



DATE: February 24, 2025

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

FROM: Brian Oh, Director of Community Development
Olivia Ervin, Principal Environmental Planner
Greg Powell, Principal Planner

SUBJECT: Resolution to Certify the Final Environmental Impact Report (Final EIR) for the Downtown Housing and Economic Opportunity Overlay and EKN Appellation Hotel Project (SCH No. 2024040565).

Resolution to adopt a General Plan Amendment to increase the allowable Floor Area Ratio for areas within the Downtown Housing & Economic Opportunity Overlay from 2.5 to 6.0, together with related Findings of Fact and the Mitigation Monitoring and Reporting Program (MMRP).

Introduction (First Reading) of an Ordinance Amending Chapter 2 of the Petaluma Implementing Zoning Ordinance (IZO) to add the Downtown Housing and Economic Opportunity Overlay to the list of Overlay Zones provided in Table 2-1 (Zones); Amending Chapter 4 of the IZO to add a Footnote to Tables 4.3 (Allowed Land Uses and Permit Requirements for Mixed Use Zones) and 4.10 (MU1 and MU2 Zone Development Standards) Referencing Section 5.070 of the IZO; and Amending Chapter 5 of the IZO to add Section 5.070 and establish the Downtown Housing and Economic Opportunity Overlay Zone and authorize a Zoning Map Amendment to zone applicable parcels.

City Record No. PLPJ-2022-0015 (PLGP-2023-0001, PLZA-2023-0002 & PLSR-2022-0017)

RECOMMENDATION

It is recommended that the City Council:

1. Receive a staff presentation on the Final EIR, General Plan Amendment, and Zoning Text and Map Amendments;
2. Conduct a public hearing and receive public comment;
3. Adopt a Resolution certifying the Final EIR for the Project (Attachment 1);

4. Adopt a Resolution to adopt a General Plan Amendment to increase the allowable Floor Area Ratio for areas within the Downtown Housing & Economic Opportunity Overlay from 2.5 to 6.0, together with related Findings of Fact and the Mitigation Monitoring and Reporting Program (MMRP) (Attachment 2); and
5. Introduce (first reading) an Ordinance amending Chapter 2 of the Petaluma Implementing Zoning Ordinance (IZO) to add the Downtown Housing and Economic Opportunity Overlay to the list of Overlay Zones Provided in Table 2-1 (Zones); amending Chapter 4 of the IZO to add a footnote to Tables 4.3 (Allowed Land Uses and Permit Requirements for Mixed Use Zones) and 4.10 (MU1 and MU2 Zone Development Standards) referencing Section 5.070 of the IZO; and amending Chapter 5 of the IZO to add Section 5.070 Downtown Housing and Economic Opportunity Overlay Zone (Attachment 3) and amending the Petaluma Zoning Map to zone applicable parcels.

BACKGROUND

Consistent with the goals and policies of the 2025 General Plan, the proposed Downtown Housing and Economic Opportunity Overlay would implement the General Plan by:

- Encouraging higher density, mixed-use infill developments that prioritize additional housing and economic opportunities in the Downtown core on underutilized sites;
- Acknowledging, reflecting, and complementing Downtown’s historic context and its historic resources;
- Activating and encouraging neighborhood and cultural tourism-oriented uses;
- Spurring economic growth by creating attractive development opportunities in Downtown;
- Enhancing the pedestrian experience with high-quality streetscapes that include primary entrances that face the street, links towards the Petaluma River with access and visibility, and context-sensitive building designs; and
- Improving the quality of life in the Downtown and around the Petaluma River.

The Overlay would allow new development to include more floor area, cover more of the project site, be taller, and would new setback/step back standards to address compatibility with existing development. The Overlay would create a discretionary review process to allow the City to consider proposals for development over 45 feet tall.

In 2022, the EKN Appellation Hotel project proposed the construction of a 6-story, 93-guest-room hotel building, including a ground-floor hotel lobby and restaurant, rooftop lounge/event space, guest amenities, and a below-grade, 58-space parking garage. As proposed, the building would exceed the City’s current Building Height, Floor Area Ratio (FAR), and Lot Coverage development standard maximums. The applicant was informed that the submitted project could not be recommended for approval. Options presented to the applicant included redesigning the project to comply with existing standards or pursuing legislative actions to amend existing standards to allow the project as proposed to be reviewed by the City.

The City explored whether a variance could be granted¹. However, the City determined that the findings necessary to recommend approval of a zoning variance could not be made, as the hotel site lacks the distinct physical conditions (e.g., shape, topography, surroundings) that would make

¹ A zoning variance is a discretionary tool provided by the Implementing Zoning Ordinance (IZO) that allows flexibility when a proposed project does not meet existing objective development standards and has a unique justification.

strict zoning application unfeasible.² These findings are consistent with State law concerning the granting of variances.

Recognizing the many important benefits of investment in the City's Downtown, the City explored options for moving the project forward while addressing the limitations imposed by current development standards. The applicant informed the City that the existing standards create challenges for development in Downtown and suggested that providing more flexible tools could help ensure that the full potential of vacant or underutilized parcels is encouraged. The City considered various approaches to amending the General Plan and IZO, including applying the amendment to all properties in the MU2 zoning district or establishing a Citywide exception process. However, these broader approaches were not consistent with General Plan goals and policies for lower-intensity development outside of the Downtown core. During this exploration of potential options, the City's attention was drawn to the SmartCode regulations applicable to Downtown sites for which a supportive and catalytic regulatory environment was already established. Additionally, this more focused approach provided a model for drafting the proposed Overlay. Ultimately, the City recommended that the applicant consider proposing an overlay district to establish a building form zoning overlay specifically for limited areas in the Downtown are underutilized—to provide a structured yet adaptable framework for future development and revitalization.

Petaluma's commercial vacancy rate is currently 4.2%. Some of the vacant Downtown commercial parcels within the three subareas of the proposed Overlay are also some of the most visibly in need of investment. Due to high construction costs, a new building in the Downtown would likely have to be taller than 45 feet (the maximum building height currently allowed) to offer enough rental income to be financially viable (see [Strategic Economics Memorandum](#), Attachment 4). The Overlay does not mandate that property owners build above 45 feet within its boundaries. Instead, the Overlay provides a process for owners to seek a Conditional Use Permit (CUP) to exceed this height limit if desired. Approval of a CUP is issued by the Planning Commission only if the Commission can make specific findings regarding the development, including those related to preserving the City's historical resources. The Overlay is a discretionary tool that permits but does not require City decision-makers to approve projects with limited, increased height and floor area ratios compared to the otherwise applicable development limits when the decision-makers feel doing so is warranted by the merits of the project and the findings required to justify the increased development intensity in accordance with the Overlay.

The proposed Overlay is designed to achieve City goals and General Plan principles to increase economic and housing opportunities through infill development Downtown. The City is investing public resources in the non-hotel portion of this project to pursue and achieve economic and housing goals as prioritized in the City's adopted policy documents, including the General Plan and Housing Element and stated in the City's goals and priorities. The City seeks a vibrant and fully utilized historic Downtown with low vacancies, thriving businesses, and a constant and consistent flow of residents and visitors who wish to live, work, and play in Petaluma's city center. The City Council has been unanimous in its support of a healthy and thriving Downtown, and the Overlay is a tool to help achieve that goal by providing greater flexibility in zoning standards in areas identified as key reinvestment areas within the Downtown core.

² Please see FAQ answer "Why not apply for a variance instead"? <https://cityofpetaluma.org/proposed-downtown-housing-economic-opportunity-overlay-for-a-specified-area-in-downtown-petaluma-faqs/#/WHY-NOT-APPLY-FOR-A-VARIANCE-INSTEAD>

Petaluma also has longstanding land use policies created to protect the City's historic resources, many of which are in Downtown. Increasing Downtown development potential and economic vitality need not conflict with preserving the City's historic resources. Accordingly, the Overlay subareas are designed to focus on underdeveloped Downtown parcels while protecting historic properties and their important contributions to the vibrancy of Downtown Petaluma. In addition, the environmental analysis that has been performed concerning the Overlay and the EKN project discussed further below, has thoroughly addressed the potential impacts of the Overlay and the project on Downtown historic resources to ensure that projects like the EKN hotel that can provide Downtown economic vitality can do so without diminishing the impact of Petaluma's historic buildings. The proposed Overlay provides the City with a tool to consider future projects such as the proposed EKN Appellation Hotel, which, in turn, is anticipated to attract other types of Downtown economic development. The EKN Appellation Hotel is expected to draw patrons who will contribute to the success of Downtown businesses. The City has previously used zoning overlay as an economic development tool in the Downtown; the Theatre Square District Overlay was adopted by the City in 2003 with the stated goal of attracting a first-run movie theater. The Theater District development is an example of Downtown revitalization successfully co-existing with Petaluma's Downtown historic buildings. The overlay is intended to allow City decision-makers to approve limited future Downtown revitalization efforts while preserving Downtown historic resources.

Project Components

The proposed Downtown Housing & Economic Opportunity Overlay and EKN Appellation Hotel Project consists of two distinct components: the Overlay project ("Overlay") and the Hotel project ("Hotel"). The item before the City Council brings forward recommendations from the Planning Commission related to the Overlay approvals for the City Council's consideration. Before acting on the Overlay, the City Council must fulfill its lead agency obligation under the California Environmental Quality Act (CEQA). The City Council, as the Lead agency, must consider the environmental record and, if found to be adequate, certify the Environmental Impact Report that has been prepared for the proposed Project (comprised of the Overlay Project component and the Hotel Project component). Summarized, the Project components include:

- **CEQA Action.** The Environmental Impact Report evaluates the potential impacts from reasonably foreseeable physical changes that would potentially result from the whole of the proposed project action at a programmatic level for the Downtown Housing & Economic Opportunity Overlay and at a project level for the EKN Appellation Hotel project. Actions before the City Council for consideration include certification of the EIR, adoption of Findings of Fact, and adoption of the Mitigation Monitoring and Reporting Program (MMRP).
- **Overlay Project Action.** Required approvals for the Overlay Project include the adoption of the General Plan and Zoning Amendments. These action items are before the Council for consideration and would establish the legislative framework within which the Hotel and other future potential development applications could be considered.
- **Hotel Project Action.** This refers to the development of the proposed EKN Appellation Hotel at 2 Petaluma Boulevard South. If the City Council certifies the EIR and establishes the Overlay, future required approvals for the Hotel will include Conditional Use Permits (CUP) subject to the discretion of the Planning Commission and Historic Site Plan and Architectural Review (H-SPAR) subject to the discretion of the Historical Cultural

Preservation Committee (HCPC). No action on approval of the proposed Hotel itself is before the City Council for consideration at tonight’s meeting. However, approval of the Overlay would be necessary for subsequent approval of the proposed Hotel project.

Prior Meetings and Hearings

The following provides a summary of prior CEQA and Overlay meetings and hearings that have occurred to date. The section begins with the project’s most recent public hearing and then reviews all public meetings and hearings since the project was submitted.

City Council Overlay Workshop (November 18, 2024)

Most recently, the City Council considered the Overlay at a November 18, 2024, workshop. Councilmembers asked questions, received public comment and engaged in an in-depth discussion about various aspects of the Overlay. At the conclusion of the Workshop, Council directed staff to provide information and recommendations on a variety of topics (this information and staff’s analysis is presented in the Discussion Section below). A majority of the City Council directed the following:

- Clarify the relationship between the Overlay and the ongoing General Plan Update process.
- Clarify implications of the Overlay on multi-family housing including how it relates to State Density Bonus Law, Senate Bill (SB) 35, and height increase eligibility.
- Consider and bring forward potential options for supplementing the review of development projects subject to the Overlay to engage with design and architectural specialists in addition to the City’s established Site Plan and Architectural Permit (SPAR) process.
- Provide an update on ongoing efforts of the Downtown Parking Management Plan.
- Modify the Overlay prior to bringing it back for the City Council’s consideration to incorporate the Planning Commission recommendations from their November 14, 2023, hearing and Council input provided at the November 18, 2024, workshop.
- Bring the Overlay and Final EIR back to the City Council for consideration, without additional review by advisory bodies.

Summary of 2023 Meeting and Hearings

In addition to the meetings summarized above, review of the Overlay occurred at several public meetings, study sessions, and public hearings. A summary of meetings and hearings related to the Overlay that occurred in 2023 is included in **Error! Reference source not found..**

Table 1 - Overlay Meetings and Hearings		
Date	Meeting Type	Meeting Summary + Staff Report/Agenda Materials
June 13, 2023	Planning Commission and HCPC - Public Study Session	The Planning Commission and HCPC considered the proposal to create a Building Form Overlay (later named the Downtown Housing and Economic Opportunity Overlay) for a specified area in Downtown and provided non-binding comments. Agenda materials are online here .
July 12, 2023	Know Before You Grow Community Meeting	Know Before You Grow presented a community-organized forum on the Petaluma Building Form Overlay District. Petaluma Planning staff provided details on the proposal, and community members had an opportunity to discuss and provide their feedback.
August 3, 2023	Petaluma Downtown Association - Meeting	City staff facilitated a discussion for the Petaluma Downtown Association.

Table 1 - Overlay Meetings and Hearings		
August 8, 2023	Planning Commission - Public Study Session	The Planning Commission held a public hearing to review revisions to the Overlay, receive public comment, and make recommendations regarding the Overlay. Agenda materials are online here
October 3, 2023	HCPC - Public Study Session	The HCPC held a public hearing to review revisions to the Overlay, receive public comment, and made recommendations regarding the Overlay. Agenda materials are online here .
November 6, 2023	City Council Meeting	City Council considered directing the installation of story poles to evaluate visual effects of the proposed EKN Hotel, and by a 5-2 vote declined to install story poles.
November 14, 2023	Planning Commission and HCPC - Public Hearing	The Planning Commission and HCPC held a public hearing to review revisions to the Overlay, receive public comment, and consider adopting the Mitigated Negative Declaration (MND) and the amendments needed to adopt the Overlay. The Planning Commission adopted Resolution 2023-20, 2023-21 and 2023-22, recommending that City Council adopt the MND and MMRP, adopt the General Plan Amendment, and adopt the proposed Ordinance and associated zoning text and map amendments. Agenda materials are online here .

Following the November 14, 2023, public hearing, the City, as the lead agency, elected to prepare a focused Environmental Impact Report to provide a more detailed analysis of potential impacts related to the Overlay and the Hotel with respect to impacts on aesthetic considerations historic resources, and to provide additional information for the public and reviewing bodies. The City prepared and circulated an Initial Study (IS) and released a Notice of Preparation (NOP) for an EIR. The NOP public review extended from April 12, 2024, to May 13, 2024. A scoping meeting was held on May 1, 2024, to provide an opportunity for agencies and the public to comment on the scope and content of the EIR. Following public input, the City prepared the Draft EIR, which was published on August 23, 2024. The Draft EIR incorporated an analysis of the Overlay and the project from the Mitigated Negative Declaration, along with the expanded analysis of aesthetics and historic resources impacts and went before the HCPC/ Planning Commission at a joint public hearing on September 24, 2024, and was considered by Council at the October 9, 2024, public hearing. Public comments on the Draft EIR were collected through October 21, 2024, and are included and responded to in the Final EIR. In accordance with CEQA procedural requirements, the Final EIR was made available for review on February 14, 2025.

HCPC/Planning Commission Draft EIR Public Hearing (September 24, 2024)

During the public comment period on the Draft EIR, the Planning Commission and HCPC received public comment on the Draft EIR, considered the adequacy of the Draft EIR, and provided recommendations on the Draft EIR for the Council's consideration. The Planning Commission adopted Resolution 2024-12 (Attachment 9) recommending that the City Council direct staff to proceed in preparation of the Final EIR and requested review of the Final EIR before certification, as permitted by the City's local CEQA Guidelines.

City Council Draft EIR Public Hearing (October 9, 2024)

During the public comment period on the Draft EIR, the Council received HCPC/PC's recommendation and public comment on the Draft EIR, considered adequacy of the Draft EIR, and provided comments on the Draft EIR to be addressed in the Final EIR. The City Council

adopted Resolution 2024-125 (Attachment 10), finding the DEIR adequate in identifying potential impacts and directing preparation of the Final EIR.

Future Meetings & Next Steps

Overlay Project

If the City Council certifies the FEIR, adopts the resolution approving the General Plan amendment, and introduces the ordinance approving the Zoning Ordinance amendments, the Overlay will return to the City Council for a second reading of the ordinance enacting the Zoning ordinance amendments, which is tentatively scheduled for March 17. If adopted, the Overlay will go into effect 30 days following adoption. As noted below, Council action on the Overlay at tonight's City Council meeting will not approve the Hotel but will establish the framework for future approvals. Specifically, approval of the Overlay and the EIR will create a mechanism for the HCPC to issue an H-SPAR permit and for the Planning Commission to grant a Conditional Use Permit —provided that the required findings, including those related to the preservation of historic resources, can be made.

Hotel Project

If the City Council adopts the Overlay, the Planning Commission and HCPC would consider the Hotel entitlements (H-SPAR and CUP) at future public hearing(s). Consideration of the Hotel by the Planning Commission and HCPC requires the Council's decision to certify the EIR and adopt the Overlay Project. The Planning Commission's consideration of the Hotel would be subject to the adopted development standards, criteria, findings, and regulations established for the Downtown Housing and Economic Opportunity Overlay and the findings required to grant a CUP found in Section 24.060.E of the IZO. In addition, approval of SPAR for the Hotel would be subject to the HCPC making the required findings contained in Chapter 15 and the findings required to grant SPAR approval found in Section 24.050 of the IZO.

Project Description

For CEQA purposes, the Project Description refers to the whole of the action, including the Overlay component and the Hotel component.

Overlay Project Description

The Overlay proposes modifications to the City's existing regulatory controls within specified areas of Downtown Petaluma to provide incentives that are intended to meet the goal of supporting preferred housing, mixed-use, and commercial development. The Overlay seeks to achieve this goal by increasing the maximum allowable Floor Area Ratio (FAR), providing flexibility in building height and lot coverage, and by creating development and design controls. The Overlay establishes the legislative framework within which projects will be reviewed for consistency and does not in and of itself include any site-specific land use development approvals. The proposed Hotel is an example of the type of development proposal that may be received and reviewed should the Overlay be adopted. All land use development proposals that fall within the Overlay, and seek approval of building height or lot coverage that exceed the base zoning district, would be subject to the development standards, criteria, and regulations included in the Downtown Housing and Economic Opportunity Overlay and would be subject to discretionary review by the Planning Commission (SPAR and CUP), or if within the Historic District, the Planning Commission (CUP) and the HCPC (H-SPAR).

Approval of the Overlay requires a General Plan Text Amendment, Zoning Text Amendment, and Zoning Map Amendment. Proposed amendments are discussed in greater detail in the General Plan and Zoning sections of this staff report.

Project Location and Context

At the November 18, 2024, workshop, the City Council directed staff to bring forward the Overlay including modifications recommended by the Planning Commission at their November 13, 2023, public hearing (e.g. the proposed Overlay). The Overlay covers an approximately 10-acre area within the City's Downtown and is comprised of Subareas A, B, and C. There are 25 parcels within the proposed boundaries of the Overlay, four (4) parcels of which are also located within Petaluma's Commercial Historic District. The majority of the Overlay is within ½ mile of the Downtown Petaluma SMART Station and near areas designated for priority development.

Subarea A

Subarea A includes 13 parcels with approximately 2.70 acres of land within two city blocks bounded by B Street, Petaluma Boulevard South, D Street and 4th Street. Three parcels within Subarea A, including two vacant parcels and the Rex Hardware parcel, are in the Commercial Historic District. Most parcels in Subarea A are developed with buildings and other site improvements, such as surface parking areas. Uses in Subarea A include banks, professional offices, a hardware store, and commercial uses including a convenience store and vacant restaurant buildings. The Hotel is proposed on three vacant parcels within Subarea A.

Subarea B

Subarea B includes two parcels encompassing approximately 0.90 acres of land area within one city block south of Western Avenue between Keller Street and Kentucky Street. Subarea B is currently developed with a Wells Fargo Bank and Chase Bank, with associated parking.

Subarea C

Subarea C includes 10 parcels with approximately 3.17 acres of land area within portions of two city blocks south of Washington Street, including five parcels between Court Street and Liberty Street and five parcels on the east side of Liberty Street. Parcels in Subarea C are developed with retail shops, auto shops, offices, and medical uses.

Figure 1: Downtown Housing and Economic Development Overlay



General Plan - Existing Land Use Designations

The areas within the Overlay, inclusive of all subareas described above, are designated Mixed Use (MU), by the City of Petaluma General Plan 2025. The MU Land Use Designation requires a combination of uses and seeks to orient development to the pedestrian. The maximum allowable FAR is 2.5, and the maximum residential density is 30 dwelling units/acre (d.u./acre).

Most of the Overlay site falls within the Downtown Planning Subarea, with a portion of Subarea C falling within the East Washington Corridor Planning Subarea of the General Plan. The Downtown Subarea of the General Plan is characterized by historic buildings, the Petaluma River, and pedestrian scale development and is envisioned to preserve and enhance the character of the Downtown to create a vibrant mixed-use center with retail, restaurants, public uses, professional offices, and opportunities for residential uses. The East Washington Corridor Subarea is characterized by low-intensity, single-story, automobile-dependent uses and is envisioned as a mix of high-intensity land uses and streetscape improvements that accommodate automobiles while orienting toward the pedestrian.

Proposed General Plan Text Amendment

Under the Overlay, no changes to the land use designations are proposed and parcels would continue to be designated Mixed Use. However, to achieve the stated goal of supporting housing, mixed-use, and commercial development, the Overlay includes a General Plan Amendment to increase the allowable FAR from 2.5 to 6.0 for areas within the boundaries of the Overlay. The proposed General Plan Amendment would require modification of the text on Pages 1-7 of the General Plan. The modified text is presented below, where ~~strikethrough~~ text indicates deletions, and underline text indicates additions:

Mixed Use (outside of the CPSP)

Mixed Use (~~2.5-6.0~~ maximum FAR). This classification requires a robust combination of uses, including retail, residential, service commercial, and/or offices. Development is oriented toward the pedestrian, with parking provided, to the extent possible, in larger common areas or garages. Maximum FAR including both residential and non-residential uses² is 2.5, except that a maximum FAR up to 6.0 may be approved for areas within the

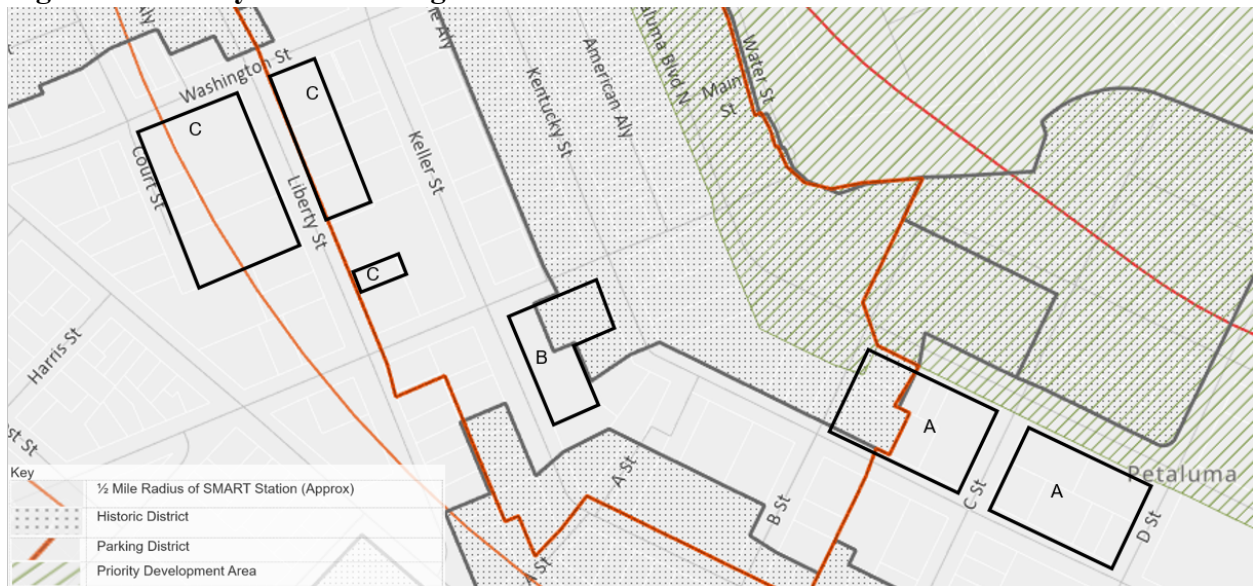
Downtown Housing and Economic Opportunity Overlay Zone. The and maximum residential density for all areas designated Mixed Use is 30 d.u./acre.

² This FAR is simply calculated by dividing the total floor area of all uses—residential and non-residential, but excluding parking—by site net area.

Zoning - Existing Regulations

Parcels within the Overlay are zoned Mixed Use 2 (MU2) on the City’s Zoning Map. In addition to the base MU2 zone, the Overlay overlaps with other combining districts, including the Historic Commercial District and Parking Assessment District (see Figure 2).

Figure 2: Overlay & Combining Districts



The MU2 zone implements the MU General Plan Land Use. It is applied to Downtown Petaluma and adjacent areas intended to evolve into the same physical form and character of development as that in the historic Downtown area. Currently, the MU2 zone permits residential uses in a mixed-use building by-right, whereas exclusively multi-family residential developments are prohibited. Current development standards for the MU2 zone, as provided in Table 4.10 of the IZO are included in **Error! Reference source not found.** below.

Table 1: Mixed Use 2: Existing Development Standards	
Development Feature	MU2 Requirement
Lot Size	
Minimum Area	2,000 s.f.
Minimum Width	NA
Minimum Depth	NA
Setbacks	
Primary Structure	
<i>Front</i>	Minimum: 0 ft. Maximum: 10 ft.
<i>Side – interior (each)</i>	
<i>Side – Street</i>	
<i>Rear</i>	0 ft.
<i>Garage Front</i>	NA
Detached Accessory Structure	
<i>Front</i>	Not Permitted

Table 1: Mixed Use 2: Existing Development Standards	
Development Feature	MU2 Requirement
<i>Side – interior (each)</i>	4 ft.
<i>Side – Street</i>	10 ft.
<i>Rear</i>	5 ft.
<i>Rear – Accessory Dwelling</i>	4 ft.
Site Coverage	
Maximum Coverage	80% 100% for structured parking
Height Limit (Maximum Height)	
Principal Building	45 ft.
Accessory Structure	20 ft.
Usable Open Space	30 sf/unit

Proposed Zoning Text and Map Amendments

The Overlay includes modifications to the base zoning district (MU2) within the Overlay boundaries only. All areas zoned MU2 not included within the Overlay will remain unchanged. The Overlay Project does not propose modifications to the Historic Commercial or Parking Assessment combining districts that partially overlap the Overlay.

The proposed Zoning Text Amendments to Chapters 2, 4, and 5 of the IZO are further described below. The overall intent of the proposed amendments is to incentivize the development of housing, mixed-use, and commercial development by providing greater flexibility in development standards on key reinvestment areas while also preserving historic resources. The Overlay also includes a Zoning Map Amendment to zone the applicable parcels to the Downtown Housing and Economic Opportunity Overlay.

IZO Text Amendments Summary

- **Chapter 2 (Zoning Map and Zones).** A text amendment to add the Downtown Housing and Economic Opportunity Overlay to the list of Overlay Zones provided in Table 2-1 (Zones).
- **Chapter 4 (Zone District and Allowable Land Uses).** A text amendment to add a footnote referencing Section 5.070 to Tables 4.3 (Allowed Land Uses and Permit Requirements for Mixed Use Zones) and 4.10 (MU1 and MU2 Zone Development Standards).
- **Chapter 5 (Overlay Zones).** A text amendment to add Section 5.070 Downtown Housing and Economic Opportunity Overlay. In summary, Section 5.070 would include the following regulations:
 - **Pedestrian/Façade Activation Zones.** Parcels within this Zone would require incorporation of specified ground-floor uses within 30-feet of the public right-of-way and be subject to certain development standards.
 - **Ground Floor Residential.** Areas not within the Pedestrian/Façade Activation Zone would be permitted to establish ground-floor residential uses.
 - **Height:** Additional height above the base 45-foot height limit may be permitted with a CUP to 60 feet, and with a CUP to demonstrate specific Community Benefits, may extend to 75 feet.
 - **Ground Floor Height:** Any building above 45-feet would be required to provide a minimum ground floor height of 14-feet.

- **Setbacks:** Eliminates the setback standards shown in Table 2 above to establish a 0-foot minimum/maximum setback.
- **Stepbacks:** Buildings above 45-feet would be subject to building stepback requirements for the primary and secondary street frontages. Stepback requirements vary based on a site's proximity to existing residential uses and historic resources.
- **Lot Coverage:** Additional lot coverage beyond the base 80% limit may be permitted with a CUP, up to 100%.
- **Floor Area Ratio:** Floor area ratio up to 6.0 would be permitted.

The draft of Section 5.070 for the Downtown Housing and Economic Opportunity Overlay may be viewed in Attachment 3, Exhibit C of this report.

DISCUSSION

The Discussion section of this staff report summarizes the CEQA review and certification process and the proposed General Plan and Zoning Amendments before the City Council for consideration. This discussion is focused on input received from the Council during the November 18, 2024, workshop and informed by the Planning Commission's November 13, 2023, recommendations to the Council regarding the Overlay.

Environmental Impact Report

As briefly discussed above, the City, as the Lead Agency under the California Environmental Quality Act (CEQA), has prepared an Environmental Impact Report (EIR) for the Proposed Project (see Project Components above). This section provides an overview of the Project's compliance with the substantive and procedural requirements of CEQA.

Purpose

The overarching purpose of CEQA is to protect the environment, to the greatest extent possible, from harm caused by development projects; serve as an informational tool to identify and disclose environmental impacts and mitigation measures to reduce or eliminate those impacts; provide a framework for decision-making bodies to weigh environmental consequences of a project with its benefits before making a decision; and provide opportunities for public participation. CEQA is not a development approval and is not a guarantee of a perfect environment. Rather, CEQA is a review process that is intended to inform decision-makers for the City of Petaluma, responsible agencies, and the public of the potential environmental consequences of implementing the proposed project, identify ways that environmental impacts can be reduced, and disclose substantial adverse impacts to the environment that cannot be avoided or significantly reduced. Because the Council approvals sought regarding the Overlay and the EKN application are discretionary, they are subject to compliance with CEQA requirements, and the City Council must certify that the EIR has been prepared in compliance with CEQA before entitlements may be considered for approval.

Environmental Context

The City's General Plan and its Environmental Impact Report serve as the framework within which development projects are evaluated for consistency with adopted General Plan goals and policies and to analyze potential environmental impacts. The City's General Plan envisions the development potential, and the General Plan EIR evaluates the impacts of realizing that development. For projects that are consistent with the General Plan and would not result in site-

specific impacts, further environmental review may not be warranted. (Public Resources Code § 21083.3)

The proposed project requires General Plan and Zoning amendments, and the Zoning amendments must be found to be consistent with the General Plan. As such, the Overlay and the Hotel Environmental Impact Report (EIR) evaluate the whole of the project, consisting of a programmatic analysis for the Overlay and a project-level analysis of the proposed Hotel.

Procedural Requirements

Preparation, publication, and public review of the EIR has been completed in compliance with all procedural requirements set forth in the CEQA Guidelines. In summary, the following procedural steps have occurred:

- **April 12, 2024** - A Notice of Preparation (NOP) was mailed and published, along with the project's Initial Study.
- **May 1, 2024** - A scoping meeting was held to receive public comments on the environmental topics that should be studied in the EIR.
- **May 13, 2024** – The 30-day NOP comment period closed.
- **August 23, 2024** - The DEIR, Notice of Completion, and Notice of Availability were published and distributed for agency and public review and comment.
- **September 24, 2024** - The HCPC and Planning Commission received comments on the DEIR, provided comments on the DEIR, and PC adopted Resolution 2024-12 recommending the City Council direct preparation of the FEIR.
- **October 7, 2024** - The City Council received comments on the DEIR, provided comments on the DEIR, considered the Planning Commission's recommendation, and adopted Resolution 2024-125 directing preparation of the FEIR.
- **October 21, 2024** – On request, the City extended the 45-day DEIR public review period and continued to accept public comment through October 21, 2024.
- **February 14, 2025** - The FEIR was made publicly available by publishing online and sent to commenting public agencies³. Notice of the February 24, 2025, Council meeting was posted on the site of the proposed Hotel, published in the Argus-Courier newspaper, and mailed to all property owners and occupants in the study area and within 1,000 feet of the perimeter of the study area, and to any interested party who requested notification.

FEIR Contents and Organization

Pursuant to Section 15132 (Contents of Final Environmental Impact Reports) of the State CEQA Guidelines, the FEIR consists of (a) the DEIR or a revision of the draft; (b) comments and recommendations received on the DEIR either verbatim or in summary; (c) a list of persons, organizations, and public agencies commenting on the DEIR; (d) responses to significant environmental points raised in the review and consultation process; and (e) any other information added by the City of Petaluma. Revisions to the DEIR and Responses to Comments constitute the

³ Public Resources Code Section 21092.5 requires only that the lead agency provide notice to public agencies that have commented, along with written responses, at least ten days prior to certification. Furthermore, CEQA Guidelines Section 15089(b) confirms that public review of an FEIR is optional, stating: "Lead agencies *may* provide an opportunity for review of the final EIR by the public or by commenting agencies before approving the project." (Emphasis added.) While public review of the FEIR is not required by the lead agency under CEQA, the City has taken extra steps to enhance public access to the FEIR. The full document has been made available via a publicly accessible link on the City's website, and hard copies are being prepared for review at City Hall—both of which exceed CEQA's minimum requirements.

FEIR for the Project. The required contents of the FEIR are organized into the following Chapters (FEIR available online at <https://cityofpetaluma.org/downtown-housing-and-economic-opportunity-overlay/>):

- **Final EIR Volume 1: Revisions to the Draft EIR**
- **Final EIR Volume 2: Responses to Comments**
- **Section 1. Introduction and List of Commenters** provides an introduction and overview of the document, describes the background and organization of the FEIR, and provides a list of commenters who submitted letters in response to the DEIR.
- **Section 2. Responses to Comments** presents the Master Responses, all comment letters received, and provides responses to these comments.

FEIR Comments and Responses

During the public review period for the DEIR (August 23, 2024, to October 21, 2024), the City received comments from State and local agencies, organizations, and individuals. During the September 24, 2024, HCPC/Planning Commission hearing and the October 7, 2024, City Council hearing, numerous verbal comments from members of the public were received. Verbal comments were also provided by HCPC members, Commissioners, and Councilmembers.

The written responses presented in the FEIR summarize the substantive environmental issues raised by each comment and provide a good-faith, reasoned analysis in response. Responses to comments are intended to provide clarification and supplement the information provided in the DEIR, make factual corrections, and explain why certain comments may not warrant further response. For example, comments on non-CEQA topics, such as support or opposition to the project, are acknowledged for consideration by the decision-making bodies, but further response is not warranted (see Master Response 1).

Because several comments raise similar issues, the FEIR employs a master response approach to comprehensively address comments covering the same topics. Comments that aren't covered in the master responses are itemized and provided in Chapter 2 of the FEIR

Master Responses

The FEIR presents Master Responses to comments covering the following topics:

Master Response 1—General Opposition Comments

Master Response 2—Recirculation Not Required

Master Response 3—Alternatives

Master Response 4—Comments Asserting that the Draft EIR Defers Analysis and/or Mitigation

Master Response 5—Noticing and the Public Involvement Process

Master Response 6—Hotel and Overlay Impacts on Aesthetics and the City's Design Review Process

Master Response 7—Density Bonus and Building Height

Master Response 8—CEQA in Reverse

Master Response 9—Historic Built Environment Impacts Assessment and Hotel Impacts on Visual Character

Master Response 10—Construction and Staging

Master Response 11—Traffic-Related Noise and Air Pollution

Master Response 12—Relation between the Proposed Overlay and Upcoming General Plan Update

Master Response 13—Valet Parking

Master Response 14—Hotel and Overlay Impacts on Parking
Master Response 15—Traffic Congestion
Master Response 16—Effects of Street Closures and Special Events
Master Response 17—Hazardous Materials

EIR Certification + Findings of Fact

Section 15090(a) of the CEQA Guidelines requires that prior to approving a project the lead agency shall certify that:

- (1) The final EIR has been completed in compliance with CEQA;
- (2) The final EIR was presented to the decision making body of the lead agency and the decision making body reviewed and considered the information contained in the final EIR prior to approving the project; and
- (3) The final EIR reflects the lead agency’s independent judgment and analysis.

Public Resources Code 21081 and Section 15091 of the CEQA Guidelines require that the lead agency prepare written findings for identified significant impacts, accompanied by a brief explanation for the rationale for each finding. The City of Petaluma (City) is the lead agency responsible for certifying the Final EIR and making findings of fact in compliance with CEQA and the CEQA Guidelines. Section 15091(a) of the CEQA Guidelines states, in part, that:

“No public agency shall approve or carry out a Project for which an EIR has been certified which identifies one or more significant environmental effects of the Project unless the public agency makes one or more written findings for each of those significant effects, accompanied by a brief explanation of the rationale for each finding. The possible findings are:

- (1) Changes or alterations have been required in, or incorporated into, the Project which avoid or substantially lessen the significant environmental effect as identified in the FEIR.
- (2) Such changes or alterations are within the responsibility and jurisdiction of another public agency and not the agency making the finding. Such changes have been adopted by such other agency or can and should be adopted by such other agency.
- (3) Specific economic, legal, social, technological, or other considerations, including provision of employment opportunities for highly trained workers, make infeasible the mitigation measures or Project alternatives identified in the FEIR.”

With regard to Project alternatives, the Draft EIR included the Reduced Area C Alternative (Alternative 2) recommended by the Planning Commission in November 2023. During the October 7, 2024, City Council public hearing on the DEIR and the November 18, 2024, City Council workshop, the City Council directed staff to bring forward an Overlay consistent with Planning Commission’s November 2023 recommendation. Therefore, Alternative 2 is carried forward as the preferred project. The Findings of Fact reflect Reduced Area C Alternative as the preferred Alternative and preferred project and include the above findings for each significant impact identified. Attachment 1 presents the draft resolution to certify the Final EIR, and Attachment 2, Exhibit A includes Findings of Fact.

Conclusion

Actions before the City Council for consideration at this public hearing include EIR certification, adoption of Findings of Fact, and adoption of the MMRP. The role of the City Council is to

determine whether the environmental analysis prepared is adequate and meets the substantive and procedural requirements of CEQA. While CEQA requires certification of the EIR before entitlement approvals can be considered, certification of an EIR does not guarantee that project entitlements will be approved. Rather, certification of an EIR is the lead agency's acknowledgment that environmental review has been satisfactorily completed. Review authorities, Planning Commission and HCPC, may only take action on the Hotel project entitlements following certification of the EIR.

The Final EIR did not identify any new or more substantial environmental impacts relative to the Draft EIR. There are no significant and unavoidable impacts identified in the EIR. The Final EIR concludes that all potentially significant environmental impacts can be reduced to levels below significance with mitigation measures provided in the MMRP (Attachment 2, Exhibit B).

Overlay - Topics for Consideration

During the November 18, 2024, City Council Workshop, Councilmembers engaged in an in-depth discussion about various aspects of the Overlay. At the conclusion of the Workshop, the City Council directed staff to provide information and recommendations on a variety of topics. The following sections summarize these topics and aim to assist the City Council in making a decision on the Overlay. The topics covered in this section include:

- **General Plan Update Alignment.**
- **Multi-Family Residential Development.**
- **Design Review Process.**
- **Downtown Parking.**

Each topic is discussed in greater detail below.

General Plan Update Alignment

In 2020, the City initiated a comprehensive multi-year General Plan Update process. To date, key milestones of the Update include completion of existing conditions reports (2021-2022); City adoption and State certification of the 6th Cycle Housing Element (March-May 2023); Development and review of policy frameworks (March – June 2024); and City Council adoption of the Blueprint for Climate Action (November 2024). The Update is currently focused on Land Use Map alternatives⁴ and adoption of a preferred land use map which is anticipated to occur in summer 2025. Adoption of the updated General Plan and certification of the programmatic environmental impact report are anticipated to occur in summer 2026.

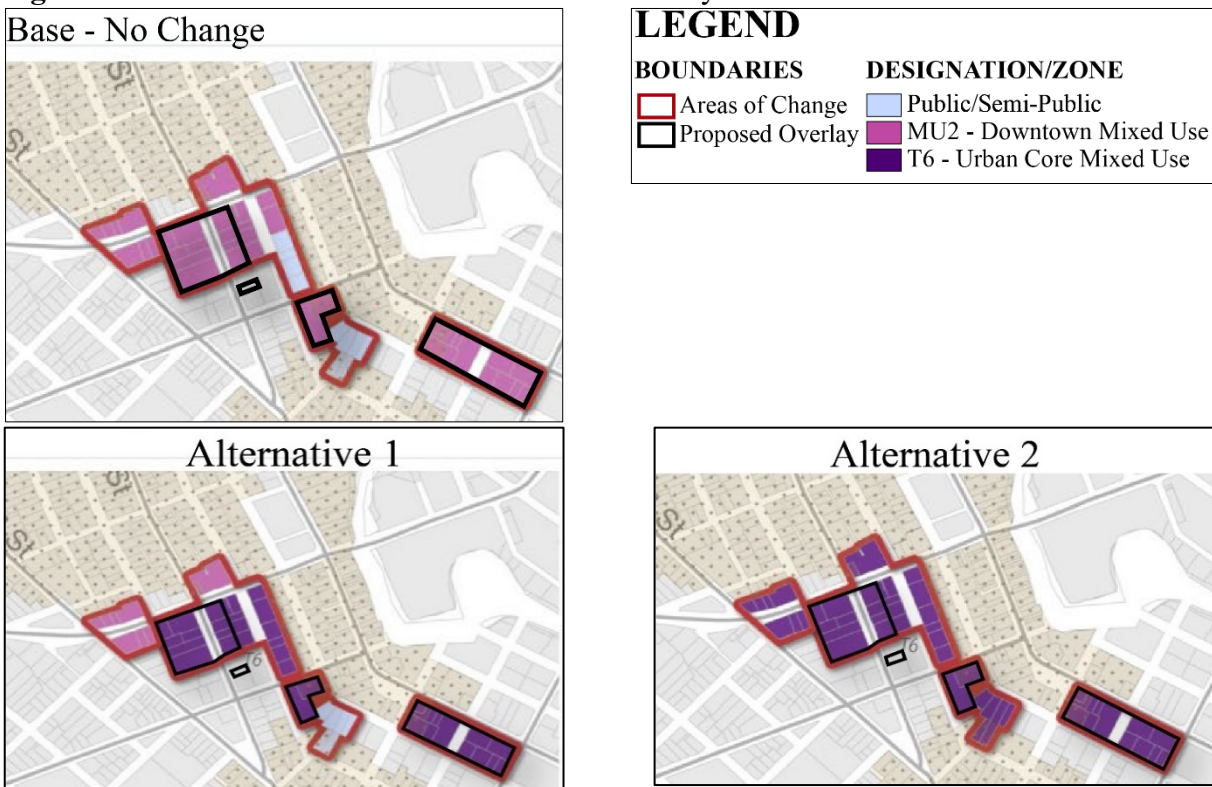
The Overlay has been considered alongside the General Plan Update since its inception while being processed as a separate and distinct project associated with the submittal of a development review application. The proposed Overlay informed land use alternatives for the Downtown core as part of the Draft Land Use Policy Framework. The City Council will be considering land use alternatives at an upcoming Council meeting on March 3rd to provide direction toward preparation of the final land use map for approval in Summer 2025.

It's important to note that the Area of Change shown in Figure 3 is larger than the proposed Overlay boundaries, which are illustrated with a black border for clarification. The following describes land use alternatives presented in the Framework, including the "base" or no change from existing land use designation:

⁴ The Land Use Map alternatives are anticipated to be brought to Council in Winter - Spring 2025.

- **Base – No Change.** Represents current conditions and includes sites designated Mixed Use (MU2) and Public/Semi Public (Civic Facilities).
- **Alternative 1: Proposed Overlay.** Alternative 1 presented in the Draft Framework considers intensification of sites within Downtown Petaluma, including the proposed Overlay sub areas, and would be achieved by redesignating the specified areas from Mixed Use (MU2) to Urban Core Mixed Use (T6).
- **Alternative 2 – Expanded Overlay Boundaries:** Alternative 2 presented in the Draft Framework considers intensification of a greater area of Downtown as compared to Alternative 1 and similarly would be achieved by redesignating areas from Mixed Use (MU2) and Public/Semi Public (CF) to Urban Core Mixed Use (T6).

Figure 3: Downtown Land Use Alternatives & Overlay Site Boundaries



Source: City of Petaluma, Land Use Policy Framework, Draft for Public Review, August 22, 2024, Figure 11, annotated to show Overlay Site Boundaries

In order to maintain the discretionary review process that would be created by the Overlay, there would not need to be any change to the Land Use designation from existing (Base). If it is desired to allow the development flexibility created by the Overlay without the added CUP requirement or across a larger portion of the Downtown core then an intensification of Land Use designation could be incorporated into the General Plan land use map. At this time and in alignment with the proposed Overlay, no change in the land use designation is being recommended subject to the City Council's consideration of the Overlay and in order to allow the discretionary structure of the Overlay to continue to provide zoning flexibility in specific areas and subject to discretionary review and unique findings.

It is important to note that there is an increased maximum density being proposed in the Downtown core as part of the General Plan Update. As will be discussed as part of the City Council's consideration of land use alternatives, tentatively scheduled for March 3, 2025, the maximum density being proposed in the Urban Core Mixed Use designation is 45 dwelling units per acre, an increase from the existing maximum of 30 units per acre.

The fundamental structure of the Overlay is consistent with many of the Vision, Pillars, Guiding Principles, and Supporting Concepts⁵ drafted by the General Plan Advisory Committee and approved by the City Council to guide the General Plan Update process, as well as consistent with a number of draft policies identified in policy frameworks prepared for the General Plan Update. The land use alternatives identified for Downtown Petaluma are intended to meet several goals. Goals that are particularly relevant to and could be achieved by the Overlay include:

- Creating neighborhoods that allow residents to meet their daily needs;
- Maintaining a vibrant Downtown with active ground floor uses and additional employment opportunities;
- Preserving historic character, landmarks, and view corridors;
- Enhancing key corridors to serve as increasingly urbanized gateways to Downtown;
- Maximizing efficient use of existing infrastructure;
- Providing more housing and developing underutilized land; and
- Reducing vehicle miles traveled (VMT).

While the City of Petaluma is in the process of updating the General Plan, consideration of the Overlay has been informed by and in turn informed the City's work to date on the General Plan Update. In compliance with CEQA timeframes and requirements of the Permit Streamlining Act, the review and potential adoption of the Overlay is being considered ahead of the General Plan Update and as part of the Hotel application that was submitted by EKN.

In order to address concerns regarding potential conflicts between the Overlay and the General Plan Update, the draft Ordinance contains the following clause providing that the Overlay would sunset upon adoption of the General Plan Update (also see Master Response 12 in the Final EIR, which addresses the relation between the proposed Overlay and upcoming General Plan Update):

“Sunset Provision. Unless otherwise amended by the City Council, this ordinance shall expire on the effective date of a Zoning Ordinance that implements the adopted 2040 General Plan.”

Interaction of State Housing and Density Bonus Laws and the Overlay

Government Code Section 65915 encourages the development of all housing types and affordable housing by providing increased residential density, incentives or concessions, and waivers or reductions of development standards for qualifying housing developments.⁶ The density bonus percentage, and the number and type of incentives or concessions vary based on the number and level of affordability of the below market rate dwellings (e.g. a project with more affordable units

⁵ The Vision Statement describes the desired future conditions and characteristics of the city. The Pillars are the core community values. The Guiding Principles and Supporting Concepts provide the broad direction and pathways to achieve the vision and honor community values, with a focus on the community's specific challenges and opportunities. The Vision materials were accepted by the City Council on March 21, 2022.

⁶ 65915(i) (partial): “Housing development” as used in this section, means a development project for five or more residential units, including mixed-use developments.

and/or with greater affordability is eligible for a higher density bonus and additional incentives or concessions).

While Section 65915 provides for a numerical limit to the number of concessions a project may use and, generally, a limit on the number of additional units possible, a density bonus project is eligible for a waiver of any and all development standards that would otherwise physically preclude the development at the density or with the concessions or incentives granted by Section 65915 (in other words, unless the City made specific findings, the extent of the waivers or reductions of development standards is unlimited).

Accordingly, due to the waiver or concession to not comply with development standards, density bonus projects may be larger, taller, closer to a property line, cover more of the site, include more dwellings, provide less parking, etc., than projects not subject to a density bonus. The maximum size, appearance, or configuration of a building proposed in compliance with the development standards in the Implementing Zoning Ordinance, or via Section 65915, is influenced by multiple factors, including site configuration or site feasibility, owner preference or desire, developer experience or building preference, building and fire codes, construction costs, and financing (return on investment, economic or property portfolio, funding sources and funding requirements, and/or acceptance of risk).

In Petaluma, compliance with the City's inclusionary housing Ordinance automatically qualifies a development of five or more dwelling units for one density bonus, and if requested, incentives or concessions, waivers or reductions of development standards, and reduced parking ratios.

Buildings Taller than 45-feet are possible with, or without, the Overlay:

For housing developments with market rate and affordable dwellings, the density bonus percentage ranges from a low of 20% to a high of 50%, and the number of incentives or concessions from 1 to 4. For housing developments with only affordable dwellings (aside from any dwelling(s) reserved for a manager), the density bonus percentage can be as high as 80% citywide, or unlimited if within one-half mile of a major transit stop. Aside from housing developments with only affordable dwellings, while maximum density is limited by the percentages stated above, the height of a building is not.

Thus, a density bonus, along with the incentives or concessions and waivers or reductions of development standards, can currently allow buildings in the Downtown to be above the existing 45-foot height limit. Under the Overlay, the height possible under Section 65915 could result in buildings above the 75-foot height limit, if a project is designed in conformance with the Overlay development standards and the Planning Commission can make the required findings for height established by the Overlay.

However, under either scenario (a project subject to the MU2 development standards or under the Overlay), Section 65915 provides the City with ability to limit building height in specific circumstances:

- To limit or reject the height made possible by incentives or concessions, the City could find that either the incentives or concessions do not result in identifiable and actual cost reductions, would have a specific, adverse impact upon public health and safety or the physical environment or on a property listed on California Register of Historical Resources, or would be contrary to state or federal law (Govt. Code Section 65915(d)(2))⁷.

⁷ 65915(d)(1):

- To limit or reject the height made possible by waivers/mods, the City could find that the waivers/mods would have a specific, adverse impact upon public health and safety or the physical environment or on a property listed on California Register of Historical Resources, or would be contrary to state or federal law (Govt. Code Section 65915(e)(1))⁸.

In addition to the above, building height may also be limited by the City for projects subject to the Overlay when the City finds that a height increase does not comply with the required CUP findings. (Please also see Master Response 7 to the FEIR which addresses Density Bonus and Building Height and FAQ answer regarding Density Bonus).⁹

Senate Bill 35:

Qualifying residential projects under SB 35 are not subject to CEQA analysis, discretionary review, or other entitlements granted by the City. SB 35 projects are subject to all zoning and objective design standards, including those contained in Section 7.120 (Objective Design Standards for Qualifying Residential Projects) of the IZO. SB 35 can be used in conjunction with Density Bonus Law, and as such, it is theoretically possible that a residential project subject to SB 35 and processed with a density bonus could currently be entitled to heights above those allowed under existing zoning regulations, regardless of adoption of the Overlay.

Incentives for Housing Created by the Overlay:

The Downtown Overlay Market and Development Impacts Assessment indicates that the Overlay as a regulatory incentive would not directly stimulate housing because rent values and construction costs are primary drivers of this development activity. Despite these challenges, the Overlay would expand the types of housing products that could be built, increasing the likelihood of capturing future housing development (see Attachment 4, Strategic Economics memo).

For example, while the Overlay will not increase residential density, the allowance for ground floor residential and the greater height and additional lot coverage possible through the CUP process offer advantages to encourage housing development activity. Allowing ground floor residential may make housing more feasible on smaller sites by providing for a type of

“(A) The concession or incentive does not result in identifiable and actual cost reductions, consistent with subdivision (k), to provide for affordable housing costs, as defined in Section 50052.5 of the Health and Safety Code, or for rents for the targeted units to be set as specified in subdivision (c).

(B) The concession or incentive would have a specific, adverse impact, as defined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety or the physical environment or on any real property that is listed in the California Register of Historical Resources and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact without rendering the development unaffordable to low-income and moderate-income households.

(C) The concession or incentive would be contrary to state or federal law.”

⁸ 65915(e)(1):

“In no case may a city, county, or city and county apply any development standard that will have the effect of physically precluding the construction of a development meeting the criteria of subdivision (b) at the densities or with the concessions or incentives permitted by this section. Subject to paragraph (3), an applicant may submit to a city, county, or city and county a proposal for the waiver or reduction of development standards that will have the effect of physically precluding the construction of a development meeting the criteria of subdivision (b) at the densities or with the concessions or incentives permitted under this section, and may request a meeting with the city, county, or city and county. If a court finds that the refusal to grant a waiver or reduction of development standards is in violation of this section, the court shall award the plaintiff reasonable attorney’s fees and costs of suit. This subdivision shall not be interpreted to require a local government to waive or reduce development standards if the waiver or reduction would have a specific, adverse impact, as defined in paragraph (2) of subdivision (d) of Section 65589.5, upon health or safety, and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact. This subdivision shall not be interpreted to require a local government to waive or reduce development standards that would have an adverse impact on any real property that is listed in the California Register of Historical Resources, or to grant any waiver or reduction that would be contrary to state or federal law.”

⁹ ⁹ Please see FAQ available at <https://cityofpetaluma.org/downtown-housing-and-economic-opportunity-overlay/>

development not currently possible under existing zoning regulations in the Downtown core. Additionally, allowing height increases can enhance the feasibility of developing accessory dwelling units (ADUs) and junior accessory dwelling units (JADUs) within multi-family developments. Since ADUs and JADUs contribute to the City's housing stock without affecting density, this flexibility can potentially increase housing Downtown, improving access to goods, services, and alternative transportation modes, thereby helping the City achieve its goals related to the reduction of VMT and associated GHGs. Furthermore, by providing flexibility in building height and lot coverage, the Overlay encourages innovative design solutions that may enhance project feasibility and create opportunities to incorporate valuable tenant and public amenities.

Design Review

At the November 2024 workshop, the City Council discussed the merits and feasibility of establishing a new design review body or changing the composition of the PC to have more design experience available, or to revise the Overlay ordinance to guide the City's review of new proposals in the Overlay. Establishing a new design review body or changing the composition of the Planning Commission was ultimately not recommended by the Council and staff was directed to revise the Overlay ordinance to apply the requirement for exceptional architecture/design to any building above 45 feet (instead of only being applicable to a building above 60 feet). This modification is included in the Text Amendment before the City Council for consideration and includes an additional finding to require that the City's determination of exceptional architecture/design be guided by the input of a qualified professional chosen by the City. Using a qualified architecture or design professional will afford the City with an independent assessment of a project's compliance with the required findings that can be utilized by Planning Commission or HCPC to help with their findings.

Downtown Parking Study

The City Council requested additional information regarding the status of the Downtown Parking Study. The following information is presented in response to that request. As a distinct and separate matter from the proposed Project, the City is pursuing a Downtown Area Parking Management Plan, which is currently under development. The intent of the Parking Management Plan is to produce a clear understanding of existing on-street and off-street parking utilization, as well as other curb uses, engage the community, and identify strategies to optimize parking and curb utilization in support of a thriving Downtown. As an initial step in the development of the Plan, City staff presented an update on data collection efforts and requested feedback on parking and curb management strategies during the January 27, 2025, City Council public meeting (see workshop agenda item #7).

As presented in the staff report, industry best practices indicate that 85 percent is the ideal parking occupancy as it represents optimal parking utilization by demonstrating economic activity while ensuring an appropriate number of parking spaces are available (e.g. ~ three out of every 20 spaces, or at least one space on every block). The preliminary data collected indicates the following:

- Existing parking utilization in Downtown rarely exceeds the industry recommended 85 percent occupancy
- On-street parking demand is higher in the Downtown core relative to the perimeter
- Public and private off-street parking facilities and streets outside the have capacity, even during peak times

The results indicate that opportunities exist to optimize parking and curb use other than by expanding parking capacity through new lots or garages. Parking use strategies identified through

review of parking data collected and community outreach include improving turnover, encouraging the use of off-street and long-term parking, and enhancing mobility options. The potential strategies and action items to be considered as part of the Downtown Area Parking Management Plan include the following:

- Improve Transportation Options
- Create More Frequent Turnover
- Promote Long Term Parking Options
- Improve Loading Access and Safety
- Expand Parking Supply

The City Council provided feedback at the January 27, 2025, public meeting, which will inform the development of the Downtown Area Parking Management Plan strategies and specific actions. The Plan will be brought back to Council later in 2025 to review the draft Plan, receive additional feedback, and consider adoption of the Plan.

The Downtown Area Parking Management Plan is a separate process from the proposed Overlay. Strategies adopted as part of the Plan will be used to evaluate any future projects within the Overlay. (Please also see Master Response 14 in the Final EIR, which addresses the Overlay and parking).

Conclusion

Consistent with the discussion above, the draft zoning amendment ordinance before the City Council for consideration includes responsive modifications, including the following:

- Modified boundaries for Subarea C to match Planning Commission’s recommendation;
- Expanded Pedestrian/Façade Activation Zones in Subareas A and C;
- Minor modification to Table 5.2 (development standards) to explicitly reference the maximum floor area ratio for transparency and consistency with the General Plan Amendment
- Modification to required findings to allow height above 45 feet to require that the Planning Commission find:

That the overall building design and the use of the site demonstrates exceptional architecture/design. “Exceptional” architecture/design may be demonstrated by any of the following:

- a. The use of innovative, creative or original architectural concepts, materials, or building techniques;
- b. The use of visual elements that contribute positively to the built environment, such as well-proportioned facades, pleasing materials, and unique features;
- c. The use of innovative building systems or forms, and/or the use of creative design, to increase building efficiency and to reduce energy consumption;
- d. The use of low impact development and green infrastructure features in sustainable design and landscaping; or
- e. The use of high-quality building materials that contribute to long-term durability and visual quality.

The determination of exceptional architecture/design shall be guided by the input of a qualified professional chosen by the City.

Regulatory Context

Required legislative actions to adopt the Overlay include a General Plan Amendment, Zoning Text Amendment, and Zoning Map Amendment. The purpose of this section is to outline the applicable standards of review and to provide consistency analysis with applicable standards.

General Plan Amendments

General Plan Amendments are permissible under the General Plan, which acknowledges that the General Plan is a living document and its need for occasional modifications to respond to changing conditions (General Plan page i-13). State law applicable to general law cities limits such amendments to no more than four times per year for mandatory elements. However, as a charter city, Petaluma is not subject to these limits. (Government Code §65700(a).)

Zoning Amendments

Zoning Amendments are governed by Chapter 25 of the IZO and by California Government Code Section 65853. Chapter 25 of the IZO provides that the City Council may amend the IZO, provided that the following findings can be made in the affirmative:

1. That the proposed amendment is in general conformity with the City's General Plan and any applicable plans; and
2. That the public necessity, convenience, and general welfare require or clearly permit the adoption of the proposed amendment.

Consistent with the requirements of Section 15.020(A)(6) of the IZO, the HCPC considered the proposed zoning amendments on November 14, 2023 and chose not to adopt Resolution 2023-20 (Attachment 5), which would have recommended that the Planning Commission support the City Council's adoption of the proposed zoning amendments.

Consistent with the requirements of Chapter 25, on November 14, 2023, the Petaluma Planning Commission reviewed the Overlay and adopted Resolution No. 2023-21 (Attachment 7) recommending that the City Council approve the requisite General Plan Amendment and Resolution No. 2023-22 (Attachment 8) recommending the City Council approve the requisite Zoning Amendments to adopt the Overlay. As part of their adoption of Resolution Nos. 2023-21 and 2023-22 the Planning Commission made findings that the proposed amendments were in general conformity with the General Plan and that the proposed amendments served the public necessity, convenience, and general welfare. Though minor modifications have been made to the Draft Ordinance since the Planning Commission's recommendation, these modifications are within the range of options previously reviewed and considered by the Planning Commission and represent refinements intended to achieve desired outcomes related to design and compatibility of uses. Findings consistent with the requirements of IZO Chapter 25 are included in the draft Resolution (Attachment 2) and draft Ordinance (Attachment 3) for City Council consideration.

Discussion and Analysis

The Overlay was reviewed for overall consistency and compatibility with the City of Petaluma General Plan 2025. The following provides consistency analysis of the proposed Overlay with applicable policies from the Petaluma General Plan. This analysis is consistent with findings made as part of the Planning Commission's resolution recommending City Council approval of the Overlay (Attachments 7 and 8), which is the basis for findings included in the draft resolutions attached for City Council's consideration and is in compliance with required findings consistent with Chapter 25 of the IZO.

Land Use, Growth Management, and the Built Environment Element

- *Policy 1-P-1: Promote a range of land uses at densities and intensities to serve the community's needs within the Urban Growth Boundary (UGB).*

The Overlay establishes regulations that incentivize development in the City's Downtown area and promote land uses in the three subareas at greater intensities than allowed under existing regulations. By creating a discretionary review process that provides flexibility to allow residential on the first floor and greater lot coverage, building height, and FAR, the Overlay increases development potential, incentivizing higher-intensity development within the boundaries of the Overlay. By increasing development potential and incentivizing higher-intensity development, the Overlay can potentially enhance the viability of mixed-use projects, supporting a wider range of uses that can be developed to meet the needs of the community. This, in turn, diversifies the availability and access to uses, fostering a more walkable Downtown and supporting economic development facilitated by increased foot traffic.

- *Policy 1-P-3: Use land efficiently by promoting infill development, at equal or higher density and intensity than surrounding uses.*

The Overlay creates a discretionary review process that provides flexibility to allow ground floor residential and increased lot coverage, building height, and FAR as compared to existing regulations for properties within the three subareas. This effectively promotes infill development by increasing the development potential of sites in Downtown.

- *Policy 1-P-6: Encourage mixed-use development, which includes opportunities for increased transit access.*

By creating a discretionary review process that provides flexibility to allow increased lot coverage, building height, and FAR as compared to existing conditions, the Overlay increases development potential of sites within its boundary in the Downtown core, potentially enhancing the viability of mixed-use projects. This, in turn, encourages mixed-use development in the Downtown area, providing opportunities for increased transit access by residents, employees, and patrons of mixed-use developments.

- *Policy 1-P-7: Encourage flexibility in building form and in the nature of activities to allow for innovation and the ability to change over time.*

The Overlay fosters flexibility and adaptability to allow ground floor residential and greater lot coverage, building height, and FAR throughout specified areas of Downtown, encouraging developers to explore innovative and context-sensitive building forms that meet the City's housing, economic development, historic preservation, and climate goals. This increased flexibility can facilitate financially feasible mixed-use developments at higher intensities, enabling integration of a diverse mix of residential, commercial, retail, and other community- and visitor-serving uses within a single building. This not only supports the City's housing and economic development goals but also supports climate goals by encouraging development near transit, which can reduce reliance on single-occupancy vehicles. Moreover, the Overlay encourages adaptability over time as increased development potential offers greater opportunities to accommodate a wider range of uses. While ground floor spaces are prioritized for pedestrian activating uses, incorporation of passive uses on upper floors creates opportunities for adaptable spaces that can evolve to meet the City's changing needs over time.

- *Policy 1-P-11: Allow land use intensification at strategic locations along the arterial corridors leading to Downtown and Central Petaluma, including aging commercial and industrial sites.*

The Overlay provides opportunities for intensification of land uses along two arterial corridors leading to Downtown, including Petaluma Boulevard South and Washington Street. As detailed in the November 2023 Parcel Inventory Report, sites along Petaluma Boulevard South are vacant or developed with 1-story buildings that account for 50% or less of the total lot coverage (see Figure 9 of the Parcel Inventory Report). Sites along Washington Street leading to Downtown are developed with 1- and 2-story buildings, utilizing 75% or less of the total lot coverage (see Figure 18 of the Parcel Inventory Report). Existing development along these two arterial corridors represents moderate to significant underutilization when compared to what is allowed under IZO regulations. By modifying existing regulations and allowing for greater lot coverage, building height, and FAR along arterial corridors leading to Downtown, the Overlay incentivizes higher intensity development, potentially enhancing the viability of mixed-use projects, and increasing the likelihood of strategic intensification of sites along these arterial corridors.

- *Policy 1-P-12: Encourage reuse of under-utilized sites along East Washington Street and Petaluma Boulevard as multi-use residential/commercial corridors, allowing ground-floor retail and residential and/or commercial/office uses on upper floors.*

The Overlay encourages reuse of underutilized sites along Petaluma Boulevard (subarea A), by creating a discretionary review process that provides for flexibility to allow for higher intensity development through the proposed regulations. The greater flexibility offered by the proposed Overlay will encourage reuse of these sites as it will potentially enhance viability of mixed-use projects, increasing the likelihood of development.

Community Design, Character, and Green Building Element

- *Policy 2-P-3: Maintain landmarks and aspects of Petaluma's heritage that foster its unique identity.*

The Overlay is located partially within and proximate to the Commercial Historic District, the City's Downtown, and the Petaluma River, all of which contribute to Petaluma's heritage and convey its unique identity. The Overlay creates a discretionary review process that provides flexibility to allow for higher-intensity development of specified sites within the Downtown, providing opportunities for redevelopment that would enhance elements of the City's heritage. The Overlay recognizes the importance of safeguarding and enhancing the City's historic landmarks and ensuring that new development is harmonious and appropriate within the existing urban context. This is evidenced by inclusion of specific development standards to ensure development that is adjacent to residential uses or abuts historic resources is appropriate and harmonious with existing land uses and historic development patterns. Additionally, the Overlay requires projects utilizing increased height to meet specific findings, including demonstrating a positive contribution to the area's character, compatibility with surroundings (assessed through visual studies), no adverse impact on historic or architectural features, and a design relationship to existing street wall or adjacent historic resource. The inclusion of these regulations and required findings safeguards the visual integrity of and prominence of historic landmarks, thereby maintaining aspects of the City's heritage that fosters its unique identity.

- *Policy 2-P-5: Strengthen the visual and aesthetic character of major arterial corridors.*

The Overlay creates a discretionary review process that provides flexibility to allow for intensification of sites within the Downtown, including along four major arterial corridors: Petaluma Blvd. South, D Street, Western Avenue, and Washington Street (see Figure 5-1 of the General Plan 2025). The Overlay includes regulations and findings that require context-sensitive design, ensuring that any new development along these major arterial corridors strengthens, and is compatible with the existing visual and aesthetic characteristics of the area. Moreover, as shown in Figures 5.2-5.4 of the Draft Ordinance, all major arterial corridors within the Overlay are identified as Pedestrian/Façade activation Zones. These Zones are subject to development standards including minimum storefront transparency (60% minimum glazing), maximum blank wall length (30 feet), and maximum window sign coverage (15%). These development standards are intended to enhance the pedestrian experience and present attractive building facades to reflect the land use pattern and vibrancy of active pedestrian-oriented streets in Downtown. Creation of these Zones along major arterial corridors as part of the Overlay effectively strengthens the visual and aesthetic characteristics by creating greater opportunities for development of vibrant, visually interesting, and active streetscapes.

- *Policy 2-P-14: Promote the development and intensification of the Downtown commercial core as both a visitor destination and a neighborhood retail center.*

The Overlay promotes the development and intensification of the Downtown commercial core by expanding opportunities for mixed-use development. The increase in lot coverage, building height, and FAR throughout specified areas Downtown increases development potential, enhancing the viability of mixed-use projects and supporting development of a wider range of uses that meet the needs of the residents and visitors. Apart from a few parcels, the Overlay requires any new ground floor area within 30 feet of the public right-of-way to be developed with activating uses, including retail uses. Moreover, by providing opportunities for ground floor residential development in strategic locations, the Overlay supports development of housing Downtown, further supporting development of the Downtown commercial core as a neighborhood retail center. Lastly, by providing greater development opportunities and potentially enabling mixed-use development Downtown, the Overlay facilitates creating vibrant, visually appealing, and active streetscapes, reinforcing the Downtown core as a destination.

- *Policy 2-P-17: Pursue the development and promotion of cultural activities and facilities, such as museums, meeting halls, community theatres, public art galleries and shows, and outdoor gathering places within the Downtown area.*

The Overlay incentivizes the development of cultural activities and facilities within the Downtown area by specifically permitting library, museum, and art gallery uses within the Pedestrian/Façade Activation Zones. By providing opportunities for increased lot coverage, building height, and FAR, the Overlay enhances the viability of mixed-use projects, making the inclusion of a cultural component, such as a library, museum, or art gallery, a more realistic and attainable goal for developers. Improving opportunities that increase the chance of establishing these types of uses Downtown will also provide a range of additional retail and community gathering opportunities for visitors and residents. Moreover, incentivizing development of cultural activities and facilities also has the

potential to attract more tourists and residents to the area, boosting the local economy and contributing to a vibrant Downtown.

Mobility Element

- *Policy 5-P-43 Support efforts for transit-oriented development around the Petaluma Depot and along the Washington Street, Petaluma Boulevard, McDowell Boulevard, Lakeville Street, and other transit corridors.*

The Overlay supports transit-oriented development along the Washington Street and Petaluma Boulevard transit corridors. By creating a discretionary review process that provides for flexibility to allow greater intensity of development, the Overlay supports increased ridership by creating a new and diverse customer base, including residents and visitors. The proximity of development within the Overlay to these transit corridors and the SMART station makes it a viable and convenient option, increasing the chances that residents and visitors to Downtown will utilize transit over single-occupancy vehicles. Moreover, increasing development potential and fostering walkability encourages the development of neighborhoods where residents and visitors can access a range of services within easy access to transit, effectively addressing the first and last mile problem and promoting public transit use.

Economic Health and Sustainability Element

- *Policy 9-P-12: Maintain and expand Downtown as a hub of commercial and retail activity with residential opportunities.*

The Overlay maintains and expands commercial, retail, and residential opportunities in Downtown by creating a process that allows for consideration of greater intensity of development to occur. Because the Overlay increases development potential and enhances the viability of mixed-use development, it increases the potential for investment in the Downtown, furthering the area as a hub of activity.

- *Policy 9-P-13: Expand and diversify Petaluma's retail base.*

The Overlay increases development potential by creating a discretionary review process that provides flexibility to allow increased lot coverage, building height, and FAR. This increased potential provides opportunities to expand and diversify the City's retail base as it creates more available space that retailers can occupy. Additionally, the increased development potential expands opportunities to attract a more diverse range of retailers, such as larger businesses, small boutiques, and start-ups with more niche requirements.

- *Policy 9-P-14: Plan and locate retail uses appropriately to their types and the sites available.*

The Overlay establishes Pedestrian/Façade Activation Zones, which are intended to ensure certain types of retail and other activating uses are appropriately situated on the ground floor to enhance the pedestrian experience and present attractive building facades to reflect the land use pattern and vibrancy of active pedestrian-oriented streets in Downtown.

Housing Element

- *Policy 1.1: Promote residential development within the Urban Growth Boundary, especially near transit and services and areas of high resource, as defined under Affirmatively Furthering Fair Housing legislation.*

As shown on the 2025 Affirmatively Furthering Fair Housing (AFFH) Mapping Tool¹⁰, Petaluma's Downtown area, including the Overlay, is within a High Resource Neighborhood Opportunity area. High Resource areas include those whose characteristics have been shown by research to be associated with positive economic, educational, and health outcomes for low-income families, particularly long-term outcomes for children. The Overlay promotes residential development within the Urban Growth Boundary, near transit, and in a High Resource area by removing potential barriers to development and increasing development potential through allowing ground floor residential uses, increasing lot coverage, increasing building height, and increasing FAR. By increasing development potential, the Overlay supports the development of more viable mixed-used projects near high-quality transit corridors, including developments that incorporate affordable housing consistent with the City's inclusionary housing requirements.

- *Policy 1.3 Encourage infill housing development with a particular focus on facilitating development near transit and services to support City climate goals.*

The Overlay provides a process for the City to consider allowing ground floor residential and greater lot coverage, building height, and FAR as compared to existing regulations. This effectively promotes infill development by increasing the development potential of sites in the Overlay, most of which are within ½ mile of the SMART station.

- *Policy 1.4 Establish flexibility in the City's standards and regulations to encourage a variety of housing types, including mixed-use and flexible-use buildings, and affordable housing development.*

The Overlay establishes flexibility in the City's standards and regulations by providing opportunities for increased building intensity which in turn increases development potential on specified sites within the City's Downtown. While the Overlay will not increase residential density, the allowance for ground floor residential, and the greater height and additional lot coverage possible through the CUP process increases flexibility for developers and may encourage housing development. By allowing ground floor residential in specified areas, the Overlay introduces a new option for housing in the Downtown. Additionally, allowing taller buildings enhances the feasibility of developing accessory dwelling units and junior accessory dwelling units within multi-family developments without affecting density.

- *Policy 1.6 Encourage the development of ADUs and JADUs as affordable housing resources.*

The Overlay encourages development of ADUs and JADUs by allowing for increased building height, which enhances the feasibility of their inclusion within multi-family developments.

¹⁰ CTCAC/HCD Opportunity Area Maps, <https://belonging.berkeley.edu/2025-ctcachcd-affh-mapping-tool>, accessed February 2025.

- *Policy 1.7 Facilitate the transition of existing neighborhoods into more walkable neighborhoods with integrated services, amenities, and a diversity of housing choices.*

The Overlay promotes a more walkable and dynamic urban environment through the establishment of Pedestrian/Façade Activation Zones, ensuring that ground-floor spaces contribute to an engaging streetscape with active uses. By allowing ground-floor residential in designated areas and offering greater flexibility in height and lot coverage through the CUP process, the Overlay creates new opportunities for diverse housing choices while maintaining a pedestrian-friendly environment. Additionally, the increased building intensity supports a mixed-use, amenity-rich setting that integrates services and enhances neighborhood vibrancy, reinforcing the transition toward a more walkable, well-connected Downtown.

- *Policy 2.1 Review and adjust city residential and mixed-use development standards that are determined to be a constraint to the development and improvement of housing.*

The Overlay creates a discretionary review process that provides for flexibility to modify development standards, eliminate constraints, and stimulate housing production by allowing greater lot coverage, increased building height, higher FAR, and ground-floor residential uses. These adjustments reduce regulatory barriers that might otherwise restrict development potential, fostering a more flexible framework that encourages higher-intensity mixed-use projects. By enhancing development feasibility and accommodating a broader range of land uses, the Overlay promotes a more efficient and dynamic use of land in the Downtown area, advancing the City's goals of facilitating housing growth and urban revitalization.

PUBLIC OUTREACH

As detailed in the Background section of this staff report, there have been numerous opportunities for the public and local, state, and federal agencies to provide comments and feedback on the project. Most recently, staff facilitated a multi-session joint discussion with the Petaluma Downtown Association and Chamber of Commerce, which helped provide stakeholders an opportunity to learn more about the Overlay proposal before both entities consider submitting comments. In addition to prior meetings, public noticing of this City Council hearing was provided consistent with local and state requirements and include the following.

CEQA Notices

A Notice of Completion (NOC) and Notice of Intent (NOI) to certify the FEIR, adopt Findings of Fact, and adopt a Mitigation Monitoring and Reporting Program was posted with the Sonoma County Clerk, State Office of Land Use and Climate Innovation (LCI formerly SCH), and published to the project webpage on February 14, 2025. Consistent with Section 15088 (Evaluation of and Response to Comments) of the State CEQA Guideline, the City of Petaluma also provided a written response to public agencies that commented on the DEIR on February 14, 2025. The Final EIR was made publicly accessible on the City's website and hard copies are available for review at City Hall, exceeding noticing and availability requirements of CEQA.

Notice of Public Hearing

On or before February 14, 2025, public notice of this public hearing was provided via posters installed on the site of the Hotel, published in the Argus, and mailed to all property owners and

occupants in the study area and within 1,000 feet of the perimeter of the study area, and any interested party, consistent with noticing requirements outlined in IZO Section 24.100.

This agenda item appeared on the City's tentative agenda document on February 3, 2025, which was a publicly-noticed meeting.

Public notice of the February 24, 2025 Public Hearing was posted in compliance with the Brown Act and to solicit initial public comments.

COUNCIL GOAL ALIGNMENT

The proposed Overlay is a commercial, mixed-use, and activity-driven project within the City's historic Downtown core, which supports three of the five categories of City Council Goals:

- An Economy that Prospers
- Spaces and Places that Inspire
- Our Environmental Legacy

The proposed Overlay creates a discretionary review process that provides for flexibility in current development standards and allows the City to consider increased development intensity in the core of Petaluma's Downtown, in proximity to services and transit and in an area supported by an expanded network of active transportation options. As part of that discretionary review process, the Overlay includes specific design standards to ensure that any increased development potential is only allowed if designed to be compatible with and appropriate to the Downtown area and does not have a negative impact on historic resources. The Overlay encourages appropriately designed infill development on underutilized parcels in the City's Downtown. This approach not only supports housing growth but also strengthens the City's tax base and revenue. Additionally, by concentrating development in existing urban areas, the Overlay helps reduce urban sprawl and VMT, promoting a more sustainable, transit-oriented community which will support the City's commitment to climate initiatives and reduction in greenhouse gas emissions.

The City Council held a special meeting on February 10, 2025, focused on citywide goals and priorities. All seven members of the Council indicated economic development as a primary goal for the City and an important lens for consideration of priorities in the near future. Both the Hotel and the Overlay provide economic benefit and opportunity to the City. To ensure that such economic focus is sensitive to the character of Petaluma the Overlay has been developed with specific design standards and guidelines, as part of a fully discretionary review process, and applicable only to properties in the downtown core that are appropriate for reinvestment within the context of the historic downtown. As discussed below under the financial impacts section and above applicable to consistency with General Plan policy 2-P-3, the Overlay has been developed in alignment with the goals of the City Council.

CLIMATE ACTION/SUSTAINABILITY EFFORTS

On January 11, 2021, the City Council and the Climate Action Commission held a joint hearing which resulted in the adoption of the Climate Emergency Framework. The Framework is intended to guide the City's ongoing response to and discussion about the climate crisis and guides and informs subsequent policies and implementation strategies. The principles identified in the Framework establish Petaluma's shared vision of a healthy, sustainable, and equitable community.

By setting the shared intention of this framework and working from the framework in subsequent planning efforts to create policy and implementation, the City will actively work to minimize catastrophic climate change and adapt to its expected impacts. Goals identified in the Framework that are particularly relevant to the project include elimination of transportation emissions by reducing VMT through active transportation, land use policy, increased intensity, increased public transit investment, and encouragement of and support for the use of non-internal combustion vehicles.

On November 4, 2024, the City Council adopted the Blueprint for Climate Action, Petaluma's climate action plan which contains policies, procedures, and actions to guide the community towards carbon neutrality. The Overlay, in part, implements Actions TLUC-1 and TLUC-2, in that it allows for greater lot coverage, building height, and FAR, which increases development potential for higher-intensity development in one of the City's most walkable areas. This supports development of more viable mixed-used projects near high-quality transit corridors and contributes to the vision of 15-minute neighborhoods. By supporting incremental infill development through increased development potential, the Overlay contributes to reducing greenhouse gas emissions associated with the reliance and use of single-occupancy vehicles as it positions residential, commercial, and other uses near reliable transit. Furthermore, concentrating increased intensity within the most walkable area of the City, further promotes a shift towards active transportation, directly supporting the City's climate action and sustainability goals.

Furthermore, future development under the Overlay would continue to be subject to existing City regulations regarding climate action and sustainability. At the time that future development applications are received for activities within the Overlay, they would be reviewed and processed in accordance with regulations in place at that time and would be required to incorporate City climate and sustainability standards in effect, including compliance with the latest Building Energy Efficiency Standards of California Building Code Title 24. The Overlay is located in Downtown Petaluma, which the Framework identifies as the most walkable area of the City and most of the Overlay is within ½ mile of the SMART station. The Overlay would provide an opportunity for increased intensity within the most walkable area of the City, further supporting a shift towards active transportation and meeting this City's climate action and sustainability goals.

ENVIRONMENTAL REVIEW

The purpose of this hearing, in part, is to review and consider certification of the FEIR, inclusive of revisions to the Draft EIR, responses to comments received on the DEIR, and to consider adoption of the Findings of Fact and MMRP. The FEIR has been prepared in full compliance with the State CEQA Guidelines and local CEQA guidelines. Once the EIR is certified, the City Council can consider taking action to approve, at its discretion, the proposed General Plan and Zoning Amendments. Additionally, certification of the EIR would allow consideration and action on the proposed EKN Hotel to occur at a future public hearing of the Planning Commission and HCPC. As requested by the City Council, the Final EIR has been prepared to clarify and respond to substantive environmental comments received on the Draft. Attachment 1 presents the resolution to certify the Final EIR.

The Final EIR did not identify any new or more substantial environmental impacts relative to the Draft EIR. The Final EIR concludes that all potentially significant environmental impacts can be

reduced to levels below significance with mitigation measures. There are no significant and unavoidable impacts identified in the EIR.

FINANCIAL IMPACTS

According to the “Downtown Overlay Market and Development Impacts Assessment and Fiscal Analysis of City Revenues Associated with the Proposed Hotel Project” memorandum prepared by Strategic Economics in the fall of 2023, the Hotel project as proposed 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. Overall, the project is expected to generate over \$700,000 in annual tax revenue for the City of Petaluma’s budget—primarily from TOT revenues.

The Hotel is subject to payment of City development impact fees. Based on the Development and Impact Fees Schedule effective today, the Hotel would be required to pay the City \$2.7 million in Development Impact Fees.

Moreover, the proposed Overlay establishes a discretionary review process that allows for flexibility in modifying development standards, reducing constraints, and stimulating housing production. By permitting greater lot coverage, increased building height, higher floor area ratios, and ground-floor residential uses, the Overlay would remove regulatory barriers that might otherwise limit development potential. This more adaptable framework may encourage higher-intensity mixed-use projects that would be subject to certain annual taxes and Development Impact Fee requirements, in addition to activating underutilized parcels in the Downtown area. (Attachment 4).

ALTERNATIVES

Based on its review of the staff report and accompanying materials, staff presentation, public comments, and Council discussion and deliberations, the City Council could choose to take the following alternative actions to staff’s recommended actions:

- Identify another project alternative, other than Alternative 2, as the preferred project provided that it is within the range of the scope of the FEIR. CEQA recognizes that a lead agency has the discretion to approve a portion of a proposed project. When considering project approval, the City Council, as the lead agency, has “the flexibility to implement that portion of a project that satisfies their environmental concerns.” (*Sierra Club v. City of Orange* (2008) 163 CA4th 523, 533). The City Council has discretion to approve a revised version of the project which was not considered in the EIR if it is similar in scope, size, and use as the alternatives evaluated in the EIR and would not have new environmental impacts. Direct staff to modify the Draft Ordinance and Findings to reflect the Council’s preferred project.
- Continue the public hearing and direct staff to modify the Final EIR to meet the substantive and procedural requirements of CEQA, if it is determined that the Final EIR does not currently meet those requirements.
- Continue the public hearing and direct staff to modify the Draft Ordinance to reflect Council’s preferred project.

ATTACHMENTS

Attachment 1	Draft Resolution certifying the Final EIR for the Project.
Attachment 2	<p>Draft Resolution to adopt a resolution to adopt a General Plan Amendment to increase the allowable Floor Area Ratio for areas within the Downtown Housing & Economic Opportunity Overlay from 2.5 to 6.0, and related Findings of Fact and the Mitigation Monitoring and Reporting Program (MMRP).</p> <p>Exhibit A: Findings of Fact</p> <p>Exhibit B: Mitigation Monitoring and Reporting Program</p>
Attachment 3	<p>Draft Ordinance (First Reading) Amending Chapter 2 of the Petaluma Implementing Zoning Ordinance (IZO) to Add the Downtown Housing and Economic Opportunity Overlay to the List of Overlay Zones Provided in Table 2-1 (Zones); Amending Chapter 4 of the IZO to Add a Footnote to Tables 4.3 (Allowed Land Uses and Permit Requirements for Mixed Use Zones) and 4.10 (MU1 and MU2 Zone Development Standards) Referencing Section 5.070 of the IZO; and Amending Chapter 5 of the IZO to Add Section 5.070 and Establish the Downtown Housing and Economic Opportunity Overlay Zone and Authorize a Zoning Map Amendment to Zone Applicable Parcels.</p> <p>Exhibit A: Chapter 2-Zoning Map and Zones</p> <p>Exhibit B: Tables 4.3-Mixed Use Zones & 4.10-MU1 and MU2 Zone Development Standards</p> <p>Exhibit C: Section 5.070-Downtown Housing and Economic Opportunity Overlay Zone</p> <p>Exhibit D: Zoning Map Amendment</p>
Attachment 4	Memorandum: Downtown Overlay Market and Development Impacts Assessment and Fiscal Analysis of City Revenues Associated with the Proposed Hotel Project, prepared by Strategic Economics, dated November 7, 2023
Attachment 5	Historic and Cultural Preservation Committee Resolution No. 2023-20 recommending that the Planning Commission recommend that the City Council approve a Zoning Amendment to adopt the Overlay (denied)
Attachment 6	Planning Commission Resolution No. 2023-20 recommending that the City Council approve a Mitigated Negative Declaration
Attachment 7	Planning Commission Resolution No. 2023-21 recommending that the City Council approve a General Plan Amendment
Attachment 8	Planning Commission Resolution No. 2023-22 recommending that the City Council adopt an Ordinance to approve a Zoning Amendment to adopt the Overlay
Attachment 9	Planning Commission Resolution No. 2024-12 recommending that the City Council accept the DEIR and authorize preparation of the FEIR
Attachment 10	City Council Resolution No. 2024-125 authorizing preparation of the FEIR