



CITY OF PETALUMA GENERAL PLAN

Date: June 10, 2022
To: General Plan Advisory Committee (GPAC) members
From: General Plan Update Team
Subject: June 16, 2022 GPAC Meeting

We are looking forward to the next GPAC meeting, coming up Thursday, June 16. This memo is intended to help you prepare for that meeting. The meeting will be focused on review of the draft policy and program framework and site inventory for the Housing Element. This memo includes background information that the GPAC has previously reviewed to ensure that all GPAC members and community members have the relevant context.

The work that is described below and included as attachments is in draft form and is being presented at this time to gather feedback from the GPAC. We recommend that the GPAC review the drafts of the Housing Site Inventory (Attachment B) and Housing Goals, Policies and Programs (Attachment D) to inform subsequent revisions to the 6th Cycle Housing Element and development of the Public Review Draft. This will be the first round of review, followed by presentations and discussions with the Planning commission on June 21 and City Council on July 18. Additional City meetings and a community meeting will be held during the Housing Element development and review process.

In addition to discussion about key components of the Housing Element at next week’s meeting, we will also share brief updates about the overall General Plan Update and related initiatives and reserve time for GPAC Working Group updates and discussion.

This memo contains a lot of information and is organized as follows to provide a clear path for the GPAC and members of the public to better navigate the background, process, and context for the draft Housing Site Inventory (Attachment B) and Housing Goals, Policies, and Programs (Attachment D).

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Housing Element Basics

The California Department of Housing and Community Development (HCD) requires that each City prepares a housing plan every eight years. These Housing Elements demonstrate how each city and county is planning to meet the housing needs of everyone in their community and are a requirement to be eligible for state affordable housing funds. The plan preparation is led by the Community Development Department in coordination with multiple city departments, and the resulting General Plan element will be a legislated document adopted by the City Council and adopted by Resolution. Adoption of the Housing Element does not change land use controls or zoning and does not allocate a budget to develop housing or for staff resources to achieve the policy direction. However, the final Housing Element does guide and direct those subsequent decisions.

As part of the comprehensive update to the General Plan and as statutorily required by the State of California, Petaluma is updating the local Housing Element. This work is being completed in partnership with Raimi and Associates, the consulting firm retained to assist the City in the development of the General Plan, Housing Element and Climate Action and Adaptation Plan. Veronica Tam and Associates are the housing-focused sub-consultants on the team. Additional information on the Petaluma General Plan Update is available at planpetaluma.org.

The State of California requires Housing Element updates every eight years, and this “6th cycle” update is for the period that spans 2023-2031. Though the Housing Element is required to be updated every eight years, cities may choose to produce additional updates in between housing cycles, as well. After local adoption, each jurisdiction must submit its updated Housing Elements to the California Department of Housing and Community Development (HCD) for certification. Failure to maintain a certified Housing Element includes penalties to the local jurisdiction such as: legal suits; loss of permitting authority; court receivership; financial penalties; and streamlined ministerial review processes. Additional information on Housing Elements is available here: <https://www.hcd.ca.gov/community-development/housing-element/index.shtml>

The state mandate requiring this work is called the Housing Element and Regional Housing Needs Allocation, or RHNA. As part of RHNA, the California Department of Housing and Community Development, or HCD, determines the total number of new homes the Bay Area needs to build—and how affordable those homes need to be—to meet the housing needs of people at all income levels.

The Bay Area’s regional planning agency, Association of Bay Area Governments (ABAG), then works with the [Housing Methodology Committee \(HMC\)](#), to distribute a share of the region's housing need to each city, town and county in the region. Each local government must then update the Housing Element of its General Plan to demonstrate capacity to meet their local RHNA and the policies and strategies necessary to facilitate the community's housing needs. Additional information on the RHNA process is available here: <https://abag.ca.gov/our-work/housing/rhna-regional-housing-needs-allocation>.

The 2022 Update to Petaluma’s Housing Element, also referred to as the 6th Cycle Housing Element, is a significant update to the existing 5th cycle element in that:

- The City has clear commitment to work towards climate adaptation and mitigation, and advance equity in Petaluma that must be balanced with the requirements of the 6th cycle Housing Element.
- In order to protect our open spaces and reduce our climate impacts, the City is focusing on infill opportunities to meet the new RHNA , particularly near Downtown and along transit corridors.
- Petaluma’s 6th cycle RHNA has increased from 745 units (2014-2022) to 1,910 units (2023-2031). This degree of increase is common across the state.
- New State laws require local jurisdictions to Affirmatively Furthering the Fair Housing through:
 - Addressing exclusion and discrimination
 - Creating housing access in high resource neighborhoods
 - Bringing opportunity to segregated and underserved neighborhoods
- New State laws also require local jurisdictions to address environmental justice by incorporating environmental justice policies to address the unique or compounded health risks.
- New State laws require that the City identify sites that are feasible for housing development and support that feasibility by allowing affordable housing projects on previously identified sites, that also comply with the City’s zoning regulations and objective design standards, to apply for project approval using ministerial review.

The Housing Element is typically made up of six chapters, including the following:

1. **Housing Needs Assessment:** Examination of demographic, employment and housing trends and conditions that affect the housing needs of the community.
2. **Evaluation of Past Performance:** Review of the prior Housing Element to measure progress in implementing policies and programs.
3. **Constraints Analysis:** Analysis of and recommended remedies for existing and potential governmental and nongovernmental barriers to housing development.
4. **Housing Sites Inventory:** Identification of locations of available sites for housing development or redevelopment to ensure that there is adequate capacity to address the Regional Housing Needs Allocation (RHNA).
5. **Affirmatively Furthering Fair Housing Assessment:** Summary of fair housing issues and an assessment of fair housing enforcement and outreach capacity.
6. **Policies and Programs:** Strategies to fulfill the identified housing needs.

Each of these components is briefly outlined below. The discussion for this GPAC Session will focus specifically on the Housing Site Inventory and the Policies and Programs Chapters.

1. Housing Needs Assessment

The Housing Needs Assessment highlights many of the same trends profiled in the General Plan existing conditions Socioeconomic Profile and Market Analysis available on the project website (<https://www.planpetaluma.org/documents>). This assessment shows that, although the City of Petaluma has made some progress in addressing the City Council’s affordable housing goals, the need for appropriate affordable housing continues to grow. An initial draft of the Housing Needs Assessment was prepared by the consultant and being reviewed by City staff and will be included with the Public Draft of the Housing Element.

2. Evaluation of Past Performance

The 5th cycle Housing Element is available at: <https://cityofpetaluma.org/documents/the-housing-element-2015-2023/>. It organizes policies and programs into ten goal areas:

- Goal 1: Provide adequate residential development opportunities to accommodate projected residential growth and facilitate mobility within the ownership and rental markets.
- Goal 2: Promote a range of housing types to meet the housing needs of all Petalumans.
- Goal 3: Minimize constraints on housing development to expedite construction and lower development costs.
- Goal 4: Promote the development of housing affordable to extremely low, very low, low- and moderate-income households.
- Goal 5: Preserve the City's existing affordable housing and ensure the long-term affordability of new below-market-rate units.
- Goal 6: Promote housing opportunities for special needs groups.
- Goal 7: Promote a choice of housing types and locations available to all persons, regardless of race, color, religion, sex, sexual orientation, national origin, ancestry, familial status, source of income, age, marital status, medical condition or disability.
- Goal 8: Preserve and improve the city's existing housing stock.
- Goal 9: Promote the integration of affordable and special needs housing with existing neighborhoods.
- Goal 10: Encourage energy conservation in housing and reduce the contribution to greenhouse gases from existing sources and minimize the contribution of greenhouse gases from new construction and sources.

The Review of Past Accomplishments assesses progress toward and the continued appropriateness of each existing Petaluma Housing Element policy and program. City staff have reviewed an initial Review of Past Accomplishments, which is informing the consideration of policies and programs.

3. Constraints Analysis

The constraints analysis considers actual and potential governmental constraints to housing development, including land use controls, permit procedures, building codes, improvement requirements, and fees. It also considers potential and actual *nongovernmental* constraints like sensitive environmental areas, hazards, land and construction costs, and financing. The consultant team is currently drafting this document.

4. Housing Element Site Inventory

Developing the Housing Element Sites Inventory is a multi-step process. These steps are described below.

Regional Housing Needs Allocation (RHNA): The State of California determines the number of housing units that are needed for the Bay Area. The Association of Bay Area Governments (ABAG) then distributes a share to each local government in the nine Bay Area counties. Each jurisdiction is assigned a portion of the regional need at various income levels based on factors such as future population, access to jobs, and other factors. This assignment is known as the Regional Housing Need Allocation (RHNA).

The final allocations were published in December 2021. Petaluma’s 6th cycle RHNA is 1,910 units distributed across the four income categories designated by area median income (AMI) as follows:

- Very Low (<50% AMI): 499
- Low (50-80% AMI): 288
- Moderate (80-120% AMI): 313
- Above Moderate: 810

Note: AMI is “area median income.” Housing is considered ‘affordable’ if it doesn’t exceed 30% of the household’s monthly income (including rent, utilities, and mortgage). Affordable housing is targeted for households earning less than 80% to 120% of the Area Median Income (AMI). Using the table in Figure I, the Area Median Income (AMI) for a family of four is \$103,300.

Figure 1. Income Limits by Household for Sonoma County

Income Level	Income Limits By Household Size							
	1	2	3	4	5	6	7	8
Extremely Low Income <30% AMI	\$24,450	\$ 27,950	\$ 31,450	\$34,900	\$ 37,700	\$ 40,500	\$ 43,300	\$ 46,100
Very Low Income 30-50% AMI	\$40,750	\$ 46,550	\$ 52,350	\$ 58,150	\$ 62,850	\$67,500	\$72,150	\$76,800
Low Income 50-80% AMI	\$65,150	\$74,450	\$ 83,750	\$ 93,050	\$ 100,500	\$ 107,950	\$ 115,400	\$ 122,850
Median 100% AMI	\$72,300	\$ 82,650	\$ 92,950	\$ 103,300	\$ 111,550	\$ 119,850	\$ 128,100	\$ 136,350
Moderate 120% AMI	\$86,750	\$ 99,150	\$ 111,550	\$ 123,950	\$ 133,850	\$ 143,800	\$ 153,700	\$ 163,600

Income Limits by Household for Sonoma County. Source: HCD, 2021

RHNA allocations are determined every eight years. Each jurisdiction must then ensure there is enough land within city/county limits appropriate zoning to accommodate its RHNA allocation in its Housing Element. Jurisdictions identify if they have enough land zoned for housing to meet the future need (as determined through the RHNA process) in the Inventory of Available Sites, or “Sites Inventory.”

Importantly, State law does not require that jurisdictions build or finance new housing, instead each jurisdiction must demonstrate that they have planned for adequate capacity to meet their RHNA. Likewise, the sites inventory does not control when or how much housing is built. New housing construction is based on a variety of socio-economic factors, such as demand, available financing, land, and construction costs, etc., and is ultimately produced by private property owners or nonprofit housing organizations. Residential development is not limited to only those sites identified in the site inventory. Land that is not identified in the Housing Element may be, and commonly is, zoned or developed for housing. However, the Housing Element identifies the majority of sites the City anticipates may develop over the subsequent eight-year period.

It is also important to emphasize that residential development is not limited to only those sites identified in the site inventory and land that is not identified in the Housing Element may be zoned or developed for housing. However, the Housing Element identifies the majority of sites the City anticipates may develop over the subsequent eight-year period.

Sites Inventory Methodology: The development of a sites inventory walks through multiple steps to identify adequate capacity to meet RHNA. The following is a generic summary of the methodology. Petaluma's process is described in more detail in the Housing Sites Inventory Methodology section below.

1. Identify Likely Housing Sites and Production. The first step is to identify housing that is likely to be built, including Accessory Dwelling Units (ADUs) and pipeline projects that are in the planning process, or have been approved but not built.
2. Identify Additional Opportunity Sites: The next step is to identify other sites that are candidates for housing, including 5th Cycle sites, sites on which the City has expressed notices of interest in development, and other vacant or underutilized parcels.
3. Evaluate and Analyze Sites. The project team then studies each potential site to assess the viability of each site for development. Sites that are not appropriate for housing are removed, while others that are suitable for housing but were not included in the initial analysis may be added. Sites can also be evaluated based on other factors, like proximity to transit, schools, shopping, jobs, hazards, concentrations of poverty, and vulnerability to displacement.
4. Calculate Buildout Potential. During steps 1-3, the existing zoning is used to calculate the potential buildout of each parcel to a maximum of 70% of maximum capacity. This threshold can be modified for individual zoning districts by demonstrating a pattern of achieving higher densities through built or approved projects. Each parcel is also categorized by its "income category" with parcels that allow 20 dwelling units per acre or more categorized in the "lower income" category (Very Low or Low Income households) and parcels less than 20 units per acre in the Moderate and Above Moderate Income categories. For areas with no density limit, such as many of the parcels in Petaluma's downtown core, assumed density for those parcels is based on densities of other projects in that area.

The project team then reviews and revises sites identified during the above steps until an adequate number of the appropriate sites are identified under the current zoning. If the City cannot meet its RHNA under current zoning, locations will be considered where additional new housing can be built. This can occur by up-zoning areas that already allow residential uses to increase the number of housing units that can be built on those parcels and/or allowing residential uses in areas where residential uses are not currently permitted.

The final sites inventory will include a detailed data table (template provided by HCD) of all sites with the characteristics of each (including existing use, zoning, address), calculating the buildout by income category, and documenting the viability of each parcel to build housing.

More details on the draft of the Housing Site Inventory (Attachment B) that we are currently reviewing is included in the Housing Sites Inventory Methodology section.

5. Affirmatively Furthering Fair Housing Assessment

The Housing Element must include a summary of fair housing enforcement and capacity and an assessment of fair housing in four areas: integration and segregation patterns and trends, racially or ethnically concentrated areas of poverty, disparities in access to opportunity, and disproportionate housing needs, including displacement risk. This assessment includes an

analysis of citywide trends as well as the site inventory. Explore the AFFH Data Viewer to learn more about fair housing in Petaluma: <https://affh-data-resources-cahcd.hub.arcgis.com/>.

Based on that analysis, the Housing Element must also identify and prioritize contributing factors to fair housing issues, including those factors that limit or deny fair housing choice or access to opportunity, or negatively impact fair housing or civil rights compliance.

Housing Element goals and meaningful actions must then address findings from the fair housing analysis and include mobility enhancement, new housing choices and affordability in high opportunity areas, place-based strategies for preservation and revitalization, displacement protection, and other appropriate programs.

The Housing Element must also include metrics and milestones for evaluating progress on fair housing programs and actions. This is included on in Section 5.3 of Attachment D: Draft Housing Goals, Policies, and Programs.

6. Policies and Programs

Based on steps 1-5 above, the Housing Element policies and programs focus on making progress towards meeting the housing needs of everyone in the community over the next eight years. They include policies and programs:

- That are being changed or adjusted to incorporate what has been learned from the results of the previous Housing Element
- To conserve and improve the condition of the existing affordable housing stock
- To preserve units at-risk of conversion from affordable to market-rate rents
- To incentivize and promote the creation of accessory dwelling units that can be offered at an affordable rent
- To provide additional adequate housing sites
- To address governmental and nongovernmental constraints to the maintenance, improvement, and development of housing
- To assist in the development of housing to accommodate extremely-low, very-low, low or moderate-income households, including special needs populations
- That address findings from the fair housing assessment.
- That are being changed or adjusted to incorporate what has been learned from the results of the previous Housing Element

The discussion for this GPAC Session will focus specifically on the Housing Site Inventory and the Policies and Programs Chapters. Drafts of this material are presented below and in Attachment D: Draft Housing Goals, Policies, and Programs.

Community Engagement and Planning Process

During the General Plan Update process to date the community has provided a significant amount of housing-related input. Based on the 2020 General Plan community-wide survey and the 2021 Area Meetings, Pop-ups, Visioning Workshop, GPU Youth Survey and Latinx Focus Group, we know that housing is a very high community priority, and that future housing development should:

- Eliminate homelessness
- Provide more affordable housing

- Avoid high-hazard areas like flood zones
- Avoid environmentally sensitive areas
- Prioritize infill housing near transit, retail, parks, and services
- Increase the diversity of housing types and choices, including higher density options
- Be part of mixed-use development, including the incorporation of housing into some existing commercial centers
- Preserve community character and sense of place
- Be family- and age-friendly
- Contribute toward carbon neutrality and be resilient
- Advance equity.

This input informed the Vision, Pillars, and Guiding Principles drafted by General Plan Advisory Committee Members and unanimously recommended to drive the subsequent planning phases of the General Plan Update. The following are excerpts from the Vision Statement, Pillars and Guiding Principles describe the community's aspirations for housing:

Vision Statement: ...We provide plentiful and varied housing choices....

Pillars: The General Plan...advances bold action in terms of housing....

Guiding Principles

- Establish a balanced mix of housing types and uses that allow all residents and businesses to prosper
- Promote more affordable housing and a diversity of housing options

Between March and April 2022, the Planning Team conducted engagement related specifically to the Housing Element through two presentations to the GPAC (3/17 and 4/21), a presentation to the Planning Commission (3/22), and the Housing Element Community Workshop (4/7). The feedback generated from these presentations and discussions reiterated the themes identified throughout the General Plan Engagement process. The conversations also provided more detailed input on the preferred housing characteristics across neighborhoods and guidance on the goals, policies and programs that should be included in the Housing Element.

In discussions on the Housing Element Goals, Policies and Programs, the GPAC, Planning Commission and community members highlighted the following ideas in addition to existing programs organized by category:

- Homelessness Programs: Services and housing provided in a community setting
- Anti-displacement Programs: Tenant Advisory Board, center equity and consider racial legacy, Rental registry, Just Cause ordinance, Tenant and Community Opportunity to Purchase (TOPA and COPA)
- Fair Housing Programs: Address the historic wrongs (redlining) and promoting housing close to grocery stores, services, resources
- Diverse Housing Production Programs: Rethink inclusionary zoning, work-force Housing requirements, build complete, 15-minute communities, facilitate ADU production, prioritize affordability, adaptive reuse, public housing, diversity housing types, build special needs housing
- Homeownership and Preservation Programs: Vacancy tax, regulate ownership of housing by large corporations

The feedback received throughout the planning process to date shaped the development and refinement of the Housing Site Inventory and the Housing Programs and Policies detailed in the following sections.

Housing Sites Inventory Methodology and Results

One of the key components of a Housing Element is the site inventory which demonstrates that the City has adequate capacity to meet the prescribed RHNA. The site inventory is a parcel specific identification demonstrating that current land use designation and associated zoning is in place to allow residential development to meet not only the 1,910 units over the next eight years, but also in each of the required income categories as identified above.

As part of the requirement to ensure that there is enough land with appropriate zoning to accommodate its RHNA allocation, HCD recommends including a 15-30% buffer of Very Low and Low income units. If the City does not plan for a buffer for affordable housing, HCD is likely to reject the Housing Element as infeasible. Further, the City is required to maintain capacity for all units in at each affordability identified under RHNA, or permit the development of the assigned units. If the City has no buffer and a site identified as including affordable housing is developed with less affordable housing than anticipated the City would be required to immediately rezone other parcels. This rezoning is mandatory to comply with housing regulation and requirements for no net loss of capacity for the affordable housing development required under RHNA. Consistent with its focus on preparing a conservative sites inventory that identifies adequate capacity for feasible future housing development, the draft site inventory includes aimed for a 25% buffer in the very low and low income categories.

Developing a Housing Element is an exercise in demonstrating development capacity to the State, but it is also an opportunity for the community to identify sites where housing should be focused to meet not only the local RHNA requirements but also other community values such as avoidance of flood plain, preservation of greenspace, proximity to transit, etc. As detailed below in the Sites Inventory Methodology, this involved thorough review of every site from the 5th Cycle Site inventory based on our community's input gathered to date. Many 5th Cycles sites are not included in the draft 6th Cycle inventory because, based on community input as captured in the General Plan Vision documents as well as outreach summaries, development on these sites does not align with community values. This draft of the 6th Cycle Housing Sites Inventory will continue to adapt based on the inputs received from the community.

The draft Site Inventory was developed with the City's existing inclusionary housing ordinance, which requires that all residential projects of five or more units include 15% of units onsite as deed restricted affordable units, in mind. The draft Site Inventory assumes that many developments would include 15% of affordable units unless the projects were of a size ideal for developing as 100% affordable projects, or the City has received notice of intention to develop more than 15% units as affordable on a given site. This approach results in a larger buffer for moderate and above moderate units than for more affordable units. It is helpful to restate at this point that none of these the sites in the Site Inventory or their attendant capacity are newly zoned for housing as a result of this Housing Element. This capacity is currently allowed under the existing Housing Element, IZO and SmartCode.

The total capacity shown is 3,828 units, which exceeds the net target of 1,910 units the City is required to accommodate for its RHNA. Additional sites are included in the sites inventory to provide the buffer required by HCD to account for "No Net Loss" requirements for affordable housing capacity, and in recognition of the fact that many affordable units are developed as a result of the City's requirement that market rate developments include at least 15% affordable units. "Credits" of likely housing growth and other "Opportunity Sites" are described in further detail below.

Developing the Sites Inventory

1. **Credits Toward RHNA.** The first step in developing the Sites Inventory was to identify housing that is likely to be built, including:
 - a. *Accessory Dwelling Units (ADUs):* ADUs can count toward the RHNA if the projected number of ADU units aligns with an established local trend using the annual average of ADU permit approvals between 2019 and 2021. The Association of Bay Area Government (ABAG) has issued guidance on the affordability distribution of ADUs in the region: 30% very low income; 30% low income; 30% moderate income; and 10% above moderate income. Based on local trends, Petaluma can count XX ADU's per year for a total of 144 over the eight year cycle and spread across the income categories outlined above.
 - b. *Approved or Pipeline Projects:* These sites are those where housing has already been approved or where applications have been submitted. Pipeline projects for the 6th Cycle can include residential projects that are in the planning process, have been approved, or those that are under construction but are not expected to receive a Certificate of Occupancy until after July 1, 2022.

The full list of Pipeline Projects is identified in Table 1: Pipeline Sites for Draft Housing Sites Inventory June 2022 in Attachment B: Draft Site Inventory Table and Maps. The table includes site designations for the inventory (P- #) and addresses, and more specific information for each project site including the acreage, total number of units, and a breakdown of units by affordability levels.

For a geographic visual refer to blue numbered sites on Figure 1: Housing Sites Map for Pipeline and Opportunity Sites June 2022 in Attachment B and a larger version included as Attachment C: Draft Site Inventory Map (17x11 in).

With the anticipated ADUs and approved projects, the City can accommodate 1,783 units across all income categories. As outlined in Table X above, the anticipated ADUs and pipeline projects were subtracted from the required RHNA to determine that Petaluma needed to identify opportunity sites to accommodate the remaining 572 units across all income categories. Between the anticipated ADU and Pipeline Projects the City is already meeting the RHNA requirements for above moderate income units, so the remaining process focused for completing the site inventory prioritized meeting targets for affordable housing for lower income levels.

2. **Identify Additional Opportunity Sites:** According to HCD's methodology, the City must then ensure capacity for the remaining RHNA of 572 units in the low- and moderate-income category (this remaining RHNA is the total RHNA minus units included in pipeline projects) on sites that have appropriate land use designation and associated zoning to demonstrate near-term development potential, and/or sites that can be rezoned to allow residential uses or allow greater residential densities. The draft site inventory (Attachment B) identified adequate capacity utilizing sites currently zoned for residential and therefore no rezoning is proposed in the current draft.

It is important to note that many of the sites in the existing 5th cycle housing element that have not been developed over the past eight years are not proposed on the 6th cycle site inventory based on community feedback and current city priorities. This is particularly focused on parcels along the upper reach of the Petaluma River, sites in the floodplain, greenfield sites at the edge of town away from services and transit, and hillside properties.

Removing fifth cycle sites from the site inventory in the 6th cycle site inventory does not change the land use designation or zoning of those parcels. A more comprehensive look at appropriate land use designations will be part of the General Plan Update process and subsequent rezoning will occur to implement any such changes. If any of the sites identified in the site inventory are modified as part of the General Plan Update process in such a way that there is a reduction in residential capacity the City could amend the Housing Element even after it is approved by the City Council and certified by the State. In this way the City retains discretion to modify land uses designations as part of the General Plan. **Opportunity sites identified in the draft site inventory were focused on implementing General Plan Guiding Principles and Supporting Concepts, particularly those listed below.**

For each of the opportunity sites, Government Code Section 65583.2(c) requires that local jurisdictions determine the realistic capacity for new housing growth by means of a parcel-level analysis of land resources with the potential to accommodate residential uses. While sites not included in the sites inventory can also be developed for housing to meet RHNA targets, those sites identified in the inventory are considered optimal and most likely to develop and contribute to housing production in the 6th cycle.

To identify additional capacity for residential development, the consultant team first mapped the City's vacant and underutilized sites zoned for housing using GIS and information from the County Assessor's database. Based on city-specific trends for existing developments and projects in the pipeline, the following objective criteria were used to evaluate potential sites for more detailed screening:

- Environmental constraints, including the removal of undeveloped sites in the floodplain and on the outskirts of the city
- Infrastructure availability, with a priority for sites near transit stations
- The removal of sites outside the City Limits, including the removal of those sites that are outside City Limits but inside the Urban Growth Boundary
- Site status and capacity
 - Sites *excluded*: community-serving uses, recently improved/ developed, condos and large apartments
 - Sites *considered*:
 - Vacant
 - Non-vacant that meet any of the following criteria
 - Application for housing development or demonstrated interest
 - Underutilized shopping centers with large parking lots
 - Floor Area Ratio (FAR) lower than 0.2
 - Buildings older than 40 years
 - Improvement-to-land assessed value ratio (ILR) less than or equal to 1
 - Parcels with common owners that can be consolidated to achieve the 0.5-acre minimum threshold and accommodate low-income units.

After screening for these criteria, a long list of eligible sites was further scrutinized parcel-by-parcel using aerial photography, site visits, and local knowledge of the neighborhoods. Each parcel was either included or excluded depending on its desirability given the feedback received from the community and decision makers on the General Plan and Housing Element to date, and viability with respect to the surrounding context and on-ground conditions like street access, existing land use, and lot dimensions.

General Plan Guiding Principles and Supporting Concepts were also used as a screening tool to evaluate each site, including the following:

1. Achieve carbon neutrality by 2030 and equitably foster a sustainable and resilient community in which today's needs do not compromise the ability of the community to meet its future needs.
 - c. Recognize that urban development and nature must coexist and mutually support each other.
 - f. Recognize that infill development helps to achieve sustainability outcomes.
 - j. Make the city more resilient to natural and man-made disasters including sea level rise, fires, earthquakes, and flooding.
2. Preserve and enhance Petaluma's natural environment and surrounding open spaces.
 - a. Protect the natural environment, including wildlife corridors, as the foundation of ecological and human health.
3. Protect and restore the natural function of the Petaluma River and its tributaries while expanding complementary recreational, entertainment, and civic opportunities.
 - f. Maintain and expand setbacks from the river to enhance its natural function and provide wildlife corridors.
4. Promote social and economic justice to address structural social and economic inequities and racism.
 - g. Ensure equitable access to educational opportunities and city resources and services.
7. Create a welcoming, affordable, accessible, and age- and family-friendly city.
 - f. Establish a balanced mix of housing types and uses that allow all residents and businesses to prosper.
8. Promote more affordable housing and a diversity of housing options.
 - d. Increase housing affordability for residents at all income levels throughout the city.
9. Prioritize infill development in appropriate locations throughout the City
 - a. Avoid locating new development in environmentally sensitive and high-hazard locations.
 - c. Support a diverse mix of uses and intensification around the existing and proposed SMART rail stations.
 - e. Prioritize development that creates full-service neighborhoods that generate relatively fewer vehicle miles traveled per resident.
10. Enhance Petaluma's historic downtown by preserving its historic character, expanding pedestrian and bicycle access and safety, providing public gathering spaces, and promoting a diverse mix of uses.
 - a. Reinforce Downtown's identity and role as the physical and symbolic center of the city.
 - b. Preserve Downtown's historic buildings and features while allowing for infill development that harmoniously coexists with the historic character and expands the diversity of uses.

City staff reviewed and verified potential sites through an interactive online web mapping platform, annotating existing uses and providing additional justification for consideration. This iterative process was repeated until the City arrived at a satisfactory final list of potential opportunity sites.

Consistent with HCD guidance and the City's conservative and feasibility-focused approach to the inventory, the City allocated units on each opportunity site by income level as follows:

- 20-49 unit projects: Because it is more difficult to finance affordable units for smaller projects, apply the City's inclusionary requirement that 15% of the units be affordable
- 50-80 unit projects: Because projects of this size are ideal for financing with Low Income Housing Tax Credits, assume all units will be low income
- Over 80 unit projects: Because developers need the revenue from market rate housing to subsidize the affordable units, apply the City's inclusionary requirement that 15% of the units be affordable.

This approach results in the inclusion of more market rate housing in the sites inventory but helps to ensure that the inventory realistically forecasts actual affordable unit production.

The full list of Opportunity Sites is identified in Table 2: Opportunity Sites for Draft Housing Sites Inventory June 2022 in Attachment B: Draft Site Inventory Table and Map. The table includes site designations for the inventory (O- #) and addresses, and more specific information for each project site including the acreage, total number of units, and a breakdown of units by affordability levels.

For a geographic visual refer to orange numbered sites on Figure 1: Housing Sites Map for Pipeline and Opportunity Sites June 2022 Attachment B and a larger version included as Attachment C: Draft Site Inventory Map (17x11 in).

Based on the current General Plan and objective criteria and local feedback and knowledge used to identify available sites with near-term development potential pursuant to State adequate sites standards, the City's additional opportunity sites offer capacity for 2,045 units (442 lower income, 370 moderate income, and 1,233 above moderate income). This capacity can fully accommodate the City's remaining RHNA of 572 units for the 6th cycle without rezoning along with an additional buffer for low and moderate income. While the focus of the Housing Element and City policy is the development of affordable housing, developing affordable housing is costly. A 2019 study¹ found that affordable housing units in Sonoma County cost \$497,360 each to construct. The required funds come either from competitive public funding sources, which often fall short of the total need for a development, which then requires additional sources of funding or land donations, or from market-rate development. Market-rate development finances affordable housing development either through constructing affordable units as part of market-rate development, as is required by Petaluma's 15% inclusionary housing requirement, or through the payment of fees to the City, which then uses those fees to support affordable housing development. The methodology for the Site Inventory is pragmatic in that it recognizes that the development of some affordable units will be

¹ Economic Institute, Bay Area Chapter, "How Much Does it Cost to Construct One Unit of Below Market Housing in the Bay Area?" <http://www.bayareaeconomy.org/how-much-does-it-cost-to-produce-one-unit-of-below-market-housing-in-the-bay-area/>

financed by the development of above moderate, market rate units and identifies capacity for those above moderate units.

Supporting Affordable Housing Development through Reused 5th Cycle Sites: Ten sites included in the 6th cycle land inventory are “recycled” 5th cycle sites. These re-used sites were scrutinized in the same fashion as other sites, and only the sites likely to redevelop in the 6th cycle were included.

Note that recent legislation (AB 1397) sets forth additional criteria for selecting sites that can accommodate the lower income RHNA category, defined as less than 80% of the Area Median Income (AMI). AB 1397 changed the conditions in which sites from previous Housing Element cycles can be re-used for lower income housing. Specifically, on sites that include low-income units in the site inventory, any project that includes 20% of the new housing units as affordable units must be approved ministerially (i.e., without discretionary review) and rely on Objective Design Standards to specify building and site design elements the City requires.

In the current draft of the Petaluma site inventory, this means that eligible projects would receive ministerial approval on the following sites:

Site Number	Site Capacity
O-3	230
O-5	400
O-6	132
O-7	54
O-8	54
O-9	37
O-10	92
O-12	75
O-18	147
O-20	106
TOTAL	1327

While the City and community have historically depended on discretionary review to ensure that housing projects were appropriate for Petaluma, the advantage of identifying sites that could potentially be approved under ministerial review is that it significantly increases the feasibility of affordable housing projects because of increased certainty in the review process. The City and community are dedicated to supporting the development of affordable housing.

In order to ensure that proposed projects are desirable, the City will rely on Objective Design Standards, in addition to the Zoning and Building codes. The portion of the city inside the Central Petaluma Specific Plan area is currently subject to detailed standards included in the SmartCode. For parcels outside the Central Petaluma Specific Plan the City will rely on the IZO and is in the process of drafting extensive Objective Design Standards for all housing denser than single family homes. These Objective Design Standards are expected to be completed in 2022. The State of California is requiring increased reliance on Objective Design Standards through bills like SB 35, SB 330 and AB 2162, all housing bills that require the City to rely on objective standards during project review.

Figure 2. Total Capacity to Accommodate RHNA Assignment with Buffers

	Units by Income Group				Total
	Very Low	Low	Moderate	Above-Mod	
RHNA	499	288	313	810	1,910
Credits	241	186	101	1,245	1,783
Potential ADUs	43	43	43	14	144
Pipeline Projects	198	143	58	1,240	1,639
Remaining RHNA	258	102	212	(444)	572
Opportunity Sites	221	221	370	1,233	2,045
Vacant Sites	31	31	258	381	701
Parking Lots	40	40	-	171	251
Underutilized sites	150	150	112	681	1093
Total Capacity	462	407	471	2,487	3,828
Surplus (+) / Deficit (-)	82		158	1,677	1,918
Buffer (Remaining RHNA)	23%		75%	200%	335%

Draft Housing Action Plan: Goals, Policies, and Programs

Concurrently with the sites inventory, the project team has been working on a comprehensive set of housing goals, policies, and programs for the draft Housing Element that are being presented for GPAC review and discussion. As we discussed during prior meetings with the GPAC, the process to develop this work started with the required evaluation of the implementation progress of the 5th cycle Housing Element. Through that evaluation, several existing programs were identified for modification, expansion, or removal if they are not consistent with current HCD guidance.

The project team then brainstormed new program ideas that are consistent with City Council priorities and community input. Preliminary input on that list of potential programs was then solicited from the GPAC and the community during the April housing workshop. GPAC members and workshop participants also shared additional program ideas.

This analysis and input informed the current draft of the Housing Action Plan (Attachment D: Draft Housing Goals, Policies, and Programs), comprised of our housing goals, policies, and programs. This document is structured in four sections.

- **Section 5.1 Goals and Policies** states the aims and the high-level policies designed to achieve them
- **Section 5.2 Programs** describes the initiatives that enact the Goals and Policies and provides additional details on implementation
- **Section 5.3 Affirmatively Furthering Fair Housing Action Matrix** identifies how different programs support fair housing enforcement
- **Section 5.4 Summary of Quantified Objectives** provides an overview of the quantified objectives for the various housing programs outlined in the previous sections

The two first sections on Goals and Policies, and Programs are organized under six overarching goals:

- **Goal 1 Housing Availability and Choices:** Provide—opportunities for residential development to accommodate projected residential growth and diverse housing needs of all existing and future Petalumans.
- **Goal 2 Development Constraints:** Remove or mitigate constraints on housing development to expedite construction and lower development costs while avoiding environmentally sensitive-areas.
- **Goal 3 Affordable Housing:** Promote the development, preservation, and improvement of housing affordable to lower and moderate income households, including extremely low income households.
- **Goal 4 Housing Preservation:** Improve the quality and diversity of residential neighborhoods, preserve the City’s existing affordable housing, and ensure the long-term affordability of new below-market rate units.
- **Goal 5 Special Needs Housing:** Promote housing opportunities for special needs groups.
- **Goal 6 Fair Housing:** Affirmatively further fair housing to promote equal access to housing opportunities for all existing and future residents

Section 5.2 Programs includes initiatives that are requirements from HCD (noted in the heading), existing housing programs aligned to current community direction, and new and innovative approaches to achieve our housing goals.

This draft document is intentionally exhaustive, like a brainstorm, and is the product of community engagement throughout the planning process as well as research on cutting-edge programs across the state. Because of the wide-ranging scope and number of potential actions in this draft, it may not be possible for the City to act on all of the potential action items during the plan period. The planning team requests that the GPAC review the document and provide feedback on which programs the City should prioritize and include in the final Housing Element. Following input from the GPAC, Planning Commission and City Council, staff will review recommendations and consider the feasibility of implementing prioritized programs, including by considering staffing and financing availability.

There will be additional opportunities to provide feedback on this document, as described in the Schedule section.

Environmental Impacts and Review

Throughout the planning process, the planning team has received questions regarding environmental impacts (including utilities, as well as water supply. These topics are addressed below.

The California Environmental Quality Act (CEQA) is a California law that requires public agencies and local governments to evaluate and disclose the environmental impacts of development projects or other major land use decisions, including Housing Elements, and to limit or avoid those impacts to the extent feasible.

The laws and rules governing the CEQA process are contained in the CEQA statute (Public Resources Code Section 21000 and following), the CEQA Guidelines (California Code of Regulations, Title 14, Section 15000 and following), published court decisions interpreting CEQA.

The land use portion of the Housing Element, the site inventory, identifies parcels that have previously been zoned for housing. No zoning changes are being proposed. Therefore, the City will consider the environmental impacts of development on the identified sites to have been evaluated and accepted by the City Council as a part of previous planning processes that resulted in the current General Plan, Housing Element and Implementing Zoning Ordinance. Additional information on CEQA is available here: <https://opr.ca.gov/ceqa/>

This background is important to understand how the Housing Element intersects with the existing pressures our community faces due to persistent drought conditions. As mentioned previously, Petaluma, like all other cities in California, is required by the State to allow for adequate housing units (RHNA). At the same time, the State requires that cities ensure there is an adequate water supply for these units.

The City of Petaluma is working both at the city level and regionally with Sonoma Water to manage our existing water supply and support water resiliency into the future. As an urban water supplier, the City prepares an updated Urban Water Management Plan (UWMP) every five years which assesses the reliability of water sources over a 20-year planning horizon. The current update to the Water Master Plan will further the city's efforts to conserve water, expand the treatment and distribution of recycled water, and ease reliance on groundwater supplies when surface water allocations are curtailed. Part of the UWMP is the Water Shortage Contingency Plan (WSCP) which is enacted during water shortage events and considers existing and projected development. These efforts, as well as the CEQA review described above, allow us to responsibly plan for both our community's housing needs and our finite water sources.

More information on the water management plan and water resiliency planning is included in Program 10 of Attachment D: Draft Housing Goals, Policies, and Programs.

The General Plan Update and Climate Action and Adaptation Plan will continue to address other cross-cutting environmental issues that impact housing in subsequent phases of the planning process. These issues include grappling with the dynamic impacts of climate change such as increased flooding, extreme weather events, and impending sea-level rise with our current and future land uses. While the Housing Element must be validated before the General Plan Update is complete, the Housing Element can be amended if our community defines any urgent and relevant changes that would impact land uses identified in our submission to HCD.

Schedule

Remaining milestones for the Housing Element include:

- June 21: Planning Commission input on sites and programs
- July 18: City Council input on sites and programs
- Through August: Build on community, GPAC, Planning Commission, and City Council input to prepare the Public Review Draft of the Housing Element
- September 2022: Required 30-day public review of the draft Housing Element, including a workshop, GPAC, Planning Commission, and City Council meetings
- November 2022-January 2023: Required 90-day review by the State Department of Housing and Community Development (HCD)
- February-March 2023: Planning Commission and City Council meetings and adoption
- April-May: Required 60-day HCD review for certification.

It is important for the City to adhere to this schedule. Communities with an HCD-certified Housing Element are eligible for various state and regional grants and housing funding. On the other hand, cities that fail to comply with state Housing Element requirements are subject to legal suits, loss of permitting authority, streamlined ministerial approval, financial penalties, and court receivership. Cities that miss Housing Element certification deadlines are required to complete any rezoning necessary for the sites inventory within a year.

Preparing Feedback: Draft Site Inventory and Housing Goals, Policies and Programs

In advance of next week's meeting, ***please review the site inventory and proposed programs and identify sites, goals, policies, and programs those that you have questions, concerns, and additional ideas about.*** Consider the following prompts to guide your review.

Draft Site Inventory (Attachment B)

- What feedback do you have on the site identified in the draft Housing Site Inventory?

Draft Housing Goals, Policies, and Programs (Attachment D)

- Which program should the city prioritize in the existing list of Housing Programs?
- What programs do not go far enough? Which programs go too far?
- Which programs do not support our community's goals for housing?
- What programs are missing?

Continued community input received during the upcoming GPAC Session, as well as presentations and discussions with the Planning Commission on June 21st and the City Council on July 18th will continue to shape both the site inventory and goals, policies, and programs to ensure that they address our community's goals and requirements from HCD.

The feedback received from these upcoming presentations will be integrated and published in the Public Review Draft of the 6th Cycle Housing Element, available for public review from mid-September to October 2022.

Checking in with GPAC Working Groups

During May and June, our GPAC Working Groups continued to deepen their work through community engagement and analysis of existing resources. We continue to reserve time during each GPAC meeting for GPAC Working Groups to share updates from recent activity. The General Plan Update Team will also provide additional guidance to focus Working Group effort in coming months.

If you have any questions, please contact Christina Paul (cpaul@cityofpetaluma.org).

Thank you, and we look forward to seeing you next week!

Attachments:

Attachment A: Summary notes from the May 19, 2022 GPAC meeting

Attachment B: Draft Site Inventory Table and Map

Attachment C: Draft Site Inventory Map (17x11 in.) Attachment D: Draft Housing Goals, Policies, and Programs