

	<p>as appropriate, <u>with the goal of achieving 16 affordable ADUs over eight years.</u></p> <ul style="list-style-type: none"> Beginning in 2024 and annually thereafter, pursue funding available at the state and federal levels to facilitate the development or enhance the affordability of ADUs. In 2024, evaluate and develop an ADU amnesty program, <u>with the goal of converting 16 unpermitted units into ADUs that meet building codes for an average of two unit per year. (This estimate is included in the 16 ADUs per year projected.)</u> In 2024, identify neighborhoods with capacity for ADU development and conduct targeted outreach. Provide an annual update on ADU permit progress to Planning Commission and City Council.
Primary Responsible Departments	Community Development (Planning, Building)
Funding Sources	General Fund

Program 4: Efficient Use of Multi-Family Land

The City permits single-family homes in all residential zones and the MU1 C mixed-use zone, potentially reducing the achievable density in multi-family zones. Establishing increased minimum densities for multi-family and mixed-use zones will ensure efficient use of the City's multi-family land, including requiring multi-family densities in multi-family zones.

Specific Actions and Timeline	<ul style="list-style-type: none"> By June 2024 adopt the Zoning Text Amendment to modify residential product types allowed in higher density zones. By December 2024, as part of the General Plan update: <ul style="list-style-type: none"> Establish minimum densities for multi-family and mixed-use zones and if appropriate, develop target density policies.
Primary Responsible Departments	Community Development (Planning)
Funding Sources	General Fund

Program 5: Flexible Development Standards

The City will continue to support neighborhood vibrancy through flexible development standards. As part of the General Plan update process, the City will explore land use policy and development code changes to encourage the integration of mixed-use and residential development. These may include:

- Conversion of nonresidential uses into housing. Strategies may include the waiving of additional parking requirements or the ability to pay into a parking assessment district.

The City will explore establishing a Religious and Institutional Facility Housing Overlay with the following potential provisions:

- Expand the provisions of AB 1851 to other institutional uses, such as schools and hospitals, as well as religious facilities located in zones that currently do not allow residential uses.
- Allow religious and institutional uses to construct up to four ADUs and/or JADUs on site.
- Allow safe parking on site as desired by the institution.
- Allow 100% affordable housing projects in the Civic Facility (CF) zone

Specific Actions and Timeline	<ul style="list-style-type: none"> • <u>By December 2024, as part of the General Plan update, establish a Religious and Institutional Facility Housing Overlay Zone.</u> • <u>By December 2025, convene a meeting with religious and institutional facilities to discuss opportunities for affordable housing.</u> • <u>Create 50 new housing units affordable to lower income households in Overlay, representing the typical size of an affordable housing project using LIHTC.</u>
Primary Responsible Departments	Community Development (Planning)
Funding Sources	General Fund

3.2.2. Development Constraints

Program 7: Zoning Code Amendments

The City will amend the Zoning Code to address the following to facilitate the development of a variety of housing types:

- **Parking:** The City currently requires one space per bedroom but no fewer than 1.5 spaces per multi-family unit. These parking standards may be considered a constraint to large units (with three or more bedrooms) and small units (such as efficiency units). The City is currently reviewing its parking standards and will establish updated parking standards for various housing types, including minimums and maximums where appropriate, consider the need for unbundling parking, and EV parking needs. Specifically, the City will examine parking requirements for multi-family housing, with the emphasis on reducing the parking standards for small units (such as micro units, studio/efficiency units, and one-bedroom units) to below 1.5 spaces per unit based on location relative to transit and amenities.
- **Density Bonus:** The City’s Density Bonus must be updated to reflect recent changes to State law, such as AB 1763, which made several changes to density bonus requirements for 100 percent affordable projects, and AB 2345, that further incentivizes the production of affordable housing.
- **Residential Care Facilities:** The City permits residential care facilities for six or fewer persons in residential and mixed-use zones. However residential care facilities for seven or more persons are not permitted in any residential zones, but are permitted or conditionally permitted on an upper floor or behind a ground floor fronting use in mixed use and commercial zones. Furthermore, residential

- **Open Space Requirement:** Study open space requirements for comparable housing types in the region and reduce the private open space requirements for multi-family housing, ensuring maximum allowable density in each district can be achieved.
- **Development Review and Approval Process:** In addition to developing Objective Design Standards (Program 5), as part of the comprehensive Zoning Code update to implement the General Plan, review and revise the City's development review and approval process to reduce constraints on housing development.

Specific Actions and Timeline	<ul style="list-style-type: none"> • In 2023 and 2024, conduct consultations with developers to assess constraints to housing development in Petaluma, especially the impacts of parking and open space requirements on cost of housing and feasibility of achieving maximum allowable densities. • By December 2024, amend the Zoning Code to address specific issues as outlined above. • Create 100 new housing units for special needs groups, including for seniors, disabled, farmworkers, hospitality workers, and the homeless, representing approximately two affordable housing projects over eight years, at typical size of 50 units per project utilizing LIHTC.
Primary Responsible Departments	Community Development (Planning, Housing)
Funding Sources	General Fund

Program 8: Development Fees

The City's development impact fees are established on a per-unit basis without consideration of unit size. This fee structure is not conducive to promoting the development of a range of unit sizes, particularly smaller units. The City will review and revise its fee structure to encourage a range of unit sizes and to facilitate the development of affordable housing. Potential revisions may include:

- Reviewing fees in general
- Shifting impact fees to \$ per square foot to encourage more compact units
- Shifting impact fees for parking aligned to City's goals
- Reducing impact fees for floors above third story to encourage development of higher intensity projects
- Reducing fees for affordable units
- Reducing fees to incentivize affordable housing development
- Amortizing fees over a period of time for affordable housing

Specific Actions and Timeline	<ul style="list-style-type: none"> • By December 2024, conduct an impact fee analysis and revise the development fee structure to encourage a range of housing unit sizes by utilizing a sliding scale based on unit size or fee schedule per square foot basis. • Create 100 new housing units for special needs groups, including for seniors, disabled, farmworkers, hospitality workers, and the homeless representing approximately two affordable housing projects over eight
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B.1.3.1. Lot Size, Setbacks and Building Height Standards

The Zoning Ordinance establishes minimum lot size, setbacks and building height standards. These standards have the potential to impact the size of structures which are permitted to be built, and the number of units on a particular site.

Within the residential zones in the Zoning Ordinance, the minimum lot size varies from two acres in the rural residential zone down to 1,500 square feet in the R5 zone. The MU1 zone does not have a minimum lot size and is consistent with and implements the Mixed Use land use classification of the General Plan, which establishes a maximum floor area ratio of 2.5 for both residential and non-residential uses within the classification, and a maximum density of 30 units per acre for residential.

The setbacks in the R2 through MU2 zones vary from 0 to 20 feet allowing for a variety of designs, layouts and mix of uses. For building height, 25 feet is the standard for the more traditional single-family and multi-family zones (RR – R3) while the higher density and mixed-use zones have height limits between 30 and 45 feet. A maximum height of 60 feet may be permitted in the R5 zoning district when the review authority is able to make specific findings.

The SmartCode Urban Standards for the T4, T5 and T6 zones shown in Table B2: regulate the aspects of each private building that affects the public realm, including building placement and façade design. The Urban Standards also regulate how certain land use types must be operated to ensure their compatibility with adjacent uses.

These standards are typical of many California suburban communities. The City of Petaluma has greater flexibility in medium to high density residential standards, including setbacks and building height, compared to the neighboring cities of Rohnert Park and Novato. While Petaluma allows residential in most zoning districts, the City acknowledges some development standards, such as its open space and parking requirements (see separate discussions below), when taken cumulatively, may impede development from reaching the maximum allowable density or may result in increased costs of construction. However, the City has a robust inclusionary housing program, which results in projects utilizing the density bonus parking requirements and providing concessions to development standards. As a result, many projects are able to exceed the allowable densities. Very often, developers choose to not build to maximum densities because of the product types (townhomes versus apartments). Furthermore, developments in the T5/T6 zones are not subject to density limits. These areas are governed by the Form-Based Code, which offers flexibility in development capacity. Many of the areas with potential for future redevelopment are also located near the transit stations and therefore not subject to minimum parking requirements.

Nevertheless, the City is working to expand housing opportunities in the community. Therefore, increasing building heights to facilitate shopping center conversions, reducing parking standards for small units, reducing private open space requirements, and limiting single-family detached development in multi-family zones can help facilitate the desired housing in Petaluma. The Housing Element includes actions to address these potential constraints.

B.1.3.2. Minimum Open Space Requirements

For residential zones, the Petaluma Zoning Code requires 600 square feet of usable open space per residential unit in the R3, and 300 square feet per unit in R4, 400 square feet per unit in R5. In mixed use development, 30 square feet per unit is required in the MU1 and MU2 zoning districts. This has not proven to be a constraint in that there are a range of ways to accommodate this requirement (including common

B.2.3. Financing Costs

B.2.3.1. Mortgage Financing

The availability of financing affects a person’s ability to purchase or improve a home. Under the Home Mortgage Disclosure Act (HMDA), lending institutions are required to disclose information on the disposition of loan applications. Through analysis of HMDA data, an assessment can be made of the availability of residential financing within Petaluma.

Table B10 shows the 2018-2019 HMDA data for the City of Petaluma, including loan approval rates by race/ethnicity. Citywide, the mortgage application approval rate was 71 percent. This is the same approval rate for White residents. However, other racial/ethnic groups have lower approval rates, with Black or African American residents having the lowest at 50 percent. Black or African Americans also have the highest denial rate (29%) while Asians/Asian Pacific Islanders have the highest rate of loans withdrawn by the applicant or closed for incompleteness (Other = 23%).

Table B10: Mortgage Applications and Approval Rates (2018-2019)

Racial/Ethnic Group	Total # of Applications	% Approved*	% Denied	% Other*
White	1,902	71%	14%	16%
Unknown	709	65%	13%	22%
Hispanic or Latinx	246	61%	19%	20%
Asian/API	130	59%	18%	23%
Black or African American	28	50%	29%	21%
American Indian or Alaska Native	7	71%	14%	14%
Citywide	3,022	68%	14%	18%

Source: ABAG Housing Needs Data Packet, Federal Financial Institutions Examination Council's (FFIEC) Home Mortgage Disclosure Act loan/application register (LAR) files

Notes: **Approved” loans include loans originated and applications approved but not accepted. “Other” includes loans withdrawn by the applicant or closed for incompleteness.

B.2.3.2. Construction Financing

Construction financing usually represents a small contribution to total housing costs. Financing costs for construction are affected partly by how early in the development process loans must be taken out and how long the loans must be carried. Project delays can increase total interest payments, as well as create greater financial risk for a project. Construction financing for higher-density in-fill projects is generally harder to obtain than for conventional single-family construction.

B.2.4. Identified Densities and Approval Time

Requests to develop housing at densities below those anticipated in the Housing Element may be a constraint to housing development. Over the last housing cycle no projects were approved below the permitted densities. It is the City’s policy that projects are not allowed to go below the permitted densities. Furthermore, development projects within the Form-Based Code areas are not subject to density limits.

C.2.2.2.2 Environmental Constraints

The site inventory took into consideration environmental constraints and avoided steeply sloped areas, high VMT areas, floodplain, and natural resource areas where possible. All parcels were screened for environmental constraints and parcels located in the floodplain, on hill sides, and on the outskirts of the city were not included as part of the sites. Some parcels with environmental constraints that can be mitigated through building codes and other measures are included in the sites inventory.

C.2.2.2.3 Site Status and Capacity

All residentially zoned sites, whether vacant or underutilized, were considered as potential buildable residential sites and were evaluated for site adequacy and capacity.

Parcel-level data on existing conditions (such as building age, existing square footage, and existing use) that is available to the public was incomplete in some cases. Therefore, each parcel was evaluated based on multiple factors. A site evaluation was conducted on every parcel via Google Earth and in conversation with staff to confirm existing uses and conditions, underutilization status, and potential for redevelopment based on similar characteristics to areas nearby that have undergone redevelopment. Sites that did not initially allow residential uses, are occupied by historic resources, that support community-serving uses (parks, utilities, transportation, schools, hospitals), are occupied with structures that were recently built or modified, and sites generally built out to their allowed density were removed from the inventory.

Broadly, sites were reviewed and excluded from potential reuse if:

- Sites included community-serving uses,
- Sites were recently improved/ developed,
- Sites were developed with condos and large apartments

Sites were considered for reuse if:

- Parcel is vacant or with minimal improvements **(1)**
OR
- Parcel is non-vacant but has expressed interests from owner/developer for redevelopment:
2a. Applications for development or developer/owner interest: The City has received a recent application for residential development on the parcel or is aware of potential interest by owner or developer to redevelop the site.

OR

- Parcel is non-vacant but is primarily used as parking lots:

2b. Parking lots: Some underutilized shopping centers in the City are zoned to allow residential and have large surface parking lots that can accommodate new housing. Only a portion of these sites (For C2 sites, 25 percent or 1/4th and for C1 sites, 33 percent or 1/3rd) was included in the capacity calculation to allow the City to retain the existing commercial uses in shopping centers. No existing uses would need to be displaced to accommodate residential units on site.

If parcels/sites do not meet either one of the above three factors (1, 2a, or 2b), the parcels meet at least two of the following:

2c. Parcel is underutilized based on existing Floor Area Ratio (FAR): Parcels with FAR lower than 0.2.

2d. Buildings on the parcel are older: The team used a threshold of buildings older than 40 years for residential and non-residential properties. Buildings older than 40 years typically require significant systems upgrades and often do not meet ADA requirements. Any significant improvements would require these buildings to become ADA-compliant, which could be cost and/or physically prohibitive.

2e. Parcel has a low improvement-to-land assessed value ratio (ILR): Low improvement to land ratio indicates improvements on site is worth less than the land, an indicator of underutilized land and lack of significant improvements in recent years. Projects developed or proposed between 2013 and 2021 (when data on pre-existing conditions is available) indicate that properties with ILR of much higher (over 1.0) have been recycled in Petaluma. Buildings with declining uses may still be assessed at high ILR for property tax purposes. Such properties become a financial liability to owners when declining uses do not generate adequate revenues or incomes. An old building with a low base value would also show an ILR that appears artificially high.

2f. Parcels with common owners can be consolidated: Parcels with common owners can be consolidated to achieve the 0.5-acre minimum threshold and accommodate lower income units.

2g. Uses are conducive to redevelopment: As similar uses have been redeveloped in the City and in the region, such as warehouses, low-profile offices, banks, gas stations, etc.

1= vacant

2a= Application for development or interest

2b= Parking lots

2c= Existing FAR \leq 0.2

2d= Building age \geq 40 years (built before 1982)

2e= Improvement to Land Ratio (ILR) \leq 1

2f = Lot Consolidation with common owners

2g = Existing uses similar to types of uses being redeveloped

(See [Table C-11](#): for site criteria for each individual parcel selected.)

C.2.2.2.4 Site Size

Per State law, sites smaller than half an acre or larger than 10 acres are not considered adequate to accommodate lower income housing needs unless it can be demonstrated that sites of equivalent size were successfully developed during prior planning periods, or other evidence is provided that the site can be developed as lower income housing.

- Large Sites (>10 acres)

There are no sites greater than 10 acres in the sites inventory. For the three shopping center sites, only a quarter (25%) of the surface parking area is considered in calculating site capacity in the sites inventory.

- Small Sites

APN	Address	Name	Status	Zone	5th Cycle	Total units	Parcel Size (acres)	Density (DU/ac)
007143015								
006163040 006163041	368 and 402 Petaluma Blvd. N	North River Apartments	Under Construction	T5	27	184	3.85	48
008530007	951 Petaluma Blvd S	PEP Housing Senior Housing	Under Construction	T5	33	54	1.31	41
136010025 136010027		Riverfront LLC A	Under Construction	T4/T5	26	284	35.68	8
007131003	315 D Street	Hines Downtown Station SMART	Inactive	T5/T6	31	402	4.71	85
007121009		River Apartments	Built	T6		81	1.85	44
	265 1st Street	Waterfront Apartment	Built	T6		90	2.66	34
Average:								46

C.2.3.2. Redevelopment on Nonresidential/Mixed Use Sites

The City reviewed the major development applications during recent years, 15 projects were submitted, including in MU1A, MU1B, MU2, as well as T5 zones. In total, three projects do not contain any residential uses, seven are mixed use projects, and five are residential-only projects. These projects add 1,116 residential units to the City's inventory. Furthermore, due to the trend of declining retail and increasing trend of remote working, the demand for residential and mixed use development is expected to increase over past development trends. The sites inventory in this Housing Element, with its buffer capacity and conservative average density assumptions, adequately accommodates the RHNA even when some of the sites may be redeveloped as 100 percent nonresidential.

C.2.3.3. Suitability of Nonvacant Sites

Available vacant land suitable for higher intensity development is limited in Petaluma. Most future development is likely to occur on properties where the existing sites are underutilized or outdated, or the uses on site are declining. To the extent feasible, information on the characteristics of existing uses on pipeline project properties is provided below. However, depending on the progress of a particular project, information on existing uses (such as age of structure, improvement to land value ratio, existing floor area ratio) may no longer be available. Change of ownership, demolition of existing structures, or other reasons would update the assessor database and erase information on existing uses.

Based on the pipeline project sites with existing uses, the average age of structure is 60 years but covers a range of more than 100 years. Buildings as old as from 1900 and as new as 2014 are being redeveloped. This sites inventory selection uses 1982 as a threshold, where buildings are beginning to require major systems upgrade, and substantive remodeling to accommodate current trends may be difficult due to the need to meet ADA requirements.

PUBLIC REVIEW DRAFT
Appendix C Draft Sites Inventory

No.	Existing use	APN	GP	ZO	Max du/ac	5th Cycle Site?	Lot Consolida-tion	St Address	Area (acres)	Total Units	Low	Mod	Above Mod	I/L Ratio	Year built	Extg FAR	Site Criteria	Additional Description
O-7	Single-Family Detached	006491001	RL	R2	8	Y	G	1825 PETALUMA BLVD N	1.47	8			8	0.78	1922	0.05	2c, 2d, 2e	At least four units already on property. Hillside may be challenge.
O-8	Single-Family Detached	007361003	RM	R4	18		H	109 ELLIS ST	0.70	13		13		1.50	1932	0.12	2a, 2c, 2d	Project was approved as 13 units
O-9*	Vacant	007143004	MU	T-6	45	Y	I	219 WELLER ST	0.24	9	4	3	3	-	0	-	1,2a, 2f	
	Vacant	007143003	MU	T-5	45	Y	I	15 COPELAND ST	0.48	19	8	6	6	-	0	-		
	Vacant	007143014	MU	T-6	45	Y	I	217 WELLER ST	0.02	1	0	0	0	-	0	-		
	Vacant	007143015	MU	T-6	45	Y	I	215 WELLER ST	3.00	118	47	35	35	-	0	-		
O-10	Wholesale Warehousing	007143008	MU	T-6	45	Y	J	15 COPELAND ST	0.15	5			5	2.14	1949	0.59	2c, 2d, 2g	Existing FAR vs. allowable FAR and type of uses are conducive to redevelopment
O-11*	Commercial Centers	048080036	MU	MU1 B	30	Y	K	276 CORONA RD	5.04	106	42	32	32	0.01	1937	0.03	2c, 2d, 2e, 2g	Existing FAR vs. allowable FAR, existing lot coverage, and type of uses are conducive to redevelopment
O-12	Commercial Centers	007350008	CC	C2	20	N	L		8.81	31			31	2.65	0	-	2b	Site is currently zoned for housing, large parking lots provide opportunity for increasing site utilization
	Commercial Centers	007350009	CC	C2	20	N	L											
O-13	Commercial Centers	007340007	CC	C2	20	N	M	151 N MCDOWELL BLVD	6.40	22			22	3.04	2009	0.21	2b	Site is currently zoned for housing, large parking lots provide opportunity for increasing site utilization
	Commercial Centers	007340006	CC	C2	20	N	M											
	Commercial Centers	007340008	CC	C2	20	N	M											
O-14	Commercial Centers	150011019	NC	C1	15	N	N	1026 PETALUMA BLVD N	5.40	19			19	3.71	1970	0.08	2b, 2c, 2d	Existing FAR vs. allowable FAR and existing lot coverage are conducive to redevelopment
	Commercial Centers	150011014	NC	C1			N											
O-15	Commercial Centers	007031001	MU	MU1 B	30	N	O	401 KENILWORTH DR STE 310	2.90	140	21		119	0.59	2013	0.14	2a, 2b, 2c, 2e	Recent concept review of potential 140 unit proposal to add