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DATE: **September 13, 2022** AGENDA ITEM NO. 7.A

TO: Planning Commission

FROM: Christina Paul, Principal Policy Planner  
Heather Hines, Interim Community Development Director

SUBJECT: Presentation, Discussion, and Feedback on Public Draft 6<sup>th</sup> Cycle Housing Element

**RECOMMENDATION**

It is recommended that the Planning Commission receive a presentation, discuss, and provide feedback on the Public Draft Housing Element (Attachment A) and associated appendices, including the Housing Needs Assessment, Constraints, Resources and Opportunities, Review of Past Accomplishments, Affirmatively Furthering Fair Housing, and Public Participation analyses (Attachments B-G).

This presentation to the Planning Commission is part of the required 30-day public review mandated by the State of California. During the 30-day review period there will be several opportunities for public discussion and input, including scheduled presentations to the General Plan Advisory Committee (GPAC) on September 15, 2022, Planning Commission on September 13, 2022, and City Council on October 3, 2022. A community meeting will be held on September 20, 2022, and a public survey designed to solicit feedback on the Draft Housing Element will be available for the length of the 30-day review period (August 29 - September 29).

An in-depth background of Housing Element context and work through June 2022 is available in Attachment F: June 21, 2022 Planning Commission Staff Report: Presentation and Discussion on Draft Housing Sites Inventory and Goals, Policies and Programs Chapters for the General Plan Update - 6<sup>th</sup> Cycle Housing Element.

## **BACKGROUND**

### **Summary**

The California Department of Housing and Community Development (HCD) requires that each City prepares a Housing Element 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. Preparation of the City of Petaluma's Housing Element is led by the Community Development Department in coordination with multiple City departments, and the resulting General Plan element will be adopted by the City Council via Resolution. The final Housing Element guides and directs local housing decisions; however, 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.

### **Housing Element Overview**

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](http://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, HCD determines the total number of new units the Bay Area needs to build—and how affordable those units need to be—to meet the housing needs of people at all income levels.

The Bay Area's regional planning agency, the Association of Bay Area Governments (ABAG), then works through its Housing Methodology Committee (HMC) to distribute a share of the region's housing needs to each city, town, and county in the region. Each local government must then update the Housing Element of its General Plan to demonstrate its capacity to meet its 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 6<sup>th</sup> Cycle Housing Element, is a significant update to the existing 5<sup>th</sup> cycle element<sup>1</sup> in that there have been the following changes in local and state direction.

### **Local Policy and Community Direction**

- The City has made a clear commitment to climate adaptation and mitigation, and advancing equity in Petaluma that must be balanced with the requirements of the 6<sup>th</sup> cycle Housing Element.
- In order to protect our open spaces and reduce climate impacts, the City is focusing on infill and redevelopment opportunities to meet the new RHNA, particularly near Downtown and along transit corridors.

### **State Requirements**

- Petaluma’s 6th cycle RHNA has increased by 156% 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 engage in Affirmatively Furthering 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 Public Draft Housing Element is made up of six sections, including the Housing Element itself and five attachments, including the following:

- 1. Housing Element:** Introduction, Goals, Policies and Programs
- 2. Housing Needs Assessment:** Examination of demographic, employment, and housing trends and conditions that affect the housing needs of the community
- 3. Constraints Analysis:** Analysis of and recommended remedies for existing and potential governmental and nongovernmental barriers to housing development
- 4. Resources and Opportunities (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. Review of Past Accomplishments:** Review of the prior Housing Element to measure progress in implementing policies and programs
- 6. Affirmatively Furthering Fair Housing Assessment:** Summary of fair housing issues and an assessment of fair housing enforcement and outreach capacity

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<sup>1</sup> <https://cityofpetaluma.org/documents/the-housing-element-2015-2023/>

**7. Public Participation:** Summary of public participation throughout the development of the Housing Element

Drafts of this material are available as Attachments A-G.

**DISCUSSION**

**Responses to community, Planning Commission and City Council feedback on the draft Housing Element Site Inventory and Policies and Programs**

During June and July 2022, the Planning Team and consultant Veronica Tam from Veronica Tam Associates, part of the Raimi and Associates General Plan team, presented drafts of the 6<sup>th</sup> Cycle Housing Elements Housing Sites Inventory and Goals, Policies, and Programs to the GPAC Housing Working Group (June 13<sup>th</sup>), GPAC (June 16<sup>th</sup>), Planning Commission (June 22<sup>nd</sup>) and City Council (July 18<sup>th</sup>). The following themes emerged from these presentations.

*Site Inventory*

- Remove Opportunity Sites located in high Vehicle Miles Traveled (VMT) zones in order to align housing policy with community goals around VMT reduction.
- Avoid over-identifying housing sites and creating an unnecessarily large buffer of moderate-income or market-rate housing.
- Shopping centers are good locations to identify as housing sites, with the caveat that new development must be well-integrated into the fabric of the city.
- City-owned sites should be considered for housing when possible.

*Policy Framework*

- Consider moderating unit sizes
- Consider decreasing parking requirements
- Support tenant protections
- Support the development of ADUs, including reduced fees and amnesty for illegal ADUs
- Support the development of housing on shopping center sites, consider the significant design and site modifications needed for integrating housing onto shopping center parking lots, and include policies that ensure a strong sense of place and high quality urban design
- Act innovatively, comprehensively, and urgently to provide affordable housing for very low income and low income families, including through ADU development and amnesty, fee structure revisions and incentives, etc.
- Consider the priority and timelines for all programs given existing progress, potential impacts, staffing, and financial resources
- Prepare the zoning changes needed to facilitate more housing development, desired walkable, mixed-use, transit-oriented communities (15 min cities, Transit-Oriented Development), while considering and working to avoid environmental impacts (water, wildlife, etc.)

- Re-evaluate City fee structures and processes to incentivize the development of affordable housing, increased density, taller buildings, smaller unit sizes, mixed-use buildings, and multi-family development where appropriate
- Avoid building housing in open greenspace, undeveloped areas of the floodway/floodplain, and along the wildlife urban interface
- Ensure adequate staffing to complete the work laid out in the Housing Element

The GPAC Housing Working group provided written recommendations in early June, prior to the above meetings. These recommendations were presented to City Council as an attachment to the July 18 staff report, and are available as Attachment I.

The feedback received from community comment, the GPAC, Planning Commission, and City Council resulted in revisions to the relevant Housing Element sections, as described below.

### **Changes to Draft Sites Inventory and Draft Goals, Policies, and Programs for 30-Day Public Review Draft**

To respond to feedback and ensure the City meets its RHNA, staff and the consulting team removed six sites from and added two sites to the site inventory. Note that the numbering for the removed sites refers to the map and supporting documentation presented to Planning Commission on June 22 (Attachment J). These numbers have changed in the revised documents. The removed sites are in areas discussed as having a high VMT and significant capacity, particularly as the sites on or near Petaluma Blvd. South are clustered together.

The removed sites are as follows:

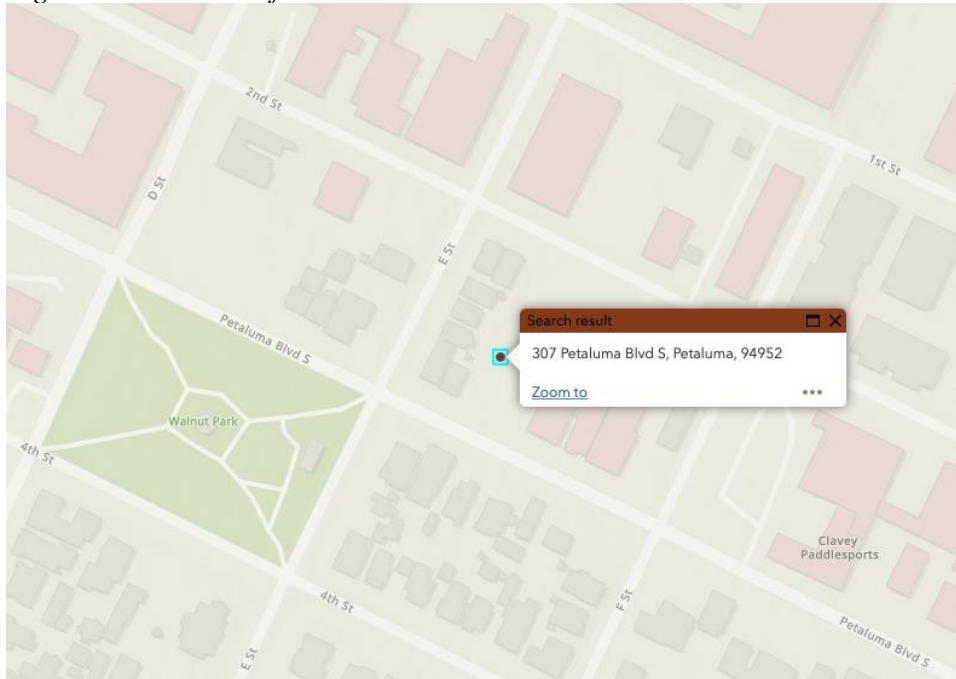
- Removed Sites (Numbers related to Attachment A):
  - O-1 299 Casa Grande – Petaluma City High School District Property (213 units)
  - O-7 1473 Petaluma Blvd S – Wind River Partners LLC Property (54 units)
  - O-8 1475 Petaluma Blvd S Royal Petroleum Co. Property (54 units)
  - O-9 1525 Redwood Way – State of California Property (37 units)
  - O-16 1340 Petaluma Blvd S – Vartnaw Property (45 units)
  - O-23 2 Ravina Ln – Devoto Property (13 units)

The added sites are as follows:

- Added Sites (Numbers related to Attachment C):
  - O-24 351 S McDowell Blvd – Washington Square Shopping Center, Zoned C2 (30 units)
  - O-23 307 Petaluma Blvd South – City Owned, Zoned T5 (14 units)

Note that 307 Petaluma Blvd. South does not appear accurately using a Google Maps search of the address. The Parcel is Identified in the below screenshot of the Assessor’s Office data. The parcels runs between 2<sup>nd</sup> Street and Petaluma Blvd. South, as in Figure 1.

Figure 1: Location of 307 Petaluma Blvd. South



## Changes to Capacity Calculation Methodology

The site inventory summary table presented on June 22, *Table 1. Prior Total Capacity to Accommodate RHNA Assignment with Buffers – June 2022*, below, showed a significant allocation of moderate and above moderate income units beyond what is required by RHNA. This reflected a conservative approach of assuming many sites would develop for 15% affordable units given the City’s Inclusionary Housing Ordinance. In response to Council comments that a smaller buffer is desirable, the planning team revised the methodology used to calculate site capacity to reflect current allowances to assume sites have a higher capacity to accommodate affordable units, as well as other HCD guidance. Changes to the methodology included the following:

- Updated shopping centers site capacity calculations (units calculated using 25% of parking lot area and 20 dwelling units/acre)
- 400 units of the Smart Station sites are distributed 50-50 between low-income and moderate-income given recent developer conversations
- For sites with known for-profit developer interest and sites with a total capacity of less than 80 units, the team assumed 15% inclusionary units
- For sites with >80 unit capacity and no known developer interest, the team applied a 40% very low/low income, 30% moderate income, and 30% above moderate split

The results of these changes in methodology are seen below in *Table 2. Updated Table for Total Capacity to Accommodate RHNA Assignment with Buffers – August 2022*. There is a total reduction of 425 identified units, and a buffer of very low and low income units that increased from 23% to 46%. The fact that the identified buffer is larger than the 15-30% required by HCD will ideally allow the City some flexibility in responding to potential comments from HCD that it does not believe particular sites are feasible and should be removed from the inventory by removing those sites and not identifying additional sites.



**Table 1. Prior Total Capacity to Accommodate RHNA Assignment with Buffers – June 2022**

	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%

**Table 2. Updated Table for Total Capacity to Accommodate RHNA Assignment with Buffers – August 2022**

	Units by Income Group				Total
	Very Low	Low	Moderate	Above-Mod	
RHNA	499	288	313	810	1,910
Credits	241	186	101	1,245	1,782
Potential ADUs	43	43	43	14	144
Pipeline Projects	198	143	58	1,229	1,628
Remaining RHNA	258	102	212	(433)	572
Opportunity Sites	262	262	444	664	1,632
Vacant Sites	47	47	44	318	456
Parking Lots	11	11	-	191	212
Underutilized sites	205	205	400	155	964
Total Capacity	503	448	545	1,909	3,404
Surplus (+) / Deficit (-)	164		232	1,097	1,493
Buffer (Remaining RHNA)	46%		109%		



## **Changes to Policy Framework**

The planning team edited the draft Policies and Programs (in Attachment A) to reflect comments received from the GPAC, GPAC Housing Working Group, Planning Commission, City Council, the public during these meetings, and City Staff, including written and verbal comments. Points of particular impact relevant to the comments received are:

- Developed a policy to address redevelopment and placemaking on existing shopping center properties. Redondo Beach, CA. is relying on shopping centers in its 6<sup>th</sup> cycle Housing Element, and the team drew from this experience, including feedback from HCD, to develop the proposed language (Program 9 in Attachment A).
  - Adjusted Timelines for Actions in the Draft Policy Framework to reflect City Council comments on the importance of updating the City’s Implementing Zoning Code and development impact fee structure, including:
  - Set Zoning Changes (high priority) to be completed in 2024, following the completion of the General Plan
  - Set Fee Structure Changes (high priority) to be completed in 2024, following the completion of the General Plan
  - Adjusted other programs to be completed in 2025
  - Noted programs already underway

## **ENVIRONMENTAL REVIEW**

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), and published court decisions interpreting CEQA.

The land use portion of the Draft Housing Element, the site inventory, identifies parcels that have previously been designated and zoned for residential land uses. No zoning changes are being proposed to demonstrate capacity to meet RHNA. 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/>.

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. 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.

The item before the Planning Commission is for presentation and feedback and no action is to be taken. Therefore, the item as scheduled for September 13th is not a project under CEQA. When the Housing Element comes back for adoption it will constitute a discretionary action and will be

a project under CEQA. The Draft Housing Element presented at that time and will be accompanied by the appropriate CEQA analysis, which at this time is anticipated to be a Mitigated Negative Declaration or EIR addendum as there are no land use or zoning modifications currently associated with the project.

## **COMMUNITY ENGAGEMENT**

During the General Plan Update process to date, the community has provided a significant amount of housing-related input, including input received as part of the 2020 General Plan community-wide survey and the 2021 Area Meetings, Pop-ups, Visioning Workshop, GPU Youth Survey, and Latinx Focus Group. 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.

In March and April 2022, the Planning Team conducted engagement related specifically to the Housing Element through two presentations to the GPAC on March 17 and April 21, 2022, a presentation to the Planning Commission on March 22, 2022, and the Housing Element Community Workshop on April 7, 2022. In June and July 2022, drafts of the Housing Sites Inventory and Policy Framework were presented to and discussed with the General Plan Advisory Committee (GPAC) on June 16, 2022, Planning Commission on June 21, 2022, and City Council on July 18, 2022. The feedback received to date shaped the development and refinement of the Draft Housing Element and associated appendices.

The release of the Public Draft Housing Element was posted on the General Plan website and announced in the Community Update and on City social media, via General Plan Constant Contact email list, via email to the GPAC, and via direct email to approximately 50 housing-focused stakeholders. The community is invited to provide feedback on the Public Draft via a survey on the General Plan website, which will ensure that the planning team accurately tracks feedback, as well as via email, or at a public meeting on the Housing Element, which are listed below.

## **NEXT STEPS**

The Draft Housing Element was released on Monday, August 30, for the 30-day public review period required by the Department of Housing and Community Development. During the 30-day public review period the City will hold the following public meetings and engagement events:

- Planning Commission meeting: September 13th
- General Plan Advisory Committee meeting: September 15th
- Community Open House: September 20th
- City Council meeting: October 3rd
- Public on-line survey accepting comments during the full 30-day review period

Following the 30-day public review period, the Housing Element will be updated and sent to HCD for their 90-day review. During and following HCD's review, staff will make any revisions necessary and then prepare for the formal adoption process, including development and public review of CEQA documentation and public hearing notices. Following adoption HCD requires a 60-day review process (anticipated April-May 2023) prior to certification.

No General Plan land use changes or zoning amendments were necessitated by the proposed site inventory; therefore, the anticipated CEQA document will be a Mitigated Negative Declaration or EIR Addendum.

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.

## **RECOMMENDATION**

In preparation for the Planning Commission Meeting on September 13, 2022, please review the Housing Element and other attachments to this report. As you review, please identify sites, goals, policies, and programs for which you have questions, concerns, or would like to suggest additional ideas. Staff and the consultant team will be available to respond to questions and comments on this content as well as on the technical analyses associated with the Housing Element.

Feedback received from these upcoming presentations will be integrated into a revised Public Review Draft of the 6th Cycle Housing Element and delivered to HCD for review.

## **ATTACHMENTS:**

- Attachment A. Draft Housing Elements link
- Attachment B. Housing Needs Assessment
- Attachment C. Constraints
- Attachment D. Resources and Opportunities
- Attachment E. Review of Past Accomplishments
- Attachment F. Affirmatively Furthering Fair Housing
- Attachment G. Public Participation analyses
- Attachment H. June 21, 2022 Planning Commission Staff Report
- Attachment I. GPAC Housing Working Group Recommendations
- Attachment J. Site Inventory presented to Planning Commission on July 18