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DATE: November 14, 2023

TO: Planning Commission and Historic and Cultural Preservation Committee

FROM: Greg Powell, Principal Planner  
Isabel Castellano, Historic Preservation Specialist

SUBJECT: Recommendation to the Planning Commission and the Historic and Cultural Preservation Committee to Conduct a Joint Public Hearing to Consider and Recommend Approval of General Plan and Zoning Amendments (Subject Amendments) as Required to Adopt and Implement the Proposed Downtown Housing & Economic Opportunity Overlay, Including (1) a Historic and Cultural Preservation Committee Resolution to Recommend to the Planning Commission Adoption of the Subject Amendments; (2) a Planning Commission Resolution to Recommend to the City Council Adoption of the Initial Study / Mitigated Negative Declaration (IS/MND) Prepared for the Downtown Housing & Economic Opportunity Overlay and the Proposed EKN Appellation Hotel, (3) a Planning Commission Resolution to Recommend to the City Council Adoption of the General Plan Amendment; and (4) a Planning Commission Resolution to Recommend to the City Council Adoption of Zoning Amendments; File No. PLPJ-2022-0015 (PLGP-2023-0001 and PLZA-2023-0002)

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## **RECOMMENDATION**

It is recommended that the Planning Commission (PC) and the Historic and Cultural Preservation Committee (HCPC) conduct a joint public hearing to consider and recommend approval of General Plan and Zoning Amendments (Subject Amendments) as required to adopt and implement the proposed Downtown Housing & Economic Opportunity Overlay, including:

1. A Historic and Cultural Preservation Committee resolution recommending to the Planning Commission adoption of the Subject Amendments (**Attachment A**)
2. A Planning Commission resolution recommending to the City Council adoption of the Initial Study / Mitigated Negative Declaration (IS/MND) prepared for the Downtown Housing & Economic Opportunity Overlay and the proposed EKN Appellation Hotel (**Attachment B**)
3. A Planning Commission resolution recommending to the City Council adoption of the subject General Plan Amendment (**Attachment C**), and
4. A Planning Commission resolution recommending to the City Council adoption of the subject Zoning Amendments (**Attachment D**).

## **BACKGROUND**

### ***Summary***

The 2022 EKN Appellation Hotel project (proposed Hotel) proposes the development of a 6-story hotel that would exceed the current Building Height, Floor Area Ratio (FAR), and Lot Coverage development maximums established by the Implementing Zoning Ordinance (IZO). As part of review of the application, the applicant was advised that the proposed project was not consistent with existing regulations applicable to the project site and was provided options available to respond to these noncompliance issues, including:

- modifying the project to comply with IZO regulations
- seeking a Zoning Variance from existing regulations regarding building height, floor area ratio, and lot coverage
- submitting an applicant-initiated IZO amendment application to change the applicable development regulations, or
- withdrawing the proposed project.

The applicant indicated a desire to seek amendments to General Plan and Zoning Code requirements as needed to maintain the overall scope of the hotel project.

Following a preliminary review of the applicant's preferred alternative and in discussion with the City, the applicant submitted an application to create a zoning overlay, which is a planning tool used to modify existing regulations or create additional regulations for a specific area to address a site or area-specific need or objective. The zoning overlay approach provides the City with the opportunity to review current development standards and consider how modifications to those development standards may advance General Plan goals and policies for the Downtown area. Creation of an overlay was evaluated as an appropriate land use tool to provide flexibility to consider increased building intensity and infill within the Downtown.

Development and refinement of the current proposed Downtown Housing & Economic Opportunity Overlay has been a collaboration of the applicant team and the City and in response to community and reviewing body input to create the draft overlay being presented for consideration. The draft Downtown Housing & Economic Opportunity Overlay district was presented for public review during study sessions held on June 13, 2023, August 8, 2023, and October 3, 2023. Review authority and public input, combined with extensive analysis conducted by City staff and informed by land use professionals, have resulted in the proposed Overlay subject to public hearing review. As proposed, parcels within the Overlay would have the flexibility to seek a "conditional use permit"<sup>1</sup> (CUP) at the discretion of the Planning Commission to increase the height and lot coverage of proposed development. Development of parcels within the Overlay would also be subject to Site Plan and Architectural Review permit<sup>2</sup> (SPAR) or Historical Site

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<sup>1</sup> A conditional use permit is a discretionary entitlement that allows a reviewing body to consider special uses which may be essential or desirable to a particular community, but which are not allowed as a matter of right within a zoning district, through a public hearing process if certain findings are made.

<sup>2</sup> A Site Plan and Architectural Review permit is a discretionary entitlement approval where the reviewing body reviews the design and layout of the development to make sure that the design is in compliance with our Zoning Ordinance and to promote the orderly and harmonious development of the City. To grant a SPAR permit the reviewing body needs to make certain findings

Plan and Architectural Review permit (HSPAR) if the development is on one of the four historical parcels, as currently required by IZO Chapter 24.

The Downtown Housing & Economic Opportunity Overlay would not:

- Allow building height greater than 45 feet (permitted building height under current development standards) without the Planning Commission's approval of a CUP, consistent with the prescribed process as outlined in IZO Chapter 24 and including a duly noticed public hearing.
- Permit the proposed EKN Hotel to develop, as the application still requires approval of a CUP by the Planning Commission and approval of HSPAR by the HCPC.
- Require or permit the demolition of any building.
- Modify existing requirements for environmental analysis of discretionary projects as required by the California Environmental Quality Act (CEQA)

The Downtown Housing & Economic Opportunity Overlay would:

- Provide flexibility to apply for discretionary consideration of increased building height and lot coverage as part of a development proposal on property within the boundaries of the Overlay. Encourage development of underutilized parcels in Downtown.
- Require the Planning Commission to make specific findings prior to approval of a CUP, including findings that the additional height and/or lot coverage would not adversely impact the significance of a historic resource, would not unduly restrict access to light and air or be determinantal to the public's welfare, and would make a positive contribution to the character of the neighborhood.

The item before the HCPC and Planning Commission is consideration of amendments to the General Plan, Implementing Zoning Ordinance (IZO), and Zoning Map needed to adopt the Downtown Housing & Economic Opportunity Overlay (Overlay). Additionally, the draft Initial Study/Mitigated Negative Declaration (IS/MND) containing the required environmental review of the holistic project, including both the Overlay and the EKN Appellation Hotel (Hotel)<sup>3</sup> proposed on three parcels located at 2 Petaluma Boulevard South. While the draft IS/MND includes environmental analysis of the Hotel component of the project, consideration of the entitlements for the Hotel will be held at a subsequent public hearing contingent on the City's adoption of the Overlay.

This staff report and the consideration currently before the HCPC and Planning Commission is focused solely on the proposed Overlay. A recommendation to City Council to approve the Overlay by the Planning Commission or by the HCPC does not approve the Hotel project. Consideration of the Hotel project will be subsequently scheduled and noticed consistent with the City's public notification requirements and in conformance with requirements for consideration of

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including, that the design is appropriate for their intended use, mitigates the environmental impacts, and facilitate harmony between developments and their surroundings.

<sup>3</sup> Pursuant to Section 15378 of the CEQA Guidelines, a project means the whole of an action that has the potential to result in direct or indirect physical changes to the environment and under CEQA is not defined by separate governmental approvals. In determining whether a project will result in a significant environmental impact, the Lead Agency (City of Petaluma) must consider the whole of the action and not simply its constituent parts. In this case, the whole of the action consists of two components: 1) the Overlay; and 2) the EKN Appellation Hotel, each of which is described below.

a Conditional Use Permit and Historic Site Plan and Architectural Review as outlined in Chapter 24 of the IZO.

The proposed Overlay consists of three subareas, Subarea A, Subarea B, and Subarea C, as depicted in Figure 2 below, and comprises a total of 40 parcels. The Parcel Inventory Report (**Attachment L**) provides detailed analysis of existing conditions for each parcel within each of the three subareas and evaluates existing development against maximum development potential. Four parcels within the proposed Overlay boundaries are also located within the boundary of Petaluma's Commercial Historic District. All four of these parcels are classified as non-contributors to the Historic District and do not include historic resources. More specifically, these parcels consist of a portion of the vacant site of the proposed EKN Hotel at 2 Petaluma Boulevard South, the adjacent Rex Ace Hardware parcel at 313 B Street (Subarea A), and the Chase Bank parcel at 101 Western Avenue (Subarea B).

Adoption of the Overlay as proposed requires a General Plan Amendment (GPA) to increase the maximum allowable floor area ratio (FAR) from 2.5 to 6.0, a Zoning Text Amendments (ZTA) to increase the maximum allowable FAR from 2.5 to 6.0, to increase the maximum allowable building height from 45 feet to 75 feet (subject to Conditional Use Permit (CUP) approval), to increase lot coverage from 80% to 100% (subject to CUP approval), to allow ground floor residential uses in defined areas, and to establish development and design controls for properties that would be subject to the proposed Overlay. Discretionary actions required to adopt the Overlay also include a Zoning Map Amendment (ZMA) to zone applicable parcels to the Overlay. The text of the proposed amendments may be viewed within **Attachment A** and **Attachment D**, as well as within the Exhibits found in **Attachment I**.

### ***Public Process Summary***

Over the past nine month that the application has been in the planning process there have been multiple opportunities for feedback which in turn have played an essential role in the ongoing refinement of the draft ordinance currently before the HCPC and Planning Commission for consideration. In addition to the three study sessions held by the City, a community meeting was hosted by Know Before You Grow to provide additional opportunity for community discussion.

The first study session was a joint meeting of the Planning Commission and the HCPC held on June 13, 2023, to review the zoning overlay proposal for Downtown Petaluma and the proposed EKN Appellation Hotel. The associated staff report can be found in **Attachment E**, and the video for this meeting is available [online](#). The Planning Commission and HCPC mutually agreed that given the complex nature of the project, the Overlay should be presented for a second study session with the Planning Commission and the HCPC separate from consideration of the EKN Appellation Hotel project.

A second joint study session of the Planning Commission and the HCPC was scheduled for August 8, 2023. Due to a lack of quorum of the HCPC the study session was held solely with the Planning Commission portion of the study session was continued to October 3, 2023. The associated staff report can be found at **Attachment F**, and the video for this meeting is available [here](#).

The HCPC conducted a separate study session on October 3, 2023. The associated staff report can be found in **Attachment G**, and the video for this meeting is available [online](#).

### ***Project Context***

The Overlay is primarily located within the Downtown Subarea as designated in the [General Plan 2025](#). This subarea is considered the “heart of Petaluma” and includes the City’s National Register-designated historic district. The unique characteristics of the area make it a destination for visitors and residents, and the General Plan notes the importance of preserving and enhancing the downtown core with the intent of creating a vibrant mixed-use center. The northern edge of Subarea C is located in the western reach of the Washington Corridor subarea, which is described as one of the primary gateways into Petaluma, connecting the rural landscape with Petaluma’s urban center. The General Plan states that property in this subarea represents a significant opportunity to address community character and connectivity and conceptualizes Washington Street as a mixed-use arterial that accommodates cars but is also designed for pedestrian comfort and walking with a mix of high-intensity land uses and streetscape improvements.

The parcels within the boundaries of the Overlay are designated Mixed Use and Public/Semi-Public and are within the Mixed Use and Civic Facility Zoning districts (Attachment I, Exhibits 7-9). Four parcels within the boundaries of the proposed Overlay (three located in Subarea A and one parcel located in Subarea B) are also within the boundaries of the Petaluma Historic Commercial Historic District (**Attachment I**, Exhibit 2). However, none of these 4 parcels are considered historic or are designated contributors to the Historical District.

### ***Project Description***

The Overlay seeks to provide a regulatory incentive to support preferred housing and mixed-use development in a portion of the Downtown area. It does so by providing flexibility within certain development standards – maximum allowable Floor Area Ratio (FAR), building height, and lot coverage – and by creating development and design controls, all of which are subject to discretionary review by the Planning Commission, the Historic and Cultural Preservation Committee, or both review authorities, depending on what is being proposed.

The following entitlements are required to implement the proposed Overlay as outlined in the draft ordinance (**Attachments A and D**):

#### ***General Plan Amendment***

A General Plan Amendment to modify the maximum allowable Floor Area Ratio in the Mixed Use land use designation outside of the Central Petaluma Specific Plan (GP pg. 1-7). The proposed modification expands the current maximum FAR of 2.5 to an FAR of 6.0.

#### ***Zoning Text Amendment***

A Zoning Text Amendment to add Section 5.070 Downtown Housing and Economic Opportunity Overlay to the existing IZO Chapter 5, Overlay Zones. Within this section the specific boundaries

and regulations applying to the properties within the boundaries of the Overlay are outlined, including but not limited to:

- Allowance for ground floor residential uses;
- Identification of the areas subject to the Pedestrian/Façade Activation and Ground Floor Residential Zones;
- Increase the maximum Floor Area Ratio from 2.5 to 6.0;
- Establish an expanded Conditional Use Permit process and required findings/review criteria to allow an increased Building Height to a maximum of 75 feet
- Establish an expanded Conditional Use Permit process and required findings/review criteria to allow an increased Lot Coverage limit from up to 100%
- Reduction in existing setback standards and development of stepback standards, including increased stepback requirements when abutting a historic resource
- Establishment of a sunset provision tied to the adoption of the updated General Plan.

### *Zoning Map Amendment*

Zoning Map Amendment to identify the Overlay boundaries on the City's zoning map.

### *Planning Review Process*

**Original Overlay Proposal:** At the June 13, 2023, joint study session, PC and HCPC reviewed the [\*Petaluma Building Form Overlay Proposal in Downtown\*](#) (May 2023), which proposed a 10-block zoning overlay within a 14-block study area bounded by Washington Street to the north, Petaluma Boulevard to the east, D Street to the south, and Howard/Liberty Streets to the west, and inclusive of the proposed Hotel project. Within the originally proposed boundary, proposed development regulations would have allowed for the following modifications to existing development standards currently applicable to this area:

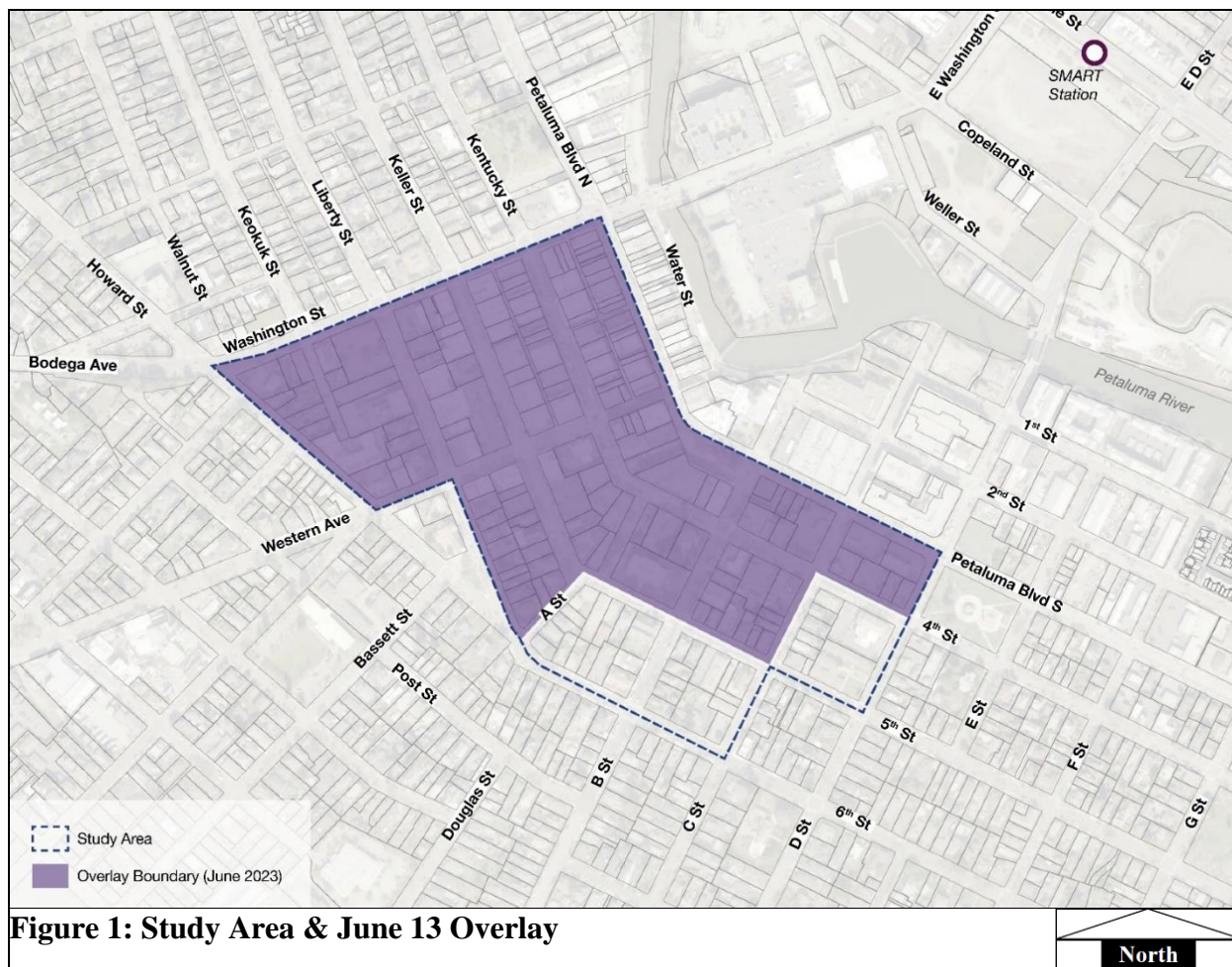
1. Increase the maximum allowable FAR
2. Increase the maximum allowable building height
3. Increase the maximum allowable lot coverage
4. Reduce the minimum required building setbacks, and
5. Establish minimum required step-backs for upper floors

The Study area and the originally proposed overlay are depicted in Figure 1 below. Based on feedback from the PC and HCPC at the June study session, staff recommended the applicant team analyze the following concepts to guide revisions:

- Modify the name of the overlay to reflect the intent of the proposed zoning overlay more accurately
- Focus the boundaries of the zoning overlay to support the redevelopment of under-utilized parcels
- Consider how the zoning overlay could more effectively preserve historic buildings and the Downtown Commercial Historic District



- Establish discretionary review requirements for proposed heights exceeding 45 feet, which is the height currently permitted by right in the MU2 zoning district
- Review proposed setbacks and step backs to reduce potential impacts of new structures on existing development, including historic buildings and the Downtown Commercial Historic District,; and
- Consider how residential development could be incentivized in the proposed zoning overlay



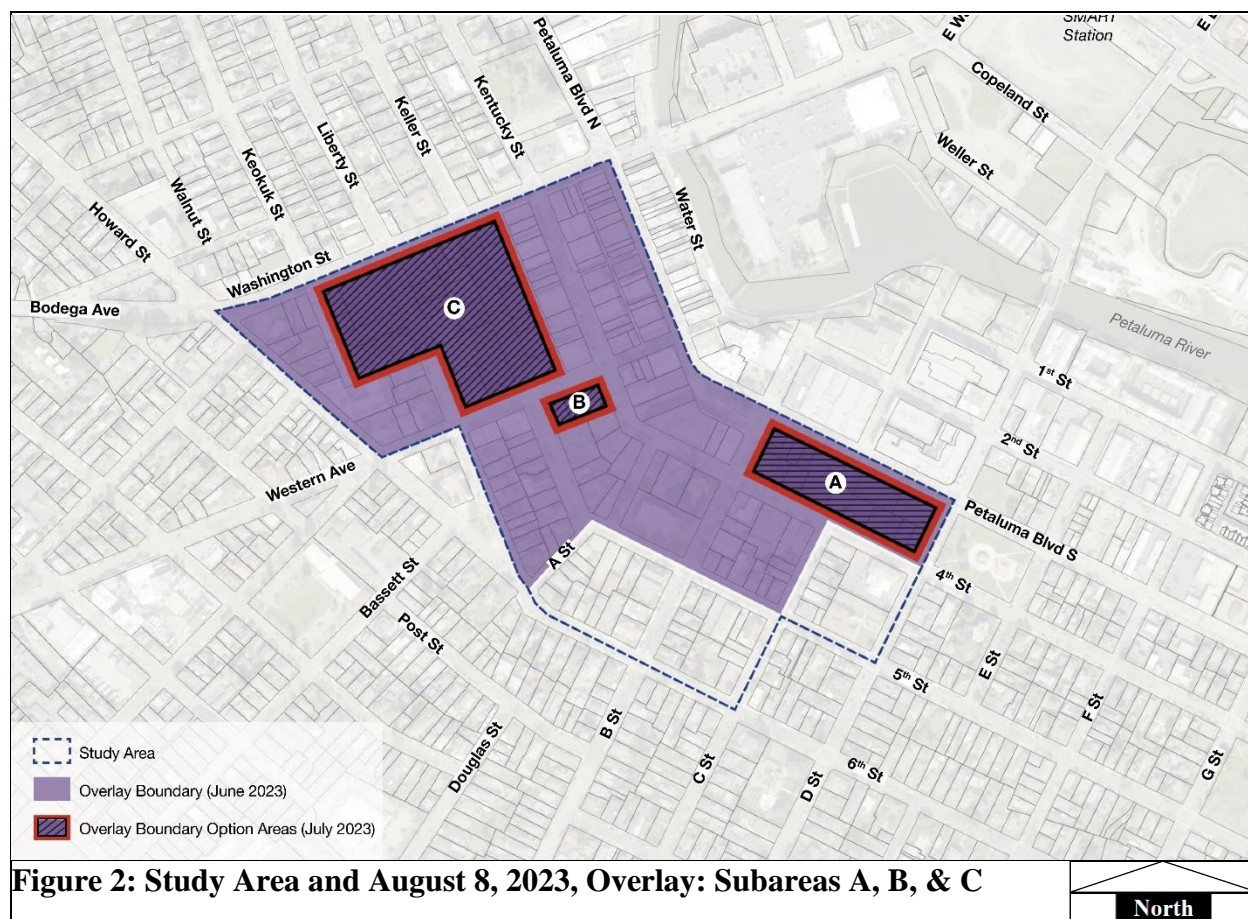
**Revision #1:** In August 2023, the proposed Overlay was revised to:

1. Reduce the area to be included in the Overlay. The scope of the Overlay was reduced to focus on under-utilized parcels<sup>4</sup>, avoid overlap with designated historic districts, and avoid

<sup>4</sup> “Under-utilized parcels” refers to sites that have potential for redevelopment/increased development intensity and the ability to add to the sense of place within Downtown. They include vacant lots and structures, and low-density developments on lots dominated by parking. The designation as an opportunity site doesn’t reflect current commercial activity; instead, it reflects the degree to which the site is developed.

the residential areas that were included in the original proposal. The reduced Overlay focused on three smaller areas, depicted as Subarea A, B, and C, in Figure 2 below.

2. Require Discretionary Approval of a Conditional Use Permit (CUP) for any building above 45 feet. Require discretionary approval of a conditional use permit (CUP), with specific findings, to allow a building to be constructed above 45 feet.



For the August Study Session, staff released a *Frequently Asked Questions* document to provide a comprehensive and consolidated response to various questions and comments presented by the PC, HCPC, and the community. This FAQ is available as **Attachment H** to the staff report and is published on the [Overlay](#) project webpage. Included in the FAQ are the following:

1. What is a Zoning Overlay?
2. Why is a Zoning Overlay being reviewed?
3. Why discuss the proposed overlay through a study session?
4. Is the overlay document the applicant's or the City's?
5. Why can an applicant request a change to the General Plan or Implementing Zoning Ordinance?
6. Why now, before the General Plan Update?



7. How does the timeline for the General Plan Update relate to the timeline for this overlay's review?
8. Why not apply for a Variance instead?
9. Why not rezone the hotel project site to a Planned Unit Development (PUD)?
10. Why not focus the amendment on just the Mixed Use Classification set by the General Plan and Mixed Use 2 development standards set by the IZO?
11. Why not amend Chapter 12 to allow greater FAR instead of using an overlay?
12. How will parking be addressed?
13. Will the City require traffic and parking studies?
14. Portions of the Overlay would apply to parcels within the City Parking Assessment District. Would the hotel, or other new developments within the District contribute to the assessment district?
15. How has Petaluma's Downtown evolved and how has it continued to preserve the integrity of its Historic Resources?
16. Would the Overlay preserve Historic Resources?
17. Would the Overlay preserve existing residential buildings?
18. Does the City require story poles for new construction?
19. What are the economic benefits of the Overlay?

In addition, staff prepared exhibits to provide project information, associated development standards and other supporting information/documentation to the HCPC, PC and the public (each exhibit released in August is available [online](#)). The exhibits presented to the PC and the public in August included the following:

1. Overlay Opportunity Sites and Subareas
2. Subareas, Historic Districts & Residential Properties
3. Modification to Maximum Allowable Building Heights
  - 3.1. Building Height "By-Right" – 45 Feet
  - 3.2. Building Height with CUP – 60 Feet
  - 3.3. Building Height with CUP + Benefits – 75 Feet
4. Development Standards
  - 4.1. Overlay Proposed Development Standards
  - 4.2. Table 1 Illustrated Setbacks-Stepbacks General
  - 4.3. Table 2 Illustrated Confronting Residential Buildings
  - 4.4. Table 3 Illustrated Adjacent to a Historic Resource
5. Line-of-Sight/Section Drawings:
  - 5.1. Section Line-of-Sight Petaluma Boulevard South
  - 5.2. Section Line-of-Sight Kentucky and Keller Street
6. General Plan 2025 Consistency

7. General Plan 2025 Subareas
8. General Plan 2025 Land Use
9. IZO & Zoning Maps
10. IZO Overlays
11. Historic Context
12. Historic Design Guidelines

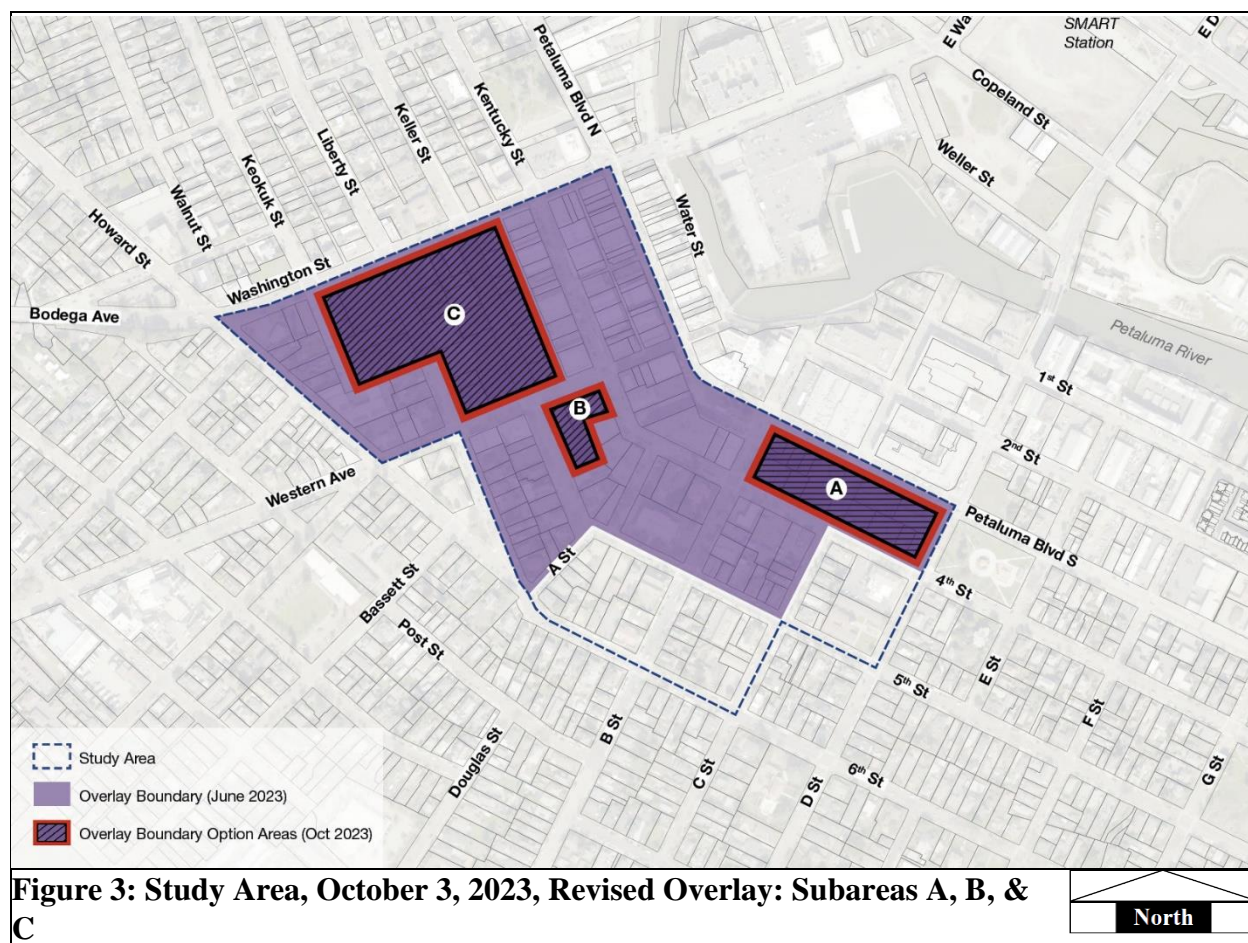
Following the August study session, the PC requested additional information regarding the following:

- Clearly describe how the proposed overlay aligns with the General Plan.
- Maintain analysis of all three subareas but define the character of each.
- Focus on Subarea B and C for housing development.
- Consider unique development standards for each subarea as appropriate to maintain unique character.
- Provide photographs for subarea orientation and gather parcel data.
- Identify potential impacts on historic districts, whether within designated districts or adjacent to resources.
- Provide and Review the Overlay's Historic Cultural Resource Report.

**Revision #2:** In October 2023, the Overlay was revised to:

1. Expand the boundary of Subarea B. The boundaries of Subarea B were expanded to include the entire parcel occupied by the Wells Fargo bank at 125 Western Avenue and not just the portion of the lot occupied by the bank building. Any exhibit that depicted the extent of Subarea B was modified to reflect this change.
2. Depict and Describe Pedestrian/Facade Activation Zones & Allow Ground Floor Residential Uses. Staff developed new maps to indicate opportunities for *Pedestrian/Façade Activation Zones* and *Ground Floor Residential Zones* to apply new land use and design controls for any new building within Subarea A, B or C.

The Exhibits originally presented to the Planning Commission in August were updated to reflect the revisions, and Exhibits 1 and 2 were revised, and new Exhibits 5 and 14 were presented to the HCPC in October. The Overlay presented to the HCPC for the October Study Session is depicted below in Figure 3.



The HCPC was informed that the preparation of the Parcel Inventory was underway and that the report would present the existing parcels located within the proposed Downtown Housing & Economic Opportunity Overlay within Petaluma's Downtown area and discuss its potential development.

The HCPC was presented with a draft Historic Cultural Resource Report (HCRR) for the Overlay. The HCRR presented an overview of Petaluma's downtown historic resources as well as presented all three subareas in a comparative manner. The October HCPC staff report (beginning at page 6) identified relevant policies and regulations, plans, studies, and special districts in Petaluma, provided an overview of the Historic Downtown Commercial District and its historic context, researched and analyzed the subareas, and offered conclusions and recommendations.

Revisions to the exhibits to update project information, development standards, and other supporting information/documentation were presented to the HCPC (each exhibit is available [online](#)). The updated or new exhibits presented to the HCPC and the public in October included the following:

1. Overlay Opportunity Sites and Subareas
2. Subareas, Historic Districts & Residential Properties
4. Development Standards

#### 14. Pedestrian/Facade Activation & Ground Floor Residential Uses

**Revision #3:** In preparation for this hearing, the Overlay was further revised to:

1. Update the review criteria for buildings above the by-right 45-foot height limit (Attachment I, Exhibit 3). The by-right height limit would remain at 45 feet, but the review criteria to allow for height above 45 feet, via a Conditional Use Permit findings and additional review criteria were revised to better address concerns and compatibility with historical resources.
2. Finalize the Development Standards (Attachment I, Exhibit 4). The development standards table was updated to reflect the development standards that will be included in the IZO.
3. Simplify and correct the Setback and Stepback Tables (Attachment I, Exhibit 4.1). The tables were revised to remove references to the setback standards that are provided in Exhibit 4 and the interior side stepbacks were removed to reflect changes made to the Overlay.
4. Require a CUP to increase Lot Coverage above 80%. To provide for more flexibility for the City to improve the pedestrian experience and to better reflect the varied development pattern within the Overlay, lot coverage above the existing limit of 80% would now require a Conditional Use Permit, irrespective of the building's height. The findings to allow more than 80% lot coverage may be found in Attachment I, Exhibit 4.5.
5. Refine and provide development standards for the Pedestrian/Facade Activation Zones & for Ground Floor Residential Uses (Attachment I, Exhibit 14). To promote residential uses within the Overlay, multi-family residential would be allowed as a permitted use on the ground floor in any portion of a parcel that is not mapped as part of the Pedestrian/Facade Activation Zone for all Subareas, and not just Subarea C as reported to the HCPC on October 3, 2023. In addition, new development standards would apply to new buildings and uses within the Pedestrian/Facade Activation Zones to require minimum glazing/window requirements for ground floor facades, limit window signage and blank walls and set height limits for interior partitions or shelving.

To reflect the changes noted above, several exhibits were updated, and one new exhibit was created to update for review and consideration by the PC and HCPC at this meeting:

3. Modification to Maximum Allowable Building Heights - Updated
  - 3.2. Building Height with CUP – 60 Feet - Updated
  - 3.3. Building Height with CUP + Community Benefits – 75 Feet - Updated
4. Development Standards - Updated
  - 4.1 Overlay Proposed Development Standards - Updated
  - 4.5. Lot Coverage - New

#### 14. Pedestrian/Facade Activation & Ground Floor Residential Uses - Updated

Aside from the Exhibits listed above, all other Exhibits are the same as originally presented in October (please refer to **Attachment I**, to view the exhibits). In addition, to document all changes made to date, a new report was prepared that is intended to replace the Petaluma Building Form

Overlay Proposal in Downtown that was presented to the City in May 2023. The new document, the “Downtown Housing & Economic Opportunity Overlay”, may be found in **Attachment J**.

***Downtown Overlay Market and Development Impacts Assessment and Fiscal Analysis of City Revenues Associated with the Proposed Hotel Project***

Responding to requests from Planning Commission to better understand potential economic benefits to be gained by adoption and implementation of the proposed Overlay, the City hired Strategic Economics, an independent consultant who is also providing economic and market analyses for the General Plan Update, to prepare a market and development impacts assessment of the proposed Overlay, as well as a fiscal analysis of City revenues associated with the proposed Hotel project (see **Attachment K**).

The assessment considers how the Downtown Overlay may function as a regulatory incentive provided by the City to support preferred development at specific locations. While market factors will determine development in the Overlay and are hard to predict, the assessment determined that as a regulatory incentive, the Downtown Overlay can potentially support the City’s existing goals and policies while not requiring direct use of City budget resources for implementation, and it will increase the likelihood for residential and commercial development. With regard to the potential for Housing, Office, and Hotel land development activity, the assessment concluded that:

- A greater diversity of housing products may become financially feasible in Downtown Petaluma in the future—especially if multi-modal/active transportation, placemaking, and private amenity improvements enhance the area’s desirability as a residential neighborhood.
- Despite this challenge [cost of construction], the Downtown Overlay will provide greater long-term flexibility for housing developers and will increase the likelihood that a residential product would be built when development conditions improve.
- Although development of new office space in Petaluma is likely to occur slowly, Downtown Petaluma does have potential to capture future demand based on its transportation (SMART Downtown Station) and retail amenities.
- Infill office development projects must be customized for the needs of targeted tenants; the Downtown Overlay would provide greater flexibility to accommodate evolving demand and opportunities.
- Additional height, lot coverage, and FAR are especially likely to benefit hotel development in Downtown Petaluma, as construction costs per square foot of building area are likely to remain consistent or decline as infill hotel buildings increase in size.
- The larger building size enabled by the Downtown Overlay also increases the likelihood of hotel development by enabling the creation of a hotel that may be more efficient to operate and more likely to attract different operators over time.

Additionally, Strategic Economics evaluated and estimated the Hotel project’s expected impacts on the City of Petaluma’s tax revenue based on an independent market assessment and analysis of the project’s potential value and revenue generation. It provides an overview of relevant Petaluma



hotel market indicators, followed by an analysis of expected value and revenue generation for the EKN Appellation project, and an analysis of associated Petaluma tax revenues. The report concludes with a comparison of its overall findings to the applicant's estimates of tax revenue. The analysis concludes that the Hotel project could be expected to generate over \$550,000 of Transit Occupancy Tax (TOT) revenue for the City each year, equating to \$2.8 million every five years and \$13.8 million over the course of 25 years. Additionally, the hotel project is expected to generate \$100,000 per year in sales tax and \$55,000 per year in property tax revenue for the City of Petaluma.

***Proposed Downtown Housing & Economic Opportunity Overlay Parcel Inventory Report, November 2023 (Parcel Inventory Report)***

During the August study session, Planning Commissioners inquired about the condition of individual structures or developed sites within the subareas. Staff acknowledged the need for additional documentation regarding the parcels and the need for data-driven analyses to guide decision-making. Accordingly, staff developed the Parcel Inventory Report as a tool to guide decision-making (**Attachment L**). The Parcel Inventory Report presents data and summarizes an analysis of existing development as compared to potential development under existing regulations for parcels in the proposed Overlay's subareas. It finds that 85% of the parcels are either underdeveloped or moderately developed, while 15% comprise a more "fully developed" level of land use.

The Parcel Inventory Report integrates quantitative and qualitative analyses of existing development and land use data based on a methodology for ranking parcels and acreage in three categories: Underdeveloped (score = 0-3), Moderately Developed (score = 4-6), and Fully Developed (score = 7-9). These scores are derived from Lot Coverage, Building Stories, and Land Use characteristics exhibited on the parcels. The methodology used to collect, analyze, and present findings of the parcels in the proposed subareas included, (1) identifying essential land use and development characteristics to guide data collection, (2) developing an inventory of existing development using the data points, and then (3) analyzing these data using a scoring matrix.

The Report finds that 35% of the parcels are Underdeveloped, 50% of the parcels are Moderately Developed, and 15% percent of the parcels are more developed, although no parcel reached the highest level in the "Fully Developed" category. On acreage basis, approximately 21.7% of the land area in the Overlay is underdeveloped, 63.3% is moderately developed, and 15% is more fully developed. These results are summarized in Table 1 below:

<b>Table 1</b>
<b>Parcel Inventory Report: Findings Summary</b>

Development Category	Parcel Percent	Acreage Percent
Underdeveloped	35%	21.7%
Moderately Developed	50%	63.3%
Fully Developed	15%	15%

Development varied by subarea in the proposed Overlay. The findings by subarea are summarized as follows:

- **Subarea A Findings:** This Subarea had the lowest rate of parcel utilization, with 61% of parcels and 41% of total land area in the Underdeveloped category.
- **Subarea B Findings:** This Subarea had a moderate rate of parcel utilization, with 100% of parcels and land area scoring more than 3 but less than 6.
- **Subarea C Findings:** This Subarea had the highest rate of parcel utilization out of the three subareas, with 24% of parcels and 13% of total land area scoring 3 or less.

A summary of additional findings is below:

- **Lot Coverage:**
  - 62.5% of parcels have lot coverage of less than 50% of their land area
  - 32.5% of parcels have lot coverage of 25% or less
  - 25% of all parcels have lot coverage of more than 75%
- **Building Stories:**
  - None of the parcels are developed with 3-story structures, the maximum allowed according to the IZO
  - Approximately 25% of parcels are vacant and do not have building heights
  - Approximately 47% of all parcels have single-story buildings
  - Approximately 27% of the study area contain 2-story structures
- **Land Use:**
  - No parcel exhibits Mixed Use characteristics, as permitted or conditionally permitted by the IZO
  - Approximately 67% include only commercial uses
  - Approximately 10% are used exclusively as surface parking lots
  - *Approximately 22% do not support any uses*

A Historic and Cultural Resource Report (HCRR) dated September 22, 2023, prepared by Diana Painter, an architectural historian, preservation planner, and urban designer, and Principal at Painter Preservation, was prepared and submitted by the applicant team. This report was presented along with proposed Overlay Subareas A and B to the HCPC at the study session on October 3, 2023. Revisions to the HCRR, dated November 7, 2023, completed in response to HCRR peer review feedback are available as **Attachment M**, and the peer review, discussed in the following section, is available as **Attachment N**.

Recommendations and considerations provided by the HCRR report (original and revised) are consistent and are listed below. The recommendations of the HCRR are shown in *Italics*, followed by Staff analysis and response.

#### HCRR Recommendations:

1. *Conduct a reconnaissance-level survey of the overlay subareas to better review and address potential impacts to historic properties within the overlay.*

The General Plan 2025 Policy 3-P-1.D recognizes the need for surveys to identify historic resources and calls for “conduct a comprehensive, city-wide survey of historic and cultural resources for the purpose of creating a historic resource inventory.” Combined, the HRCC Overlay subarea research and the Parcel Inventory Report provide the initial history and data of the parcels and establish a general understanding of the subareas’ parcels and existing structures. For instance, the combined research results ascertained that all development in Subarea A is age-eligible (+45-50 years old) and would require further evaluation should development be proposed. A Site Plan and Architectural Review (SPAR) or Historic SPAR discretionary entitlement would be required for any proposed development within the Overlay, and appropriate historic context and compliance reviews are required submittal information.

2. *Historic Resource Evaluations (HREs) or intensive-level surveys should be prepared for properties that are targeted for redevelopment or rehabilitation, as well as adjacent properties when relevant.*

Future development reviews for individual projects within the overlay would still include the review and evaluation of eligible historic resources as they would be identified and addressed accordingly through the CEQA review procedures and through the discretionary review via SPAR or an H-SPAR.

#### HCRR Considerations for Discussion Purposes Only:

3. *Consider an amendment to the Central Petaluma Specific Plan that includes the two-block Overlay A that is being considered as part of the Downtown Housing and Economic Opportunity Overlay, rather than adopting this overlay as a freestanding overlay area. The ensuing development standards could be crafted to be consistent with the vision presented for the Downtown Housing and Economic Opportunity Overlay, distinct from the present standards for other subareas in the CPSP. This could have the advantage of 1) incorporating the type of standards found in this document that have been vetted by the public; 2) incorporating the measures to protect historic resources that are present in the SmartCode in Chapter 7: Historic Resource Conservation & Preservation; and 3) would require that new development in the proposed overlay be subject to a Certificate of Appropriateness (COA), as stipulated in the SmartCode.*

The proposed Overlay development standards reflect similar development design standards associated with the Central Petaluma Specific Plan. IZO Chapter 15: Preservation of the Cultural and Historic Environment includes measures to protect historic resources that are already similar to SmartCode Chapter 7. Please refer to the Discussion section of this Staff Report for discussion about the expansion of the Central Petaluma Specific Plan/SmartCode boundary to include proposed Overlay subarea(s).

4. *Consider requiring compliance with the Petaluma Historic Commercial District Design Guidelines, including the Secretary of Interior's Standards, for any redevelopment projects proposed in the Downtown Housing and Economic Opportunity Overlay area. This would have the advantage of ensuring that redevelopment adjacent to the Downtown Commercial Historic District is subject to the same protective measures as properties in the historic district.*

New developments or alterations to existing buildings or sites within the Historic Commercial District will continue to be guided by the Historic Commercial District Design Guidelines and the Secretary of the Interior Standards for the Treatment of Historic Buildings. New development or alterations to existing buildings or sites adjacent to the Historic Commercial District, that involve a building height of more than 45 feet, will be subject to consideration of the potential impact on onsite or adjacent resources per the findings that will be required by the Overlay, and in particular, the finding “That the additional height would not cause an adverse change in the significance or integrity of a historical resource that is onsite or adjacent to the site” to the evaluation criteria for development proposed in excess of 45 feet in height.

5. *Require a viewshed analysis of views from historic resources to redevelopment projects in the Downtown Housing and Economic Opportunity Overlay area as part of the permitting process. Note that this can already be done in conjunction with redevelopment but should be carefully defined on a case-by-case basis to take into account views from individually designated historic properties on adjacent or nearby parcels and key points in surrounding historic districts to any redevelopment proposal.*

As described in the October 3, 2023, HCPC study session staff report (**Attachment G**, pages 9-10), documentation, including viewshed analysis, renderings, sections, and line-of-site drawings, providing visual and data representations of the proposed development

within its context, and illustrating adjacent structures, landscape, materials, lighting, etc. are being required from the proposed Hotel project. As recommended by the HCRR, Conditional Use Permit development review criteria in the proposed Overlay require visuals to appropriately represent the “compatibility” of the proposed development as part of the SPAR or HSPAR discretionary review.

6. *The demolition ordinance should be amended to apply to properties 45 years old or older and that may be historic resources, rather than resources that were constructed in 1945 or earlier. This is consistent with CEQA’s definition of age-eligibility for potential historic resources, with the exception that an additional five years has been added to the standard 50 years or older to account for the time it takes for a redevelopment project to be realized.*

The proposed Overlay does consider development standards review criteria, continues the SPAR and H-SPAR discretionary review process, and does not interfere with the CEQA review process for proposed new development within the Overlay. The City’s Demolition Resolution No.2017-122 N.C.S, directs that all requests for demolition of structures built in 1945 or earlier shall require discretionary review and approval prior to the issuance of an associated building permit. Ancillary structures such as garages, sheds, and other small outbuildings, not including barns, built in 1945 or earlier, existing on lots developed with single-family uses shall be exempt from this policy and procedure. Procedurally, staff apply the demolition ordinance to properties 45 years old or older that may be historic resources, and future amendments directed by the City’s Certified Local Government application will provide a regulatory pathway to codify this procedure.

Requests for demolition will be subject to the applicable provisions of the CEQA. The applicable provisions in Chapter 15 (Preservation of the Cultural and Historic Environment) of the IZO and Section 7 of the SMART Code (Historic Resource Conservation) also remain in effect. In addition, the IZO Section 15.060, applications for demolition permits shall be referred to the HCPC for review and determination, when the Director determines that a structure has potential historic or cultural significance.

7. *The Historic Resources Background Report for the General Plan Update has suggested that “Additional historic resources surveys should occur prior to adopted an updated housing site inventory or identifying specific sites for increased densities to ensure that there is a clear understanding of how these policy decisions may impact eligible historic resources.” This has been recommended as part of this HCRR.*

The proposed Overlay project includes applicant-initiated General Plan and Zoning Text Amendments. Planning applications are reviewed and presented to the appropriate committees as part of the discretionary review process.

The General Plan Update is an ongoing, multi-year Citywide initiative. While it is one of the primary tools for long-range planning, there are other mechanisms such as zoning overlays. The proposed Overlay responds to existing General Plan policies as well as vision and policy frameworks for the 2040 General Plan that are being discussed with the General Plan Advisory Committee. Moreover, the proposed Overlay has a sunset clause requiring that “Unless otherwise rescinded by a majority vote of the City Council, this ordinance



shall expire on the (i) adoption of a Zoning Ordinance that implements the 2040 General Plan.”

The City contracted with First Carbon Solutions to peer review the original HCRR prepared by Diana Painter. First Carbon Solutions peer review dated November 1, 2023 (Attachment N) including the following recommendations in *Italics*, followed by Staff analysis and response.

*1. That the report include industry-standard baseline records search results.*

The HCRR recommends that HREs or intensive-level surveys be prepared for any property for which redevelopment or rehabilitation is proposed. This more intensive analysis would include developed adjacent properties when existing adjacent development may influence the proposed site and/or building design or when the potential for negative impacts from new development needs to be analyzed. Any future development proposed within the Overlay subarea will continue to be subject to CEQA review procedures through the City’s discretionary review. The HCRR is neither intended nor required to be a reconnaissance-level survey; therefore, it does not include full records search results as part of its scope. The HCRR revision includes the following statement related to search results (refer to **Attachment M**, pages 2-3).

“Note that a formal records search, including a records search conducted at the Northwest Information Center (NWIC) and a review of the state’s Built Environment Resource Directory (BERD), was not undertaken as a part of this project report. A reconnaissance-level survey of the properties within and adjacent to the Overlay Subareas was not undertaken, and full evaluations (intensive-level surveys, including Historic Resource Evaluations) were also not undertaken, as they were beyond the scope of this programmatic-level HCRR. This type of background research and current evaluations will be required as part of project-level proposals as they occur in the Overlay Subareas and will be defined by City staff to meet CEQA requirements to minimize impacts to historic resources.”

*2. That the report offers a clear discussion of the State and local regulatory frameworks that drive decisions the City makes concerning historical resources.*

While the scope of the HCRR did not include an in-depth discussion about the regulatory framework on historical resources, the City has a standard review process that applies and is subject to CEQA. This regulatory framework includes the General Plan, the IZO, and the Central Specific/SmartCode and can be accessed on the City’s webpage.<sup>5</sup>

*3. That the report clearly addresses what the City needs to do to avoid, reduce, or mitigate impacts to historical resources.*

The HCRR’s recommendation for providing an HRE to avoid, reduce, and mitigate impacts on historical resources is reflected in the mitigation measures in the City’s Public Draft Initial Study/Mitigated Negative Declaration (MND) (**Attachment A, Exhibit 1**, pages 110 -113). Furthermore, any future project within the Overlay would be evaluated for

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<sup>5</sup> City of Petaluma’s Planning Zoning Codes and Maps are available on the city website. Available at: <https://cityofpetaluma.org/planning-zoning/>

impacts on existing historical resources as projects will continue to be subject to CEQA review and through the discretionary review via SPAR or an H-SPAR.

## **DISCUSSION**

As referenced above and as discussed in greater detail below, the project is subject to the following standards of review:

1. City of Petaluma General Plan 2025
2. Implementing Zoning Ordinance:
  - a. [Chapter 15 \(Preservation of the Cultural and Historic Environment\)](#)
  - b. [Chapter 25 \(Amendments\)](#)
3. Historic Commercial District Design Guidelines

The purpose of this section is to provide an analysis of the proposed project's consistency with goals and policies contained in adopted plans and applicable regulations contained in the Petaluma Municipal Code, including the Implementing Zoning Ordinance.

Adoption of the Overlay is a discretionary action and is subject to review under CEQA. In compliance with CEQA guidelines an Initial Study/Mitigated Negative Declaration was prepared and is included for review and recommendation as part of this review. The IS/MND does include environmental analysis of the proposed overlay and the proposed hotel project. The IS/MND is attached to this report as an Exhibit to **Attachment B** and discussed below in the Environmental Review section.

### ***General Plan 2025***

Most of the proposed Overlay is located within the Downtown Subarea of the General Plan, which is characterized by the historic buildings, Petaluma River, and pedestrian scale environment. The General Plan envisions preserving and enhancing the character of the downtown to create a vibrant mixed-use center with retail, restaurants, public uses, professional offices, and opportunities for residential uses. Portions of Subarea C of the proposed Overlay are located within the East Washington Corridor Subarea of the General Plan, which is characterized by low-intensity, single-story, automobile-dependent uses. The General Plan envisions this subarea with a mix of high-intensity land uses and streetscape improvements that accommodate automobiles while orienting toward pedestrians.

The General Plan seeks to maintain a balanced land use program that meets the long-term needs of the community by providing opportunities for all types of uses, including residential, employment, retail, institutional, recreational, and open space (Goal 1-G-1). The proposed Overlay is consistent with several policies intended to achieve this goal. The Overlay will:

- Allow for increased FAR, height, and lot coverage which promotes the efficient use of land through infill development at equal or higher density and intensity as surrounding uses (Policy 1-P-2);
- Encourage mixed-use development in the downtown area, thereby increasing access to existing transit (Policy 1-P-6); and

- Encourage redevelopment of underutilized sites thereby providing flexibility in building form and allowing for the ability to change over time (Policy 1-P-7).

The Overlay component of the project will also contribute to advancing downtown as a focus of activity, will retain pedestrian orientation, and will continue to preserve and enhance buildings of historic and architectural importance (Goal 2-G-3).

- The Overlay will allow for increased intensity of building form, thereby promoting development and intensification of downtown as a visitor destination and neighborhood retail center (Policy 2-P-14).

Goals and policies that seek to intensify development in the downtown are also consistent with Policy 4-P-7 of the Petaluma General, which aims to reduce motor vehicle air pollution as well as state and regional plans and policies, such as Plan Bay Area 2050, which aim to reduce GHG emissions through transit-oriented development.

Goal 3-G-1 of the General Plan seeks to maintain the historic character and identity of the community through the implementation of associated policies (3-P-1, 3-P-5, 3-P-6), which aim to protect historic and archaeological resources, ensuring their protection is a key consideration during the development review process, and ensure that new development adjacent to historic and cultural resources is compatible. As proposed, the Overlay includes controls to ensure that new development facilitated by the Overlay will not negatively impact historic resources, including requiring development- and site-specific documentation that the proposed development complies with the Petaluma Historic Commercial District Design Guidelines, meets the Secretary of Interior's Standards, and demonstrates the impact of views from historic resources to the proposed project. Additionally, new development will be subject to discretionary site plan and architectural review (either H-SPAR or SPAR) as well as CEQA, which analyzes impacts to both aesthetics and historical resources. Additionally, the Mitigated Negative Declaration requires the following mitigation measures to address potential impacts related to the Overlay:

**OVL AES-1:** Upon application of Site Plan and Architectural (SPAR), all development projects located within the Downtown Housing & Economic Opportunity Overlay shall submit the following:

- Documentation that the proposed development complies with the Petaluma Historic Commercial District Design Guidelines.
- Documentation that the proposed development meets the Secretary of Interior's Standards.
- Viewshed analysis depicting views of historic resources relative to the proposed project. Locations of viewshed(s) shall be confirmed on a case-by-case basis through the development review process. At a minimum, individual development proposals shall include a viewshed analysis from locations where historic resources are highly visible (e.g. Petaluma Blvd., Western Ave, 4<sup>th</sup> St/Kentucky St, B St, Washington St) and may be subject to a shade/shadow study.

**OVL C/TCUL-1:** Historic Resource Evaluation(s). Upon submittal of site-specific development proposals for sites located within the Downtown Housing & Economic Opportunity Overlay that contain structures 50 years or older, a Historic Resource

Evaluation, or equivalent analysis, shall be submitted. The analysis shall provide information related to the structure(s) eligibility for listing as a historic resource pursuant to federal, state, and local criterion. If the analysis concludes that the structure(s) is/are eligible for listing, an integrity analysis shall also be conducted.

**OVL NOI-1:** As part of the completeness review associated with future site-specific development proposals within the Downtown Housing & Economic Opportunity Overlay, a noise study, including field measurements, shall be submitted to the City of Petaluma, Community Development Department for review and acceptance. The noise study shall include an analysis of impacts associated with construction and operation, a discussion of groundborne vibration impacts during construction using the thresholds published by Caltrans, and recommendations to reduce noise impacts shall be included in the noise study and incorporated into final plans for site-specific developments.

Future development facilitated by the Overlay will be subject to independent discretionary review through the SPAR/HSPAR and CUP process, which would trigger project-specific CEQA analysis, ensuring consistency with General Plan policies that seek to avoid or mitigate environmental effects related to air quality and greenhouse gas emissions (policies 4-P-16 and 4-P-24), geological hazards (Policy 10-P-1), noise (Policy 10-P-3), and hazardous materials (Policy 10-P-4).

Accordingly, the proposed Overlay is consistent with the General Plan.

### ***Housing Element, 2023-2031***

The 2023-2031 Housing Element and Addendum to the 2015-2023 Housing Element Negative Declaration (SCH# 2014102018) was adopted by the City Council on March 20, 2023 (Resolution No. 2023-038) and subsequently certified by the California Department of Housing and Community Development (HCD) on May 18, 2023. The updated Housing Element identifies goals, policies, and programs to implement the Housing Element and meet the overall intent of facilitating housing development and increasing housing equity over the 8-year planning period.

The proposed Overlay is consistent with several of the goals outlined in the Housing Element in that it provides additional opportunities for residential development (Goal 1) and helps to remove development constraints to providing housing in Petaluma's core near transit and services (Goal 2). Furthermore, the proposed Overlay would promote residential development near transit and services (Policy 1.1), encourage infill housing development near transit and services to support city climate goals (Policy 1.3) and encourage residential development at the upper end of the density range (Policy 1.5).

### ***Implementing Zoning Ordinance***

The proposed Overlay does not modify the existing base zoning of any of the parcels within the boundaries of the three subareas. The Overlay will be layered on top of or added to the base

zoning, similar to how the City has applied the historic overlays for properties within locally designated historic districts or designated individual landmarks.

Chapter 5 of the IZO includes a discussion of all of the City's existing overlay zones and stipulates that the chapter "provides standards that apply to proposed development in addition to the requirements of the primary zone where important site, environmental, safety, compatibility, or design issues require particular attention to project planning." The City already has several overlays codified in the IZO, such as the "Flood Plain Overlay," "Historic District Overlay," "Theater District Overlay," and the recently added "Senior Mobilehome Overlay."

The creation of a new overlay to be added to IZO Chapter 5 requires approval of a Zoning Amendment subject to the provisions of IZO Chapter 25. Most specifically, this chapter stipulates that a proposed amendment is subject to Planning Commission review and recommendation to the City Council. Because four of the parcels contained within the proposed Overlay are also within the designated Petaluma Historic Commercial District, IZO Section 15.020.A.6 provides that the HCPC make a recommendation to the PC on all applications for zoning amendments related to preservation-related items.

Prior to making a recommendation to the City Council on a Zoning Amendment, the PC must make findings that the proposed amendments are in conformance with the General Plan and consistent with the public necessity, convenience, and general welfare (IZO Section 25.050.B). As outlined in the draft resolution atin **Attachment C** and as required by IZO Section 25.050.B, the amendment would further the public necessity, convenience, and general welfare because the added density and floor area allowed by the Overlay will allow for intensification in the city's downtown, increase opportunities for housing and mixed-use developments in proximity to transit and be consistent with state and regional plans and policies, such as Plan Bay Area 2050.

In the event that the PC does not have the needed affirmative votes to approve a resolution recommending approval of the proposed amendment, this "lack" acts as a "denial" that will terminate the amendments unless appealed to the City Council.

### ***Historic Commercial District Design Guidelines***

Because the proposed boundary of the Overlay in Subarea A and B include parcels within the Petaluma Historic Commercial District, IZO Section 15.020.A.6 directs the HCPC to make a recommendation to the PC regarding the proposed amendments specifically based on the potential impacts to historic resources. In summary, the adoption of the Overlay requires approval of a General Plan Amendment, a Zoning Map Amendment, and a Zoning Text Amendment, all three of which are at the discretion of the City Council. Prior to action by the City Council, the HCPC would need to make a recommendation to the Planning Commission (regarding historic resources), and then PC would need to make a recommendation to the City Council (regarding all amendments). In addition, each amendment requires that the PC make affirmative findings of conformance with the Petaluma General Plan and consistency with the public necessity, convenience, and general welfare. The City Council would need to make the same findings prior to ultimate adoption.



The Historic Commercial District was listed on the National Register of Historic Places (NR# 95000354) on March 31, 1995, and adopted as a City Landmark with a Historic Overlay Zoning on September 7, 1999. The district continues to exhibit a period of significance spanning from 1854 to 1945, featuring prominent architectural styles such as Late Victorian, Italianate, and Streamline Moderne. As noted within the National Register form, the buildings within the district demonstrate district unity by their built lot lines composition, storefronts with recessed entrances and flanking display windows, flat roofs with parapets, and elaborate ornamentation.

At the time of establishing the historic district, it was recognized that there was a need to provide direction to property owners before the remodeling or alteration process began. The Historic Commercial District Design Guidelines are intended to encourage the maintenance of historic structures in their original form, the rehabilitation of previously remodeled structures to return them to their former historic appearance, along encouragement of preservation, adaptive use, and enhancement of buildings and streetscapes within the Downtown. Within the Historic Commercial District Design Guidelines, guidelines for the construction of new buildings on vacant lots, including infill development, in the downtown area for proportions of the façade, composition, detailing, materials, colors, and building setback.

The proposed Overlay includes four parcels within the Historic Commercial District. Three parcels are in Subarea A, and one parcel is in Subarea B. Subarea C is also adjacent to the Historic Commercial District. Proposed developments within the historic district will continue to be guided by the historic district guidelines and the Secretary of the Interior Standards for the Treatment of Historic Buildings, in addition to meeting the proposed Overlay development criteria for the allowable maximum height with a CUP. While these 4 parcels are within the Historical District, none of the parcels themselves are considered historical or contributors to the district.

### ***Priority Development Area***

Senate Bill 375 (SB 375), also known as the Sustainable Communities and Climate Protection Act, was adopted in 2008 and seeks to coordinate transportation, housing, and land use planning, thereby reducing Greenhouse Gas (GHG) emissions by limiting urban sprawl and vehicle miles traveled. Under SB 375, each Metropolitan Planning Organization (MPO) in California must prepare a Sustainable Communities Strategy (SCS) to identify land use, housing, and transportation strategies that would achieve California Air Resources Board targets to reduce GHG emissions. The Metropolitan Transportation Commission (MTC) is the MPO for the nine-county San Francisco Bay Area, which includes the City of Petaluma. Plan Bay Area 2050 is the region's SCS and was prepared as a joint effort between the MTC and the Association of Bay Area Governments (ABAG). The Plan identifies Priority Development Areas (PDAs), which are areas prioritized for investment, new homes, and job growth. Implementation of PDAs enhance mobility and economic growth by linking the location of housing and jobs with transit, thus offering a more efficient land use pattern around transit, reducing greenhouse gas emissions, and realizing a greater return on existing and planned transit investments.

The City of Petaluma contains two PDAs. A portion of the proposed Overlay is located within the Central Petaluma PDA, which aims to revitalize parts of the historic downtown by directing

development to underutilized land in the city’s historic downtown, allowing for greater diversity and intensity of uses.

### ***Central Petaluma Specific Plan/SmartCode***

The Central Petaluma Specific Plan (CPSP) and associated SmartCode were originally adopted by the City Council in 2003 and updated in 2013. These documents provide specific land use and development regulations for approximately 400 acres within the geographic heart of the city, adjacent to downtown (bounded by Lakeville Street to the north and east, Highway 101 to the south, and Petaluma Boulevard to the west). The Plan envisions Central Petaluma as a place where a wide range of new employment, housing, shopping, and entertainment activities develop in relative proximity to one another within a lively urban environment adjacent to the historic downtown and the Petaluma River.

Though the Downtown Housing & Economic Opportunity Overlay is not within the boundaries of the CPSP/SmartCode, it is located immediately adjacent and is, therefore, another important local context to consider based on its proximity. The intent of the Downtown Housing & Economic Opportunity Overlay is to facilitate housing development and stimulate economic development in the city’s downtown, which is complimentary to the following planning concepts outlined in Section 1 of the CPSP:

- Redirect growth into Central Petaluma
- Reconnect the City to and along the River
- Encourage diversity in transportation modes
- Enhance physical structure and identity
- Promote sustainable development

Development of the regulations proposed for the Overlay also considered existing form-based standards in the SmartCode, including the provision for increased height with discretionary review and some of the design standards applied to ground floor activation.

While the discussion above looks at consistency with adopted plans and regulations, a holistic discussion of the proposed Overlay would be remiss without reference to the numerous planning efforts in process in Petaluma. Although the efforts discussed below are not adopted plans or regulations, they are an important part of the community conversation happening in Petaluma and are a consideration when reviewing the Overlay.

### ***General Plan Update***

The City of Petaluma is currently in the process of updating the General Plan, which is anticipated to be adopted in 2025. The process of updating the General Plan includes multiple phases and is currently in the ‘Policy Development’ phase. The preceding phase, known as ‘Visioning,’ resulted in a Vision Statement to describe future conditions and characteristics of the city, Pillars to establish core community values, and Guiding Principles and Supporting Concepts to provide broad policy direction toward achieving the community’s vision for the future, with a specific focus on challenges and opportunities.

Though the updated General Plan has not yet been adopted, the process of updating this policy document is relevant to the proposed project as it is important to ensure that the Downtown Housing & Economic Opportunity Overlay would not be in opposition to the direction and vision being developed as part of the General Plan Update process.

The Guiding Principles and Supporting Concepts set forth in the Final Visioning Products, as recommended by the General Plan Advisory Committee (GPAC) and accepted by the City Council, that are particularly relevant to the proposed Overlay include the following:

- 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.
  - Recognize that infill development helps to achieve sustainability outcomes.
- Promote more affordable housing and a diversity of housing options.
  - Look for opportunities to re-purpose existing vacant or under-utilized buildings of all types.
- Prioritize infill development in appropriate locations throughout the City.
  - Avoid locating new development in environmentally sensitive and high-hazard locations.
  - Revitalize commercial corridors with a diverse mix of uses.
  - Support a diverse mix of uses and intensification around the existing and proposed SMART rail stations.
  - Prioritize development that creates full-service neighborhoods that generate relatively fewer vehicle miles traveled per resident.
- 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.
  - Reinforce Downtown's identity and role as the physical and symbolic center of the city.
  - 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.
  - Improve the pedestrian experience by making streets safer, cleaner, and more inviting for pedestrians. Consider making some Downtown streets pedestrian-only.
  - Increase and nurture the Downtown tree canopy.
  - Improve pedestrian and bicycle connections to and within the Downtown, especially along the river.
  - Improve the relationship between buildings, businesses and the riverfront.
  - Address traffic congestion and parking issues particularly as they relate to adjacent neighborhoods.
  - Develop creative parking strategies to reduce the real-estate demand for parking.
  - Protect the continuity of retail street frontages.
  - Encourage and facilitate outdoor opportunities for dining, retail, and other uses by downtown business.
  - Add public community gathering spaces, including riverfront spaces.

- Ensure all feel welcomed and culturally connected to the downtown.
- Honor, celebrate, and preserve Petaluma's heritage and historic character and its place in the modern city.
  - Preserve, enhance, and celebrate Petaluma's historic assets and districts as they contribute to the city's distinct identity and character.
  - Require that the design of infill development complement, respect, and honor the historic context of the city and individual neighborhoods while not building false imitations.
  - In historic districts and adjacent to historic buildings, adapt and reuse historic buildings, add new, context-sensitive buildings, and allow for the evolution of the city.
- Prioritize cycling, walking, transit, and other transportation alternatives over automobiles.
  - Work to reduce the use of automobiles, particularly those that burn gasoline.
  - Support a range of safe, attractive, practical, equitable, and carbon-neutral transportation alternatives with integrated land use and mobility strategies.
  - Support increased transit use by focusing development near existing and future transit facilities.
- Advance a forward-looking economic development strategy that focuses on diversity, opportunity, innovation, and resilience.
  - Recognize that economic development, self-sufficiency, and resilience are vital to the City's overall prosperity and fiscal health – and critical for accomplishing other City goals and programs.
  - Support the creative reuse of vacant and underutilized spaces to build the local economy and support other city goals and initiatives.
  - Achieve a jobs-housing balance in the city by expanding job opportunities that match the skills of residents, providing living-wage jobs and affordable housing, and encouraging new work models such as working from home or coworking.

While the proposed Overlay achieves many of the visions so far stated in the General Plan Update process, the proposed Overlay, as proposed, sunsets on the adoption of the zoning code that implements the General Plan Update. This will ensure that the Overlay expires if the Overlay components are not reflected in the General Plan Update.

### ***Blueprint for Carbon Neutrality***

The City recently released Blueprint for Carbon Neutrality, which provides a pathway toward the City's goal of carbon neutrality by 2030. Recognizing that this is an ambitious goal, the Blueprint contains 22 cornerstone actions that are critical to Petaluma's success in reducing greenhouse gas emissions and calls for immediate action by the community to respond to the climate emergency. The overall objective of the proposed Overlay is consistent with the overarching call to action in the Blueprint in that it provides an opportunity for infill development that increases density and intensity in the center of town in proximity to transit and services. This, in turn, decreases demand for greenfield development and in outlying areas that are dependent on automobiles.

### ***SDAT 15-Minute Neighborhoods***

In 2022 the AIA's Design Assistance Team completed a final report that presented a plan for achieving a more equitable and resilient Petaluma through improving mobility, increasing connectivity, creating 15-minute neighborhoods, and decarbonizing the community. This effort is directly aligned with any of the other efforts discussed above, including the General Plan Update, the Blueprint for Carbon Neutrality, and the Active Transportation Plan.

The proposed Overlay reinforces several of the recommended actions outlined in the SDAT final report, including the reimagining of Washington Street and prioritization of bike and pedestrian circulation. Additionally, the boundaries of the proposed Overlay subareas are within the 15-minute walk radius of several of the proposed nodes and would be served by and support the vision of the AIA SDAT report.

### ***Conclusion***

This section's analysis demonstrates that the proposed Overlay responds to, implements, or complies with the wide range of policy plans and regulatory documents adopted or under development as the City responds to the community's existing and forward-thinking visions for sustainable, thriving evolution.

## **PUBLIC COMMENT**

### ***Public Outreach and Public Comment***

On November 2, 2023, the applicant installed two signs on-site to inform the public of the upcoming meeting with the PC and HCPC. Pursuant to [IZO Section 24.100.B](#), each sign was at least 12 square feet in area and placed in a position most visible to the public along the Petaluma Boulevard South and B Street frontages.

On or before November 4, 2023, a notice of a public hearing was published in the Argus-Courier and mailed to all property owners and occupants in the study area and within 1,000 feet of the perimeter of the study area.

Public notice of the November 14, 2023, Public Hearing with the PC and HCPC was posted in compliance with the Brown Act and to solicit initial public comments.

Public comments received prior to the release of this report (November 7, 2023) may be viewed in **Attachment O**.

## **CASE STUDIES**

No case studies are provided as part of this staff report.

## **ENVIRONMENTAL REVIEW**

Consistent with CEQA, a Draft Initial Study/Mitigated Negative Declaration was prepared for the project (please refer to Attachment A). Pursuant to Section 15378 of the CEQA Guidelines, a

project means the whole of an action that has the potential to result in direct or indirect physical changes to the environment and under CEQA is not defined by separate governmental approvals. In determining whether a project will result in a significant environmental impact, the Lead Agency (City of Petaluma) must consider the whole of the action and not simply its constituent parts. In this case, the whole of the action consists of both the Downtown Housing & Economic Opportunity Overlay and the EKN Appellation Hotel<sup>6</sup>. To ensure compliance with CEQA, the Draft IS/MND analyzes both indirect physical changes associated with the proposed Overlay as well as direct physical changes associated with the proposed Hotel. Consistent with Section 15063 of the CEQA Guidelines, the City began preparation of an Initial Study, which resulted in a determination that the project (Overlay and Hotel) may result in significant environmental impacts. Based on this determination and consistent with this section of the CEQA Guidelines, the City of Petaluma as the Lead Agency, utilized technical studies and the previously prepared General Plan EIR to analyze the project at hand.

On October 13, 2023, the City published the Notice of Availability (NOA) on the City Project webpages for the Overlay and the Hotel, in the Petaluma Argus-Courier, filed the NOA with the Sonoma County Clerk, posted the NOA to CEQAnet, and mailed the NOA to all property owners and occupants in the study area and within 1,000 feet of the perimeter of the study area to inform the public and interested parties of the availability and opportunity to comment on the Draft IS/MND during the required 30-day public comment period commencing October 13, 2023, and ending November 13, 2023. The Draft IS/MND concluded that the project could result in potentially significant impacts related to Aesthetics, Air Quality, Biological Resources, Cultural/Tribal Cultural Resources, Greenhouse Gas Emissions, Geology & Soils, Hazards, Hydrology and Water Quality, Noise, and Transportation. Though potentially significant impacts were identified, the Draft IS/MND concluded that all project impacts would be mitigated to less than significant levels through the implementation of recommended mitigation measures as well as through compliance with existing Municipal Code requirements and City standards.

As detailed in Section 15074 of the CEQA Guidelines (Consideration and Adoption of a Negative Declaration or Mitigated Negative Declaration), an advisory body (in this case, the HCPC and PC), shall consider the proposed Mitigated Negative Declaration prior to making its recommendation. As further detailed in Section 15074, the decision-making body (in this case the City Council) is responsible for considering both the Draft IS/MND along with comments received during the public review process. While it is important for the HCPC and PC to consider public comments received to date related to environmental concerns, consistent with Section 15204(b) of the CEQA Guidelines, the focus of review should be on the proposed findings that the project will not result in significant environmental impacts, which includes recommended mitigation measures to reduce potentially significant impacts. Public comments on the Draft IS/MND will continue to be received through the 30-day public comments period and will be addressed, as appropriate, in a Response to Comments, which will be provided to the City Council along with a Final IS/MND at a future public hearing.

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<sup>6</sup> While the IS/MND considers both the Overlay and the EKN Hotel, approval of the IS/MND and the Overlay zoning amendments will not approve the EKN Hotel. If the IS/MND and the Overlay zoning amendments are approved, the EKN Hotel will require both a conditional use permit and H-SPAR permit, which are two separate discretionary actions that require specific findings from both the Planning Commission for the CUP and HCPC for the H-SPAR during a publicly noticed public meeting.



## **CITYWIDE GOALS & PRIORITIES**

The proposed Overlay is a commercial, mixed-use, and activity-driven project within the City's historic Downtown core, which supports and cross-references two out of five categories of City Council Goals, for an economy that prospers and spaces and places that inspire<sup>7</sup>. The proposed Overlay supports new development standards and guidelines to achieve a desired height of up to 75 feet when certain design standards are met, providing for compatible and appropriate development in the Downtown area.

Specifically, the Overlay is consistent with the following adopted City Council Goals:

- Goal #103      Prioritize and incentivize sustainable infill development.
- Goal #113      Facilitate the development of additional hotels where appropriate.
- Goal #114      Identify potential parking and transportation alternatives for Downtown.
- Goal #121      Identify and prioritize projects to upgrade and improve the Downtown, alleyways, and public spaces.
- Goal #120      Robust focus on the riverfront and river-oriented development, including redevelopment potential of the Golden Eagle Shopping Center and Water Street.
- Goal #135      Encourage temporary art installations and other types of public arts celebrations and partnerships with other arts and community organizations.

## **FURTHER RECOMMENDATION**

No further recommendations are proposed.

## **ATTACHMENTS**

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<sup>7</sup> City of Petaluma. *Goals and Priorities - Fiscal Years 2021-2023*. Five goals include (1) a city that works, (2) a safe community that thrives, (3) an economy that prospers, (4) our environmental legacy, and (5) spaces and places that inspire. Ongoing workplan available to review at: <https://cityofpetaluma.org/departments/city-goals-priorities/>

- Attachment A: Draft HCPC Resolution to Recommend that the PC adopt amendments to the Implementing Zoning Ordinance and Zoning Map, in reference to the parcels within the Petaluma Historic Commercial District and the proposed Overlay, with Exhibits.
- Attachment B: Draft PC Resolution to Recommend that the City Council adopt an Initial Study / Mitigated Negative Declaration (IS/MND) that was prepared in compliance with the California Environmental Quality Act (CEQA), with Exhibits.
- Attachment C: Draft PC Resolution to Recommend that the City Council adopt an amendment to the General Plan, with Exhibit.
- Attachment D: Draft PC Resolution to Recommend that the City Council adopt an amendment to the Implementing Zoning Ordinance and Zoning Map, with Exhibits.
- Attachment E: June 13, 2023, PC/HCPC Staff Report
- Attachment F: August 8, 2023, PC/HCPC Staff Report
- Attachment G: October 3, 2023, HCPC Staff Report
- Attachment H: Frequently Asked Questions, published on August 2, 2023
- Attachment I: Exhibits 1-14
- Attachment J: November 2023, Downtown Housing and Economic Opportunity Overlay
- Attachment K: Memorandum: Downtown Overlay Market and Development Impacts Assessment and Fiscal Analysis of City Revenues Associated with the Proposed Hotel Project, dated November 7, 2023, prepared by Strategic Economic
- Attachment L: Proposed Downtown Housing & Economic Opportunity Parcel Inventory Report, dated November 2023
- Attachment M: Historic Cultural Resource Report, dated September 22, 2023, revised November 7, 2023, prepared by Painter Preservation
- Attachment N: Peer Review of Historic Cultural Resource Report, First Carbon, received and dated November 1, 2023
- Attachment O: Public Comments Received Prior to November 7, 2023