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# Th13a

**Prepared April 19, 2024 for May 9, 2024 Hearing**

**To:** Commissioners and Interested Persons

**From:** Kevin Kahn, Central Coast District Manager  
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**Subject: City of Capitola LCP Amendment Number LCP-3-CAP-22-0061-2-Part B  
(Monarch Cove Inn Site Redesignation)**

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## **SUMMARY OF STAFF RECOMMENDATION**

The City of Capitola is proposing to make changes to its Local Coastal Program (LCP) Land Use Designation Map, which is a component of the LCP's Land Use Plan (LUP), as well as the LCP's Zoning Code Map and portions of the Zoning Code text, which are components of the LCP's Implementation Plan (IP), in relation to the Monarch Cove Inn, formerly known as the El Salto Resort. The Monarch Cove Inn site (of which there remain three parcels) is currently zoned VS (Visitor-Serving) with a corresponding visitor-serving land use designation and the City-proposed amendment would convert the entire site to be zoned R-1 (single-family residential) with a visitor-serving (VS) overlay and a corresponding single-family residential land use designation. In other words, the amendment seeks to facilitate the conversion of the site's existing overnight accommodations to residential uses.

The Monarch Cove Inn site is located at the downcoast end of the City's Depot Hill area, itself just downcoast from Capitola Village, and it sits atop 80-foot-tall coastal bluffs overlooking Monterey Bay. The project site is the last visitor-serving overnight accommodation in the area, and it dates back to the late 1800s when it was used as a summer retreat for English families. The property went through various changes over the decades, including diminishing in size as sections were sold off or lost to fires, but it has generally remained in its current state since the current owners acquired the property in 1989. The site consists of a 11-room bed and breakfast inn, comprised of a 9-room Victorian house, two separate stand-alone cottages with one-bedroom suites, an outdoor deck area (used for weddings, etc.), office and storage buildings, two small parking lots, a public walking trail (that winds through the property and along the coastal bluff), and open space areas. The property has a long history of operating as overnight accommodations, both before and since adoption of the Coastal Act, and offers a unique visitor-serving experience with sweeping views of the Monterey Bay. However, in recent years, the financial feasibility of operating the bed and breakfast at the site has been called into question (and several attempts at major development upgrades have

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been met with neighborhood opposition) and the owners have sought to convert the entire site to residential uses.

The City sought to change both the land use and zoning designations at the site to better facilitate residential uses when the City's IP underwent a comprehensive update in 2021. However, Commission staff recommended the Commission not certify such designation changes at that time, as doing so would be inconsistent with applicable Coastal Act provisions that prioritize public recreational access and visitor-serving accommodation uses, including specifically oceanfront properties such as this one. Such a conversion would result in the loss of an exceptionally unique offering that is open and available to the general public for overnight accommodations use. At that time, Commissioners were interested in understanding whether a different balancing between visitor-serving overnight accommodations uses and residential uses could be identified for the Monarch Cove Inn site, one that didn't completely change the site to residential uses, and thus the Monarch Cove Inn provisions were removed from the Commission's amendment approval, and the Commission directed staff to work with the City and the property owners to come up with other alternative solutions.

And while the City's proposed amendment is essentially a redo of that which was proposed in 2021, all parties have worked together since the City's submittal to craft an amendment that more appropriately balances visitor-serving and residential needs given the unique context of this site. The site is large, comprised of some 52,000 square feet spread across three separate parcels, with the majority of the visitor-serving components on the seaward parcel. Thus, in analyzing this unique site holistically, it is apparent that the majority of coastal resources and visitor-serving amenities are contained on the seaward-most parcel, including sweeping views of the sea, public walking trails (including to the monarch butterfly grove along the downcoast side of the property), and the overnight accommodations (mostly contained in the large Victorian-era house). In contrast, the most landward parcel mainly contains storage and support services (such as office space) for the Inn, and the middle parcel contains the only ingress/egress to the site and provides parking spaces for both overnight and day-use visitors, and thus provides an important connection point to access the visitor-serving resources on the site. While additional overnight accommodation units and the Inn's storage/office are critical to support the Inn itself and ongoing visitor-serving use of the seaward-most parcel, the storage and office space can likely be reimaged and reconfigured onto the seaward parcel.

Staff is therefore recommending a number of modifications to the proposed amendment to preserve the seaward parcel and a portion of the middle parcel under a visitor-serving zoning designation with a corresponding visitor-serving land-use designation, while converting the landward parcel and a portion of the middle parcel to a residential zoning/land-use designation with a visitor-serving overlay. This change is approvable in that it appropriately provides for a mix of uses, including additional residential uses on the landward property at a similar scale and character to the nearby residences, but also importantly protecting the numerous visitor-serving resources for the public on the seaward property. Suggested modifications are thus included to effectuate this mix, including with policy language that also protects the site's trail connections, ingress/egress, and overall compatibility between residential and visitor-serving uses at

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the site and nearby neighborhood. Importantly, and based on a thoughtful collaboration, City staff and the Monarch Cove Inn property owners are in agreement with and amenable to such modifications.

In conclusion, staff thanks the City and property owners for helping craft a mutually agreeable amendment that respects the Coastal Act and LUP, and can provide some finality to the land use questions at this site, including providing for the residential uses the owners seek and the visitor-serving uses the Coastal Act and LUP protect for the visiting public. With the suggested modifications, the LUP would conform to the Coastal Act and the IP would be consistent with and adequate to carry out the LUP, which are, respectively, the standards of review. Accordingly, staff recommends that the Commission approve the amendment with the identified suggested modifications. The required motions and resolutions are found on pages **5-6** below.

### **Staff Note: LCP Amendment Action Deadline**

This proposed LCP amendment was filed as complete on March 20, 2024. The proposed amendment affects both the LUP and IP components of the LCP, and the 90-working-day action deadline is July 29, 2024. Thus, unless the Commission extends the action deadline (it may be extended by up to one year), the Commission has until July 29, 2024 to take a final action on this LCP amendment.

Therefore, if the Commission fails to take a final action in this case (e.g., if the Commission instead chooses to postpone/continue the LCP amendment consideration), then staff recommends that, as part of such non-final action, the Commission extend the deadline for final Commission action on the proposed amendment by one year. To do so, staff recommends a YES vote on the motion below. Passage of the motion will result in a new deadline for final Commission action on the proposed LCP amendment. The motion passes only by an affirmative vote of a majority of the Commissioners present.

*Alternative Time Extension Motion: I move that the Commission extend the time limit to act on City of Capitola Local Coastal Program Amendment Number LCP-3-CAP-22-0061-2-Part B to July 29, 2025, and I recommend a yes vote.*

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**EXHIBITS**

- Exhibit 1: Project Site Map
- Exhibit 2: Project Site Photos
- Exhibit 3: Proposed Land Use Designation Changes
- Exhibit 4: Proposed Zoning Map Designation Changes and IP Text

**CORRESPONDENCE**

## **LCP-3-CAP-22-0061-2-Part B (Monarch Cove Inn Redesignation)**

### **1. MOTIONS AND RESOLUTIONS**

Staff recommends that the Commission, after public hearing, approve the proposed LUP and IP amendments with suggested modifications. The Commission needs to make two motions on the LUP amendment and two motions on the IP amendment in order to act on this recommendation. In each case, the proposed amendment in each category needs to first be denied, and then approved if modified, to complete the staff recommendation.

#### **A. Deny the LUP Amendment as Submitted**

Staff recommends a **NO** vote on the following motion. Failure of this motion will result in denial of the LUP amendment as submitted and adoption of the following resolution and findings. The motion passes only by an affirmative vote of a majority of the appointed Commissioners.

***Motion:** I move that the Commission certify Land Use Plan Amendment LCP-3-CAP-22-0061-2-Part B as submitted by the City of Capitola, and I recommend a no vote.*

***Resolution to Deny:** The Commission hereby denies certification of Land Use Plan Amendment LCP-3-CAP-22-0061-2-Part B as submitted by the City of Capitola and adopts the findings set forth below on the grounds that the Land Use Plan Amendment as proposed does not conform with the policies of Chapter 3 of the Coastal Act. Certification of the Land Use Plan Amendment would not comply with the California Environmental Quality Act because there are feasible alternatives or mitigation measures which could substantially lessen any significant adverse impact which the Land Use Plan Amendment may have on the environment.*

#### **B. Certify the LUP Amendment with Suggested Modifications**

Staff recommends a **YES** vote on the following motion. Passage of the motion will result in certification of the LUP amendment with suggested modifications and adoption of the following resolution and findings. The motion to certify with suggested modifications passes only upon an affirmative vote of the majority of the appointed Commissioners.

***Motion:** I move that the Commission certify Land Use Plan Amendment LCP-3-CAP-22-0061-2-Part B for the City of Capitola if it is modified as suggested in this staff report, and I recommend a yes vote.*

***Resolution to Certify:** The Commission hereby certifies Land Use Plan Amendment LCP-3-CAP-22-0061-2-Part B for the City of Capitola if modified as suggested and adopts the findings set forth below on the grounds that the Land Use Plan Amendment with suggested modifications will meet the requirements of and be in conformity with the policies of Chapter 3 of the Coastal Act. Certification of the Land Use Plan Amendment if modified as suggested complies with the California Environmental Quality Act because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the plan on the environment, or 2) there*

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*are no further feasible alternatives or mitigation measures that would substantially lessen any significant adverse impacts which the Land Use Plan Amendment may have on the environment.*

### **C. Deny the IP Amendment as submitted**

Staff recommends a **YES** vote on the motion below. Passage of this motion will result in rejection of the Implementation Plan amendment as submitted and the adoption of the following resolution and findings. The motion passes only by an affirmative vote of a majority of the Commissioners present.

**Motion:** *I move that the Commission reject Implementation Plan Amendment LCP-3-CAP-22-0061-2-Part B as submitted by the City of Capitola, and I recommend a yes vote.*

**Resolution to Deny:** *The Commission hereby denies certification of LCP Amendment Number LCP-3-CAP-22-0061-2-Part B as submitted by the City of Capitola and adopts the findings set forth below on grounds that the Implementation Plan Amendment as submitted does not conform with, and is inadequate to carry out, the provisions of the certified Land Use Plan. Certification of the Implementation Plan Amendment would not meet the requirements of the California Environmental Quality Act as there are feasible alternatives and mitigation measures that would substantially lessen the significant adverse impacts on the environment that will result from certification of the Implementation Plan Amendment as submitted.*

### **D. Certify the IP Amendment with Suggested Modifications**

Staff recommends a **YES** vote on the motion below. Passage of this motion will result in certification of the Implementation Plan amendment with suggested modifications and the adoption of the following resolution and findings. The motion to certify with suggested modifications passes only by an affirmative vote of a majority of the Commissioners present:

**Motion:** *I move that the Commission certify LCP Amendment Number LCP-3-CAP-22-0061-2-Part B as submitted by the City of Capitola if it is modified as suggested in this staff report, and I recommend a yes vote.*

**Resolution to Certify:** *The Commission hereby certifies LCP Amendment Number LCP-3-CAP-22-0061-2-Part B, if modified as suggested, and adopts the findings set forth below on grounds that the Implementation Plan Amendment with the suggested modifications conforms with, and is adequate to carry out, the provisions of the certified Land Use Plan. Certification of the Implementation Plan Amendment if modified as suggested complies with the California Environmental Quality Act, because either 1) feasible mitigation measures and/or alternatives have been incorporated to substantially lessen any significant adverse effects of the plan on the environment, or 2) there are no further feasible alternatives and mitigation measures that would substantially lessen any significant adverse impacts on the environment.*

## **2. SUGGESTED MODIFICATIONS**

The Commission hereby suggests the following modifications to the proposed Land Use Plan (LUP) amendment, which are necessary to make the requisite Coastal Act findings, and the proposed Implementation Plan (IP) amendment, which are necessary to make the requisite LUP consistency findings. If the City of Capitola accepts the suggested modifications within six months of Commission action (i.e., by November 9, 2024), by formal resolution of the City Council, the modified amendment will become effective upon the Executive Director's notifying the Commission that this acceptance has been properly accomplished. Text in underline and ~~cross-out~~ format denotes proposed text to be added/deleted by the City, and text in double underline and ~~double cross-out~~ format denotes proposed text to be added/deleted by the Commission.

- 1. LUP Map Changes.** Modify the proposed LUP Land Use Designations Map for the seaward Monarch Cove Inn parcel (APN 036-143-31) and a portion of the middle parcel (APN 036-142-28) (as shown in **Exhibit 3**) from an R-1 (Single-Family Residential) land use designation with a VS (Visitor-Serving) overlay to a VS (Visitor Serving) land use designation with a VS (Visitor-Serving) overlay.
- 2. IP Map Changes.** Modify the proposed IP Zoning Map for the seaward Monarch Cove Inn parcel (APN 036-143-31) and a portion of the middle parcel (APN 036-142-28) from an R-1 (Single-Family Residential) zoning designation with a VS (Visitor-Serving) overlay to a VS (Visitor-Serving) zoning designation with a VS (Visitor-Serving) overlay (as shown in **Exhibit 4**).
- 3. IP Text Changes.** Modify proposed IP Sections 17.28.010(B)(3) and 17.28.010(B)(4) as follows:

**17.28.010(B)(3): Visitor Serving – Monarch Cove Inn (VS-MC).** Applies to the Monarch Cove Inn site (APNs 036-143-31 & 036-142-27) and the portion of parcel 036-142-28 that is located between the two Monarch Cove Inn parcels and the southwestern portion of APN 036-142-28 as depicted in Figure 17.28-1. The VS zoning overlay designation on the Monarch Cove Inn site acts as both the base zoning district and an overlay district (i.e., the permitted land uses identified in Table 17.28-1 are the only permitted land uses allowable on the site and the applicable land use regulations and development standards are limited to those identified in this chapter).

**17.28.010(B)(4): Visitor Serving – General (VS-G).** Applies to all other parcels with a visitor serving subzone overlay designation including the residentially zoned parcels formerly associated with the Monarch Cove Inn (comprised of APN 036-142-27 and the northeastern portion of APN 036-142-28 as depicted in Figure 17.28-1). The -VS zoning overlay designation on the Inn at Depot Hill site (APNs 036-121-38 and 036-121-33) acts as both the base zoning district and an overlay district (i.e., the permitted land uses identified in Table 17.28-1 are the only permitted land uses allowable on the site and the applicable land use regulations and development standards are limited to those identified in this chapter).





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<i>Habitat Restoration and Habitat Interpretive Facilities</i>	C	C	C	<u>C</u>	-	
<i>Parks and Recreational Facilities</i>	C	C	-	<u>C</u>	-	
<i>Public Parking Lots</i>	C	C	-	=	-	
<i>Public Paths and Coastal Accessways</i>	C	C	C	<u>C</u>	C	
<i>Public Safety Facilities</i>	C	-	-	=	-	
<i>Public Wharfs</i>	C	-	-	=	-	
<i>Schools, Public or Private</i>	-	-	-	=	-	
<b>Commercial Uses</b>						
<i>Business Establishments that Provide Commercial Places of Amusement or Recreation, Live Entertainment, or Service of Alcoholic Beverages</i>	C [4]	C [4]	C	=	-	
<i>Business Establishments that Sell or Dispense Alcoholic Beverages for On-Site Consumption</i>	C	C	C	<u>C</u>	-	
<i>Restaurants</i>						
<i>Full Service</i>	C [5]	C [5]	C [5]	=	-	
<i>Lodging</i>						
<i>Hotels, Inns, Bed and Breakfast, and Hostels</i>	C	C	-	<u>C</u>	C	
<i>Campgrounds [6]</i>	C	-	-	=	-	
<i>Recreational Vehicle Parks</i>	C	-	-	=	-	
<i>Vacation Rentals with onsite manager</i>	<del>C</del> [12]	-	-	<u>C</u> [12]	-	
<i>Utilities, Major</i>	C	C	C	<u>C</u>	C	
<i>Utilities, Minor</i>	P	P	P	<u>P</u>	P	
<i>Wireless Communications Facilities</i>	See Chapter 17.104					
<b>Other Uses</b>						
<i>Access Roadways</i>	C	C	C	<u>C</u>	C	
<i>Accessory Structures and Uses, New</i>	C [7]	C	C	<u>C</u>	C	
<i>Accessory Structures and Uses Established Prior to Primary Use or Structure</i>	C	C	-	<u>C</u>	-	
<i>Change of Visitor Serving Commercial Uses within a Structure</i>	C [8]	-	-	=	-	
<i>Food Service Accessory to a Lodging Use [9]</i>	C	C	-	<u>C</u>	C	
<i>Home Occupations</i>	C	-	-	=	-	Section 17.96.040
<i>Expansion of a Legal Nonconforming Use within an Existing Structure</i>	C	-	-	=	-	
<i>Legal Nonconforming Use Changed to a Use of a Similar or More Restricted Nature</i>	C	-	-	=	-	

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Live Entertainment	C	C	C	-	-	
Offices Accessory to Visitor Serving Use	C	C	C	<u>C</u>	-	
Parking Areas to Serve the Primary Use	C	C	C	<u>C</u>	C	
Retail Accessory to a Visitor Serving Use	C	C	-	<u>C</u>	-	
Temporary Assemblages of People, such as Festivals, Fairs, and Community Events	C [10]	C [10]	C [10]	<u>C[13]</u>	-	
Weddings	C	C	C	<u>C</u>	-	

**Notes:**

[1] Permitted only as an accessory use.

[2] Multifamily dwellings shall comply with development standards in the multifamily residential, medium density (RM-M) zoning district.

[3] Single-family dwellings shall comply with development standards in the single-family residential (R-1) zoning district.

[4] May not be located within two hundred feet of the boundary of a residential zoning district.

[5] Drive-up and car service is not allowed.

[6] May include moderate intensity recreational uses, including tent platforms, cabins, parks, stables, bicycle paths, restrooms, and interpretive facilities.

[7] Intensification of the primary use is not allowed.

[8] The new use may not change the nature or intensity of the commercial use of the structure.

[9] Permitted only to serve guests of the lodging use.

[10] Events may not exceed ten days and may not involve construction of permanent facilities.

[11] Prohibited on the former Capitola Theater site (APNs 035-262-04, 035-262-02, 035-262-11, and 035-261-10) and the Inn at Depot Hill (APNs 036-121-38 and 036-121-33). For the residential Monarch Cove parcels (APNs 036-142-27 and the northeast portion of APN 036-142-28), single-family residential uses must meet the provisions of Section 17.28.030(G).

~~[12] Allowed in conjunction with overnight accommodation use (at least one on property) or grant of public access to a viewpoint.~~

~~[12] Vacation rental allowed on VS-MC only with 24-hour, full time onsite staff in residence during times of occupancy. Vacation rental allowed on the residentially zoned parcels formerly associated with the Monarch Cove Inn (comprised of APN 036-142-27 and the northeast portion of APN 036-142-28) without a 24-hour, full time onsite staff in residence.~~

[13] Limited to a single two-day or less event per year.

**6. IP Text Changes.** Add section 17.28.030(G) to IP Sections 17.28.030 as follows:

**17.28.030(G): Monarch Cove Inn/Monarch Cove Residential Properties**  
**Additional Requirements.** The following additional requirements shall apply to the VS-MC subzone (i.e., APN 036-143-31 and the southwest portion of APN 036-142-28) as well as the Monarch Cove residential properties (i.e., APN 036-242-27 and the northeastern portion of APN 036-142-28) as depicted in Figure 17.28-1. Approval of any proposed development on these sites shall only be allowed if:

- a. Adequate parking and fire/safety ingress/egress to serve both inland (residential) and seaward (visitor-serving) properties is provided.
- b. Adequate public access is provided from El Salto Drive to the coastal bluff and to existing rights-of-way along Escalona Drive and area trails, including as may need to be relocated inland due to coastal erosion. Such public access shall, at a minimum, be provided parallel to the northern property boundary of APN 036-143-31 to connect with the existing public rights-of-way.
- c. Unless determined to be infeasible, ingress/egress to any new development on the inland residential property shall be provided from Escalona Drive.

### **3. FINDINGS AND DECLARATIONS**

#### **A. Background and Description of Proposed LCP Amendment**

The City of Capitola is a coastal city seaward of Highway 1 in central Santa Cruz County, located downcoast of Pleasure Point and upcoast of the Seacliff/Aptos areas of unincorporated Santa Cruz County. The City's coastal zone is roughly one square mile, making up approximately 60% of the City, and it is primarily a mix of residential and visitor-serving commercial and recreation uses. The coastal zone includes a mix of residential neighborhoods (e.g., the Jewel Box, the Upper Village, and Cliffwood Heights), visitor-serving commercial and mixed-use neighborhoods centered around Capitola Village (which includes Capitola Beach and the Capitola Wharf, as well as visitor-serving shops, restaurants, and overnight accommodations), and significant public recreational areas (such as at New Brighton State Beach on the City's downcoast end). The City is a very popular visitor destination, and much of its coastal economy is visitor-dependent.

The Monarch Cove Inn is an 11-unit bed and breakfast facility set within multiple buildings on some 1.5 acres of property located at the downcoast end of Depot Hill, a mostly residential neighborhood just downcoast from Capitola Village on top of approximately 80-foot-tall bluffs that offer beautiful sweeping views of the Monterey Bay (see **Exhibit 1** for project site map and **Exhibit 2** for photos of the site). The history of the Monarch Cove site dates back to the late 1800s when two English families seeking a summer retreat locale bought lots throughout Depot Hill and built a settlement called "The English Cottages," which included Victorian era bungalows as well as traditional English gardens. The property was leased in 1909 to a San Franciscan when the owners returned to England for an extended stay, and he ultimately purchased the property in 1911 and renamed the property "El Salto," and enlarged the El Salto estate throughout the 1920s, adding guest cottages, staff living quarters, fruit orchards, and a four-car garage. That owner then sold the property to a local Capitola resident who remodeled the units so that they could be used as summer rentals, then the El Salto Resort. The property was sold again in 1960 to an investment group, and then two years later Elizabeth Blodgett acquired title to a majority of the original holdings. In the late 1970s, Ms. Blodgett purportedly proposed a number of development projects that never came to fruition. By 1982, Ms. Blodgett had sold a number of the lots, and a fire destroyed some of the cottages. In 1989, the City deemed the resort unsafe, and the resort closed temporarily. Ms. Blodgett then sold most of the remaining property to her son, Robert Blodgett, and he completed renovations and reopened the resort in 1989. Ms. Blodgett operated her portion of the resort until 1998 when she sold the last of her property (the three lots immediately west of her son's parcels), which was subsequently converted to residential use.

Thus, most of the original El Salto Resort was converted to residential uses over the years, with the exception of the downcoast-most portion of it (then renamed as the Monarch Cove Inn), which became a 9-room bed and breakfast inn with two separate one-bedroom stand-alone cottages and an outdoor deck area used for weddings. While located about a 15-minute walk to the Village, the Monarch Cove Inn's location on Depot Hill offers sweeping, unparalleled views of the Monterey Bay and coastline and, if visited during the monarch butterfly migration season (mid-October through mid-

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January), large clumps of monarch butterflies hanging from the adjacent eucalyptus trees. Thus, the site has a long history of operating as overnight accommodations for Capitola visitors, both before and since adoption of the Coastal Act and it offers a unique visitor accommodation experience. However, in recent years, the overnight accommodations at the site have become outdated and a number of maintenance needs have been identified, thus affecting its appeal as a visitor-serving experience. The current owners explored the possibility of investing in major development upgrades to the site in 2001 and 2014, but both proposals were met with neighborhood opposition and ultimately abandoned.

The City's Local Coastal Program (LCP) was originally certified in 1981 and underwent a comprehensive update of its Implementation Plan (IP), and of the LCP's Land Use Plan (LUP) Land Use Designations map, in 2021.<sup>1</sup> At the time of this update in 2021, in addition to other substantive changes, the City proposed to re-designate and re-zone two existing visitor-serving overnight accommodation operations, the Monarch Cove Inn and the Inn at Depot Hill, to single-family residential (R-1). The City's reasoning for the rezoning of the Monarch Cove Inn site was that it needed substantial work and expansion to keep it operational into the future as a functioning and financially feasible overnight accommodation, and that its location at the downcoast end of a residential neighborhood constrained options, including in terms of residential neighbors' opposition to improvements of this nature. Thus, the City reasoned that the site was better suited to residential uses, which is also what the owners of the site were seeking as well. Staff, recognizing the Coastal Act and LCP's strong protections and prioritization of visitor-serving uses, could not find the City's proposal to re-zone and re-designate the two inns consistent with the Coastal Act and LUP, and instead recommended a number of modifications in an effort to preserve their existing visitor-serving function. However, the Commission opted not to take action on either the staff recommendation nor the City's proposal as it related to the Monarch Cove Inn site.<sup>2</sup> At that time, Commissioners were interested in understanding whether a different balancing between visitor-serving overnight accommodations uses and residential uses could be identified for the Monarch Cove Inn site, one that didn't completely change the site to residential uses, and thus the Monarch Cove Inn provisions were removed from the Commission's amendment approval, and the Commission directed staff to work with the City and the owners of the Monarch Cove Inn to come up with other alternative solutions.

In 2022, the City resubmitted the same language that the Commission considered in 2021. As submitted by the City, the proposed amendment includes land use designation changes, zoning designation changes, and corresponding IP text amendments. As submitted by the City, the land use designation changes entail converting the existing land use and zoning designations for the Monarch Cove Inn site from Visitor Serving (VS) to Single Family-Residential (R-1) with a VS overlay. The proposed IP text amendments also include removing IP Chapter 17.30 in its entirety, and creating a

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<sup>1</sup> See LCP-3-CAP-20-0082-2.

<sup>2</sup> City staff agreed with Commission staff on the modifications for the Inn at Depot Hill, and thus those changes to preserve the visitor-serving uses were adopted by the Commission and are in effect currently.

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Monarch Cove subzone (VS-MC) within IP Chapter 17.28. The VS-MC subzone would allow the Monarch Cove Inn site to be used as a single-family residence in conjunction with an overnight accommodation use “or [the] granting of public access to a viewpoint,” whereas the LCP currently prohibits single-family residential uses on the Monarch Cove Inn site. More specifically, the proposed amendment would:

- Identify the three Monarch Cove Inn parcels that would be subject to the newly created VS-MC subzone (i.e., APNs 036-143-31, 036-142-27, and 036-142-28).
- Add a series of allowed/conditional uses in the VS-MC subzone, including single-family dwellings and visitor-serving/overnight accommodation uses.
- Add a new footnote to the “single family dwelling” use in the VS-MC subzone to mandate that single-family dwellings shall comply with development standards in the R-1 zoning district, as well as to specify that single-family dwellings are allowed in conjunction with overnight accommodations or granting of public access to a viewpoint.
- Add a new footnote to the “temporary assemblages of people” use in the VS-MC subzone to limit such events to a single two-day event or less per year.
- Add the VS-MC subzone to the general development standards for visitor-serving zoning districts to identify the maximum impervious surface allowed on the site.

In short, the proposed amendment would allow for residential uses on the Monarch Cove Inn site, whereas currently they are not. The amendment would thus facilitate the conversion of the site from one of a visitor-serving nature to one of residential. See **Exhibit 3** for the proposed land use designation change and **Exhibit 4** for the proposed zoning change and IP text.

### **B. Evaluation of Proposed LCP Amendment**

#### ***Standard of Review***

The proposed amendment affects both the LUP and IP components of the City’s LCP. The standard of review for LUP amendments is that they must conform with the policies of Chapter 3 of the Coastal Act. The standard of review for IP amendments is that they must be consistent with and adequate to carry out the policies of the certified LUP, as amended.

#### **1. Proposed Land Use Plan Amendment**

##### ***Applicable Coastal Act Policies***

The Coastal Act places a very high priority on public access and recreational opportunities for all. In addition to Coastal Act Sections 30210 through 30214 that require maximum public access to and along the shore, Coastal Act Section 30221 protects oceanfront lands that are suitable for recreational uses. For otherwise allowable development, Coastal Act Section 30222 gives priority to the use of land suitable for visitor-serving recreational facilities over private residential, general

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industrial, or general commercial development. Therefore, the proposed LUP amendment must protect oceanfront land, such as the blufftop area in question here, for recreational uses, and must prioritize the use of suitable private lands for visitor-serving facilities designed to enhance public opportunities for coastal recreation. Coastal Act Sections 30221 and 30222 specifically state:

**Section 30221.** *Oceanfront land suitable for recreational use shall be protected for recreational use and development unless present and foreseeable future demand for public or commercial recreational activities that could be accommodated on the property is already adequately provided for in the area.*

**Section 30222.** *The use of private lands suitable for visitor-serving commercial recreational facilities designed to enhance public opportunities for coastal recreation shall have priority over private residential, general industrial, or general commercial development, but not over agriculture or coastal-dependent industry.*

### **Analysis**

As submitted by the City, the proposed land use map changes would redesignate the Monarch Cove Inn property (which consists of 3 parcels: APNs 036-143-31, 036-142-27, and 036-142-28) from the current "Visitor-Serving" land use designation to an "R-1" (single-family residential) land use designation with a VS (visitor-serving) overlay. The proposed re-designation would provide for full residential conversion on this important visitor-serving property, thereby raising Coastal Act conformance issues as more fully discussed below.

As submitted by the City, the proposed single-family residential designation would mean that the LCP would prioritize residential uses at the site with the allowance for visitor-serving uses, as opposed to the existing designation, which prioritizes visitor-serving overnight accommodations and related visitor-serving uses and prohibits single-family residential uses (and only allows ancillary residential/caretaker units). It is important to note that, in the Commission's experience, when such visitor-serving sites are converted to residential uses, they are rarely, if ever, replaced or converted back to visitor-serving uses. Indeed, one need look no further than many of the properties formerly associated with the El Salto Resort that were sold off and converted to residential uses and have since remained that way. Thus, the Commission in implementing the Coastal Act has traditionally taken a fairly strict reviewing lens for proposed conversions such as this one, including to make sure that there is adequate remaining visitor-serving uses in the surrounding area, to replace whatever is lost, or to deny such requests.

As proposed in this case, redesignation of the whole site from VS to R-1 would likely lead to permanent loss of the overnight accommodations at these sites. The City of Capitola, and especially the Village and its adjacent beach area, is a very popular destination for visitors to the Central Coast, and the Monarch Cove Inn is one of only two overnight accommodations in the Depot Hill area of the City (the other being the Inn at Depot Hill with its 13 guest rooms), and the Monarch Cove Inn represents a unique visitor-serving experience with expansive blue water views, a blufftop coastal trail, an adjacent monarch butterfly grove (hence the Inn's name), and a more rustic and

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nostalgic small-scale Inn experience that also offers close access to the Village, Capitola Beach, and New Brighton State Beach, but in a quieter and more serene locale. In sum, the proposed amendment would facilitate the conversion of this important and exceptionally unique visitor-serving space to private residential use, and the general public would lose out on the ability to stay and recreate in this area, all of which raises core Coastal Act compatibility concerns. And to be clear, these are the same concerns Commission staff raised as part of the previous rezoning proposal back in 2021.

That all being said, it is also true that the site is quite large and could likely cater to both residential and visitor-serving uses. The Commission similarly recognized this during the previous proposal in 2021, and thus directed staff to understand whether there were other alternatives that would allow for retention of VS uses at the site while also providing some additional residential uses here as well. In other words, this need not be an all or nothing endeavor, but rather a mix of uses could be potentially appropriate. Commission staff, City staff, and the property owners thus worked together to understand where and how such mix could be effectuated.

To do so, it is important to understand the site's geography and amenities as they exist today. The Monarch Cove Inn is composed of three parcels: a seaward parcel containing the 9-bedroom Victorian house, a carriage house and open air pavilion, walking trails, and open space that overlook the Pacific Ocean and Monterey Bay (APN 036-143-31) and is approximately 24,000 square feet; a landward parcel containing the Inn's office buildings, garden, employee parking spaces, and a smaller auxiliary cottage with a one-bedroom suite (i.e., attached kitchen and bathroom) totaling approximately 18,000 square feet (APN 036-142-27); and a middle parcel sandwiched between the two larger parcels that contains the only ingress/egress to the site, parking spaces, and another small auxiliary cottage with a one bedroom suite, totaling approximately 10,000 square feet (APN 036-142-28) (see **Exhibit 1** for a map of the site).

In looking at the site holistically, the majority of the coastal resources and visitor-serving amenities are contained on the seaward-most parcel, including sweeping views of the sea, public walking trails (including to the monarch butterfly grove at the eastern side of the property), and the bulk of the overnight accommodations contained in the Victorian house (nine of eleven units across the entire property).<sup>3</sup> The loss of such coastal visitor-serving amenities to private residential uses would not only be inconsistent with the Coastal Act, but would also impact the public who frequently visit the property to avail themselves of its green spaces and natural environment. In contrast, the landward parcel mainly contains storage and support services to operate the Inn. Lastly, the middle parcel contains the only ingress/egress to the site and provides parking spaces for both overnight and day-use visitors, and thus provides an important connection point to access the visitor-serving uses on the site. While the landward parcel does currently help serve the main Inn facilities, the storage and office space currently on it can likely be reimaged and reconfigured onto the seaward parcel. In other words, the landward

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<sup>3</sup> The Victorian house has nine rooms with queen-sized beds, two of which have attached living rooms, and one of which has an attached kitchen. Each cottage contains one-bedroom suites with attached kitchen and bathroom. Each room (either in the main house or in the cottages) has its own entrance.





## **2. Proposed Implementation Plan Amendment**

### ***Applicable Land Use Plan Provisions***

Similar to the Coastal Act, the LUP contains policies and implementation strategies related to maximizing public access and recreation; protecting environmentally sensitive habitat areas; protecting public views, including to and along the immediate shoreline; and protecting visitor-serving uses, including by ensuring that sites designated for visitor-serving uses and recreation (e.g., visitor-serving overnight accommodations such as hotels, motels, and campgrounds, food/drink establishments, rental facilities, and beaches/parks) remain designated for such uses. These policies include:

***LUP Policy II-1:*** *It shall be the policy of the City of Capitola to provide safe and adequate pedestrian access to and along the shoreline as designated in the Shoreline Access Plan (see Maps II-1, 2, and 3).*

***LUP Policy VI-2:*** *It shall be the policy of the City of Capitola to protect, maintain and, where possible, enhance the environmentally sensitive and locally unique habitats within its coastal zone, including dedication and/or acquisition of scenic conservation easements for protection of the natural environment. All developments approved by the City within or adjacent to these areas must be found to be protective of the long-term maintenance of these habitats.*

***LUP Policy IV-1*** [in relevant part]: *The City shall designate the following areas as visitor-serving and/or recreation uses: The Capitola Village commercial area (retail, restaurants, lodging, etc.) [...] El Salto Resort properties; [...]*

***LUP Policy IV-2:*** *Areas designated as visitor serving and/or recreational shall be reserved for visitor support services or recreational uses. Permissible uses include, but are not limited to hotels, motels, hostels, campgrounds, food and drink service establishments, public facilities, public beaches, public recreation areas or parks, and related rental and retail establishments. Residential uses are also permitted on dual designated “visitor-serving/residential” parcels; specifically, a portion of the El Salto Resort, and in the Village area. Development can be accomplished through private or public means.*

### **Consistency Analysis**

The LUP speaks to protection of locally unique habitat areas, including through ensuring compatible development adjacent to such areas that “must be found to be protective of the long-term maintenance of these habitats”; additionally, the LUP protects public access “to and along the shoreline”. Finally, the LUP specifically states that the Monarch Cove Inn properties (formerly referred to in the LUP as the “El Salto Resort” properties) shall be designated for visitor-serving and/or recreation uses, and that “areas designated for visitor-serving and/or recreation shall be reserved for visitor

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to reside on the property as caretakers, but would require the site to maintain a reasonable number of overnight accommodations that would be served by the caretakers (i.e., the site could not be modified to provide one unit of overnight accommodation and one caretaker unit, rather, the caretaker unit would be understood to service some number of overnight accommodations that is relatively equal to that which exists on the site currently).

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support services or recreational uses” and that permissible uses include “hotels, motels, hostels, campgrounds [...]”, etc. It also provides the potential allowance for a dual residential and visitor-serving commercial mix.

The proposed IP amendment would re-zone the Monarch Cove Inn site (i.e., all three parcels) to R-1 with a VS overlay, raising the same visitor-serving conversion issues as discussed in the preceding LUP amendment section. The IP text component of the amendment would also allow single-family residential dwellings as a conditional use on the Monarch Cove Inn site in conjunction with at least one unit of overnight accommodation or the granting of public access to a viewpoint (see IP Section 17.28.020 on pages 4-6 of **Exhibit 4**). In other words, the amendment would allow for a rather significant reduction in the number of overnight accommodation units (from 11 to as little as a single unit) or elimination of all existing overnight accommodation units with a formally recognized public trail/viewpoint. While the language here does mention a trail, it is rather vague and doesn't specify any performance standards to ensure its protection over time. The access provided here is important, including connecting El Salto Drive and the greater Depot Hill neighborhood with the coastal bluff and Monterey Bay views, as well as connections to the public right-of-way at the downcoast edge of the property, and potential future connections to the planned coastal rail trail.<sup>6,7</sup> Loss or impairment of the access in this area would be significant, as the coastal trail on the property provides benefits similar to the now extinct coastal trail on other portions of Depot Hill, which is no longer in use because of erosion and private residential backyard encroachments into the public right-of-way. The Monarch Cove Inn site provides more flexibility to maintain such public access to the surrounding area given its large size, where other areas in Depot Hill are constrained by private residential dwellings.

As described previously, the majority of the visitor-serving resources at the site, including the overnight accommodations contained in the historic Victorian home, are contained on the seaward parcel, as well as public walking paths, green open space, and access to the monarch butterfly grove. Conversely, the landward parcel mainly contains support buildings, such as offices and storage, and does not provide the same level of visitor resources. Thus, and including to match the LUP as suggested to be modified, the Commission includes **Suggested Modification 2**, which changes the proposed zoning designation for the seaward parcel (APN 036-143-31) and the northwestern portion of the middle parcel (APN 036-142-28) to VS (Visitor Serving). This R-1/VS split is approvable given the context because the LCP speaks to such adjacent visitor-serving and residential uses at the site (see LUP IV-2), would maintain access to the shoreline (see LUP II-2), and would provide for compatible development

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<sup>6</sup> Vehicular access at the site is notably constrained, as the only ingress/egress is via El Salto Drive, which dead-ends at the project site. Available parking for daily visitors, overnight guests, and staff is accommodated via street parking and two small parking lots located on the landward parcel and the middle parcel.

<sup>7</sup> The public pathway was originally formed as a condition of coastal permit P-80-11 as an offer to dedicate for two easements to be made from El Salto Drive to and along the blufftop for views of the shoreline. However, the permit was never exercised, and the easements were never recorded. Nevertheless, the pathway currently exists on the property and is frequently used by the public, constituting an important visitor-serving resource which is afforded protection under the LUP.

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adjacent to the blufftops/monarch butterfly grove (see LUP VI-2). Additionally, the landward parcel would maintain a visitor-serving overlay in addition to the R-1 designation, thus not precluding visitor-serving overnight accommodations from existing in the future on the landward parcel.

**Suggested Modification 3** implements the zoning map change into the IP's text, including by clarifying that the proposed R-1 zoning and VS-G (Visitor-Serving-General) overlay only applies to the landward parcels and not the seaward, visitor-serving ones. The end result of this modification is to retain overnight accommodation uses on the seaward parcels while providing for a mix of visitor-serving and residential ones on the landward side. And **Suggested Modification 4** simply depicts these changes into the corresponding IP Visitor Serving District map.

While the above described suggested modifications generally refer to the site's zoning designations and overlays, **Suggested Modifications 5 and 6** make changes to describe the specific site development parameters and allowed land uses. Overall, the changes would remove single-family dwellings as a conditional use on the seaward visitor-serving Monarch Cove Inn site (VS-MC in Table 17.28-1, see **Exhibit 4**) to prevent the applicable parcels from converting to a private, residential use and conversely, to preserve the overnight accommodations and public access at the site. The modifications also require that, as part of any CDP review at the residential or visitor-serving sites, that adequate fire and vehicular ingress/egress is provided to serve all development at the sites (particularly for the Inn site, which may necessitate residential access from Escalona Drive), that public access is provided, including from El Salto Drive to the bluff, adjacent public rights-of-way, and potentially new trail connections along the rail trail, and that there is adequate space for parking. In other words, the language provides an important reviewing lens for future development proposals on both the residential and visitor-serving properties to ensure that uses on both sites remain viable, and that protect and provide for public access in the area.

In sum, the suggested modifications would eliminate the proposed R-1 use on the seaward parcel and portions of the middle parcel at the Monarch Cove Inn site and make clarifying changes to provide for a mix of uses on the inland portion. Such a conversion is appropriate in this context given that doing so maintains the majority of the overnight accommodation units and preserves other visitor-serving amenities (e.g., access to blue-ocean water views and public trails) at this unique site. Additionally, in recent years there has been a push across the state to increase housing stock, particularly in coastal areas,<sup>8</sup> including to help offset skyrocketing rents and home prices and general unaffordability, while still preserving moderate- and lower-cost accommodations. Here, the conversion strikes a balance between these two objectives by preserving overnight accommodations and visitor-serving uses in the coastal zone while allowing for residential uses that would presumably add a number of new units to the area. Lastly, in a City-wide context, there are a number of other overnight accommodations available to visitors within the City (including the Inn at Depot Hill, the

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<sup>8</sup> And the Commission has frequently discussed the balance between encouraging housing and preserving/protecting visitor-serving overnight accommodations in the coastal zone, including during its December 2023 hearing when it held an informational briefing on housing.

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Capitola Hotel, and the Venetian, all of which are located within the coastal zone), and visitor-serving uses have historically been preserved in the City, including via Commission action.<sup>9</sup> The modifications identified are thus necessary to ensure that existing lands designated for visitor-serving uses are protected for such uses, while also providing for much needed housing. Thus, the proposed IP amendments with the suggested modifications can be found consistent with and adequate to carry out the certified Land Use Plan.

### **C. California Environmental Quality Act (CEQA)**

Section 21080.9 of the California Public Resources Code—within the California Environmental Quality Act (CEQA)—exempts local government from the requirement of preparing an Environmental Impact Report (EIR) in connection with its activities and approvals necessary for the preparation and adoption of LCPs and LCP amendments. Instead, the CEQA responsibilities are assigned to the Coastal Commission; however, the Commission's LCP review and approval program has been found by the Resources Agency to be functionally equivalent to the EIR process. Thus, under CEQA Section 21080.5, the Commission is relieved of the responsibility to prepare an EIR for each LCP or LCP amendment action.

Nevertheless, the Commission is required, in approving an LCP or LCP amendment submittal, to find that the approval of the proposed LCP, as amended, does conform with CEQA provisions, including the requirement in CEQA section 21080.5(d)(2)(A) that the amended LCP will not be approved or adopted as proposed if there are feasible alternatives or feasible mitigation measures available which would substantially lessen any significant adverse impact which the activity may have on the environment (see California Code of Regulations Title 14 Sections 13540(f) and 13555(b)).

The City of Capitola's LCP amendment consists of an LUP and IP amendment. In this case, the City exempted the proposed amendment from environmental review (citing CEQA Sections 15061(b)(3)), deeming the modifications to be minor in nature without the potential to cause a significant effect on the environment. This report has discussed the relevant coastal resource issues with the proposal, and has addressed all comments received. All the above findings are incorporated herein in their entirety by reference.

Therefore, the Commission finds that there are no other feasible alternatives or mitigation measures under the meaning of CEQA which would further reduce the potential for significant adverse environmental impacts, and the proposed LCP amendment, as modified, conforms with CEQA.

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<sup>9</sup> In the 2021 IP update, staff recommended modifications to the former Capitola Theater site to ensure future development would be used for visitor-serving uses. See adopted staff report for LCP-3-CAP-20-0082-2 pages 8 and 37.