitation project over 8 years.

Responsibility:

Community Development

Funding:

Housing Trust Fund; other state and federal housing funds

Program 2.4 Housing Choice Vouchers: The Santa Cruz County Housing Choice Vouchers (HCV) program provides rental subsidies to very low-income households. The program offers a voucher that pays the difference between the current fair market rent established by the Housing Authority and what a tenant can afford to pay (i.e., 30% of household income). The voucher allows a tenant to choose housing that costs above the payment standard, provided the tenant pays the extra rent above the payment standard. Currently 206 households in Capitola are voucher recipients. The City will continue to collaborate with the Housing Authority to disseminate information to persons in need of rental assistance.

Timeline and Objectives:

- Continue to participate in the Housing Authority of Santa Cruz County Housing Choice Vouchers Program, with the goal of providing assistance to 240 households by December 2031.
- Annually promote the HCV program to residents and property owners by disseminating program information at City Hall, on the City website and social media accounts. Conduct targeted outreach to property owners in the High and Highest Resource neighborhoods.

Responsibility:

Community Development; Santa Cruz County Housing Authority

Funding:

HUD Section 8 Allocations

Program 2.5 Affordable Housing Development: The City is committed to expanding affordable housing opportunities in the community, using development incentives such as density bonus provisions and/or regulatory concessions. The City will continue to coordinate with property owners and housing developers to facilitate development of housing affordable to extremely low-, very low-, low-, and moderate-income households. The City will collaborate with non-profit organization, private developers, employers, special needs groups, and other interested parties to pursue affordable housing funds available at the county, state, and federal levels.

Timeline and Objectives:

- Facilitate the development of affordable housing through the provision of regulatory concessions and density increases under the City’s Density Bonus Ordinance and the City’s Incentives for Community Benefit Ordinance.
- Annually collaborate with non-profit organizations, private developers, employers, special needs groups, state and federal agencies and other interested parties to pursue affordable housing projects.
- Continue to utilize available financing to assist with the planning and development of new affordable housing for all ages and household types. Annually, Community Development staff will monitor federal and state funding sources available for affordable housing projects, and pursue or support the applications for funding.
- Facilitate the development of 430 very low and 282 low-income affordable units over 8 years.
- Regularly update the City’s Density Bonus Ordinance to include updates in state law.
- Local Labor. Encourage developers and contractors to evaluate hiring local labor, hiring from or contributing to apprenticeship programs, increasing resources for labor compliance, and providing living wages.

Responsibility:

Community Development

Funding:

Housing Trust Fund; Low Income Housing Tax Credits; CalHOME; Permanent Local Housing Allocation

Program 2.6 Public Outreach for Housing and Community Development Activities: Public workshops and hearings are opportunities for community members to not only learn about certain plans or projects that may affect

them in the future, but to let their voices be heard by City officials and staff. The City of Capitola recognizes the importance of community participation and strives to inform and include everyone in the community who may be affected by such projects.

Timeline and Objectives:

- Maintain communication channels with City residents, community groups, local housing representatives, and other agencies. Conduct at least one community meeting annually to discuss housing needs and opportunities.
- At least quarterly, update the City website to provide accurate and up-to-date information regarding public hearings, community events, and City projects.
- Organize community workshops for large development projects.

Responsibility:

Community Development

Funding:

Housing Trust Fund; Low Income Housing Tax Credits; CalHOME; Permanent Local Housing Allocation

Program 2.7 Housing Trust Fund: The City utilizes available funds to provide loans and grants through the City’s Housing Rehabilitation Loan and Grant Program, to assist with affordable housing project feasibility studies, and to office assistance in permanent financing of acquisition/rehabilitation projects and new construction affordable housing projects. The primary source of funding is the Housing Trust Fund (HTF).

The HTF was adopted by the City Council in November 2004 to utilize Inclusionary Housing In-Lieu Fees and to accept donations from individuals and organizations. The HTF provides the City with a mechanism for accumulating and administering additional housing resources. The primary sources of the HTF are the Inclusionary Housing In-Lieu fee for ownership housing (for projects with seven or more units) and the Housing Impact fee (for projects with fewer than seven units). The City recently updated the fees to \$25 per square foot as a result of the feasibility study completed in 2022. The study also concludes that an inclusionary housing requirement for rental housing is not financially feasible in Capitola under the current market conditions. An impact fee of \$6 per square foot of

multifamily rental housing is established. These funds can be used as matching funds to state and federal funding sources.

To further encourage the development of affordable housing, the City will maintain the HTF and will utilize the available funds to provide loans and grants through the City's Housing Rehabilitation Loan and Grant Program. The City will also update the affordable housing project feasibility studies and explore options for the permanent financing of acquisition/rehabilitation projects as well as new construction affordable housing projects. The City will also ensure that HTF funds are used to assist households with incomes at or below 80% of the area median income (i.e., lower income).

Timeline and Objectives:

- By December 2025, initiate a City Housing Rehabilitation Loan and Grant Program, to assist with affordable housing project feasibility studies and permanent financing of acquisition/rehabilitation projects and new construction affordable housing projects. Assist 10 households with affordable loans and grants and 25 households through multifamily rehabilitation over 8 years.
- As market conditions change over the 8-year planning period, update the feasibility study to ensure that the fees are sufficient to support the development of affordable housing and, if market conditions have changed, to enable the reinstatement of the inclusionary housing requirement on rental housing.

Responsibility:

Community Development/Planning

Funding:

In-Lieu and Housing Impact fees

Program 2.8 Inclusionary Housing Ordinance: To ensure that affordable units are better integrated into the community, the City will update the Inclusionary Housing Ordinance feasibility study to ensure that fees are sufficient to support the development of affordable housing. The last feasibility study was completed in October 2021. The Inclusionary Housing Ordinance was established to not only develop affordable housing, but to ensure that affordable units are better integrated into the community. The Ordinance requires that 15% of units in an ownership housing development with more than seven units be available to lower income households or pay an

in-lieu fee. If the project has fewer than seven units, payment of a housing impact fee is required. Both fees are currently set at \$25 per square foot. An impact fee of \$6 per square foot of multifamily housing is also established, but there is no inclusionary requirement. The fees collected from the Inclusionary Housing program are deposited into the City Affordable Housing Trust Fund.

If the feasibility study shows changed market conditions, the City will also reinstate inclusionary housing requirements on rental housing. In the 2021 study, the market conditions did not support inclusionary housing requirements on rental housing.

Timeline and Objectives:

- Update the feasibility study by October 2026 to ensure that the fees are sufficient to support the development of affordable housing and, if market conditions have changed, to enable the reinstatement of the inclusionary housing requirement on rental housing.
- Analyze the zoning and development standards to determine if there are constraints that affect the economic feasibility of affordable rental housing development.
- Facilitate the development of 430 very low and 282 low-income affordable units over 8 years.

Responsibility:

Community Development/Planning

Funding:

In-Lieu and Housing Impact fees

Goal 3.0 Housing for Persons with Special Needs

Accessible housing and appropriate supportive services that provide equal housing opportunities for special needs populations

Capitola is home to people with special housing needs due to income, family characteristics, disabilities, or other issues. These groups include, but are not limited to seniors, families with children, people with disabilities, single-parent families, and people who are homeless or at risk of becoming homeless. Capitola is dedicated to furthering a socially and economically integrated community and therefore is committed to providing a continuum of housing and supportive services to help address the diverse needs of its residents.

Special Housing Needs Policies

- Policy 3.1** Support and facilitate programs that address the housing needs of special needs groups, including the elderly population, homeless persons, single-parent headed households, large households, extremely low-income households, and persons with disabilities, including developmental disabilities.
- Policy 3.2** Continue the provision of city-initiated incentives to encourage affordable units in development projects.
- Policy 3.3** Support the development of accessible and affordable housing that is designed to serve all ages and is readily accessible to support services.
- Policy 3.4** Provide assistance for seniors and disabled to maintain and improve their homes.
- Policy 3.5** Facilitate and encourage the development of rental units appropriate for families with children, including the provision of supportive services such as childcare.
- Policy 3.6** Encourage the integration of special needs housing in residential environments, readily accessible to public transit, shopping, public amenities, and supportive services.
- Policy 3.7** Encourage the provision of supportive services for persons with special needs to further the greatest level of independence and equal housing opportunities.

Policy 3.8 Investigate and encourage the development of a variety of housing options for seniors including Congregate Housing, Continuing Care Retirement Communities (CCRCs), Assisted Living, Mobile Home Parks, co-housing, accessory dwelling units, and Independent Living.

Policy 3.9 Encourage the establishment of childcare centers and family childcare homes in all appropriate zoning districts.

Special Housing Needs Programs

Program 3.1 Emergency Shelters and Low Barrier Navigation Centers: Capitola contributes to the regional solutions to addressing homelessness through land use planning to accommodate housing options of the homeless, and funding support of homeless services. In compliance with Senate Bill 2, the City of Capitola has amended the Zoning Code to allow emergency shelters by-right within the Industrial Park (IP) zoning district. This area was selected due to multiple opportunities for vacant or underutilized parcels for the development of new emergency shelters. However, new state law (AB 2339) effective January 1, 2023 requires the identification of one or more zones that allow residential uses, including mixed uses, where emergency shelters are allowed as a permitted use without a conditional use or other discretionary permit and that are suitable for residential uses. AB 2339 further requires that the definition of emergency shelters include other interim interventions, including but not limited to, navigation centers, bridge housing, and respite or recuperative care. The City will be updating its Zoning Code to permit emergency shelters by-right in the Community Commercial zone.

Furthermore, AB 101 requires jurisdictions to allow the development of Low Barrier Navigation Centers (LBNC) by-right in areas zoned for mixed uses and nonresidential zones permitting multifamily uses if they meet specified requirements. A code amendment will be processed to comply with this requirement.

Timeline and Objectives:

- By December 31, 2024, amend the Zoning Code to permit emergency shelters by-right without discretionary action in the Community Commercial zone and to permit LBNCs in areas zoned for mixed uses and other nonresidential zones permitting multifamily housing. Amend the definition of emergency shelters to include interim housing options such as navigation centers, and recuperative and respite care.
- Work with the appropriate organizations to ensure the needs of homeless and extremely low-income

residents are met.

- Prioritize funding and other available incentives for projects that provide housing for homeless and extremely low-income residents whenever possible.

Responsibility:

Community Development/Planning

Funding:

General Plan fund

Program 3.2 Transitional and Supportive Housing:

Transitional and supportive housing addresses the housing needs of special needs populations (including persons with disabilities and the homeless). The City's Zoning Code lists transitional and supportive housing under residential care facilities. However, state law requires that transitional and supportive housing be considered a regular residential use to be similarly permitted as other residential uses in the same zone. Furthermore, state law (AB 2162) requires supportive housing (up to 50 units) meeting other income and target population requirements to be permitted by right in multi-family and mixed-use zones. If the project is located within one-half mile of transit, the City cannot impose minimum parking requirements. The City will amend the Zoning Code for transitional and supportive housing to comply with state law.

Transitional Housing: California Health and Safety Code (Section 50675.2) defines "transitional housing" and "transitional housing development" as buildings configured as rental housing developments, but operated under program requirements that call for the termination of assistance and recirculation of the assisted unit to another eligible program recipient at some predetermined future point in time, which shall be no less than six months. Residents of transitional housing are usually connected to supportive services designed to assist the homeless in achieving greater economic independence and a permanent, stable living situation.

Supportive Housing: California Government Code Section 65582 defines supportive housing as housing with no limits on the length of stay that is occupied by a "target population" and links this population with the provision of housing and social services. "Target population" means persons with low incomes who have one or more disabilities, including mental illness, HIV/AIDS, substance abuse, or other chronic health condition, or individuals eligible for services provided pursuant to the Lanterman Developmental Disabilities Services Act.

Timeline and Objectives:

- By December 31, 2024, amend the Zoning Code to address the provision of transitional and supportive housing consistent with state law.

Responsibility:

Community Development/Planning

Funding:

General Plan fund

Program 3.3 Employee Housing and Farm Worker Housing: The Employee Housing Act (Health and Safety Code §17021.5) requires that employee housing providing accommodations for six or fewer employees be deemed a residential use subject to the same standards as single-family residences. The City’s Zoning Code does not currently address the provision of employee housing and therefore will be amended

While the City conditionally permits Urban Farms in various zoning districts, the City has no commercial scale farming operations existing or anticipated in the future. The City will review and revise the Zoning Code to redefine the types of farming activities allowed (primarily related to hobby farming, not intended as commercial operations).

Timeline and Objectives:

- By December 31, 2024, amend the Zoning Code to address the provision of employee housing consistent with state law and revise the types of hobby farming activities allowed in various zones.

Responsibility:

Community Development/Planning

Funding:

General Plan fund

Program 3.4 Housing for Persons with Disabilities: To encourage the provision of housing for persons with disabilities, the City will amend its Zoning Code to permit large residential care facilities (for seven or more persons) in all zones where residential uses are permitted and establish objective approval standards. Currently, large residential care facilities are not permitted in residential zones other than the R1 and RM districts. Similarly, the City’s reasonable accommodation procedure requires two findings relating to “potential impacts on surrounding uses” and “physical attributes of the property and structures” may be considered subjective with the potential to constrain the development and improvement of housing for persons with disabilities. Therefore, the City will also

establish objective criteria for the approval of licensed large residential care facilities and reasonable accommodations to provide greater certainty in outcomes.

Timeline and Objectives:

- By December 31, 2025, amend the Zoning Code to permit large residential care facilities in zones where residential uses are permitted similar to other residential uses of the same type in the same zone.
- By December 31, 2025, amend the Zoning Code to review the separation requirement and to establish objective criteria for the approval of large residential care facilities as well as reasonable accommodations.
- Annually seek state and federal monies, as funding becomes available, in support of housing construction and rehabilitation targeted for persons with disabilities, including developmental disabilities.
- By the end of 2025, amend the Zoning Code to provide regulatory incentives, such as expedited permit processing, and fee waivers and deferrals, to projects targeted for persons with disabilities.
- By end of 2025, collaborate with the San Andreas Regional Center to implement an outreach program informing households within the City of housing and services available for persons with developmental disabilities.
- Annually update information on housing and services available for persons with disabilities at City Hall and on the City website.

Responsibility:

Community Development/Planning

Funding:

General Plan fund

Program 3.5 Housing for Extremely Low-Income Households: The City will continue to encourage the development of housing for extremely low-income households by reaching out to housing developers, providing financial or in-kind technical assistance, when available, providing expedited processing, identifying grant and funding opportunities, and offering additional incentives beyond density bonus provisions. The City will also seek state and federal funding on an annual basis in support of housing construction for households with extremely low incomes.

Timeline and Objectives:

- Annually seek state and federal monies, as funding becomes available, in support of housing construction and rehabilitation targeted for households with extremely low incomes.
- Provide regulatory incentives, such as expedited permit processing, and fee waivers and deferrals, to projects that include housing for extremely-low income households.

Responsibility:

Community Development/Planning

Funding:

General fund

Program 3.6 Childcare and Daycare Facilities: Capitola recognizes children represent our future community, existing childcare services and facilities may not be adequate to meet today’s demand, and the demand is increasing. To ignore this fact jeopardizes the long-term quality of the City’s social, physical, and economic well-being. Thus, the City is committed to promoting high quality childcare services in conjunction with housing development, particularly through the Density Bonus Ordinance. Therefore, the City will seek to expand opportunities for childcare facilities. The City will also study and revise, as appropriate, the Zoning Code to create objective standards for daycare centers and to allow daycare centers in commercial zoning districts with a minor use permit.

Timing and Objectives:

- By December 2025, study and revise, as appropriate, the Zoning Code to create objective standards for daycares in the commercial districts to allow daycares with a minor use permit.
- By December 2024, update Density Bonus Ordinance.

Responsibility:

Community Development/Planning

Funding:

General fund

Goal 4.0 Housing Assistance

Increased Assistance for extremely low, very low, low, and moderate income residents to rent or purchase homes

Increases in rents in recent years have placed a disproportionate burden on and, in some cases, have displaced lower income residents. Due to rising housing prices and rent levels, lower income households in Capitola, many of whom work and provide critical services in Capitola, may be forced to leave the community to seek affordable housing in neighboring communities. Providing housing assistance, where feasible, helps maintain an economically and socially balanced community.

Housing Assistance Policies

- Policy 4.1** Maintain the City's rental and ownership assistance programs.
- Policy 4.2** Explore and pursue City participation in other affordable homeownership assistance programs in the private market.
- Policy 4.3** Support the provision of childcare services, employment training, rental assistance, and other supportive services to enable households to be self-sufficient.
- Policy 4.4** Seek and support collaborative partnerships of nonprofit organizations and the development community to aid in the provision of affordable housing.

Housing Assistance Programs

Program 4.1 Security Deposit Program: The City will continue to support and fund the Security Deposit Program administered by the Santa Cruz County Housing Authority. The objective of this program is to provide extremely-low, very-low, and low-income households who are homeless or at risk of becoming homeless with the funds to get into decent rental housing. Expenses eligible for assistance are the security deposit and last month's rent.

Timeline and Objectives:

- Assist 7 to 10 households per year during the planning period.
- Annually seek state and federal funding to expand this program.

Responsibility:

Community Development

Funding:

Housing Trust Fund

Program 4.2 Emergency Rental Housing Assistance: To help prevent evictions and homelessness, the City will continue funding the Emergency Housing Assistance program. This program is administered by the Community Action Board (CAB). The objective of this program is to provide emergency short-term housing payment assistance to lower-income families to prevent eviction or foreclosure leading to homelessness. The assistance granted must be used for the household’s rent or mortgage payment in cases where a job loss, a medical emergency, or similar event has precluded the household from making their regular housing payment. The household must have no other funds available to make this payment, and must be below very-low income limits, with either children or a disabled adult in the household, or people 60 years or older.

Timing and Objectives:

- Continue funding the City’s Emergency Housing Assistance program that offers eviction and foreclosure prevention in the form of non-reimbursable grants to eligible applicants.
- Utilizing the Emergency Rental Housing Assistance Program, assist 40 households during the planning period

Responsibility:

Community Development

Funding:

Housing Trust Fund

Program 4.3 Homebuyer Assistance: Given the market conditions, homeownership is beyond the reach of many lower- and moderate-income households, especially first-time homebuyers. Even with assistance, home prices in Capitola often exceed the allowable limits. The City has therefore discontinued its mortgage assistance program funded by competitive CDBG grants. The City will reinstate the homebuyer assistance for first-time buyers, particularly in conjunction with the new affordable housing anticipated during the 6th cycle Housing Element.

In addition, the City will promote other homebuyer assistance programs available through the California Housing Finance Agency (CalHFA). These include:

- First mortgage programs
- Downpayment assistance programs

Timeline and Objectives:

- By December 2025, reinstate City homebuyer assistance program using either city or other funding sources. Assist five households during the planning period.
- By December 2024, update City website to provide links to homebuying resources available at CalHFA.

Responsibility:

Community Development

Funding:

General fund

Goal 5.0 Neighborhood Vitality

Maintain, preserve, and improve the character of existing residential neighborhoods

Quality of life is shaped, in part, by neighborhood conditions in Capitola. As an older established and built-out community, Capitola requires concerted effort to encourage the maintenance, rehabilitation, and improvement of housing and the promotion of sustainable, livable neighborhoods in the face of increasing density. In neighborhoods, a continuing focus is needed on upgrading infrastructure, improving community facilities, protecting quality of life, and providing public services. City community development policies should balance the need for accommodating new housing, respecting neighborhood character, enhancing infrastructure and public services, and promoting vital residential neighborhoods.

Neighborhood Vitality Policies

- Policy 5.1** Ensure a compatible relationship between new housing and circulation patterns and encourage pedestrian and bicycle-friendly communities to minimize traffic impacts on quality of life.
- Policy 5.2** Protect the integrity of existing single-family and multifamily neighborhoods by promoting balanced site design and architecture.
- Policy 5.3** Assist individual neighborhoods in establishing their own identity through the development of neighborhood amenities (e.g., pocket parks, lighting, signs), mixed-use neighborhood nodes, and pedestrian and sustainability improvements.
- Policy 5.4** Promote the repair, improvement, and rehabilitation of housing and encourage replacement of substandard housing to enhance quality of life in neighborhoods.
- Policy 5.5** Improve the quality of housing and neighborhoods by educating landlords, tenants, and property owners about code compliance issues and enforcing compliance with building and property maintenance standards.

Neighborhood Vitality Programs

Program 5.1 Housing Rehabilitation Program: The program is designed to address basic health and safety issues in owner-occupied housing by providing small loans to cover the costs of repairs. Eligibility is restricted to low-income households in Capitola. However, given the limited funding, administrative burden and onerous requirements of a loan program, this program has not been effective or attracted sufficient interest from the community. Therefore, the City will restructure the program to provide grant assistance to seniors and the disabled, as well as lower-income households, to make necessary repairs.

Timeline and Objectives:

- By December 2025, reinstate a housing rehabilitation program to provide grant assistance to lower income and special needs households.
- Annually seek federal and state grants to support a rehabilitation grant program.
- Assist 16 seniors, disabled, and lower income households during the planning period through the Housing Rehabilitation program.

Responsibility:

Community Development

Funding:

Local, state, or federal funding

Program 5.2 Code Enforcement: The City will continue to implement the code enforcement program. Currently, the City administers the program on a complaint basis, but also provides proactive code enforcement for health and safety violations through the Community Development Department staff. The City will also inform residents of rehabilitation assistance by posting opportunities at City Hall and on the City's website.

Timeline and Objectives:

- Continue to implement a proactive code enforcement program for health and safety violations through the Building Department and inform residents of rehabilitation assistance when available at City Hall and the City's website.
- Assist 16 households during the planning period through the City's Housing Rehabilitation Program.

Responsibility:

Community Development

Funding:

General fund

Goal 6.0 Resource Conservation

Fulfill the City's housing needs while promoting an environmentally sensitive, compact community that is pedestrian-oriented and neighborhood-centered, using resources in a sustainable manner

Capitola residents benefit from a range of natural features, including hillsides, rivers and streams, and the coastline. These resources enhance quality of life for Capitola residents and make Capitola a popular tourist destination. The City remains committed to protecting the beauty and integrity of its natural environment, particularly in light of the need to transition to more energy-efficient, pedestrian-oriented neighborhoods, continued participation as a tourist destination, anticipated population growth, and other pressures associated with urban life. Balancing environmental preservation and resource conservation with housing goals and the provision of infrastructure and services remains a priority.

Resource Conservation Policies

Policy 6.1 Encourage the use of alternative modes of transportation.

Policy 6.2 Strive to maintain a jobs/housing balance.

Policy 6.3 Promote Green Building techniques, development, and construction standards that provide for resource conservation.

Policy 6.4 Promote the use of renewable energy technologies (such as solar and wind) in new and rehabilitated housing when possible.

Policy 6.5 Ensure that adequate water supplies and sewer services continue to be available for residents and businesses.

Resource Conservation Programs

Program 6.1 Adequate Water Supplies and Sewer Services: The City will continue to work with its various water and sewer service providers to expand water and sewer services to ensure that water and sewer providers meet their obligation to provide priority to affordable housing projects pursuant to state law.

Timeline and Objectives:

- Within 30 days of Housing Element adoption, provide a copy of the adopted Element to water and sewer providers, reiterating their obligation to provide priority to affordable housing projects pursuant to state law.

Responsibility:

Community Development

Funding:

General fund

Goal 7.0 Affirmatively Furthering Fair Housing

Equal access to housing opportunities regardless of one's unique characteristics as protected by local, state and federal fair housing laws

All persons and households shall have equal access to housing resources and opportunities in the community.

Fair Housing Policies

Policy 7.1 Promote meaningful and informed participation of residents, community groups, and governmental agencies in all local housing and community development activities.

Policy 7.2 Comply with federal, state, and local Fair Housing and anti-discrimination laws, and affirmatively further fair housing for all, ensuring equal access to housing regardless of their special circumstances as protected by fair housing laws.

Policy 7.3 Promote housing mobility by expanding housing choices and increasing housing opportunities in higher resource areas.

Policy 7.4 Protect tenants from discriminatory housing practices and displacement.

Policy 7.5 Promote the integration of affordable and special needs housing projects in existing neighborhoods.

Policy 7.6 Collaborate with and support efforts of organizations dedicated to eliminating housing discrimination.

Fair Housing Programs

Program 7.1 Affirmatively Furthering Fair Housing: The City will undertake a series of meaningful actions to further fair housing choices in the community.

Timeline and Objectives:

- See Table 5-1: Summary of Fair Housing Actions.

Table 5-1: Summary of Fair Housing Actions

Program	Specific Action	Timeline	Geographic Targeting	8-Year Metric
Fair Housing Enforcement and Outreach				
Program 2.4: Housing Choice Vouchers (HCV)	<ul style="list-style-type: none"> Continue to participate in the Housing Authority of Santa Cruz County HCV Program 	Annually	Citywide, with emphasis in lower density neighbor-hoods	Provide assistance to 240 households; seek to increase use of HCV by 5% over 8 years
	<ul style="list-style-type: none"> Promote the HCV program to residents and property owners by providing information at City Hall, the City’s website, and social media accounts, and conduct targeted outreach in lower density neighborhoods. 			
Program 2.6: Public Outreach for Housing and Community Development Activities	<ul style="list-style-type: none"> Maintain communication channels with City residents, community groups, local housing representatives and other agencies 	Ongoing	Citywide	Monitor inquiries for fair housing and housing information; seek to provide responses to 100% of inquiries
	<ul style="list-style-type: none"> Periodically update the City website and social media accounts (Instagram, Facebook, YouTube) to provide accurate and up-to-date information regarding public hearings, community events and City projects 	Quarterly		
	<ul style="list-style-type: none"> Include information in the City’s newsletter that is published twice a year and mailed to every household in Capitola 	Twice a year		
	<ul style="list-style-type: none"> Organize community workshops for large development projects 	When large projects are proposed		
New Opportunities in High Resource Areas				
Program 1.1: Providing Adequate Housing Sites	<ul style="list-style-type: none"> Maintain an inventory of available vacant and prospective sites that can accommodate new housing 	Update annually	Western – high Eastern -- highest	Facilitate the development of 1,500 housing units over 8 years; target 100% of new development in high and highest resource areas
	<ul style="list-style-type: none"> Meet with property owners and interested developers to pursue housing development in the City 	Annually		
	<ul style="list-style-type: none"> Develop a formal procedure to monitor no net loss in capacity pursuant to SB 166 	By July 2024		
	<ul style="list-style-type: none"> Explore and develop options to provide for missing middle housing, such as conversion of second story commercial/office space, live/work housing, and duplex/triplex. 	In 2025		
	<ul style="list-style-type: none"> Expand the Incentivized Zone to promote mixed use development and develop an expanded list of community benefits to include amenities and services. 	By the end of 2025		
Program 1.4: Mixed-Use Developments	<ul style="list-style-type: none"> Meet with interested property owners and developers to pursue mixed use housing development in the City, especially on sites identified in the sites inventory for RHNA. 	Annually	Locations identified on sites inventory	

Program	Specific Action	Timeline	Geographic Targeting	8-Year Metric
Program 2.5: Affordable Housing Development	<ul style="list-style-type: none"> Utilize the City's newly established Objective Design Standards to streamline review of mixed-use developments. 	For new applications	Citywide	Provide capacity for 1,500 units; facilitate the development of eight mixed use projects over 8 years; Use the flexibility of housing types allowed with mixed use developments to provide new housing opportunities for households with various incomes.
	<ul style="list-style-type: none"> Monitor and include an update in the Housing Element Progress Report about all mixed-use developments activities. 	Annually	Citywide	
	<ul style="list-style-type: none"> Facilitate the development of affordable housing through the provision of regulatory concessions and density increases under the City's Density Bonus Ordinance and the City's Incentives for Community Benefit Ordinance. 	Ongoing	Citywide, emphasis in high and highest resource areas, particularly in areas with higher median household incomes	Development of 500 very low and 300 low-income affordable units Modify zoning requirements to facilitate development of a variety of housing types for various income levels.
	<ul style="list-style-type: none"> Collaborate with nonprofit organizations, private developers, employers, special needs groups, state and federal agencies and other interested parties to pursue affordable housing projects. 	Annually		
	<ul style="list-style-type: none"> Continue to utilize available financing to assist with the planning and development of new affordable housing for all ages and household types. Community Development staff will monitor federal and state funding sources available for affordable housing projects, and pursue or support the applications for funding. 	Annually		
<ul style="list-style-type: none"> Encourage developers and contractors to evaluate hiring local labor, hiring from or contributing to apprenticeship programs, increasing resources for labor compliance, and providing living wages. 	Ongoing			
Program 2.8: Inclusionary Housing Ordinance	<ul style="list-style-type: none"> Continue implementation of inclusionary housing requirements Update feasibility study to determine whether inclusionary housing for rental units can be required. 	Ongoing		
Program 3.5: Housing for Extremely Low Income Households	<ul style="list-style-type: none"> Seek state and federal monies, as funding becomes available, in support of housing construction and rehabilitation targeted for households with extremely low incomes. Provide regulatory incentives, such as expedited permit processing, and fee waivers and deferrals, to projects that include housing for extremely low-income households. 	Annually		
Program 1.6: Development Regulations	<ul style="list-style-type: none"> Review development standards to facilitate mixed use and multifamily housing development 	December 2024		

Program	Specific Action	Timeline	Geographic Targeting	8-Year Metric
Program 1.3: ADUs	<ul style="list-style-type: none"> Fair housing brochure/flyer with application packet, add to guidance document 	July 2024	Citywide, with emphasis in lower density, single-family neighborhoods, with emphasis in areas with higher median household incomes	Facilitate the development of 100 ADUs; seek to provide 25% of the ADUs in the highest resource areas, create 20 affordable ADUs in lower density neighborhoods
	<ul style="list-style-type: none"> Update the ADU Resource Guide Update the ADU Prototype Plans to comply with Building Code updates 	Beginning in 2024 and every two years thereafter		
	<ul style="list-style-type: none"> Conduct a mid-term review of the City's ADU construction trend to determine the City's progress in meeting projected ADU units. If the City's ADU construction activities fall behind projection, the City will develop additional incentives, resources, and/or tools to encourage ADU development. 	July 2027		
Housing Mobility				
Program 1.5: Alternative Housing	<ul style="list-style-type: none"> Continue to work with local mobile home park residents, owners, and the state to improve mobile home park affordability and sustainability 	Ongoing	Citywide	Facilitate the development of 1,336 housing units over 8 years; pursue 5% of the units as alternative housing types
	<ul style="list-style-type: none"> Encourage and facilitate the exploration and possible development of other alternative housing types including factory-built housing, live/work units, SRO units, Small Ownership Units (SOUs), and micro units. Review and revise as appropriate, the Zoning Code to facilitate alternative housing types 	December 31st, 2025		
Program 1.8 Religious Facility Housing	<ul style="list-style-type: none"> Updating the zoning ordinance by the end of 2025 to clarify state law and applicable development standards that would allow residential units to be constructed primarily on open or parking areas on religious institutional sites as a permitted use, as well as creating development standards that facilitate residential development. 	End of 2025	Citywide, with emphasis in areas with higher median household incomes	Updating of Zoning Code to comply with state law
	<ul style="list-style-type: none"> Conduct an outreach and education campaign to inform educational and religious institutions about available opportunities 	2026		
Program 1.9: SB 9 Support	<ul style="list-style-type: none"> Develop a Guidance Document Develop a Fair Housing Fact Sheet to be provided to applicants that all SB 9 projects will comply with Federal and State law. 	December 2024		
Program 3.4: Housing for Persons with Disabilities	<ul style="list-style-type: none"> Amend the Zoning Code to permit large residential care facilities in zones where residential uses are permitted 	December 31 st , 2024	Citywide	Facilitate the development of 1,500 housing units over 8 years; pursue 10% of the units as housing for persons with disabilities
	<ul style="list-style-type: none"> Amend the Zoning Code to revise the conditions for approval of large residential care facilities and reasonable accommodation to ensure objective criteria are established to provide certainty in outcomes 	December 31 st , 2024		

Program	Specific Action	Timeline	Geographic Targeting	8-Year Metric
Program 4.3: Homebuyer Assistance	<ul style="list-style-type: none"> Seek state and federal monies, as funding becomes available, in support of housing construction and rehabilitation targeted for persons with developmental disabilities, including developmental disabilities 	Annually	Citywide	Assist 5 households during the planning period.
	<ul style="list-style-type: none"> Provide regulatory incentives, such as expedited permit processing, fee waivers and deferrals, to projects targeted for persons with disabilities 	By December 31, 2025		
	<ul style="list-style-type: none"> Collaborate with the San Andreas Regional Center to implement an outreach program informing households within the City of housing and services available for persons with developmental disabilities 	Annually		
	<ul style="list-style-type: none"> Update information on housing and services available for persons with disabilities at City Hall and on the City website 	Annually		
	<ul style="list-style-type: none"> Reinstate the homebuyer assistance for first-time buyers, particularly in conjunction with the new affordable housing. Provide links to resources on City website 	Reinstate program by Dember 2024		
AFFH Action: Missing Middle Housing	<ul style="list-style-type: none"> Facilitate development for missing middle housing by implementing the following: <ul style="list-style-type: none"> Program 4.3 (Homebuyer Assistance Program) Program 1.7 (Shopping Center Redevelopment): Facilitating a mixed income community through a range of housing choices (unit sizes, types, and prices) on site; Program 1.3 (ADUs) Program 1.6 (Development Standards): Corner lot duplexes in the R-1 zone with more flexible standards than SB 9. Examine increasing densities in the RM-L and RM-M zones to help facilitate multi-family housing Program 1.8 (Religious Facilities Housing), Program 1.9 (SB 9 Support) and Program 5.1 (Housing Rehab): designed to address basic health and safety issues in owner-occupied housing by providing small loans to cover the costs of repairs. 	See individual programs for timeframes	Citywide, with emphasis in areas with higher median household incomes	<p>Combine program efforts to establish Missing Middle Housing program for Capitola.</p> <p>Evaluate the effectiveness of meeting missing middle housing targets of these strategies in 2027 year, including but not limited to further increasing development intensity in single family zones within the following year to achieve more inclusive neighborhoods throughout City.</p> <p>Add information about the existing shared housing programs in Capitola in the affordable housing section of the City website.</p>

Program	Specific Action	Timeline	Geographic Targeting	8-Year Metric
				Facilitate the development of the following number of units through missing middle programs: 100 ADUs 50 duplexes on 25 corner lots in the R-1 zone over the 8-year planning period. 50 units through the SB9 program
Place-Based Strategies for Neighborhood Improvement				
Program 2.7: Housing Trust Fund	<ul style="list-style-type: none"> Maintain the Housing Trust Fund and utilize the available funds to provide loans and grants through the City's Housing rehabilitation loan and grant program 	2023-2031	Areas with concentration of lower-income households	Assist 16 households with rehabilitation
Program 3.6: Child Care and Day Care Centers	<ul style="list-style-type: none"> Study and revise, as appropriate, the Zoning Code to create objective standards for daycare centers in the Commercial Districts to allow daycare centers with a minor use permit 	December 31 st , 2024	Commercial districts	Increase the number of childcare and daycare centers
Program 2.3: Preservation of Rental Housing	<ul style="list-style-type: none"> Pursue at least one acquisition/rehabilitation project 	By 2031	Citywide, with emphasis in areas with concentration of rental units	Facilitate the rehabilitation/improvement of 132 rental housing units over 8 years
Program 4.2: Rental Housing Assistance	<ul style="list-style-type: none"> Advertise program to residents through: <ul style="list-style-type: none"> City newsletter Food truck Fridays – Cliffwood heights National Night Out – hosted by the Police Department in August Capitola recreation and community center, Jade Street Flyers through school district 	Annually	Citywide, with emphasis north of Jade Street – large multifamily North of Capitola Rd (“west Capitola”)	Assist 5 households over 8 years
AFFH Action: Supportive Services	<p>25 percent of Capitola households receive food assistance due to high housing costs. Continue to provide food assistance to lower-income elderly and family households through:</p> <ul style="list-style-type: none"> Food bank - Second Harvest Deliveries - Community Bridges 	Annually	Citywide	Assist 25% of City households
AFFH Action: Capital Improvements	<ul style="list-style-type: none"> Carry out capital improvements that will help maintain community services and facilities. 	Annually	Renovation of the Jade Street Community Center,	Carry out capital improvements throughout the planning period

Program	Specific Action	Timeline	Geographic Targeting	8-Year Metric
			accessibility improvements at Jade Street Park, Rebuild of Capitola Wharf, Cliff Drive improvements for coastal resiliency and bike/pedestrian circulation, Stockton Bridge repairs	
	<ul style="list-style-type: none"> Expand the Incentivized Zone to promote mixed use development and develop an expanded list of community benefits to include amenities and services. Once adopted, notify local developers of new Incentivized Zone boundaries and community benefits. 	December 2024	Within Incentivized Zone boundaries	Include new boundaries and community benefits in Zoning Code and Map by December 2024.
Program 5.1: Housing Rehabilitation Program	<ul style="list-style-type: none"> Seek federal and state grants through programs such as the state CDBG funds to support a rehabilitation grant program 	2023-2031	Citywide, with emphasis in areas with concentration of lower-income homeowners	Assist 16 households
Tenant Protection and Anti-Displacement				
Program 2.1: Mobile Home Park Assistance	<ul style="list-style-type: none"> Annually monitor the effectiveness of the rent stabilization ordinance in preserving the affordability of mobile home park rents. Provide technical assistance, funding and/or support for funding applications for resident-controlled and non-profit owned mobile home parks, and potential tenant/non-profit acquisition of the remaining park Identify funding opportunities through state, city or non-profits for financial assistance to mobile home park residents to facilitate their acquisition or conversion efforts If conversions of use are contemplated, ensure that resident investment values are preserved and that adequate relocation assistance is provided. To the extent possible, preserve or replace affordable housing units Identify necessary infrastructure improvements as part of the acquisition or conversion process 	2023-2031	Mobile home parks	Negotiate/assist for long term lease agreement 67 units
Program 4.1: Security Deposit Program	<ul style="list-style-type: none"> Continue funding the City's Security Deposit Program which offers income-eligible individuals and families assistance to cover the costs of the security deposit for new residential rental contracts 	During the planning period	Citywide, with emphasis in areas with concentrations of lower income households	Assist 7 to 10 households
	<ul style="list-style-type: none"> Seek state and federal funding to expand this program. 	Annually		

Program	Specific Action	Timeline	Geographic Targeting	8-Year Metric
Program 1.2: Replacement Housing	<ul style="list-style-type: none"> Amend the Zoning Code to address the replacement housing requirements pursuant to AB 1397 	By July 2024	Citywide	100% replacement of demolished lower-income units
Program 2.2: Affordable Housing Monitoring	<ul style="list-style-type: none"> Maintain contact with property owners of affordable housing regarding any change in status/intent or need for assistance, such as rehabilitation assistance Maintain the AB 987 database to include detailed information on all subsidized units, including those that have affordability covenants 	Update annually	Citywide	Preserve all 164 lower income rental housing units
Program 2.3: Preservation of Rental Housing	<ul style="list-style-type: none"> Pursue at least one acquisition/rehabilitation project 	By 2031	Citywide, with emphasis in areas with concentration of rental units	Facilitate the rehabilitation/ improvement of 132 rental housing units
Program 3.1: Emergency Shelters and Low Barrier Navigation Centers	<ul style="list-style-type: none"> Amend the Zoning Code to permit emergency shelters by right in the Community Commercial zone and to permit LBNCs in areas zoned for mixed uses and other nonresidential zones permitting multifamily housing 	By December 31, 2024	Citywide	Reduce unsheltered homeless by 20% over 8 years
	<ul style="list-style-type: none"> Work with the appropriate organizations to ensure the needs of homeless and extremely low-income residents are met 	Throughout the planning period		
	<ul style="list-style-type: none"> Prioritize funding and other available incentives for projects that provide housing for homeless and extremely low-income residents whenever possible 	Throughout the planning period		
Program 3.2: Transitional and Supportive Housing	<ul style="list-style-type: none"> Amend the Zoning Code to address the provision of transitional and supportive housing consistent with state law 	By December 31, 2024	Citywide	Facilitate the development of 800 lower income housing units over 8 years; seek to provide 25% as affordable housing for special needs households
Program 3.3: Employee Housing and Farm Worker Housing	<ul style="list-style-type: none"> Amend the Zoning Code to address the provision of employee housing consistent with state law and revise the types of hobby farming activities allowed in various zones 	By December 31, 2024		
Program 4.2: Emergency Rental Housing Assistance	<ul style="list-style-type: none"> This program is administered by the Community Action Board (CAB). The objective of this program is to provide emergency short-term housing payment assistance to lower-income families to prevent eviction or foreclosure leading to homelessness 	Throughout the planning period	Citywide	Assist 40 households over eight years.

B. Quantified Objectives

Capitola has established quantified objectives for housing production and rehabilitation for the Housing Element. These objectives are based upon expected availability of resources to address the City’s housing needs, expectations regarding future housing development, as well as prior objectives established in earlier housing plans. Table 5-2 below summarizes the City’s quantified objectives for implementing its various programs and actions outlined above.

Table 5-2: Quantified Objectives 2023-2031

Target Income Affordability Levels	New Construction	Rehabilitation ¹	Conservation ²
Extremely Low	215	4	50
Very Low	215	4	86
Low	282	8	28
Moderate	169	0	0
Above Moderate	455	0	0
Total	1,336	16	164

1. Housing Rehabilitation Program

2. Capitola Supportive Housing (Dakota Apartments) and Bayside Senior Apartments

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