



DATE: February 3, 2025

TO: Honorable Mayor and Members of the City Council through City Manager

FROM: Kent Carothers, PE, City Engineer – Public Works Department (PWD)  
Gina Benedetti-Petnic, PE, Assistant Director – PWD  
Paul Kaushal, PE, Director – PWD  
Eric W. Danly, City Attorney

SUBJECT: Resolution Accepting the Final Confirmed Engineer’s Report and the Revised Cost Certification Report for the Oak and Water Street Benefit Assessment District No. 2020-1, which Supplements the Previous Engineer’s Report Adopted March 20, 2020

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### **RECOMMENDATION**

It is recommended that the City Council adopt the Resolution accepting the final confirmed Engineer’s Report and the Revised Cost Certification Report for the Oak and Water Street Benefit Assessment District No. 2020-1.

### **BACKGROUND**

On March 20, 2020, City Council after canvassing votes from the property owners, formed Benefit Assessment District 2020-1, Oak Street and Water Street Public Improvements. In forming this District, the Council approved an Engineer’s Report. The Engineer Report provided a structured framework for funding and completing critical public improvements along Oak Street and Water Street in the City of Petaluma. The goal of this District is to ensure equitable cost-sharing among benefitting parcels while enabling development to proceed with the necessary infrastructure in place.

The action supplements the previously approved Engineers Report with updated costs and clarifying information on the properties assessed with a Final Engineers Report for the Oak and Water Street Benefit Assessment District No. 2020-1, Attachment 1.

The public improvements funded by this action are designed to enhance connectivity, increase accessibility, and support development consistent with the City's zoning and planning objectives. This includes improvements to roadways, utilities, and pedestrian pathways to serve the parcels within the district and improve their usability and value.

### History of the Project

On February 3, 2020, the City Council Adopted a Resolution Initiating Proceedings for the Formation of the Oak and Water Street Benefit Assessment District and Ordering the Preparation of an Engineer's Report on the District Formation. At the same meeting, the Council Adopted a Resolution Accepting the Report on the District Formation, Setting a Public Hearing on the Report and Formation of the District, and Directing the City Clerk to Give Mailed Notice of the Hearing and Provide Ballots as Required by Law.

The Spanos Corporation owned real property located at 368 and 402 Petaluma Boulevard in the City of Petaluma and identified as Assessor's Parcel Numbers 006-163-055 and 006-163-041 (the "**Property**"). The Spanos Corporation submitted a Site Plan and Architectural Review application to the City to build the North River Apartments Project (the "**Project**") on the Property. The Project consists of two apartment buildings including 184 dwellings, approximately 4,677 square feet of commercial space, 4,981 square feet of tenant amenity area, 1,953 square feet of leasing office, and associated on- and off-site improvements, Public Improvements (defined below), and a Class I multi-use path along the Petaluma River and connecting to the Pedestrian Bridge. Subsequently, the Spanos Corporation created a successor entity called North River Apartments LLC to own the Property, develop the Project, and transfer ownership of the Property to the successor entity. The Spanos Corporation and the successor entity North River Apartments LLC are referred to in this staff report as "**North River Apartments.**"

On January 23, 2018, the City of Petaluma Planning Commission, at a duly-noted public hearing, by Resolution No. 2018-02 N.C.S., certified the Mitigated Negative Declaration ("**MND**") and adopted the Mitigation Monitoring and Reporting Plan ("**MMRP**") for the Project; and by Resolution No. 2018-03 N.C.S., approved the Site Plan and Architectural Review for the Project, with associated required Developer to construct certain public improvements ("**Public Improvements**") both within the Property, and off- site. The Public Improvements include: the extension of Oak Street within the Property; the construction of Water Street from the intersection with Oak Street within the Property, south of the Property across adjacent parcels to East Washington Street; curb, gutter, sidewalk, public parking spaces, crosswalks, street lights, fire hydrants, landscaping, water mains, sewer mains, storm drains, electrical upgrades, and undergrounding of all overhead utilities along Oak Street within the Property and along Water Street. In order to construct the Public Improvements, right-of-way must be obtained from adjacent property owners that own property within the Plan Line for Water Street and that are south of the Property, and Condition of Approval obligated North River Apartments to obtain property rights needed within the Water Street Plan Line.

Planning Commission Resolution No. 2018-03, Condition of Approval No. 95, provides that the cost to construct the Public Improvements will be funded by the Developer, and the Developer will be reimbursed through a reimbursement agreement with the City, which will provide for reimbursement of Public Improvement costs from the proceeds of an assessment district formed pursuant to Chapter 13.35 of the Petaluma Municipal Code and/or other applicable law. Reimbursement for the Public Improvements costs reflecting the benefits they provide for other properties is subject to North River Apartments and the City approving a reimbursement agreement, and successful formation of an assessment district. The Public Improvements will serve the Project on the Property and future development on certain properties benefitted by such improvements (“**Benefitted Properties**”) thereby avoiding duplication of costs and effort and providing new and enhanced public infrastructure and roadways in accordance with the City’s General Plan. The Public Improvements will also benefit neighboring properties by allowing development of the properties to their highest and best use.

On August 5, 2019, the City Council adopted ordinances approving lot line adjustments and conveyances involving adjacent parcels at Water Street owned by the City and Water Street Properties LLC (“**Water Street Properties**”), vacating a sewer easement on property owned by Water Street Properties, and rezoning property owned by Water Street Properties. The purpose of the August 5 actions was to prepare for the relocation of a sewer related to the construction of the Water Street Public Improvements, to prepare the Water Street Properties land for development, and to obtain the needed right of way in the Water Street Plan Line for construction of Water Street. As part of obtaining the needed Water Street right of way, Water Street Properties, like North River Apartments, obtained a right of way from a third party, which acquisition cost will be included as a cost of the Public Improvements subject to reimbursement pursuant to an assessment district and reimbursement agreement.

Condition of Approval No. 37 of Resolution No. 2018-03 also provides that should the City Council consider a request to approve a reimbursement agreement related to the Public Improvements, the Planning Commission recommends that monies associated with the approved City of Petaluma River Trail Capital Improvement Project (C03200503) grant fund (“**River Trail Grant**”) be allocated toward construction of a Class I facility between the Petaluma River Bridge and Water Street North through the City’s pump station parcel (APN 006-163-051) connecting to Water Street North, the City Engineer approved the exact alignment.

## **DISCUSSION**

### **I. Authority for Assessment District Formation and Reimbursement Structure:**

Petaluma Municipal Code Chapter 13.35 establishes the authority and procedures for establishing assessment districts, the proceeds of which are to be disbursed to owners within the district in accordance with a reimbursement agreement pursuant to Petaluma Municipal Code Section 13.35.060(G)(3). Such assessment districts are also subject to the procedural and substantive

requirements contained in Article XIID, Section 4 of the California Constitution, part of Proposition 218. As a charter city, Petaluma is able to rely on its own adopted assessment district creation authority in Chapter 13.35 of the Petaluma Municipal Code and need not rely on other authority in the Streets and Highways Code commonly used by general law agencies to create assessment districts.

As noted above, North River Apartments was required to provide specific public improvements as part of the SPAR approval and adoption of the North River Apartments project Mitigated Negative Declaration and Mitigation Monitoring and Reporting Program. Certain of the Public Improvements are eligible to be reimbursed from the proceeds of an assessment district. The Public Improvements directly benefited other properties within the boundary of the proposed Oak and Water Street Benefit Assessment District (“**District**”). As part of the approval for the Project, the North River Apartments agreed to take the actions required for the formation of the District, which would serve as a mechanism to reimburse North River Apartments for a portion of the cost of constructing the Public Improvements which will benefit other parcels, subject to the City approving a reimbursement agreement with the North River Apartments. The Developer retained Harris & Associates, with the approval of the City, to prepare a Final Confirmed Engineer’s Report (“**Engineer’s Report**”) for the proposed District. (Attachment 1). The District will levy an assessment on parcels within the District for a proportional share of the costs of the Public Improvements, which will provide special benefits to the Benefitted Properties within the District. Payment of the assessment on a parcel would be deferred until the property owner receives approval for certain development actions or significant improvements on their parcel.

## **II. District Parcels:**

The District boundary map (“**Map**”) identifies the Benefitted Parcels that would be included in the District and subject to an assessment as approved on February 3, 2020. The assessment of each parcel is proportional to the special benefit resulting from the Public Improvements received by that parcel. As shown in the following map, there are 25 parcels within the proposed District’s boundaries.

## **III. Reimbursement and Acceptance Process:**

The primary developer, North River Apartments, LLC, will initially construct the improvements, who will dedicate them to the City upon completion. The reimbursement process is outlined as follows:

1. **Cost Documentation:** Upon completion, the developer must submit detailed documentation of the actual costs incurred for the improvements.
2. **City Review and Certification:** The City will review and certify eligible costs within 60 days, ensuring compliance with agreed standards and accuracy of reported expenses.
3. **Assessment and Reimbursement:** Benefitting parcels within the district will be assessed based on the proportional special benefits they receive from the improvements. Payments will be collected upon obtaining development approvals, such as building permits, and reimbursed to the developer per the agreement.

4. **Deferred Assessments:** In certain cases, assessments may be deferred for up to 20 years or until specific development milestones are reached, ensuring flexibility for parcel owners while maintaining the district's financial stability.

This structured approach ensures transparency, fairness, and alignment of costs with the benefits conferred to individual parcels.

By approving the Engineer's Report, the Council formalizes the funding, implementation, and reimbursement framework necessary to construct the public improvements and to ensure compliance with City policies and State laws.

### **PUBLIC OUTREACH**

The following public outreach has occurred or is scheduled for the purpose of sharing information and receiving feedback on the formed District:

1. The City of Petaluma mailed letters to District property owners on August 29, 2019, announcing an Informational Meeting for the Proposed Benefit Assessment District for Oak Street and Water Street Public Improvements.
2. On September 5 and 9, 2019, Informational Meetings were conducted with District Property Owners to review preliminary assessments and the District formation process. These meetings were conducted with representatives from City Planning and Development Engineering, Harris & Associates, and Spanos/North River Apartments LLC.
3. Public Notice was published in the Argus-Courier and Press Democrat on September 5, 2019, before the September 16 City Council consideration of the District Actions.
4. Mailed Notice to District property owners was sent on September 5, 2019, before the September 16 City Council consideration of the District Actions.
5. The agenda revision was published on October 7, moving the District agenda item to the October 21, 2019, Agenda.
6. Emailed electronic copy of Final Engineer's Report *with revised assessment calculations* to District Property Owners on October 11, 2019.
7. Mailed Notice to District property owners was sent on October 9, 2019, prior to the October 21, 2019, City Council consideration of the District Actions
8. Supplemental Meetings were conducted with District property owners who requested to review the Final Engineer's Report and updated assessment calculations on October 16 and 17, 2019. These meetings were offered to all District property owners within the district before the

previously scheduled City Council meeting on October 21, 2019. Meetings were attended by representatives from City Planning and Development Engineering, Harris & Associates, and Spanos/North River Apartments LLC.

9. Emailed electronic copy of Engineer's Report "Review Copy" with revisions; a Summary of Substantive Changes; and revised map Exhibit D to District Property Owners on January 17, 2020.
10. Supplemental meeting with the property owner on January 22, 2020, before the February 3, 2020, City Council consideration of the District Actions.
11. Mailed Notice to District property owners was sent on January 23, 2020
12. January 28, 2020 – emailed electronic copy of final Engineer's Report with latest revisions highlighted to District property owners.
13. March 20, 2020 - City Council adopted a:
  - Resolution Approving the Engineer's Report Dated January 27, 2020, Declaring the Canvass of Ballots of Property Owners and Forming Benefit Assessment District 2020-1, Oak Street and Water Street Public Improvements; and
  - Resolution Approving Reimbursement Agreements between the City of Petaluma and North River 9 Apartments LLC and Water Street Properties LLC Pursuant to Benefit Assessment District 2020-1, Oak Street and Water Street Public Improvements.
14. Notice of Council Meeting for January 27, 2025.

### **COUNCIL GOAL ALIGNMENT**

The formation of the District and acceptance of the Confirmed Engineer's report are consistent with and further, the citywide goals, as excerpted below from the City Council Goals and Priorities.

A City That Works For Everyone, Objective 2 – Provide City infrastructure that is safe, sustainable, Multi-use, efficient, inspiring civic pride.

- Workplan Item #15: Identify funds and develop plan to improve Petaluma's streets and roads.
- Workplan Item #18. Establish and improve paths, as useful transportation options, and make walking and biking easy, fun and safe.

A Safe Community That Thrives, Objective 2- Create diverse housing opportunities for all Petalumans.

An Economy That Prospers, Objective 1 – Attract and retain businesses that generate revenues and provide jobs that pay living wages.

- Workplan Item #109 Prioritize and incentivize sustainable infill development.

Spaces and Places That Inspire, Objective 1—Envision and create a safe downtown that is attractive, clean, and enjoyable for all ages.

- Workplan Item #127: Identify and prioritize projects to upgrade and improve the downtown, alleyways, and public spaces.

Furthermore, this action is consistent with the Council-adopted Blueprint for Climate Action, specifically Cornerstone action AT-1, Active Transportation, and Complete Streets Implementation, as this will result in public infrastructure improvements conducive to active transportation.

## **ENVIRONMENTAL REVIEW**

In accordance with the California Environmental Quality Act (CEQA), the Planning Commission adopted Resolution 2018-02, a Final Mitigated Negative Declaration (FMND) and Mitigation Monitoring and Reporting Program considering the North River Apartments Project, including an analysis of the extension of Water Street North from the North River Apartments project's southern boundary to Washington Street. The physical improvements related to the North River Apartments project, including Oak and Water Street and related improvements, were previously studied and addressed in the North River Apartments FMND. This item is a financing mechanism to pay for the public improvements that were approved by the FMND and, therefore, falls within the FMND. The “creation of a government funding mechanism or other government fiscal activity” does not constitute a “project” pursuant to CEQA Guidelines Section 15378(b)(4). Accordingly, no further CEQA review is needed for this action.

## **FINANCIAL IMPACTS**

Because the conditions of approval for the North River Apartments project are obligations of North River Apartments, the staff cost of forming the proposed District and presentation of the related reimbursement agreements between the City and North River Apartments, and Water Street Properties, respectively will be funded through North River Apartments' cost recovery account. North River Apartments has also retained and is responsible for funding the work of Harris & Associates in preparing the Engineer's Report concerning the District. The formation of the District and execution of the related reimbursement agreements are intended to provide a source for reimbursing North River Apartments and Water Street Properties for costs in excess of their allocable share of the Public Improvements, regardless of whether and the extent to which Northern River Apartments and Water Street. The costs of public improvements will not be borne by the City.

## **ATTACHMENTS**

1. Resolution
2. Final Confirmed Engineer's Report for the Oak and Water Street Benefit Assessment District, District No. 2020-1 (Final Report dated December 6, 2024)
3. Revised Cost Certification Report dated December 6, 2024
4. Location Map