

# General Plan Advisory Committee Meeting

August 17, 2023

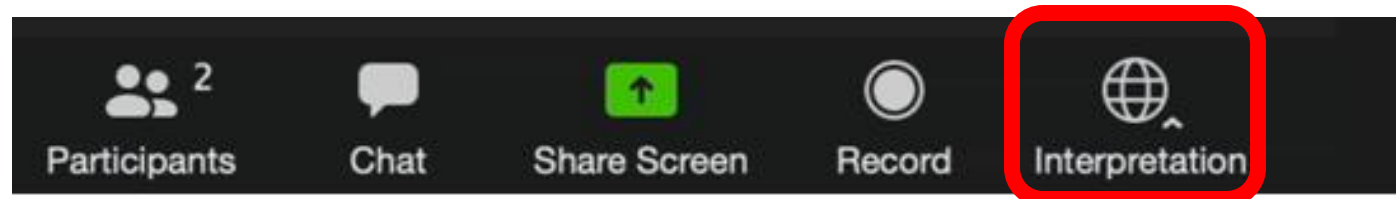
# Zoom – La interpretación

- Interpretation

**La interpretación en simultáneo para esta reunión se dará en los siguientes idiomas:**

Español (Maria Galvez & Monica Aparicio) – bajo la opción Español

Por favor haz clic en el icono INTERPRETATION en tu barra de herramientas para acceder al idioma deseado



# GPAC Roll Call

1. Dave Alden
2. Stephanie Blake
3. Phil Boyle
4. Erin Chmielewski
5. Mary Dooley
6. Jessie Feller
7. Ali Gaylord
8. Yensi Jacobo
9. Sharon Kirk
10. Roger Leventhal
11. Iliana Inzunza Madrigal
12. Roberto Rosila Mares
13. Brent Newell
14. Kris Rebillot
15. Bill Rinehart
16. Joshua Riley Simmons
17. Elda Vazquez-Izaguirre
18. Lizzie Wallack
19. Bill Wolpert

# Logistics

# Zoom – What You Need To Know

**For any technical difficulties, please email**

**Daniel Harrison at**

**[dharrison@cityofpetaluma.org](mailto:dharrison@cityofpetaluma.org)**

**Para cualquier dificultad técnica, envíe un correo electrónico a Maria Galvez:**

**[mapigalvez@gmail.com](mailto:mapigalvez@gmail.com)**

# Supporting Access and Live Interpretation

- Please remember to speak slowly – our interpreters are working hard to translate accurately
- Reduce the use of acronyms and make sure to explain them when you do use them



# Meeting Overview

6:30pm: Roll Call and Logistics

6:40pm: General Public Comment

6:50pm: Project & Staff Updates

7:00pm: Housing Analyses

- Presentation
- Public Comment
- GPAC discussion

8:30pm: Working Groups

8:55pm: Final GPAC Thoughts

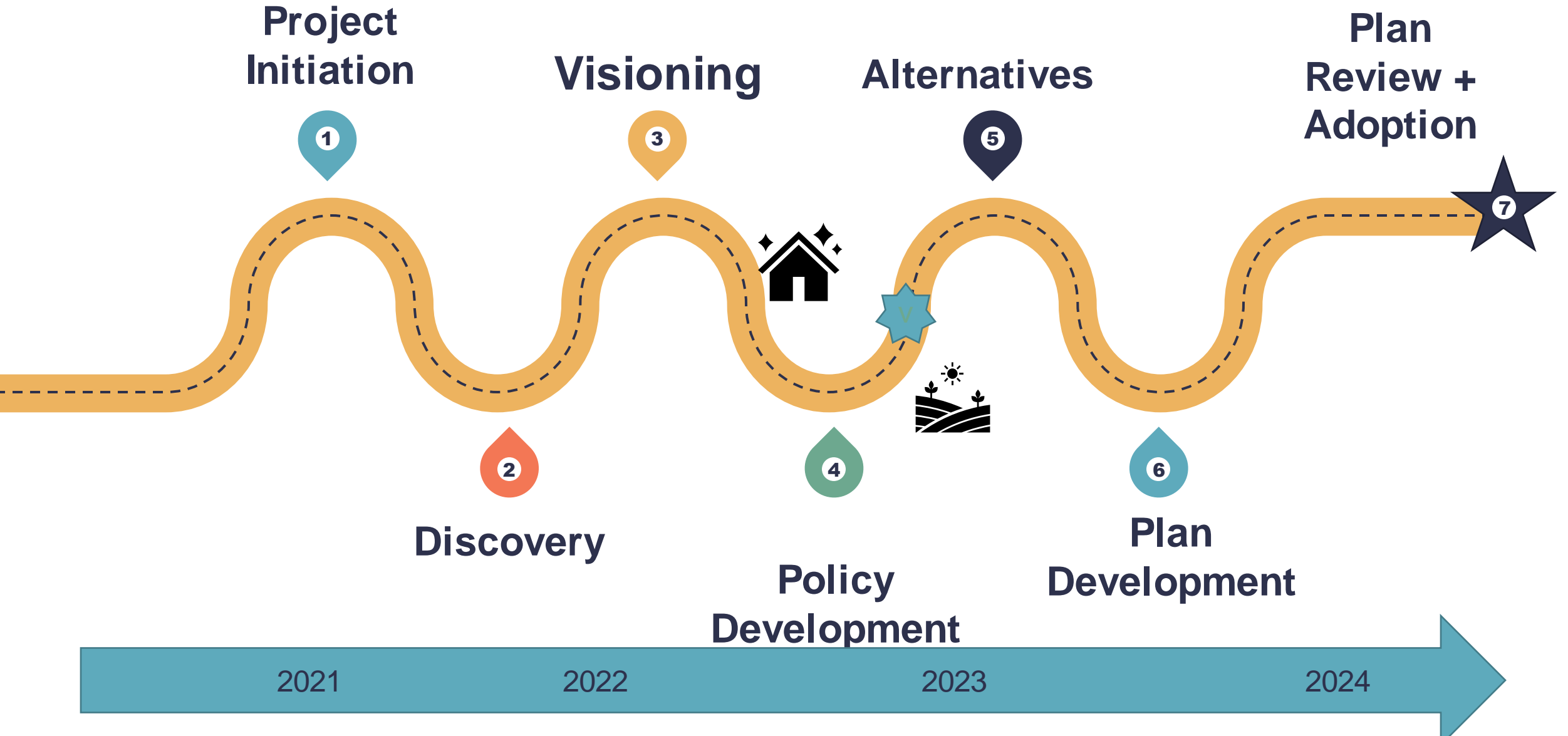


# General Public Comment



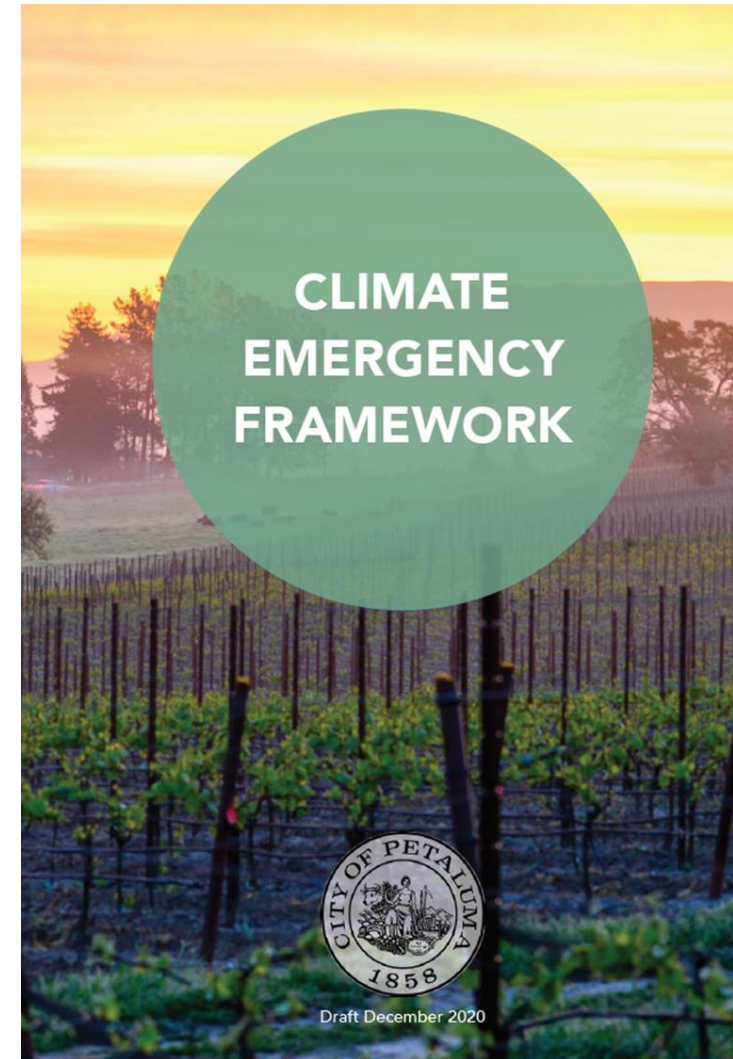
# Project & Staff Updates

# Project Roadmap



# Climate Action Planning

- Two Administrative Drafts went through City and CAC review
- **Fall:** Climate Action Plan (CAP) Public Draft for community review
  - Open House, online input form, two CAC meetings
  - *Two volunteers needed ~1 month for joint GPAC-CAC ad hoc review committee*
- **Ongoing:** Continue to align CAP, General Plan, VMT reductions, adaptation planning, and GP CEQA EIR



# Mapping the River: Floodplain and Sea Level Rise

- **Now:** Preparing for public introduction to model runs and mapping in September
- **Next:** Discussion with the GPAC and community of how updated mapping informs flood mitigation, climate adaptation, and land use



# Other Updates

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- **Housing Element Certified**
- **YIMBY Recognition**
- **Objective Design Standards**
- **Active Transportation Plan**
- **Fairgrounds**
- **North Station Construction**
- **Specific Plan Funding Award**



# Upcoming GPAC Steps – Timing Subject to Change

Meet strategically as a whole and/or in Working Groups.

1. Introduction of Updated Flood & Sea Level Rise Modeling & Maps (in-person)
2. Discussion of Flood Resilience Planning (likely in person)
3. Discussion of Land Use Alternatives (likely in person)
4. Review of Public Draft Policy Frameworks (by Working Groups)



# Save the Date

- Our next GPAC meeting will be IN PERSON
- September 21, 2023 @ 6:30 PM
- Location: Petaluma Community Center in Lucchesi Park  
320 N. McDowell Blvd.



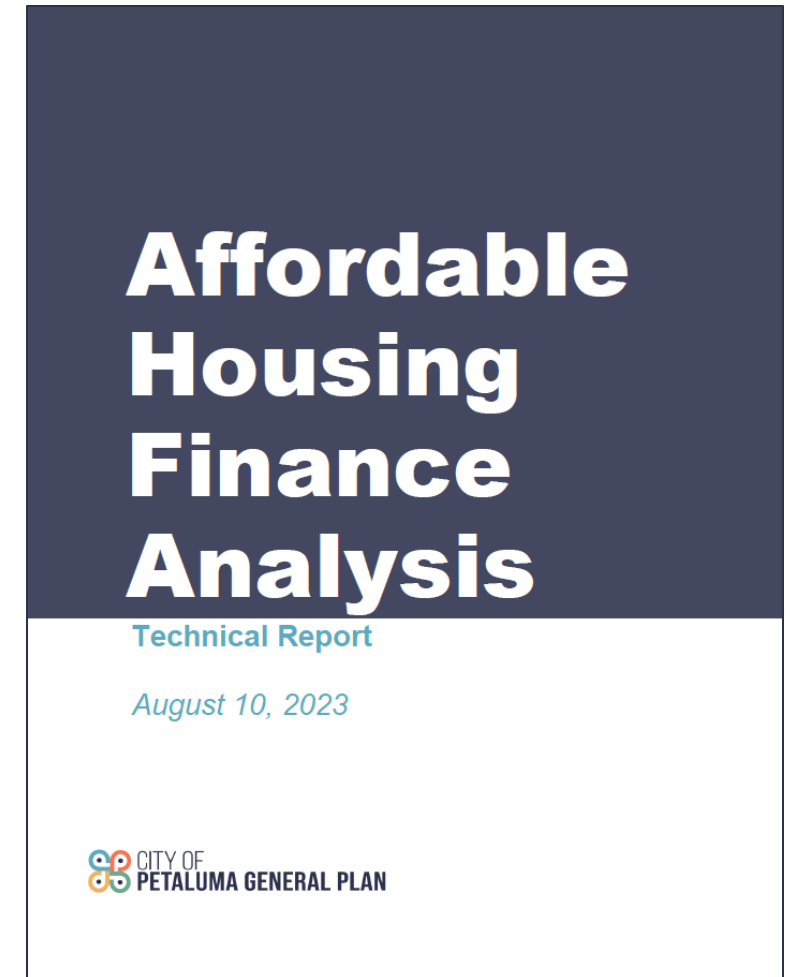
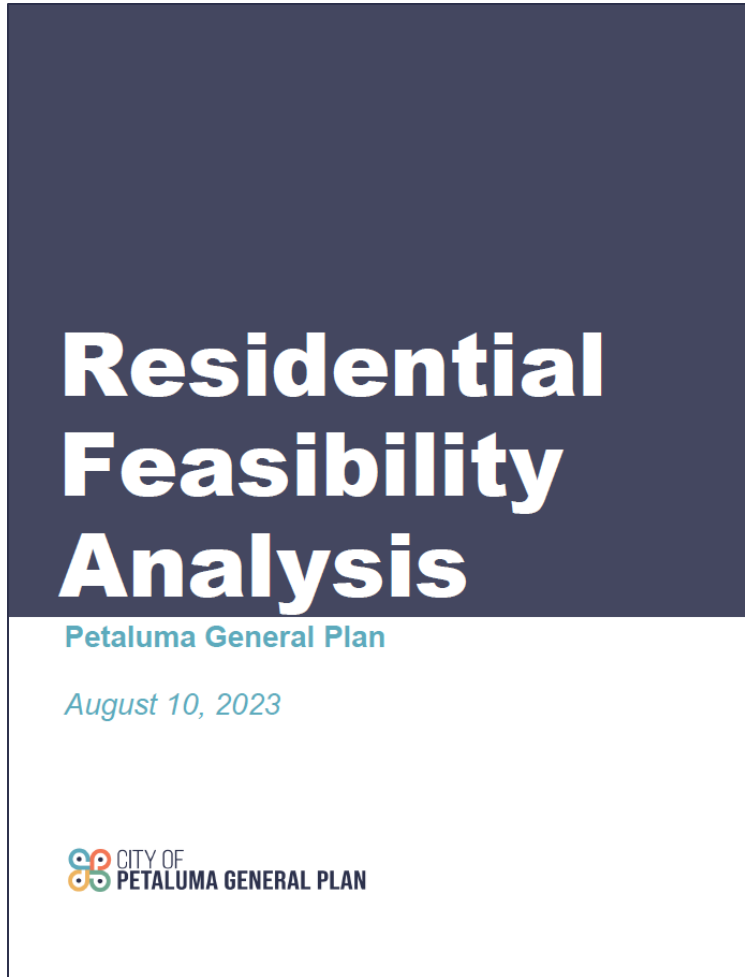
# Clarifying Questions from GPAC Members



# Housing Analyses Presentation

# Two Housing Analyses

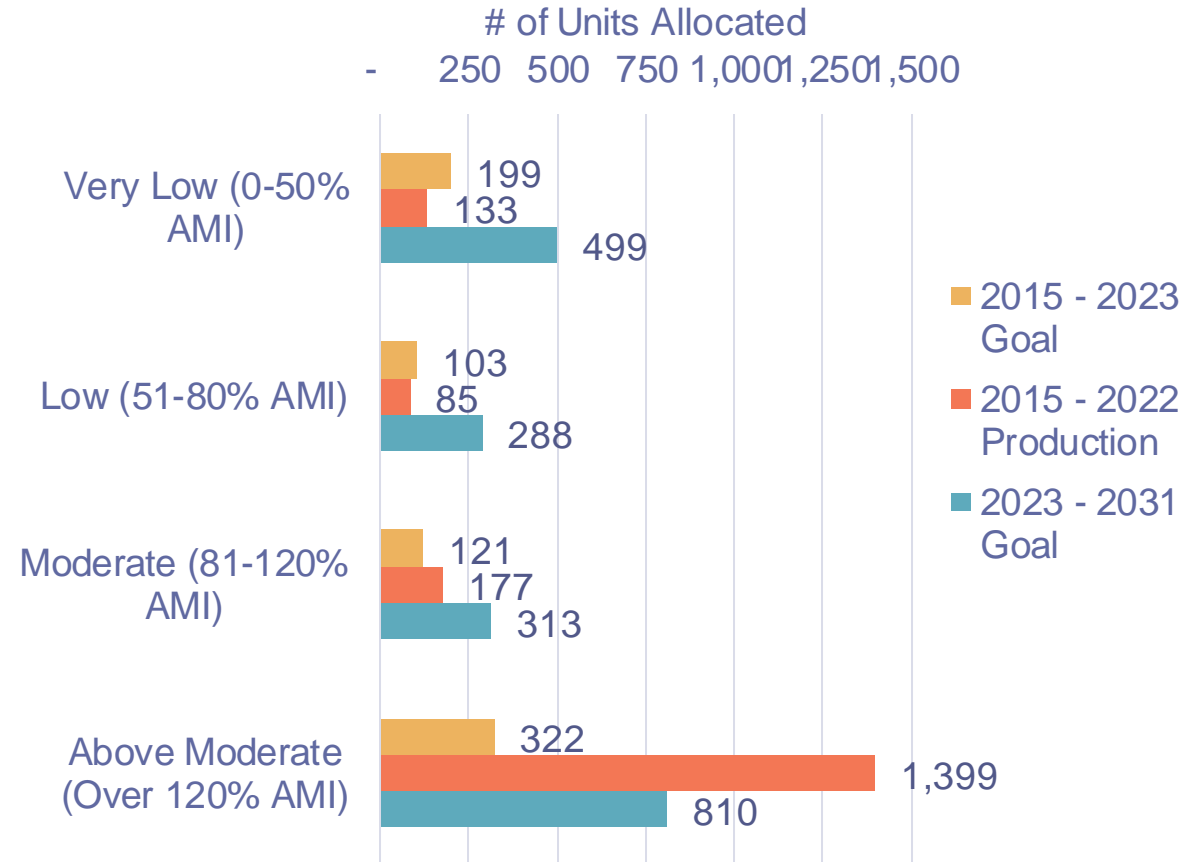
- Identified barriers and opportunities for production of:
  - Higher density market rate housing
  - Deed-restricted affordable housing
- Inform policy decisions about how Petaluma can accommodate its housing needs



# Market-Rate and Affordable Housing Needed

- Petaluma historically fell short of housing production goals for lower income households.
- Regional Housing Needs Allocation goals are higher for 2023-2031.
- The Housing Element identified opportunity sites and policy adjustments.

**Petaluma 2023 to 2031 RHNA Goals Compared to Prior Goals and Issued Permits**



Source: ABAG, Final Regional Housing Needs Allocation, 2022; HCD, APR Table A2, 2023; Strategic Economics, 2023.

# Market-Rate vs. Deed-Restricted Affordable Units

- Market-rate housing has no restrictions on prices/rents.
- “Affordable housing” = housing units with deed-restrictions limited to households earning certain incomes.
- Affordable housing units target households within select income categories, which are based on area median income (AMI) of a region.

## Definition of Affordable Housing Income Categories by AMI Level

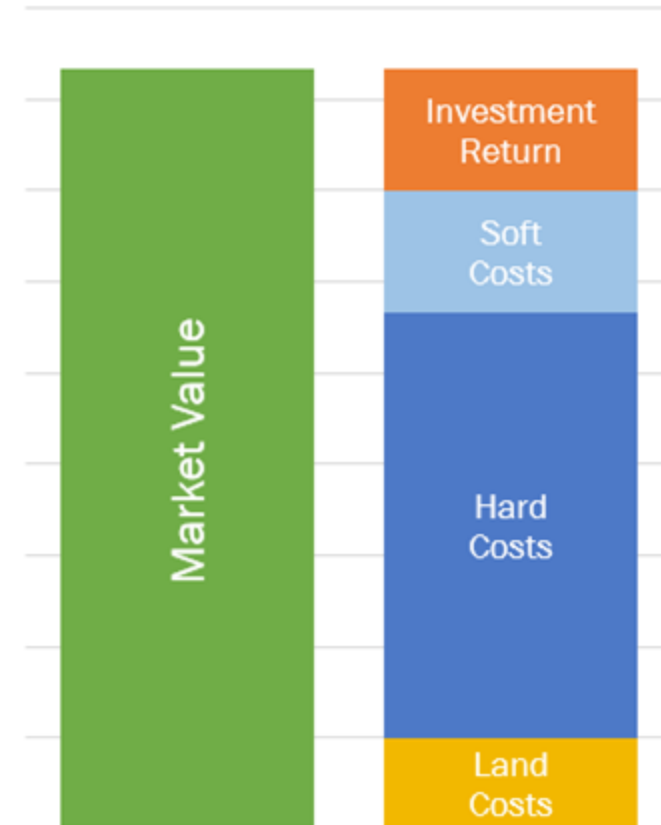
Income Category	AMI Level
Extremely Low-income	0% to 30%
Very Low-income	31% to 50%
Low-income	51% to 80%
Moderate-income	81% to 100%
Above Moderate-income	>100%

Source: California HCD, 2023; Strategic Economics, 2023.

# Financial Feasibility Analysis Explored Barriers to Producing Market-Rate Housing

- Development projects are financially feasible when revenues exceed project costs and investment return.
- Developers only build when projects “pencil” (are financially feasible).
- Costs and revenues are dynamic.
  - Several factors are beyond control of a city.

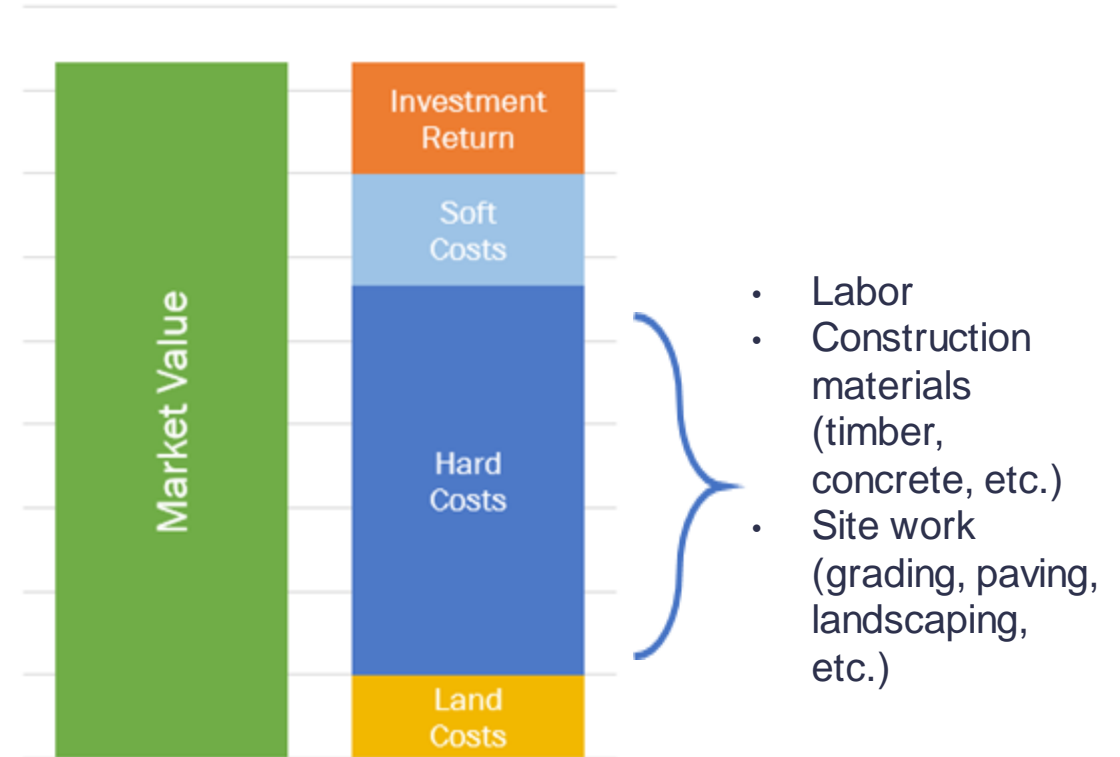
## Evaluating Residential Feasibility



Source: Strategic Economics, 2023.

# Project Costs: Hard Costs

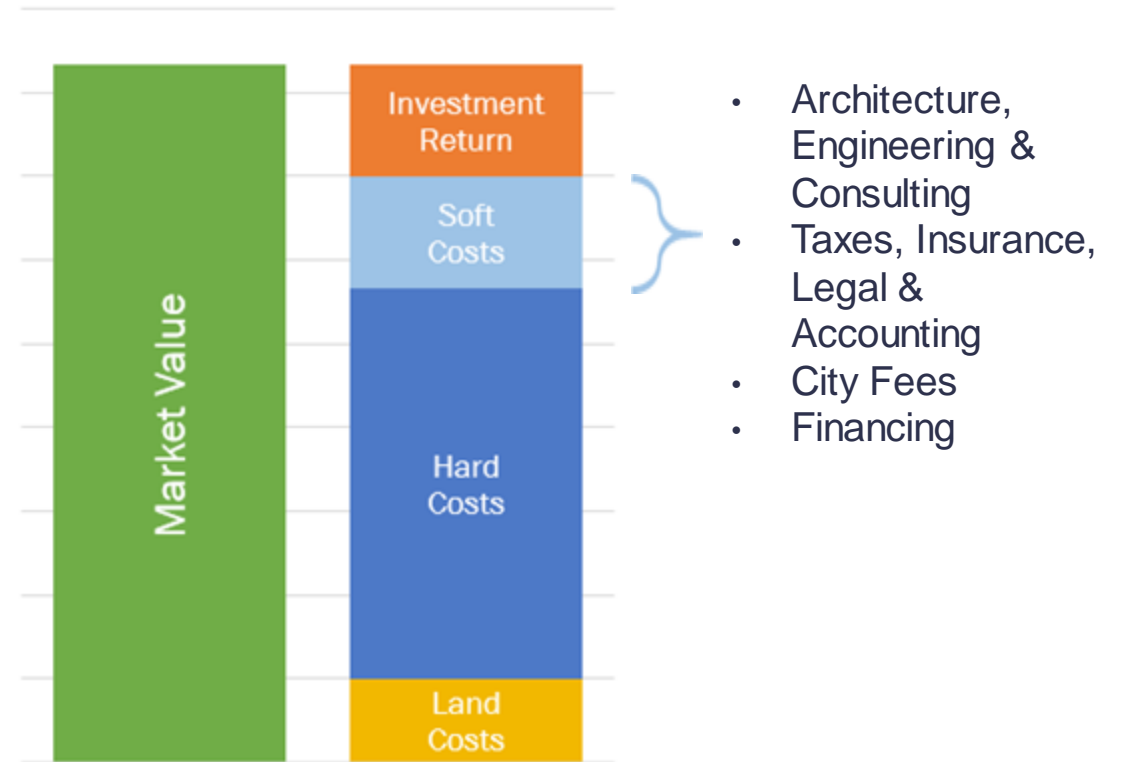
- Hard costs are the largest of project costs and are associated with physical construction.
- Includes construction of the building, parking, and other site improvements
- Construction material and labor costs have been increasing.
- Construction costs vary by building type.
- Construction costs are “regional.”



Source: Strategic Economics, 2023.

# Project Costs: Soft Costs

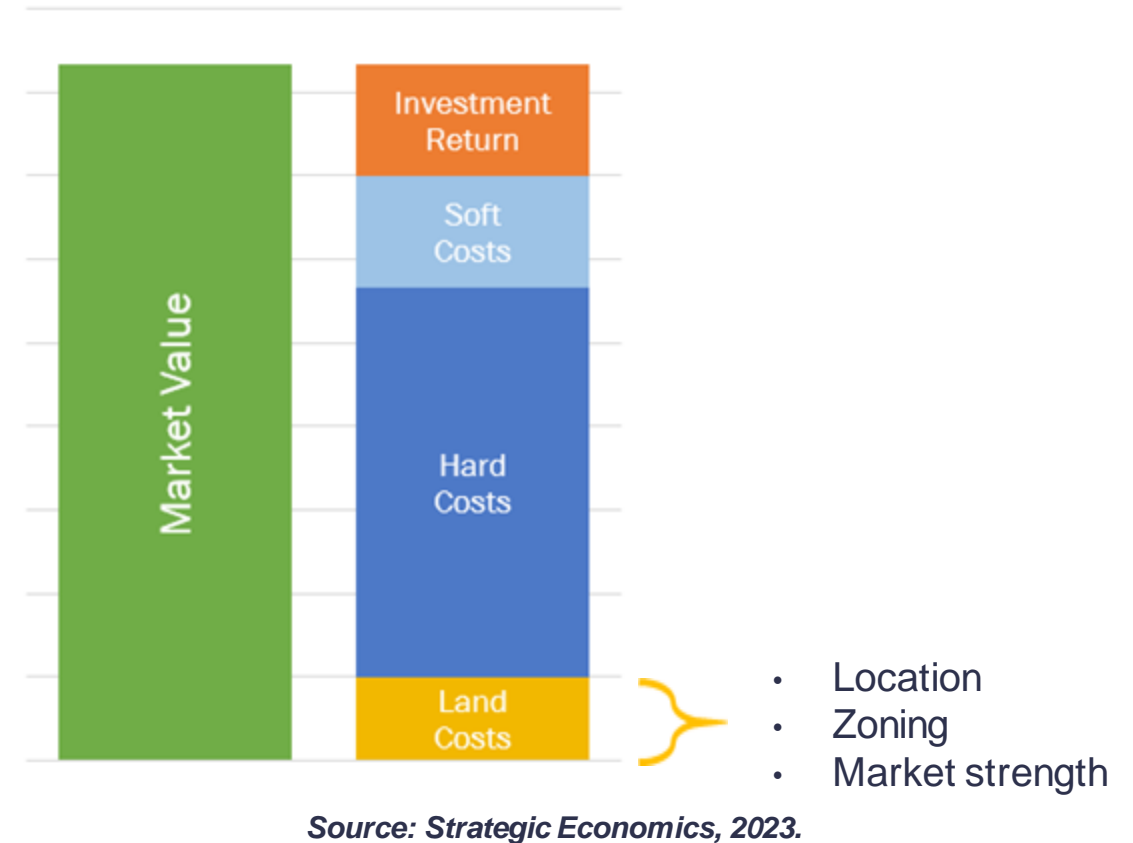
- Soft costs are typically the next largest project costs.
- Soft costs include costs associated with design, implementation, and fees.



Source: Strategic Economics, 2023.

# Project Costs: Land Costs

- Land costs are much more variable than other development costs.
- Land costs vary depending on:
  - Location
  - Zoned capacity for development
  - Market strength
  - Infrastructure
  - Condition of the land (need for remediation, etc.).
- Land costs are “residual.”
- Value is based on what developers can afford to pay while delivering a feasible project within the site’s constraints and opportunities.
- Non-residential developers can potentially outbid housing developers.





# Project Costs: Investment Return

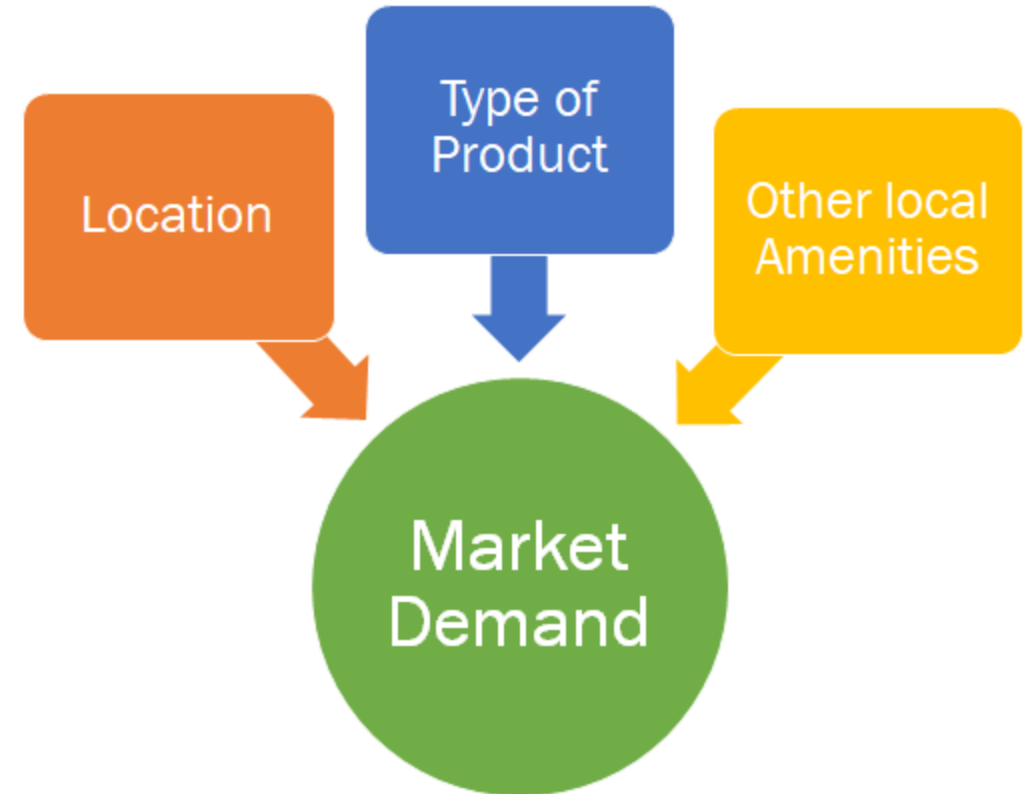
- Developers decide to build projects based on the investment return.
- Developers attract project funding only if investment return is competitive.
- Required investment return varies based on project risks.
- Greater certainty reduces risk.



Source: Strategic Economics, 2023.

# Market Demand and Potential Revenue

- Market demand sets the “price” that buyers and renters are willing to pay.
- This price is very local.
- Demand is based on many factors including:
  - Location,
  - Type of product, and
  - Other amenities in the area.



# Policies & Incentives Impact Financial Feasibility

- Policies and incentives can make projects more or less feasible while not impacting unit affordability.
- Example Policy Levers:
  - Parking ratios
  - Density controls (FAR, height, etc.)
- Example Incentives:
  - Reducing city fee requirements (reduces fee soft costs)
  - Density bonus (potentially increases value, but not always)
  - Streamlining of approvals (reduces financing/holding soft costs)

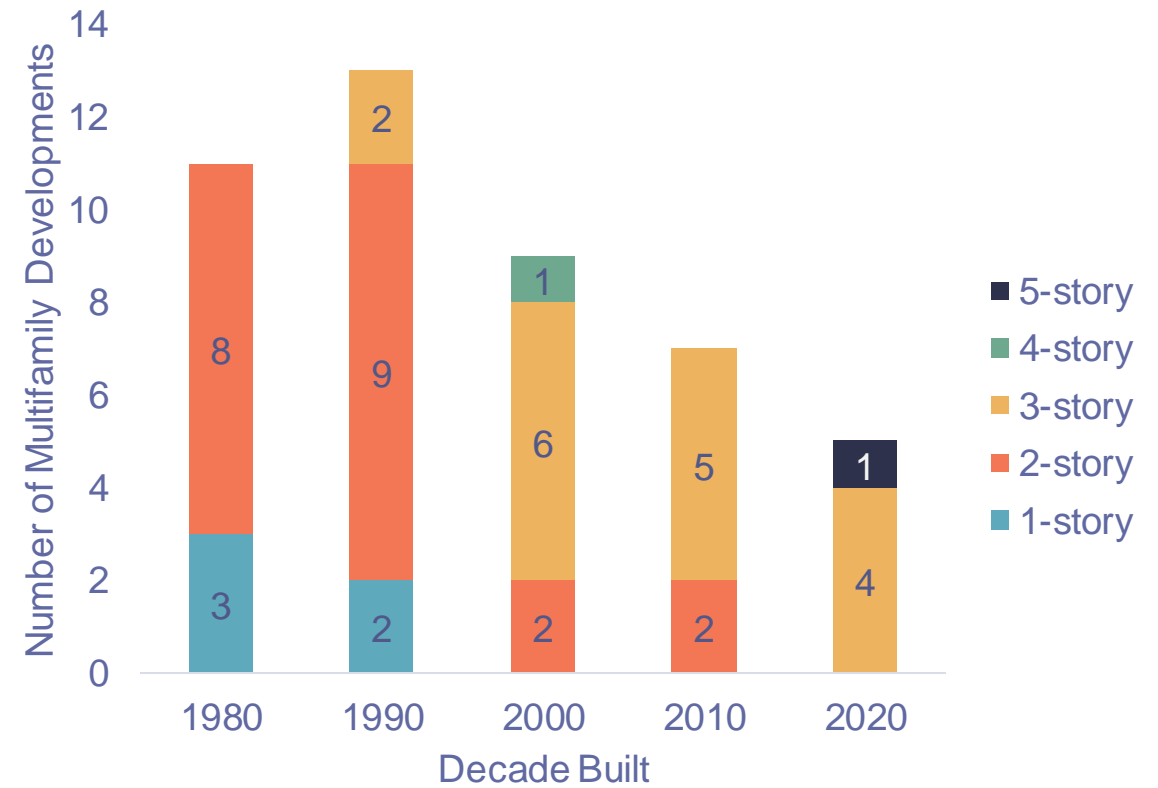


Source: Strategic Economics, 2023.

# Analysis Examined Financial Feasibility Barriers for Higher-Density Market-Rate Housing

- Higher-density housing is rarely built in Petaluma.
- Analyzed four housing development “prototypes.”
- Examined:
  - 1) Whether these types of development products are currently feasible in Petaluma
  - 2) Drivers of costs and revenues for each prototype
  - 3) How City policies can enhance the feasibility of the prototypes

Multifamily Rental Projects in Petaluma, by Decade Built / Proposed and Number of Stories, 1980 to Present—as Tracked by CoStar



Sources: CoStar, 2022. Strategic Economics, 2023. Note: 2020 decade includes some projects that have not yet been completed.

# Prototypes: 3-, 5-, and 8-Story Rentals

- Reflects infill products that accommodate growth within the UGB, enhance pedestrian/transit trips, reduce GHG emissions

## 3-Story Multifamily With “Tuck-under” Parking



Sources: Jerry Kler Architects, 2023.

## 8-Story Podium Product:

- A. With a Parking Ratio Of 1.5 Spaces per Unit
- B. With a Parking Ratio Of 1.25 per Unit



Sources: KTG, 2023.

## 5-Story “Wrap” Product



Sources: Humphreys & Partners Architects, 2017.

# All Prototypes Are Currently Infeasible in Petaluma

- Construction costs do not vary substantially throughout the Bay Area.
- Construction costs have rapidly increased throughout Bay Area.
  - Worsening project financing challenges
- Rents and sales prices in Petaluma are lower than other locations.
- Additional measures are needed to address costs/revenues.
- The five-story and eight-story prototypes are especially unlikely to become financially feasible in the immediate future.
- Some real-world developments may still proceed due to unique factors.

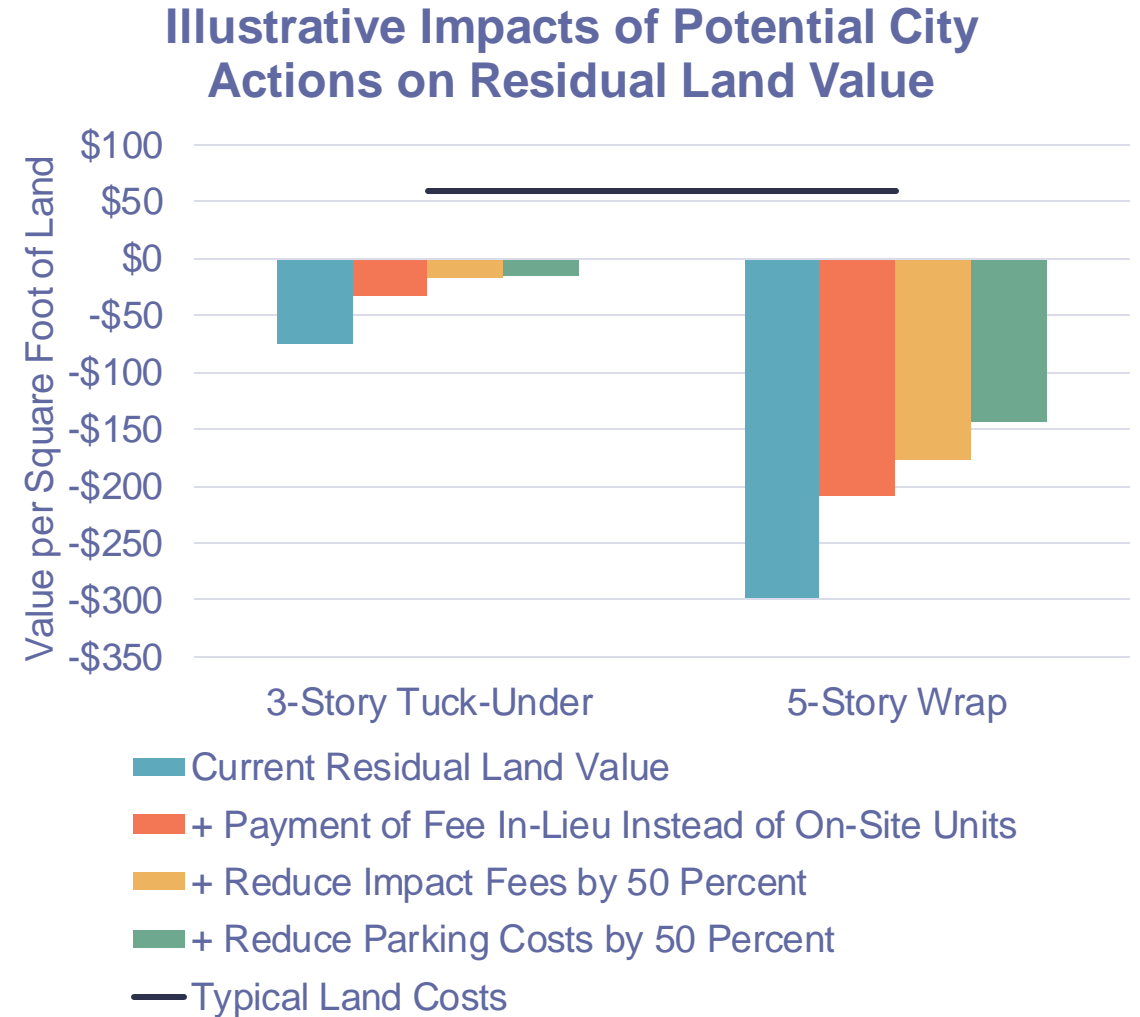
Project Value, Cost, and RLV per Square Foot of Land vs. Typical Land Costs



Sources: Strategic Economics, 2022; Developer Interviews, 2022; CoStar, 2022.

# City Actions Could Halve the Feasibility Gap

- Total development costs must be reduced 30 to 43 percent at current rents.
- We analyzed:
  - Reducing municipal fees
  - Reducing inclusionary housing requirements and in-lieu fees / providing flexibility
  - Reducing parking requirements
- Changes to City policies that affect housing feasibility must also consider other critical policy goals and priorities.

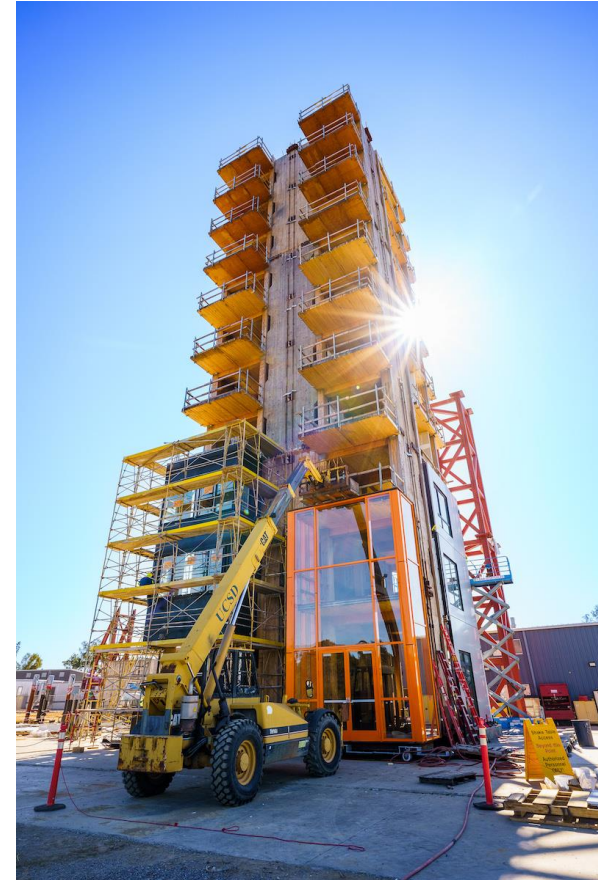


Sources: Strategic Economics, 2022; Developer Interviews, 2022; CoStar, 2022.

# Additional Policy Options to Enhance Feasibility

- Accommodating new and emerging construction techniques such as mass timber and modular construction
- Removing ground floor retail requirements where appropriate
- Providing greater certainty and speed for approving development projects
- Investing in district amenities and desirability to enhance achievable rents and sales prices

UC San Diego Mass Timber Test Building

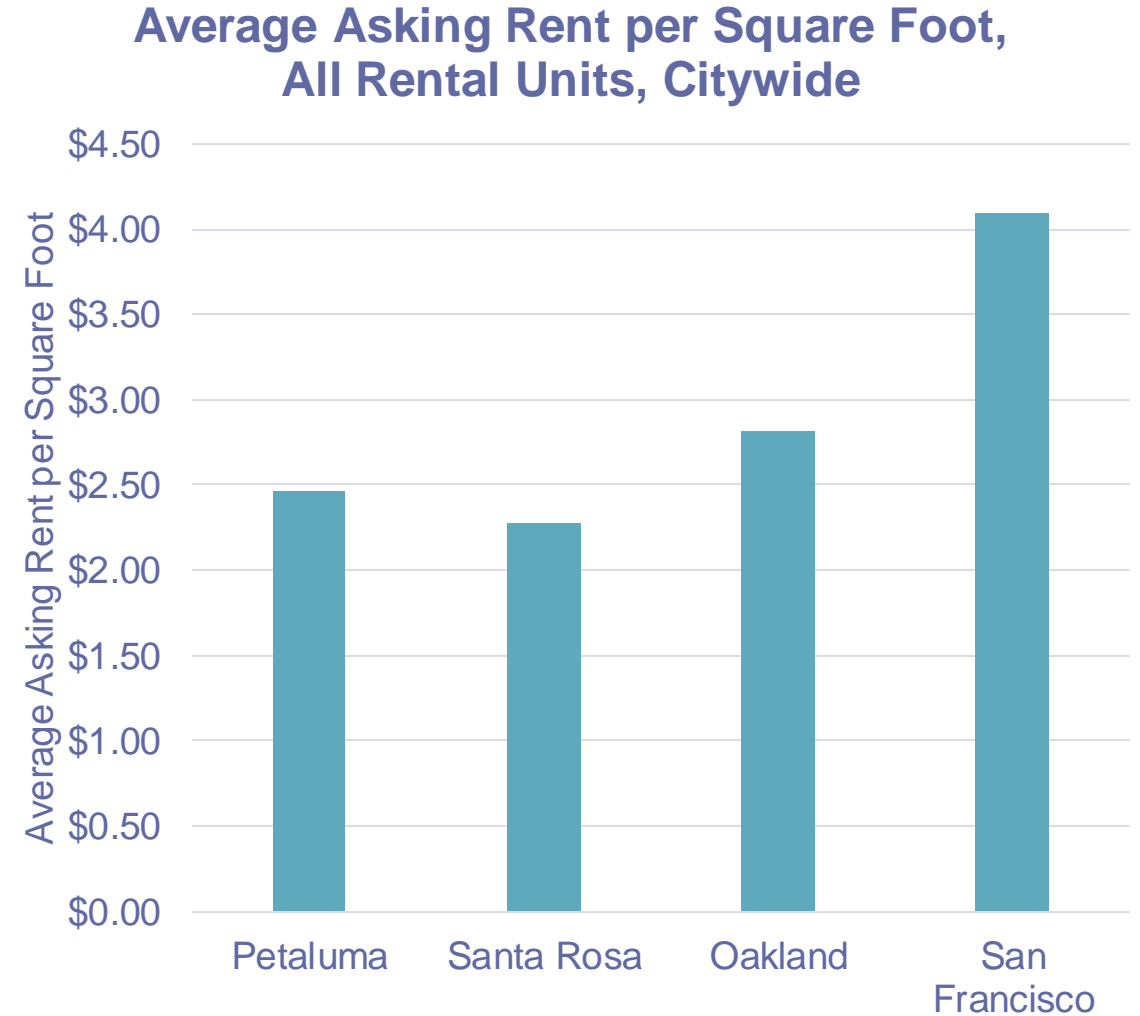


Source: David Baillet/UC San Diego Jacobs School of Engineering, 2023.



# Broader Shifts in Conditions Are Required to Enable Higher-Density Development in Petaluma

- Declines in regional development costs
- Increases in local achievable rents and sales prices

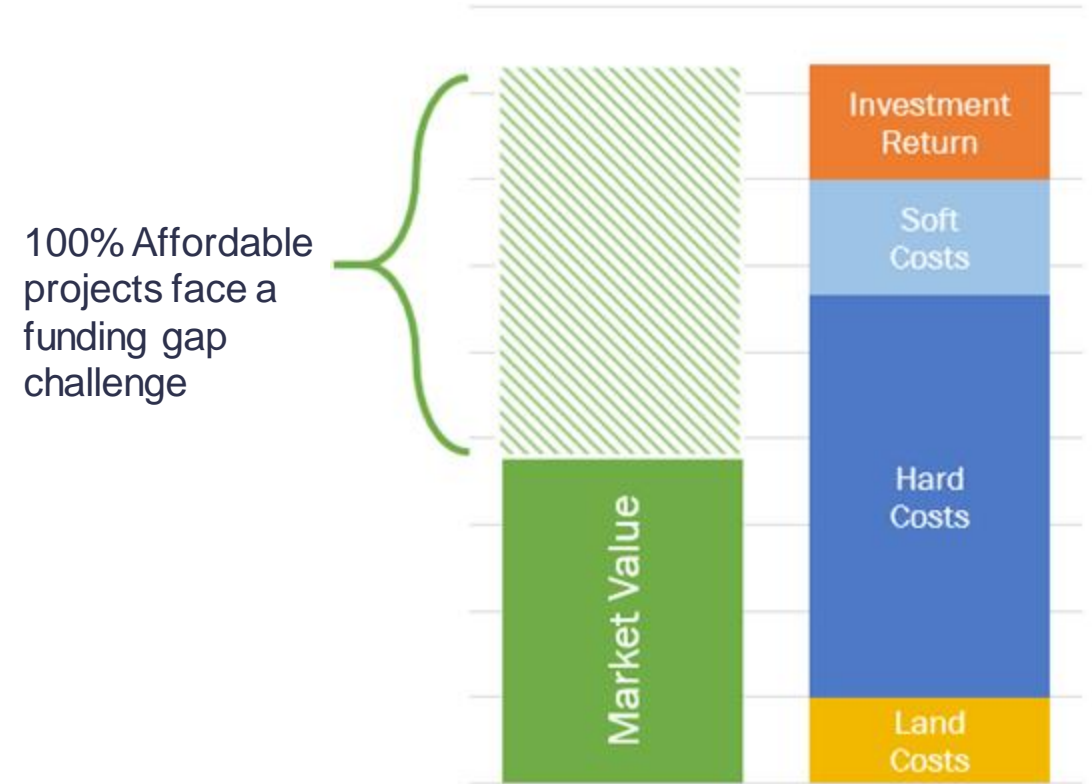


Sources: CoStar, 2023; Strategic Economics, 2023

# 100% Affordable Housing Developments Require Subsidy

- Rents and sales prices are typically regulated to below-market rates (BMR) so that households pay no more than 30% of their income.
- Deed-restricted tax credit projects typically include 100% affordable units.
- These projects often target extremely low, very low, and low-income households.
  - Deeper affordability = a larger funding gap
- Benefits
  - Projects can leverage many funding sources
- Challenges
  - Limited/competitive resources for filling funding gap
  - Does not provide housing options for moderate income households

Affordable Housing Funding Gap



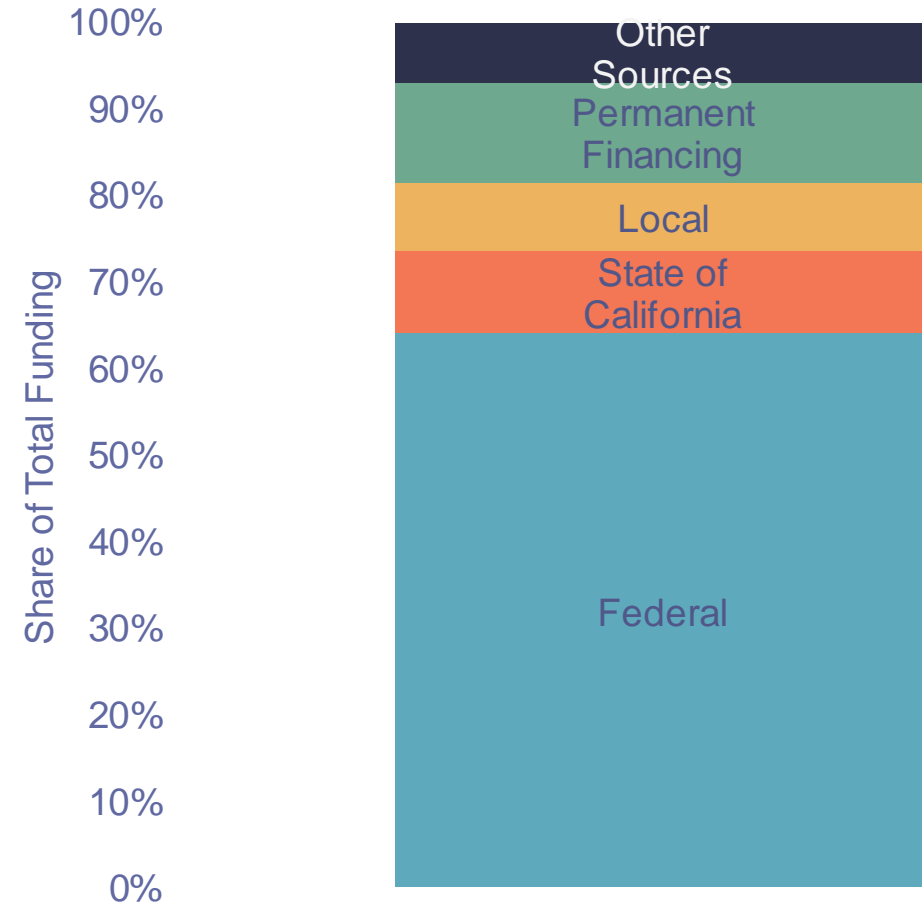
100% Affordable projects face a funding gap challenge

Sources: *Strategic Economics, 2023*

# Sources of Subsidies for Development Financing

- Affordable housing developers assemble a “capital stack” of federal, state, and local sources.
- Largest funding source is Federal Low Income Housing Tax credits
  - Very competitive
- City contributions help projects compete for development interest and outside funding.

Typical Funding Sources for Affordable Projects in Petaluma, 2020-2021

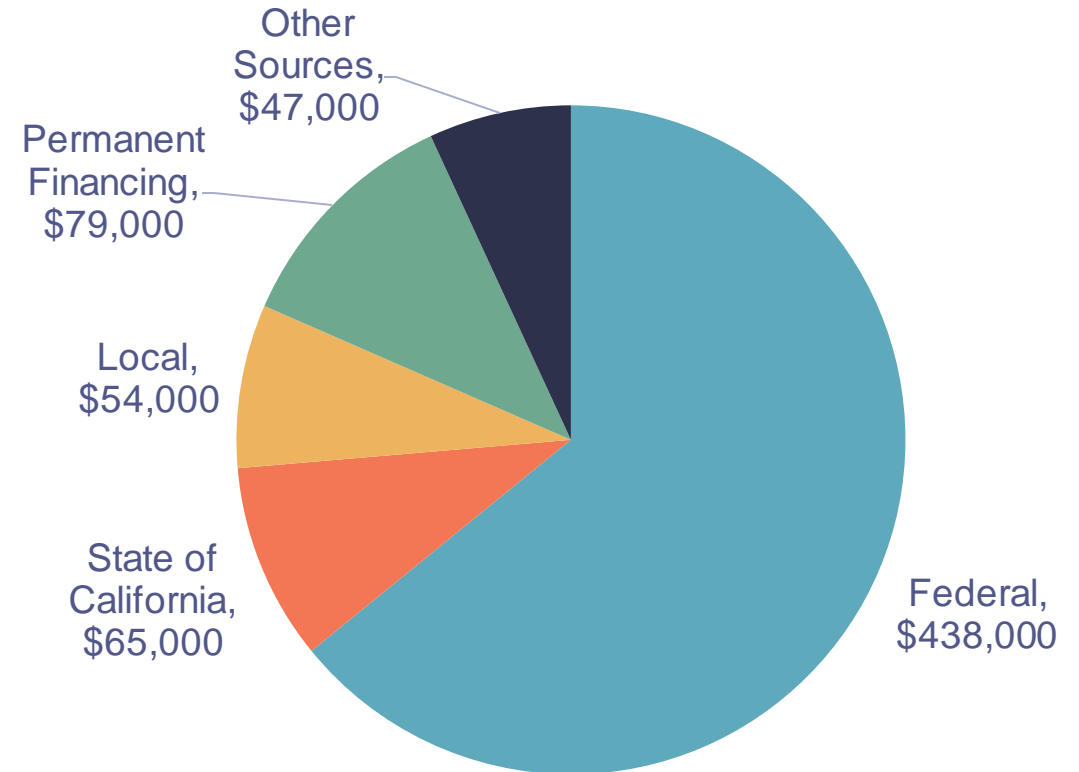


Sources: TCAC, 2021; Strategic Economics, 2023

# Local Funding Sources are Relatively Limited

- Examples of City sources:
  - Commercial linkage fee
  - Housing in-lieu fees
  - Impact fee waivers (new!)
- Typical project costs = \$500,000 to \$700,000 per unit.
- Petaluma and Sonoma County contributed 8% of project costs in recent developments.\*
  - \*Pre-dates the City's fee waiver policy
- Well-resourced counties like San Francisco and Santa Clara contributed 30% to 37% of costs.

Average Funding per Unit for Affordable Projects in Petaluma, 2020-2021



Sources: TCAC, 2021; Strategic Economics, 2023

# Recommended City Actions to Expand Funding

- Reallocation of General Fund
- Voter-approved tax measures
- Flexibility for market rate developers to pay in-lieu fees
- Incentivize market-rate housing developers to provide greater in-lieu fees
- Target funding to more competitive projects for outside funding, such as in High Resource areas

# Other Options to Reduce Barriers for Affordable Housing Unit Development

- Reduce cost barriers:
  - Revisit ground floor retail requirements
  - Waive impact fees for inclusionary units
- Enhance certainty and timeliness of approvals processes:
  - Area plans (including and beyond Corona Station and North Petaluma Station)
  - Objective design standards
  - Internal process improvements
  - Expand staff capacity

## Enhancing ADU Production

- Accessory Dwelling Units are often an “affordable by design” product, but without price/rent restrictions.
- The City can support production through its ongoing partnerships and programs with the Napa Sonoma ADU Center.

# Recent City Actions

- Adopted and implemented impact fee waivers for 100% affordable projects
- Corona Station Specific Plan
- North Petaluma Station Specific Plan
- New Community Development Department reorganization and creation of departmental Strategic Plan
- Added two staff positions in the Housing Department

# Clarifying Questions from GPAC Members



# Public Comments

# Discussion

# Discussion Prompts

- Reactions: Anything surprising?
- How should the findings inform the General Plan Update?



# GPAC Working Group Refresh

# GPAC Working Groups

- **Purpose:** Collaborate with community members outside of GPAC meetings to make topic-specific recommendations
- Voluntary participation – ongoing or ad hoc
- At least two GPAC members each (coordinator and co-coordinator)
- Self-directed, -coordinated, and -facilitated

## Focus to Date

- Launched in February 2022
- Spring-Summer 2022 meetings
- Mid-2022 recommendations that informed Policy Frameworks
- Active participation in Housing Element development and review of updated flood and SLR models and maps

# Proposed Reorganization (\*plus CAC Ad Hoc)

Original Working Groups	Proposed Working Groups	Policy Framework Topics
Open Space & Natural Resources (Mary, Bill R, <i>Janice</i> , <i>John</i> )	Open Space & Natural Resources	Natural Environment
Climate Action (Jessie, Roger)	Hazard Mitigation, Climate Change Adaptation, and Resilience	Safety Flood Resilience
Housing (Ali, Kris, Dave) Economic Development ( <i>Sierra</i> , Delia, Josh)	Land Use	Land Use Economic Development
Mobility (Dave, Ali, Jessie, Phil, <i>Janice</i> )	Mobility	Mobility
	Engineering	Infrastructure & Utilities Public Facilities Noise
Sense of Place & Quality of Life (Yensi, Stephanie, Iliana, Bill W, Bill R)	Culture & Community	Historic Resources Arts, Culture, & Creativity
Equity and Intersectional Justice (Iliana, Erin, Phil)	Equity and Intersectional Justice	Health, Equity, and Environmental Justice

# Final GPAC Thoughts

# Other updates?

- Sign up for the Community Update and Meeting notices!
- **CityOfPetaluma.org/Subscribe**

