

# Redevelopment plan proposed for 41st Ave.

By BOB SMITH

Capitola Mall and the 41st Avenue commercial areas are "blighted" areas and should be redeveloped under California's Community Redevelopment Law.

Those are the principal conclusions of a consultant's report that will be presented to the Capitola City Council Thursday night. The council meets at 7 p.m. at city hall, 420 Capitola Ave., and will take up the redevelopment proposal at 8 p.m.

If the council accepts the 70 page report, it will form the basis for a mixture of private and public money that will ease the way for the final development of Capitola Mall into a regional shopping center.

"Blight", in this case, is the inability of the present commercial areas, including roads and the 41st Avenue bridge, to accommodate new development.

"The existing financial success of the Capitola Mall is evident," the consultants, Burns and Watry of Santa Rosa, said in the report.

But continued economic viability of the 41st Avenue commercial area hinges on the mall's anticipated expansion.

"Since its inception, it has been anticipated that the mall would eventually expand to offer the Capitola and Santa Cruz County shopper an expanded retail shopping complex to meet the community's shopping needs in a growing market," Burns and Watry added.

The major expansion obstacle right now is the 41st Avenue freeway interchange, with Capitola all but abandoning hopes that the state will widen the existing two-lane bridge in the foreseeable future.

"Current and projected traffic (counts) indicate the existing and future mall expansion uses will require certain improvements to the traffic circulation system servicing the shopping center - particularly the approach from Highway 1 to the north.

"Today's economic factors of high construction costs, coupled with high interest rates for the borrowing of development/capital dollars, makes it necessary to aggressively look to other funding sources to help participate in the mall's expansion.

"Redevelopment," the consultants add, "is a tool that can be used. Without the mall's expansion and the possibility of a more competitive center developing out of the city, the area may depreciate in value, resulting in economic dislocation, deterioration of improvements or disuse."

The residential areas on the east side of 41st Avenue between Capitola Road and

the freeway were not overlooked by the consultants either.

They suggest spending more than a million dollars to rehabilitate the homes and streets in the 42nd, 43rd, and 44th Avenue areas of the city, as well as meeting the state law requirements that 20 percent of the tax money raised by the redevelopment agency over the first six years go to the construction of low and moderate cost housing.

In the Grace Street neighborhood, which has been the target of a city-managed, federally-funded, housing rehabilitation program for the last year, "blight" conditions exist in 64 of the 71 homes in the area and require some type of rehabilitation, with 29 units classified as having either major structural deficiencies or as being in an extremely dilapidated condition (four units).

Cost of bringing the 29 units considered rehabilitable up to standard is \$495,000.

Additionally, improving streets, installing new storm drains and sidewalks will cost another \$454,314.

In the commercial area, Capitola Mall now has 338,700 square feet of gross leasing area, including the mall, Mervyn's and Sears.

An environmental impact report still not released to the public by the City Planning Department, but cited by the redevelopment consultants, says Sutter Hill wants to expand Capitola Mall by

321,200 square feet of leasable area, including the addition of two major department stores and 54 new mall shops.

The existing 1,454-space parking lot around the mall will be expanded by 1,330-1,405 spaces.

Additionally in the 41st Avenue area, there are approximately 24,880 square feet of added office space, valued at \$3.1 million either opened, under construction or approved by the Planning Commission.

All of this investment is in jeopardy, the consultants maintain.

"In order to provide a broader community shopping service and protect the existing development, it is important to expand this regional shopping complex," Burns and Watry said.

"The result (of) constraining the existing center is that it will promote the development of a competing regional center.

"This would have serious financial impacts on the existing mall and the city of Capitola.

"According to the developer, Sutter Hill, other major department stores are actively seeking development sites in the trade area. It is timely that consideration be given to expand the mall and provide the opportunity for additional major department stores to become additional major tenants."

The consultants have proposed a \$9.5 million budget (Continued on page 2)

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for the redevelopment agency, with a mix of private and public funding sources.

The budget includes:

✓ 41st Avenue freeway overcrossing — \$2.5 million.

✓ Clares Street "loop" — \$609,000 (developer funded).

✓ Mall parking structures — \$4,977,000 (developer funded).

✓ 42nd Avenue reconstruction — \$212,875.

✓ Capitola Road modifications between 42nd and 48th Avenues — \$83,000.

✓ Reconstruction of 43rd Avenue from Grace Street to Capitola Road — \$31,675.

✓ Grace Street neighborhood rehabilitation — \$495,000.

✓ New low income hous-

ing — \$536,100 (20 percent of the agency's tax increment for six years.)

The consultants suggest that Capitola follow the lead of other California cities and use a "tax increment" plan to finance the public portion of the redevelopment agency costs.

The tax increment plan sets up a separate property tax district. The base property taxes from the area continue to be divided among the various taxing agencies — cities, county, schools and special districts, such as fire districts.

But any increases in the property tax collections go only to the redevelopment agency to pay off bonds that the agency sold.

Because of that limit, the tax increment plan was opposed earlier this year

when it was proposed by the City of Scotts Valley as the financial basis for that city's redevelopment agency.

Tax increment financing in Capitola could support a \$5.75 million bond issue, Burns and Watry said, but with the present bond market, the city should expect a 10 percent interest rate and one to two years of funded interest, reducing

the bond sale net proceeds to just \$3.4 million.

Bank interest on the proceeds could raise the total yield to about \$4.08 million.

Sutter Hill or another developer would be expected to provide funds for construction of Clares Street and the mall parking structures — about \$5,606,000 — bringing total revenues up to about \$9,686,000, or about \$100,000 more than the improvements budget.