



DATE: November 18, 2024

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

FROM: Brian Oh, Community Development Director
Greg Powell, Principal Planner
Isabel Castellano, Historic Preservation Specialist
Olivia Ervin, Principal Environmental Planner

SUBJECT: Conduct a Public Workshop, Receive a Presentation and Public Comment, and Provide Direction on the Proposed Downtown Housing and Economic Opportunity Overlay, including General Plan and Zoning Amendments; File No. PLPJ-2022-0015 (PLGP-2023-0001 & PLZA-2023-0002)

RECOMMENDATION

It is recommended that the City Council receive a presentation and public comment on the draft Downtown Housing and Economic Opportunity Overlay before providing feedback to inform revisions to the draft legislation. No action is being taken by the City Council.

EXECUTIVE SUMMARY

The *Downtown Housing and Economic Opportunity Overlay* (Overlay) proposes regulatory incentives to support preferred housing, mixed-use, or commercial development that would benefit the City of Petaluma. It does so by providing flexibility from three development standards – Floor Area Ratio (FAR), building height, and lot coverage – all of which already exist throughout Downtown Petaluma and all of which would be subject to discretionary review by the Planning Commission, the Historic and Cultural Preservation Committee (HCPC), or both review authorities depending on the specific location. Ultimately, the Overlay is a way to create opportunities for future redevelopment to complement the City’s historic downtown character.

The draft Overlay has been presented for public review and comment at multiple study sessions held with the Planning Commission, the HCPC, or both on June 13, 2023, August 8, 2023, and October 3, 2023. Following an iterative policy development process during which review authority and public input were integrated with extensive analysis and informed by land use professionals, the Overlay was revised into a proposed policy document that was presented to the Planning Commission and HCPC for recommendation to the City Council on November 14, 2023.

The purpose of this workshop is to expand upon an 18-month policy development process by providing councilmembers with the opportunity to consider all aspects of the Overlay, reflect on

refinements that have already been made in response to public and advisory body input, and provide feedback and input to inform modifications to the draft legislation.

BACKGROUND

Project History

In April 2022, applicant EKN submitted their application for development of the Appellation Hotel (Hotel) on the vacant property located at 2 Petaluma Boulevard. The proposed project, as submitted, exceeded the maximum Floor Area Ratio (FAR), building height, and lot coverage allowances established by the City's adopted General Plan and Implementing Zoning Ordinance (IZO). After an initial review of the submitted application, staff advised the applicant of those aspects that did not comply with existing City regulations and provided options for the applicant to resolve the proposed project's noncompliance issues including the following:

- Withdraw the proposed project;
- Modify the project to comply with existing development regulations; or
- Request General Plan and IZO amendments to amend applicable development regulations.

The applicant, choosing to maintain the overall scope of the hotel project, submitted applications to amend the General Plan and Zoning Code to modify existing City standards related to FAR, building height, and lot coverage for the project. Following initial City staff review and advisement, the applicant augmented the amendment applications by proposing a zoning overlay (see page 4 of this report for more regarding the Overlay), which evolved to the current *Downtown Housing and Economic Opportunity Overlay* policy document through an iterative Planning process that has included multiple reviews by Planning Commission and the HCPC, a community meeting, staff research and outside professional analyses (see page 10 of this report for an overview of the public process and evolution of the Overlay). The Overlay was presented to the Planning Commission and HCPC for recommendation to the City Council at a joint public hearing held on November 14, 2023. The Overlay analyzed in the Draft EIR is shown in Figure 1, below.

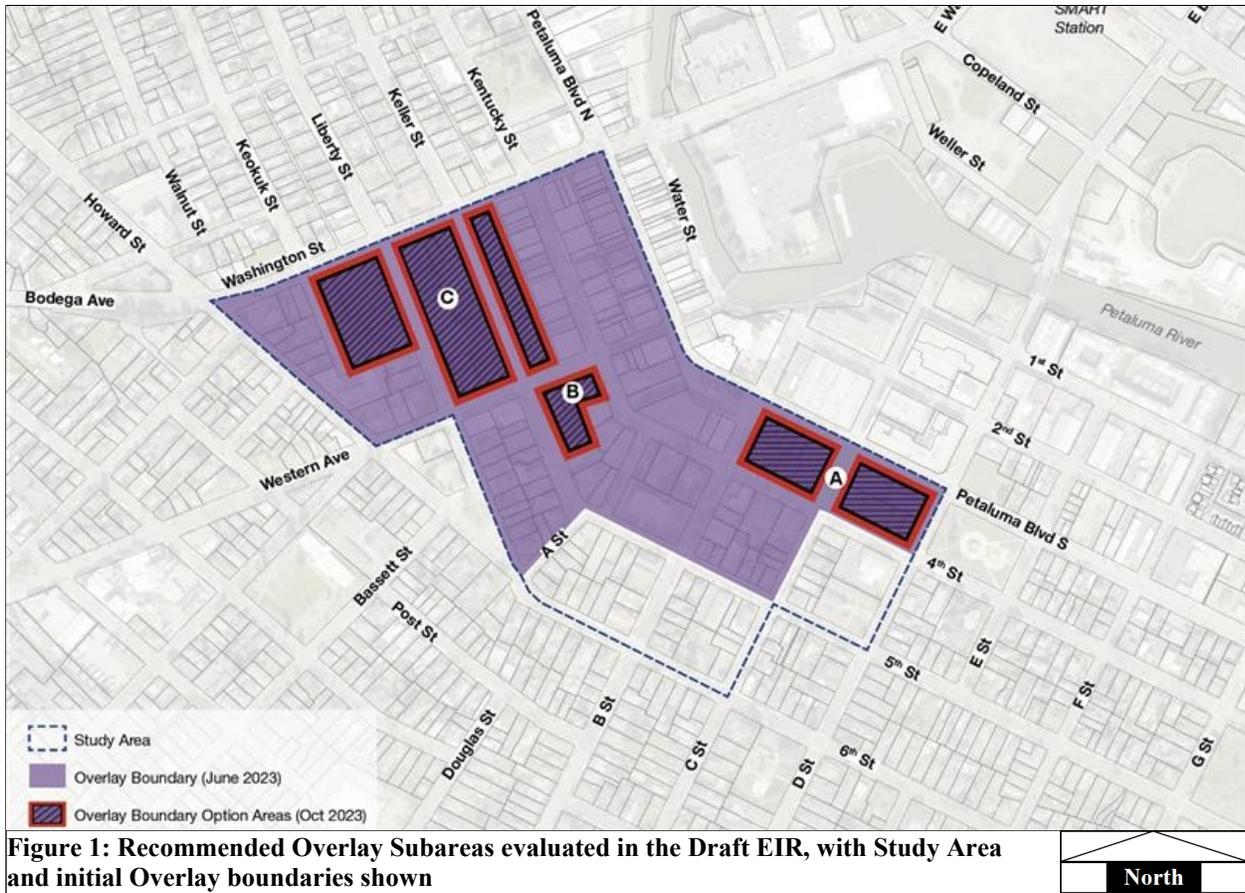


Figure 1: Recommended Overlay Subareas evaluated in the Draft EIR, with Study Area and initial Overlay boundaries shown

During the Overlay and the Hotel project Planning review process, the City conducted environmental review as required by the California Environmental Quality Act (CEQA), to prepare and circulate a Draft CEQA Initial Study/Mitigated Negative Declaration (IS/MND) that analyzed potential environmental impacts of the proposed Overlay at a programmatic level and potential environmental impacts of the proposed Hotel at a project-specific level. The Planning Commission and HCPC reviewed the IS/MND at a joint public hearing held on November 14, 2023.

After considering information presented by staff and comments from the public, the Planning Commission voted to recommend to the City Council adoption of the MND and the Overlay, subject to consideration of recommended modifications to the Zoning Map and Zoning Text (a description of these recommended modifications is within Theme #1 of this report). Subsequently, the City, as the Lead Agency under CEQA, directed that an Environmental Impact Report (EIR) be prepared to provide more detailed analysis of potential impacts related to the Overlay and the Hotel and to provide additional information for the public and reviewing bodies.

The EIR Notice of Preparation, which included an initial study, was published on April 12, 2024, for a 30-day public comment period that extended through May 13. On August 26, the City published the Draft EIR for public review, and on September 24, Planning Commission and HCPC reviewed the Draft EIR at a joint public hearing, and received public comment. At the conclusion of the meeting, the Planning Commission recommended that the City Council direct staff to proceed with preparation of the Final EIR.

The Draft EIR was presented to the City Council at a public hearing held on October 7, 2024. The City Council reviewed the Draft EIR, received public comments, and considered the HCPC and Planning Commission recommendations regarding the Draft EIR. At the conclusion of the hearing, the City Council directed staff to:

- Prepare the Final EIR;
- Schedule a City Council Public Workshop for the City Council to receive details and provide feedback on the proposed overlay, including the General Plan and Zoning amendments; and
- Present the proposed overlay, including the General Plan and Zoning amendments to the Planning Commission after the Public Workshop and prior to final consideration by the City Council (the Planning Commission meeting will be a joint meeting with the HCPC).

About Zoning Overlays

Zoning overlays are a planning regulatory tool used to address specific site or area needs or objectives by modifying existing regulations or creating additional regulations for a specific area. The zoning overlay approach provides the City with the opportunity to review current development standards and consider how modifications to those development standards may advance General Plan goals and policies for the Downtown area. City staff determined that a zoning overlay is the appropriate land use tool to use to review new infill development proposals to support housing development and increased economic development opportunities Downtown.

Zoning overlays “lay over” base zoning districts, similar to how the City has applied the historic overlays for properties within locally designated historic districts or designated individual landmarks, senior mobile home parks, the Theatre District (expired 2023), or flood plain areas. They provide specific, enhanced regulations to guide Planning review of proposed development.

Downtown Housing & Economic Opportunity Overlay

To support the review of the Overlay by the Planning Commission and the HCPC, reports were prepared to address the potential economic impact of the Overlay, survey and describe the existing built condition within the Overlay, and review and assess the potential impact to historic resources within the Overlay. The titles of each report, and a link to each document follows (each document is also attached to this report):

- Downtown Overlay Market and Development Impacts Assessment and Fiscal Analysis of City Revenues Associated with the Proposed Hotel Project ([Strategic Economics Memorandum](#));
- Proposed Downtown Housing & Economic Opportunity Overlay Parcel Inventory Report, November 2023 ([Parcel Inventory Report](#));
- Historic and Cultural Resource Report ([Painter Report](#)); and
- Peer Review of Historic Cultural Resources Report for Petaluma Downtown Overlay Proposal prepared by Painter Preservation ([FirstCarbon Peer Review](#)).

Core Characteristics

The proposed Overlay seeks to provide regulatory incentives to support preferred housing, mixed-use, and commercial development in specified areas of Downtown Petaluma. It does so by providing flexibility within certain development standards – maximum allowable Floor Area Ratio (FAR), building height, and lot coverage – and by creating development and design controls, all of which are subject to discretionary review by the Planning Commission, of the Planning Commission and the HCPC if the site is included within a Historic District.

The proposed Overlay would apply to approximately 10 acres primarily located within the General Plan’s Downtown Subarea, with a smaller portion along the northern edge that is located in the western reach of the Washington Corridor subarea. The current Overlay proposes Subareas A, B, and C, which reflect a reduced area relative to the overlay initially reviewed in June 2023. The 40 parcels that would be included within the Overlay are designated Mixed Use and Public/Semi-Public in the General Plan and are zoned Mixed Use and Civic Facilities. Four parcels within the proposed Overlay boundaries are also located within the boundary of Petaluma’s Commercial Historic District: 1) two parcels that comprise a portion of the vacant site of the proposed Hotel at 2 Petaluma Boulevard South, 2) the Rex Ace Hardware parcel at 313 B Street, and 3) the Chase Bank parcel at 101 Western Avenue, but each is classified as a non-contributor to the Historic District and do not include historic resources¹.

If adopted, new development subject to the Overlay would have the flexibility to request building height and lot coverage increases through a Conditional Use Permit² (CUP) process subject to Planning Commission review and approval. Any development within the Overlay would also be subject to Site Plan and Architectural Review³ (SPAR) or Historical Site Plan and Architectural Review permit (HSPAR) if the development is on one of the four historical parcels, as currently required by IZO Chapter 24.

What the Overlay **would not do**:

- Mandate or require redevelopment of any parcel within the Overlay;
- Allow building height greater than 45 feet (the permitted building height under current development standards) without a Planning Commission review and approval at a duly noticed public hearing;
- Approve the proposed Hotel⁴;
- Require or permit the demolition of any building;
- Modify current base zoning of any parcels within the boundaries of the three Subareas; or

¹ A contributing property is any building, structure, object or site within the boundaries of a historic district that contributes to its historic associations, historic architectural qualities or archaeological qualities of a historic district. A non-contributing property is a site that, due to date of construction, alterations, or other factors, does not contribute to the district's historic significance or character.

² A Conditional Use Permit is a discretionary entitlement that allows a reviewing body to consider special uses which may be essential or desirable to a particular community, but which are not allowed as a matter of right within a zoning district, through a public hearing process if certain findings are made.

³ A Site Plan and Architectural Review permit is a discretionary entitlement approval where the reviewing body reviews the design and layout of the development to make sure that the design is in compliance with the City’s Zoning Ordinance and to promote the orderly and harmonious development of the City. To grant a SPAR permit the reviewing body needs to make certain findings including, that the design is appropriate for their intended use, mitigates the environmental impacts, and facilitate harmony between developments and their surroundings.

⁴ The Hotel is subject to the review and approval by the Planning Commission and the HCPC.

- Eliminate project-level CEQA requirements.

What the Overlay **would do**:

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

Overlay Sunset Provision

The proposed Overlay Ordinance includes a sunset clause stipulating its termination upon the adoption of a future zoning code aligned with the forthcoming General Plan. The Overlay's objective—to guide preferred development within the Subareas —has been a core focus of the current General Plan’s urban infill strategy. However, if this densification goal is not incorporated into the new General Plan, the Overlay Ordinance would expire. This ensures that this effort continues to be in alignment with the on-going General Plan Update.

Discretionary Legislative Actions Required

General Plan Amendment

Planning Commission recommendation, City Council Adoption

Charter cities like Petaluma respond to property and due process rights guaranteed by the U.S. Constitution by using their police powers to enact local legislation that responds to their land use and community goals. The proposed Overlay requires legislative action by the City Council and, therefore, should align with Citywide goals and objectives.

The proposed General Plan Amendment would increase the maximum Floor Area Ratio (FAR) for the Mixed Use (MU) designation from 2.5 to 6.0 for areas within the Overlay. The increase in maximum FAR from 2.5 to 6.0 would allow for the potential development of new commercial square footage to support employment-generating uses, such as retail, office, and commercial uses. The existing maximum residential density requirement (30 dwelling units/acre) would be maintained such that the Overlay would not result in an increase in residential population beyond what is already projected as part of the General Plan buildout and what was already evaluated and disclosed in the General Plan Final EIR. No changes to the Public/Semi-Public (PSP) land use designation within the Overlay would occur, and the proposed General Plan and Zoning Amendments would apply. Amendments to the General Plan are legislative actions subject to review and approval by the City Council with recommendations carried forward from the Planning Commission.

Zoning Map and Text Amendments

Planning Commission and HCPC recommendations, City Council Adoption

The proposed Zoning Map Amendment would establish the Subarea A, B and C boundaries of the Overlay, and the proposed Zoning Text Amendment would establish new regulations and development standards for properties subject to the Overlay. These regulations would:

- Allow ground floor multi-family residential as a permitted use in specified locations;

- Describe and define areas subject to the Pedestrian/Façade Activation and Ground Floor Residential Zones;
- Establish a CUP process and required findings/review criteria to allow for an increase to the Building Height limit of 45 feet to a maximum of 75 feet;
- Establish a CUP process and required findings/review criteria to allow for an increase to the Lot Coverage limit of 80 percent to 100 percent;
- Increase the FAR limit from 2.5 to 6.0;
- Replace existing setback standards; and
- Add new stepback standards⁵.

Regulatory Context

Various policies and regulations shaped the content and scope of the proposed Overlay. The policies and regulations were discussed in detail in the November 14, 2023, staff report presented to the Planning Commission and the HCPC staff report (the complete narrative regarding each is included in the November 14, 2023, at **Attachment 5**). An updated overview is provided here to guide decision making regarding the Overlay and to verify that the Overlay is consistent with and implements the City’s values.

Priority Development Area

The Lakeville Priority Development Area (PDA) was adopted in 2007 and updated in 2022 and 2024 in collaboration with MTC/ABAG, the region’s Metropolitan Planning Organization. Petaluma’s two PDAs (Lakeville and Corona PDAs) extend out from each of the two SMART station locations and provide a focused boundary to identify areas to focus land use, housing, and transportation strategies to reduce greenhouse gas emissions. These areas are prioritized for investment, new housing, and job growth and in an effort to enhance mobility and economic growth by linking the location of housing and jobs with transit. A portion of the proposed Overlay is located within the Lakeville PDA, which aims to revitalize parts of the historic downtown by directing development to underutilized land in the City’s historic downtown, allowing for greater diversity and intensity of uses.

The stated objectives of the Overlay align with the values in both the state PDA program as well as Petaluma’s designated Lakeville PDA.

Central Petaluma Specific Plan/SmartCode

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

⁵ A stepback is a development standard that applies to a portion of a building above a certain height to require a horizontal separation between a building wall and a property line. A stepback differs from a setback in that a setback requires a horizontal separation between a building wall and a property line that applies to the entire building, from the ground to the sky.

Though the Overlay is not located within the boundaries of the CPSP, Station Area Master Plan, or the SmartCode, it is located immediately adjacent and helps to provide an important local context to be considered based on its proximity. The stated objectives in these documents is to redirect growth into Central Petaluma, encourage diversity in transportation modes, enhance physical structure and identity, and promote sustainable development is in direct alignment with the intent of the Overlay is to facilitate housing development and stimulate economic development in the city's downtown. Additionally, the implementing SmartCode provides for flexibility through discretionary review for development up to six stories in key areas within downtown, consistent with the draft structure of the downtown Overlay.

General Plan Update

The City is currently in the process of a comprehensive update to the Petaluma General Plan 2024. This effort has been informed by an in-depth visioning phase that identified guiding principles and supporting concepts to ensure the vision and values of the community were clearly identified early in the process in order that goal and policy development continued to be considered in direct reflection of that vision and values. Many of those guiding principles are aligned with the objectives of the Overlay and the regulatory control built into the discretionary review process for any height increases, including but not limited to the following:

- Achieve carbon neutrality by 2030 and equitably foster a sustainable and resilient community in which today's needs do not compromise the ability of the community to meet its future needs.
- Promote more affordable housing and a diversity of housing options.
- Prioritize infill development in appropriate locations throughout the City.
- Enhance Petaluma's historic downtown by preserving its historic character, expanding pedestrian and bicycle access and safety, providing public gathering spaces, and promoting a diverse mix of uses.
- Honor, celebrate, and preserve Petaluma's heritage and historic character and its place in the modern city.
- Prioritize cycling, walking, transit, and other transportation alternatives over automobiles.
- Advance a forward-looking economic development strategy that focuses on diversity, opportunity, innovation, and resilience.

A key component of the General Plan Update incorporates work completed by the AIA Sustainable Design Assistance Team (SDAT) around the creation of 15-minute neighborhoods, which further implements many of the guiding principles discussed above and is in keeping with the objectives of the Overlay to increase opportunity for a mix of housing and other land uses on underutilized properties in the downtown core in proximity to services, transit, and community amenities.

Blueprint for Climate Action

The City Council recently adopted the Blueprint for Climate Action to guide the community toward the City's stated goal of carbon neutrality by reducing greenhouse gas emissions. The overall objective of the proposed Overlay is consistent with the overarching call to action in the Blueprint in that it provides an opportunity for infill development that increases density and

intensity in the center of town in proximity to transit and services. This, in turn, decreases demand for greenfield development and in outlying areas that are dependent on automobiles.

Site Plan and Architectural Review

For the parcels within the Overlay that are not within the Petaluma Historic Commercial District, new development or alterations to existing buildings would be subject to SPAR review to ensure consistency with the site planning and design review procedures in Section 24.050 of the IZO.

The purpose of the site plan and architectural review process is to ensure compliance with the Zoning Ordinance and to promote orderly and harmonious development within the City. The intent of SPAR review is to achieve a satisfactory quality of design in individual buildings and sites and ensure the appropriateness of buildings to their intended use, to mitigate the environmental impacts of buildings and sites, and to ensure that new development is compatible with the character of the neighborhood.

The Planning Commission has the authority to approve, approve with modifications, or disapprove SPAR applications. SPAR decisions may be appealed to the City Council.

To issue a SPAR permit, affirmative findings need to address aesthetic and other impacts, including “overall design is harmonious and in proportion in itself and in relation to the adjacent development,” and determine that the application is either exempt from CEQA or that the environmental impacts of the project would be sufficiently mitigated.

Historic Site Plan and Architectural Review

For the four parcels within the Overlay that are also within Petaluma’s Commercial Historic District, new development or alterations to existing buildings would be subject to review and approval of HSPAR for consistency with the design review procedures in Chapter 15 of the IZO.

This Chapter provides guidelines for HSPAR by the City, and specifically by the HCPC, to ensure the City’s development standards are being followed and to promote orderly development.

The HCPC has the authority to approve, approve with modifications, or disapprove HSPAR applications for construction, alteration, demolition, and repair or maintenance work on structures or sites within historic districts, as provided in Sections 15.050 and 15.070 of the IZO. HSPAR decisions may be appealed to the City Council.

Specific regulations and Guidelines pertaining to the review of HSPAR include the following:

- CEQA;
- IZO Chapter 15: Preservation of the Cultural and Historic Environment;
- General Plan 2025 Chapter 3: Historic Preservation;
- Historic District Design Guidelines; and
- Secretary of the Interior Standards for the Treatment of Historic Properties.

Conditional Use Permit

New development or alterations to existing buildings within the Overlay above 45 feet and/or covering more than 80% of the parcel would be subject to review and approval of a CUP per the review procedures in 24.060.E of the IZO and new findings to be established by the Overlay.

The purpose of CUP review is to ensure the proper integration of uses which may be suitable only in certain locations and only provided such uses are arranged or operated in a particular manner.

The Planning Commission has authority to approve, approve with modifications, or disapprove CUP applications. CUP decisions may be appealed to the City Council.

California Environmental Quality Act (CEQA)

New development applications proposed within the Overlay would be subject to SPAR or HSPAR and a CUP, which are both discretionary actions and trigger compliance with CEQA. Prior to taking action on future discretionary applications proposed within the Overlay, the City must first comply with CEQA. The purpose of CEQA is to disclose and evaluate the significant environmental impacts of proposed projects and adopt all feasible mitigation measures to reduce, offset, or eliminate impacts. Future discretionary applications within the Overlay will be subject to project-specific CEQA review and any project-specific mitigations identified through that process, as well as applicable mitigation measures from the General Plan EIR and the Downtown Housing and Economic Overlay and EKN Appellation Hotel EIR.

Public Process Summary

A thorough and comprehensive planning process integrates Citywide goals and objectives, Planning principles, technical studies and reports, community input, and review authority reviews. This process started in June 2023, to provide the community and review authorities with multiple opportunities to learn about the proposed overlay and to provide feedback. These opportunities are listed in Table 1, below.

Table 1		
Summary of Public Engagement		
Date	Meeting Type	Staff Report/Agenda Materials
June 13, 2023	Planning Commission and HCPC - Public Study Session	See Attachment 2 ; all agenda materials are online here .
July 12, 2023	Know Before You Grow Community Meeting	N/A
August 3, 2023	Petaluma Downtown Association - Meeting	N/A
August 8, 2023	Planning Commission - Public Study Session	See Attachment 3 ; all agenda materials are online here
October 3, 2023	HCPC - Public Study Session	See Attachment 4 ; all agenda materials are online here .
November 14, 2023	Planning Commission and HCPC - Public Hearing	See Attachment 5 ; all agenda materials are online here .

For each of the meetings listed, the City informed the public of the proposed Overlay via printed notices in the Argus, mail notices to all property owners and occupants in the study area and within 1,000 feet of the perimeter of the study area, and on-site signage installed on the site of the Hotel. In addition to the public meetings listed in Table 1, as the City’s review of the EKN Appellation Hotel and the Overlay progressed, public information was provided via the Internet at: <https://cityofpetaluma.org/economic-opportunity-overlay-ekn-appellation-projects/> and via Community Updates.

Evolution of the Proposed Overlay

Original Overlay Proposal

In June 2023, at a joint study session, the Planning Commission and HCPC reviewed the [Petaluma Building Form Overlay Proposal in Downtown \(May 2023\)](#), which defined a 14-block study area bounded by Washington Street to the north, Petaluma Boulevard to the east, D Street to the south, and Howard/Liberty Streets to the west to propose a 10-block zoning overlay within this study

area (The May 2023 study area and the Petaluma Building Form Overlay is depicted in Figure 1, above).

This draft of the Overlay proposed development regulations to:

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

Based on feedback from the Planning Commission and HCPC at the June study session, staff recommended the applicant team analyze the following concepts to guide revisions:

- Modify the name of the overlay to reflect the intent of the proposed zoning overlay more accurately;
- Focus the boundaries of the zoning overlay to support the redevelopment of under-utilized parcels;
- Consider how the zoning overlay could more effectively preserve historic buildings and the Downtown Commercial Historic District;
- Establish discretionary review requirements for proposed heights exceeding 45 feet, which is the height currently permitted by right in the MU2 zoning district;
- Review proposed setbacks and step backs to reduce potential impacts of new structures on existing development, including historic buildings and the Downtown Commercial Historic District; and
- Consider how residential development could be incentivized in the proposed zoning overlay.

Revision #1

On August 8, 2023, the Planning Commission held a study session to review revisions that:

1. Reduced the area to be included. The scope was reduced to focus on under-utilized parcels⁶, avoid overlap with designated historic districts and contributing buildings/sites within a historic district, and avoid the residential areas. The reduced scope focused on three smaller areas, to contain 40 parcels, and include roughly 10 acres of downtown. The reduced scope is depicted as Subarea A, B, and C, in Figure 2, below; and
2. Required Discretionary Approval of a CUP for any building above 45 feet. Require discretionary approval of a CUP, with specific findings, to allow a building to be constructed above 45 feet.

⁶ “Under-utilized parcels” refers to sites that have potential for redevelopment/increased development intensity and the ability to add to the sense of place within Downtown. They include vacant lots and structures, and low-density developments on lots dominated by parking. The designation as an opportunity site doesn’t reflect current commercial activity; instead, it reflects the degree to which the site is developed.

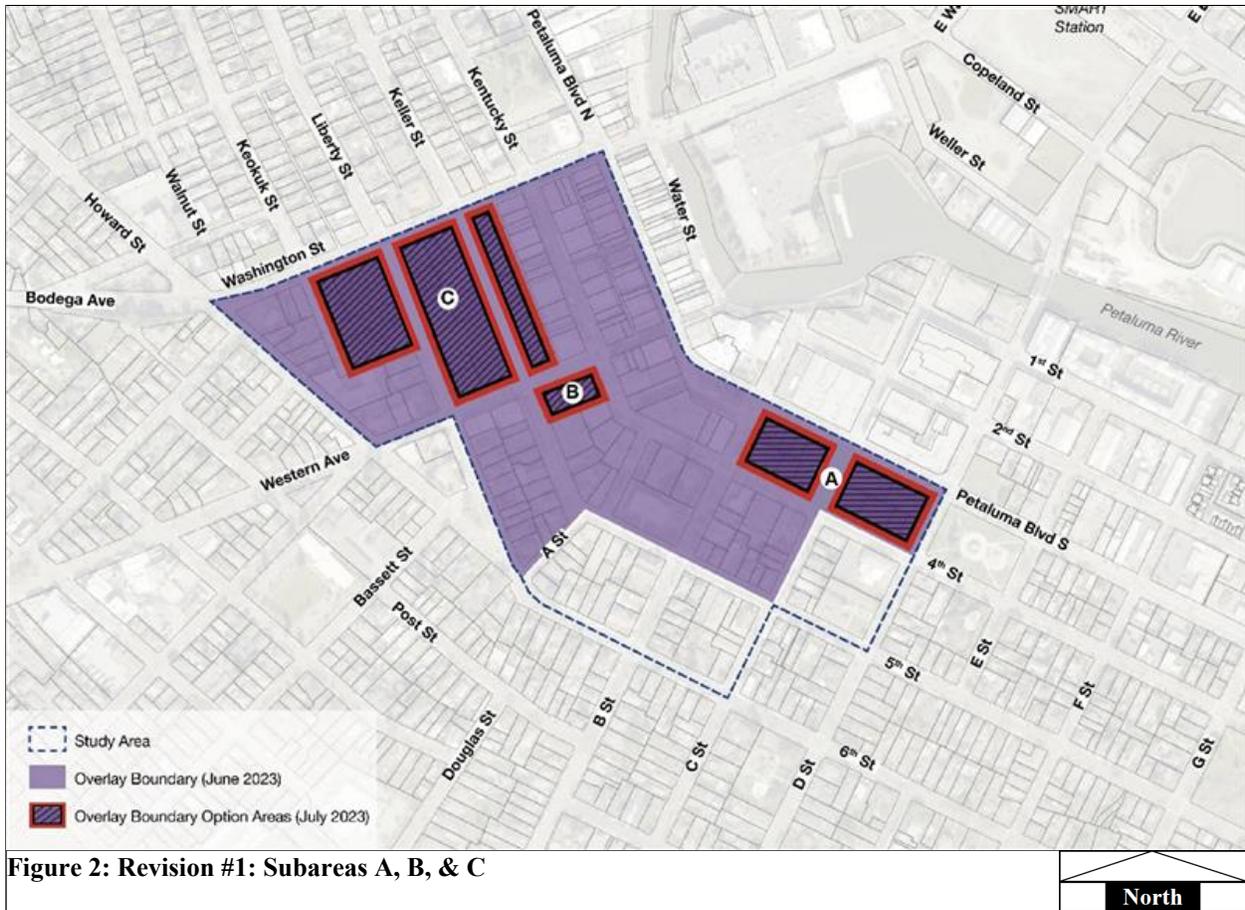


Figure 2: Revision #1: Subareas A, B, & C

For the August Study Session, staff released a *Frequently Asked Questions* document to provide a comprehensive and consolidated response to various questions and comments presented by the Planning Commission, HCPC, and the community. This FAQ was published on the City’s website ([FAQ’s](#)). In addition, staff prepared exhibits to provide project information, associated development standards and other supporting information/documentation to the Planning Commission, HCPC and the public. The exhibits published in August were posted to the City’s website ([August Exhibits](#)).

Following the August study session, the Planning Commission requested additional information to:

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

Revision #2

On October 3, 2023, the HCPC held a study session to review revisions that:

1. Expanded the boundary of Subarea B. Upon further staff analysis, the boundaries of Subarea B were expanded to include the entire parcel occupied by the Wells Fargo bank at 125 Western Avenue and not just the portion of the lot occupied by the bank building. Any exhibit that depicted the extent of Subarea B was modified to reflect this change (this extent of the Overlay is depicted in Figure 1, above); and
2. Established and Described Pedestrian/Facade Activation Zones & Allowed Ground Floor Residential Uses. Staff developed new maps to indicate opportunities for *Pedestrian/Façade Activation Zones* and *Ground Floor Residential Zones* to apply new land use and design controls for any new building within Subarea A, B or C.

The Exhibits originally presented to the Planning Commission in August were updated to reflect these revisions ([October Exhibits](#)). The study area, the originally proposed overlay, and each Subarea presented to the HCPC for the October Study Session is the same as depicted in Figure 1, above.

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

Revision #3

On November 14, 2023, the Planning Commission and the HCPC held a public hearing to review revisions that:

1. Updated the review criteria for buildings above the by-right 45-foot height limit. The by-right height limit would remain at 45 feet, but the review criteria to allow for height above 45 feet, via a CUP was revised to better address concerns and compatibility with historical resources;
2. Finalized the Development Standards. The development standards table was updated to reflect the development standards that will be included in the IZO;
3. Simplified and corrected the Setback and Stepback Tables. The tables were revised to remove references to the setback standards and the interior side stepbacks were removed to reflect changes made to the Overlay;
4. Required a CUP to increase Lot Coverage above 80%. To provide for more flexibility for the City to improve the pedestrian experience and to better reflect the varied development pattern within the Overlay, lot coverage above the existing limit of 80% would now require a CUP, irrespective of the building's height; and
5. Refined and provided development standards for the Pedestrian/Facade Activation Zones & for Ground Floor Residential Uses. To promote residential uses within the Overlay, multi-family residential would be allowed as a permitted use on the ground floor in any portion of a parcel that is not mapped as part of the Pedestrian/Facade Activation Zone for all Subareas, and not just Subarea C as reported to the HCPC on October 3, 2023. In addition, new development standards would apply to new buildings and uses within the Pedestrian/Facade Activation Zones to require minimum glazing/window requirements for

ground floor facades, limit window signage and blank walls and set height limits for interior partitions or shelving.

The Exhibits previously provided to the Planning Commission or the HCPC were updated to reflect the revisions ([November Exhibits](#)). Also, the original Petaluma Building Form Overlay Proposal in Downtown was replaced with a new document, the “[Downtown Housing & Economic Opportunity Overlay](#)” (Please see **Attachment 1**).

The HCPC was asked to adopt a resolution to recommend that the Planning Commission recommend that the City Council adopt an ordinance adding Section 5.070 to the city of Petaluma Implementing Zoning Ordinance. The motion to adopt this resolution did not pass.

The Planning Commission was asked to adopt resolutions to recommend that the City Council adopt an ordinance adding Section 5.070 to the city of Petaluma Implementing Zoning Ordinance, amend the Zoning Map for the Overlay, and to amend the General Plan. The motion to adopt these resolutions passed, with the Planning Commission recommending three modifications to the Zoning Map and Zoning Text for consideration by the City Council:

- Reduce the scope of Subarea C:
- Revise the CUP findings for height; and
- Expand the Pedestrian/Façade Activation Zones in Subarea A and Subarea C.

These modifications are fully described in the Discussion section of this report.

DISCUSSION

The Overlay has evolved significantly in direct response to request by review authority bodies including City Council, Planning Commission, and HCPC, and community feedback, and it has integrated land development and urban design best practices. The current version of the Overlay reflects specific topics and concerns expressed by the community, Planning Commission, and the HCPC throughout the planning process. The ongoing refinement has allowed the draft overlay language to more precisely address the community’s priorities and shaped the parameters of the discretionary process for review of increased development potential within the Overlay.

This City Council workshop offers the opportunity for elected officials, who will also be the legislative decision-making body on the Overlay, to direct further refinement of the draft ordinance and to shape the Overlay to meet the needs of the community and protect the unique qualities of downtown Petaluma.

The discussion below identifies potential themes for discussion associated with the Overlay and identifies modifications that have occurred to date to refine the Overlay in response to each identified topic in addition to other considerations. The City Council may wish to talk about each of the topics identified below or alternatively focus on those areas where the City Council determines further refinement is needed to match the policy direction of the Overlay with the values of the community.

Direction from the City Council will provide staff guidance for potential modifications and refinements to make prior to bringing the Overlay back before the Planning Commission for review and recommendation in concert with their review of the Final EIR for both the EKN Hotel and Overlay, and ultimately, to City Council for final consideration.

Theme #1 – Overlay Boundaries

The area of Downtown to include in the Overlay was carefully considered and refined to respond to comments or direction provided by the Planning Commission and the HCPC.

The first draft of the Overlay was based on a 14-block study area bounded by Washington Street to the north, Petaluma Boulevard to the east, D Street to the south, and Howard/Liberty Streets to the west to propose a 10-block zoning overlay within this study area. The June 2023 study area and the originally proposed overlay is depicted in Figure 3, below.

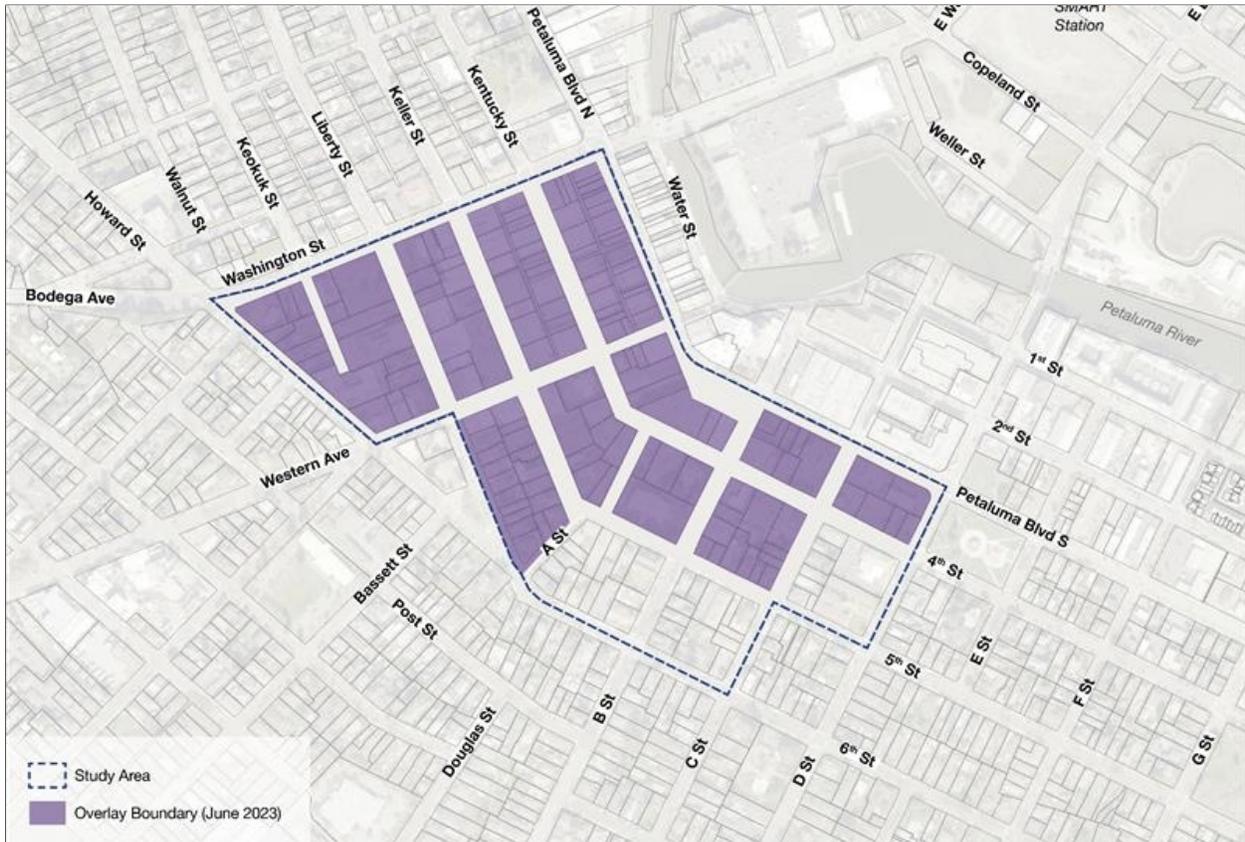


Figure 3 Original Overlay Proposal and Study Area

After the June workshop, the scope of the Overlay was reduced to focus on under-utilized parcels, avoid overlap with designated historic districts and contributing buildings/sites within a historic district, and avoid residential areas. The reduced Overlay focused on three smaller areas, to contain 40 parcels, and included roughly 10 acres of downtown. The reduced Overlay presented to the Planning Commission on August 8, 2023, is depicted as Subarea A, B, and C, in Figure 4, below.

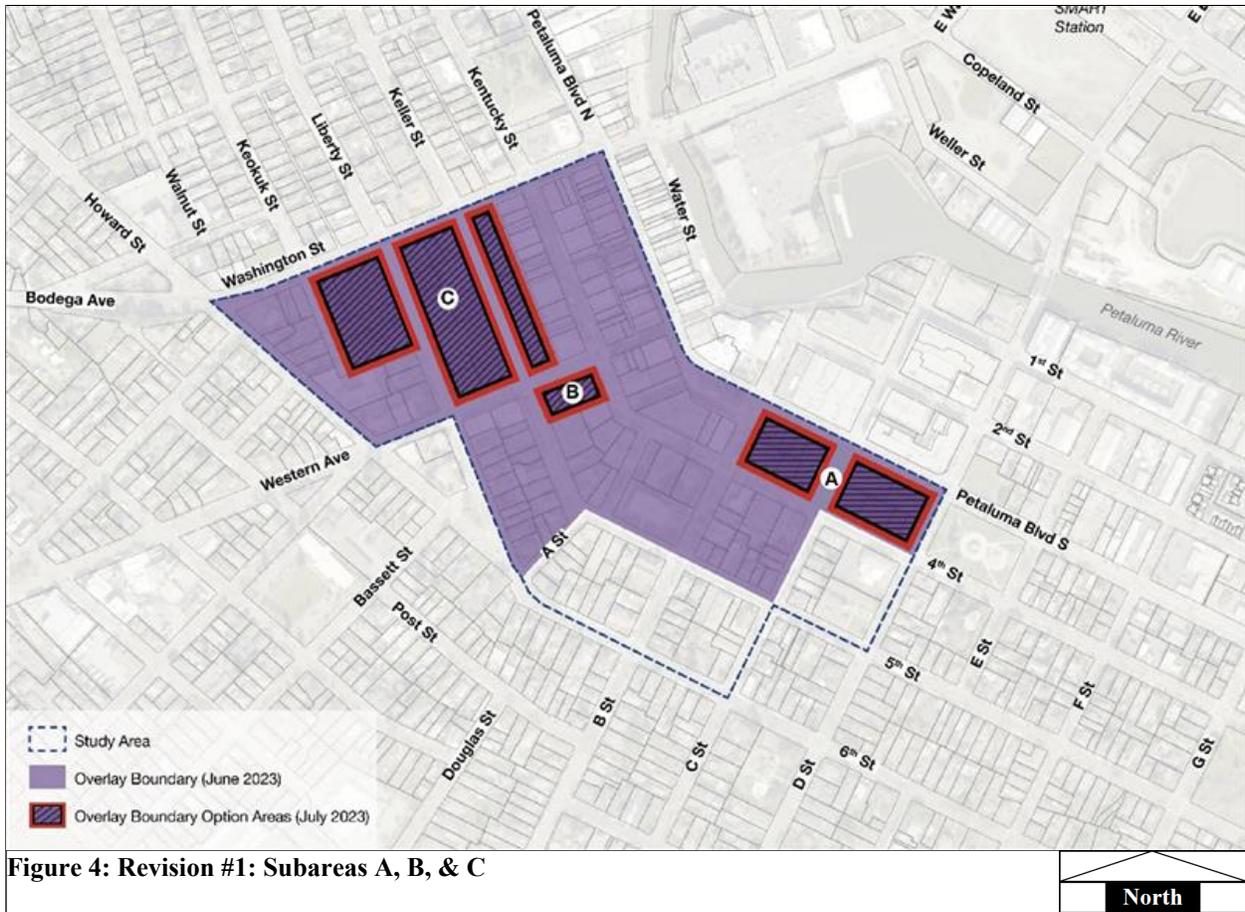
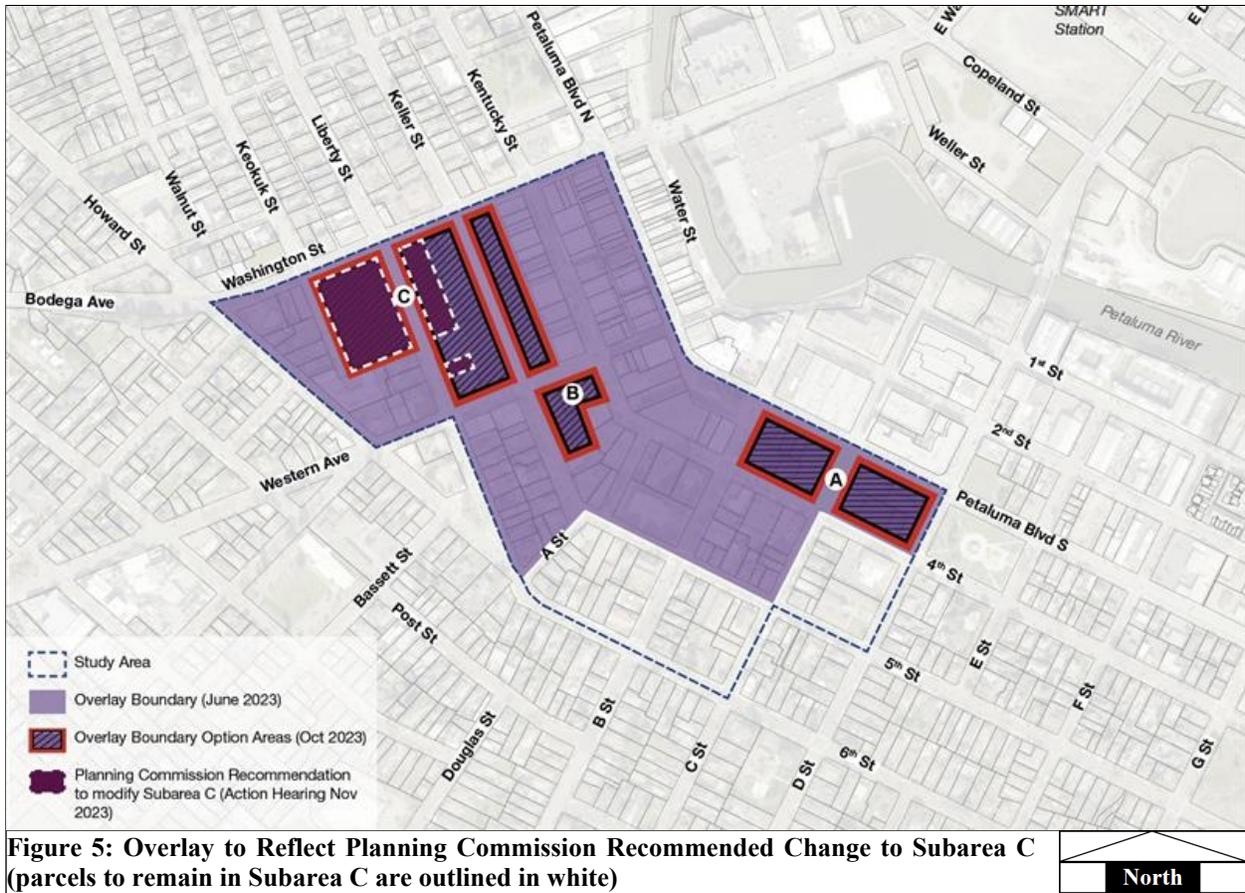


Figure 4: Revision #1: Subareas A, B, & C

The Overlay depicted above was modified for the October 3, 2023, HCPC to expand Subarea B to include the entire parcel occupied by the Wells Fargo bank at 125 Western Avenue and not just the portion of the lot occupied by the bank building (this extent of the Overlay is depicted in Figure 1, above).

In November 2023, the Planning Commission recommended that the scope of the Overlay be further reduced, to eliminate 15 of the 25 parcels within Subarea C. This reduction is shown in Figure 5, below, with the parcels to remain in Subarea C outlined in white (the parcels to be excluded from Subarea C are also depicted in Figure 11.2, below).



The Planning Commission made this recommendation citing that the 15 parcels did not need revitalization and needed to be protected from development pressure. Parcels to be excluded would include but not limited to the Phoenix Theater, the City-owned parking garage along Keller Street, the Petaluma Market, and Stockhome.

The description in the Downtown Housing & Economic Opportunity Overlay for Subarea C included “Parcels within the subarea currently occupy a range of single uses including restaurants, offices, theaters, stores, parking lots, auto shops, and vacant properties. Parcels in this subarea presents an opportunity for new housing in Downtown surrounded by a number of supporting retail and commercial uses. There is an opportunity to envision an urban neighborhood in this subarea complete with a mix of uses and a robust network of pedestrian connections and open spaces such as parks and plazas.” As with the other Subareas, the extent of Subarea C was the result of careful study by staff to look for opportunity sites to direct new development while avoiding concentrations of historic buildings.

The Planning Commission’s recommendation to reduce the extent of Subarea C was analyzed by the Draft EIR as a project alternative (Alternative #2, starting on page 386 of the Draft EIR). The Planning Commission recommendation to reduce the extent of Subarea C would reduce the number of parcels subject to the development standards of the Overlay, would not apply the Pedestrian/Facade Activation Zones along Western Avenue, and would reduce the land area available for ground floor residential as a by-right use, to retain the existing development and regulatory conditions.

Options for the Council to Consider

While the current proposed boundaries of the three Subareas have evolved in response to community input, the City Council retains significant discretion to further modify the boundaries of the Overlay. The Council may wish to consider further reductions in the Overlay in one or more of the Subareas or elimination of one or more Subareas if determined that the increased development potential is not appropriate in a specific area or if the Council believes a smaller area is appropriate for the Overlay.

An option to consider could involve focusing the Overlay to only include sites that reflect specific characteristics, such as parcels that were identified in the Downtown Housing & Economic Opportunity Overlay as Opportunity Sites. If the Overlay was limited in this manner, the number of parcels to be included in the Overlay would be reduced from 40 to 18, and the area to be included in the Overlay would be reduced from 10.17 acres to 5.09. If the City Council chose to limit the sites the Overlay in this manner, the sites would be those shown in Figure 6, below.



Figure 6: Parcels identified in the Downtown Housing & Economic Opportunity Overlay as Opportunity Sites

Guidance for applying the Overlay to a smaller area (Spot Zoning Considerations)

While the City Council has the option to reduce the scope of the Overlay, applying zoning rules to small areas or specific parcels can be subject to a claim of “Spot Zoning.” Spot zoning occurs when a specific parcel or small area of land is singled out for different zoning treatment from the surrounding area, often in a way that is inconsistent with the larger zoning plan. As with any zoning decisions, cities must establish rational boundaries and justifications for why certain properties are zoned a particular way. The proposed Overlay bundles together similar, underutilized properties, applying uniform standards across them. This approach doesn’t signal out any one property but instead applies to 40 parcels totaling over 10 acres. This broad application across many parcels distinguishes it from spot zoning.

Also, some California courts have held that spot zoning, by definition, only occurs when a property is singled out and subjected to more restrictive standards than surrounding properties, effectively diminishing the property’s rights. In contrast, here we are providing these property owners with additional development rights, such as increased height limits, rather than imposing greater restrictions. Therefore, this is not spot zoning.

Even if it were considered spot zoning, courts have upheld such zoning when a rational basis exists. In this case, the parcels were selected due to their underutilized nature, and the decision followed months of study, including several study sessions. These parcels were not arbitrarily chosen, and there is a legitimate planning rationale for the Overlay, which would likely withstand the rational basis test. (See, *Sacramentans for Fair Planning v. City of Sacramento* (2019) 37 Cal.App.5th 698).

Theme #2 – Transportation & Parking

The Overlay requires Planning Commission approval of a CUP for any building to be constructed above 45 feet. The Overlay created specific findings related to height that the Planning Commission must make, and these findings are in addition to the CUP findings that exist in the IZO. Specific to traffic and parking, the IZO requires that the Planning Commission find that the “type of street serving the proposed building(s) and use is adequate for the amount of traffic expected to be generated” and that the “adequacy, convenience, and safety of vehicular access and parking, including the location of driveway entrances and exits is adequate for the amount of traffic expected to be generated, and will be compatible with adjoining buildings and uses.” If the Planning Commission cannot make these findings, the CUP to allow a building to be constructed in the Overlay above 45 feet cannot be granted.

Guidance for Considering Parking under CEQA

Pursuant to Public Resources Code Section 21099(d)(1), “aesthetic and parking impacts of residential, mixed-use residential, or employment center projects on an infill site within a transit priority area shall not be considered significant impacts on the environment.” The Hotel project, along all parcels within the overlay, qualifies under this provision. Therefore, concerns regarding parking may not be deemed as significant impacts under CEQA.

However, courts have established that secondary effects stemming from parking scarcity, such as impacts on air quality, can be considered under CEQA (*Save Our Access - San Gabriel Mountains v. Watershed Conservation Authority*, (2021) 68 Cal.App.5th 8). To that end, parking has been thoroughly analyzed in the “Traffic Impact Study for the Petaluma Appellation Hotel Project” (Exhibit G to the Initial Study that was prepared to inform the Draft EIR), which concluded that “The proposed parking supply would be adequate to meet City requirements.” As such, the Hotel

will not experience parking scarcity, mitigating any significant secondary environmental impacts. Furthermore, potential impacts on air quality based on unsubstantiated claims about traffic congestion lack merit. As highlighted in *Upland Community First v. City of Upland* (2024 WL 4182599), claims suggesting that a project might have significant impacts on air quality and GHG emissions due to traffic-related parking scarcity are unfounded.

The Final EIR will also likely conclude that secondary effects on parking will be less than significant for the Overlay. This is because:

- Reduced parking promotes public transit and other environmentally friendly modes of transportation like walking and biking, which may decrease the number of vehicles on the road and the secondary effects like traffic and air quality;
- That all sites within the Overlay are already developable and while the proposed ordinance allows these parcels to increase their height, FAR, and lot coverage, the proposed ordinance does not increase residential density. Therefore, any increase in the number of vehicles due to the ordinance will be negligible;
- As the Overlay is within ½ mile of transit and development within the Overlay is urban infill, any increase in VMT will be less than other parts of the city; and
- As the VMT was found to be less than significant, so too will the secondary impacts on air quality and GHG.

Even if there were secondary effects related to parking scarcity within the Overlay ordinance—which, as previously discussed, there are not—Assembly Bill (AB) 2097 prohibits the City from imposing parking requirements to mitigate these effects. Specifically, AB 2097 prohibits the imposition of minimum parking requirements on residential, commercial, or other development projects⁷ located within one-half mile of a “major transit stop.” The SMART station qualifies as a “major transit stop” under AB 2097, and all parcels within the Overlay fall within this half-mile radius. Consequently, the City is not permitted to impose minimum parking requirements on new qualifying projects in the Overlay.

Additionally, development subject to the Overlay will need to obtain a SPAR permit. To secure a SPAR permit, the reviewing body must find that “ingress, egress, internal circulation for bicycles and automobiles, off-street automobile and bicycle parking facilities, and pedestrian ways are designed to promote safety and convenience and conform to applicable City standards” (IZO Section 24.050.E.3). Thus, if there is substantial evidence that a development’s design leads to parking issues, the Planning Commission has the authority to deny the SPAR permit.

Downtown Parking Management Plan

In 2024, the City was awarded a \$100,000 grant from the Metropolitan Transportation Commission to undertake the Downtown Area Parking Management Plan, which is currently underway. The Plan, which will come to City Council in draft form for a workshop in early-mid 2025, will aim to produce a clear understanding of parking conditions and identify strategies to optimize parking and curb utilization in support of a thriving downtown.

The Plan will include: 1) an assessment of existing conditions, including an inventory of public on and off-street parking, weekday and weekend utilization counts, and a turnover analysis; 2)

⁷ “Development project” does not include a project where any portion is designated for use as a hotel, motel, bed and breakfast inn, or other transient lodging, except where a portion of a housing development project is designated for use as a residential hotel, per California Government Code Section 65863.2(e)(6).

engagement of downtown businesses, employees, and visitors to understand parking/travel behavior and challenges; and 3) recommendations on how to better optimize on and off-street parking availability, as well as other curb uses, such as loading zones.

While the full report is not yet complete, the assessment of existing conditions, including an inventory of public on and off-street parking, weekday and weekend utilization counts, and a turnover analysis, is complete in draft form.

The City's consultant surveyed and analyzed the current capacity and usage of all public on- and off-street parking within the study area. This data was collected 1) Friday, June 21 from 7AM to 10AM, 3PM to 6PM, and 6PM to 9PM; and 2) Saturday, June 22 from 1PM to 4PM. Based on feedback from a Downtown stakeholder focus group, additional midweek data was recently collected and is in the process of being compiled and analyzed. An on-street parking total capacity and utilization rate has been identified for each block face within the study area. Five parking garages/lots within the study area were also inventoried to find utilization rates. These include the Keller Street Garage, the 4th Street and A Street Lot, the City Hall Lot, the Theatre Square Garage, and the Bank of America Lot.

The Downtown Area Parking Management Plan Study Area, the Parking Assessment District, and Subareas A, B & C are shown in Figure 7, below.



Figure 7: Downtown Area Parking Management Plan Study Area, Parking Assessment District, and Subareas A, B & C

Parking turnover data was collected on the block of Kentucky Street between Western Avenue and Washington Street on Friday, June 21 to better understand the average dwell times of vehicles parking, loading/unloading, and idling.

Lastly, aerial imagery from a weekday afternoon (Wednesday, June 26, 2024), weekend afternoon (Saturday, July 8, 2023) and holiday afternoon (Tuesday, July 4, 2023) was used to count private off-street parking capacity and usage.

The following section summarizes preliminary findings from our data collection and analysis efforts thus far. The recommendations below are potential countermeasures, but not a final or

exhaustive list; draft recommendations will be presented in early-mid 2025 and subject to change pending additional analysis, visitor and employee survey findings, community feedback, and City Council feedback.

1. Public parking garages are not as highly utilized as on-street parking, including during peak days/hours when surrounding streets are near full occupancy. The peak capacity observed in the Keller Street Garage was 75 percent, with 84 spaces available. The peak capacity observed in the Theatre Square Garage was 65 percent, with 135 spaces available (not including reserved spaces). Possible Recommendations:
 - Promote the garages as a convenient parking option, especially given that they are not subject to the two-hour time limit in place on downtown streets.
 - Install sensors in the garages tracking the occupancy percentage and electronic signage on nearby streets alerting drivers how many spaces are available in the garages.
 - Continue to address safety concerns in and around the garages.
2. On-street parking is in high demand throughout the downtown core during peak days/hours, but this utilization dissipates around the periphery. Even at the busiest times, there was widespread on-street parking availability observed on the blocks including and south of 5th Street/Keller Street. Possible Recommendations:
 - Consider increasing parking time limits on streets with lower utilization rates to encourage more parking activity in these areas, thereby freeing up two-hour parking on the core downtown streets for those who need them most.
 - Explore opportunities to redesign streets with excess width to add angled parking.
3. Privately owned off-street parking is under-utilized, especially outside traditional business/employment hours. Overall average weekday afternoon utilization totaled to 52%, while the accumulated Weekend/Holiday average calculated to 34.3% utilization. Possible Recommendations:
 - Encourage private property owners to consider opening their lots to other downtown visitors outside their business hours (known as “shared parking”). The property manager at the Bank of America implemented paid parking outside its business hours.
 - Consider leasing private parking lots for public use.

Reducing Parking Demand Through Improved Transportation Options

The City recognizes the value of reducing parking demand by making car-free modes of travel, such as walking, bicycling, and transit, as safe and convenient as possible. While it is recognized that car-free travel is not feasible for everyone or every trip, improving options for those interested and willing in using car-free modes frees up parking spaces for those unable to use other modes. Recent initiatives and improvements include fare-free transit, the free LumaGo on-demand shuttle, Redwood Bikeshare, bike racks, and bicycle/pedestrian safety improvements around the downtown area.

The Downtown Area Parking Management Plan includes visitor and employee surveys that seek to understand how visitors and employees currently get downtown, what car-free modes of transportation they might be interested in using, and what barriers they currently face that keep

them from using those modes. These findings will help inform future efforts to improve transportation options for downtown visitors and employees.

Guidance provided by the Draft EIR Prepared for the Overlay

The ability of the existing street grid or parking supply to support the increased density that is possible under the Overlay was studied in the Draft EIR. The Initial Study used to inform the Draft EIR concluded that “The proposed Downtown Housing & Economic Opportunity Overlay is consistent with plans, policies, and ordinances related to the City’s transportation system.” Regarding VMT, the Initial Study used to inform the Draft EIR concluded that “Based on the location of the proposed Overlay within the City’s downtown, the majority of which is located within one-half mile of the Copeland Street Transit Mall and the Downtown Petaluma SMART Station, it is anticipated that future development will meet the VMT screening criteria set forth in the City of Petaluma VMT Implementation Guidelines.” In addition, future development proposed under the Overlay would be required to pay traffic development impact fees.

Options for the Council to Consider

Based on the analysis conducted for the Initial Study, transportation impacts were found to be less than significant. Thus, the analysis conducted for the Draft EIR would not support the City Council revising the Overlay to address this concern. However, if the City Council believes that additional measures are needed to ensure that new development under the Overlay is supported by existing streets and available parking, the City Council could direct staff to revise the Overlay’s CUP findings to include consideration of reducing single-occupant vehicle trips and car usage (and ownership) by promoting transit and travel by bike, on foot, or in shared vehicles like taxis and carshare cars, by households, employees, and visitors.

Theme #3 – Historic Preservation

A national “historic preservation” initiative began in post-World War II years, spurred by efforts to preserve the character of cities from urban renewal. The 1966 National Historic Preservation Act (NHPA), which was the first national policy governing historic preservation, aimed to “preserve” the history of the area and the historic fabric. Its influence continues to resonate in the National Register of Historic Places (NRHP), the official federal inventory of districts, sites, buildings, structures, and objects significant on national, state, or local levels in American history, architecture, archeology, engineering, and culture.⁸

Since 1966, the NHPA has been amended by Congress to accommodate society’s current and contemporary needs without incurring a loss of history. The amendments recognized the social, cultural, and economic benefits of preserving historic and archeological properties for today and the future. Historic buildings, communities, neighborhoods, and districts are economic driving forces where a sense of place and heritage tourism support each other and are visual reminders of local history and character. As established cities evolve, their development regulations must meet present-day and future needs without losing their histories, burdening infrastructure, or limiting economic opportunities. This is an essential reminder that historic preservation is a conversation between the past and the future, transmitting local communities’ understanding of their past to future generations.

⁸ National Park Service. *National Historic Preservation Act*. Available at: <https://www.nps.gov/subjects/historicpreservation/national-historic-preservation-act.htm#:~:text=The%20act%20established%20permanent%20institutions,the%20Secretary%20of%20the%20Interior.>

Tensions between preservation advocates and economic development continue and are mostly voiced in local communities. There is a general notion that historic preservation cannot allow for alterations, additions, or introductions of current architectural styles. As addressed by the TPS, a period of significance of historic districts and individually listed properties may sometimes lead to a misunderstanding that inclusion in the National Register may prohibit any physical change outside of a certain historical period- particularly in the form of exterior additions. National, state, or local listing does not mean that a building or district is frozen in time or that any change will compromise historical significance. However, it does mean that a new addition to a historic building or district should preserve its historic character.⁹

The notion of historic preservation as a conversation with our past about our future provides opportunities to identify what is important in our history and what parts of our past we can preserve for the future.¹⁰ The Office of Technical Preservation Services (TPS) within the National Park Service (NPS) has produced extensive technical, educational, and policy guidance on maintaining and preserving historic buildings. TPS developed the original and current versions of the Secretary of the Interior's Standards for the Treatment of Historic Properties with Guidelines for Preserving, Rehabilitating, Restoring, and Reconstructing Historic Buildings. These four treatments provide unique opportunities for historic resources and community development, corresponding to setting, context, and use.

Local Historic Preservation context

The historic buildings and streetscapes in the Petaluma Historic Commercial District are essential to defining the City's character and maintaining its ties to its past. The historic district was listed on the National Register of Historic Places (NR# 95000354) on March 31, 1995, and adopted as a City Landmark with a Historic Overlay Zoning on September 7, 1999. The Petaluma Historic Commercial District represents the development of commerce in the City from the mid-nineteenth century to the end of World War II. It also provides a diverse and well-designed collection of commercial buildings, the architecture of which is unmatched in Sonoma County. The district retains a high degree of architectural integrity and building improvements have maintained an association with the historic period even after it has changed in appearance since 1945. The district exhibits a period of significance spanning from 1854 to 1945, featuring prominent architecture styles such as Late Victorian, Italianate, and Streamline Moderne.

In addition to CEQA, the City's General Plan, Zoning Ordinance, and Demolition Resolution address and provide for the regulatory administration and review of eligible and existing historic resources. The Petaluma Historic Commercial District design guidelines' preservation and enhancement philosophy is to ensure that the characteristics that justified designation of the district are maintained and, where necessary, revitalized. The guidelines emphasize the crucial need for (1) existing harmony of proportions and materials to be enhanced, (2) remain within the vocabulary of details consistent with its particular style, (3) contain parameters of scale, materials, and detailing typical of pre-1945 structures, and (4) be consistent or compatible with an architectural style authentic to the district. The guidelines also strongly encourage the construction of new buildings on vacant lots in the Downtown, noting that the appearance must always be sensitive to

⁹ National Park Service, U.S. Department of the Interior, Technical Preservation Services. Technical Brief 14: New Exterior Additions to Historic Buildings: Preservation Concerns. Available at: <https://www.nps.gov/orgs/1739/upload/preservation-brief-14-exterior-additions.pdf>

¹⁰ National Park Service. *What is historic preservation?* Available at: <https://www.nps.gov/subjects/historicpreservation/what-is-historic-preservation.htm>

the character of its neighbors without mimicking them. Specific guidelines for new construction address architectural style, building character, storefronts, awnings and canopies, paint color, signs, major rehabilitation, and new construction.¹¹

Historic resources in the district that are rehabilitated or vacant sites for new construction within or adjacent to the historic district, boosts revitalization and supports community development in an authentic and resilient manner. Discretionary planning entitlements, such as Petaluma's HSPAR, provides a discretionary process, enabling a dialogue with City officials, community development staff, commission board members, and the community on development projects within the city. Tools such as the Secretary of the Interior's Standards for the Treatment of Historic Properties, historic district design guidelines, zoning ordinance, and overlay objective design standards assist with the review of development projects.

Guidance provided by CEQA

Pursuant to Public Resources Code Section 21099(d)(1), "aesthetic and parking impacts of residential, mixed-use residential, or employment center projects on an infill site within a transit priority area shall not be considered significant impacts on the environment." The proposed hotel project, along with most parcels within the overlay, falls within this provision.

Nonetheless, the Draft EIR fully assessed the impacts of the hotel project and the Overlay on aesthetics, including potential impacts to historic resources and the District, concluding that potential impacts are reduced to less than significant levels with mitigation and compliance with City use permit and design review regulations. Under the proposed Overlay, both the SPAR/HSPAR permit and the new CUP are required for proposed buildings above the height of 45 feet. Both permits specifically address aesthetic considerations.

For example, under the CUP, the Planning Commission must make affirmative findings during a duly noticed public hearing that:

- The additional height positively contributes to the overall character of the area and ensures compatibility with surrounding structures;
- The increased height does not adversely impact the exterior architectural characteristics or other features of the property in question, nor does it disrupt harmony with neighboring structures or affect the historical, architectural, or aesthetic value of the district; and
- The additional height will not unreasonably restrict light and air from adjacent properties or the public right-of-way, nor will it be detrimental to public health, safety, or welfare.

Similarly, the SPAR permit requires affirmative findings based on substantial evidence that:

- The design is of high quality and has been developed by a qualified professional, such as an architect, landscape architect, or other skilled urban designer;
- The project employs quality materials and features an overall design that is harmonious and proportionate both internally and in relation to adjacent developments;
- The architectural style is appropriate for the project and compatible with the character of the neighborhood;
- The siting of the structures on the property is well-suited to the site and consistent with the positioning of other structures in the area;

¹¹ City of Petaluma. Historic Commercial District Design Guidelines. Available at: <https://cityofpetaluma.org/documents/commercial-historic-district-guidelines-complete/>

- The size, location, design, color, lighting, and materials of all signs and outdoor advertising comply with applicable zoning requirements and are compatible with the neighborhood’s character; and
- The bulk, height, and color of any proposed structure are suitable for the site and in relation to the bulk, height, and color of neighboring buildings.

The SPAR and CUP findings will ensure that the aesthetics of the Hotel and any developments within the Overlay are deemed less than significant. It is also important to note that the design of the Hotel is not final; the final design of the hotel will need to be reviewed and approved by the Planning Commission and the HCPC, to proceed.

Evolution of the Overlay to avoid Historic Resources

As described above in this report, the Overlay was revised to Subarea A, B, and C to reduce the overlap with designated historic districts and to exclude any contributing buildings within designated historic districts. In addition, to limit the impact of new development to historic resources, the Overlay contains specific development standards to require stepbacks adjacent to historic resources and specific findings to require that the Planning Commission consider the impact of height in relation to historic resources.

Each Subarea, and the four Historic Districts that overlap or are adjacent, are depicted in Figure 8, below.

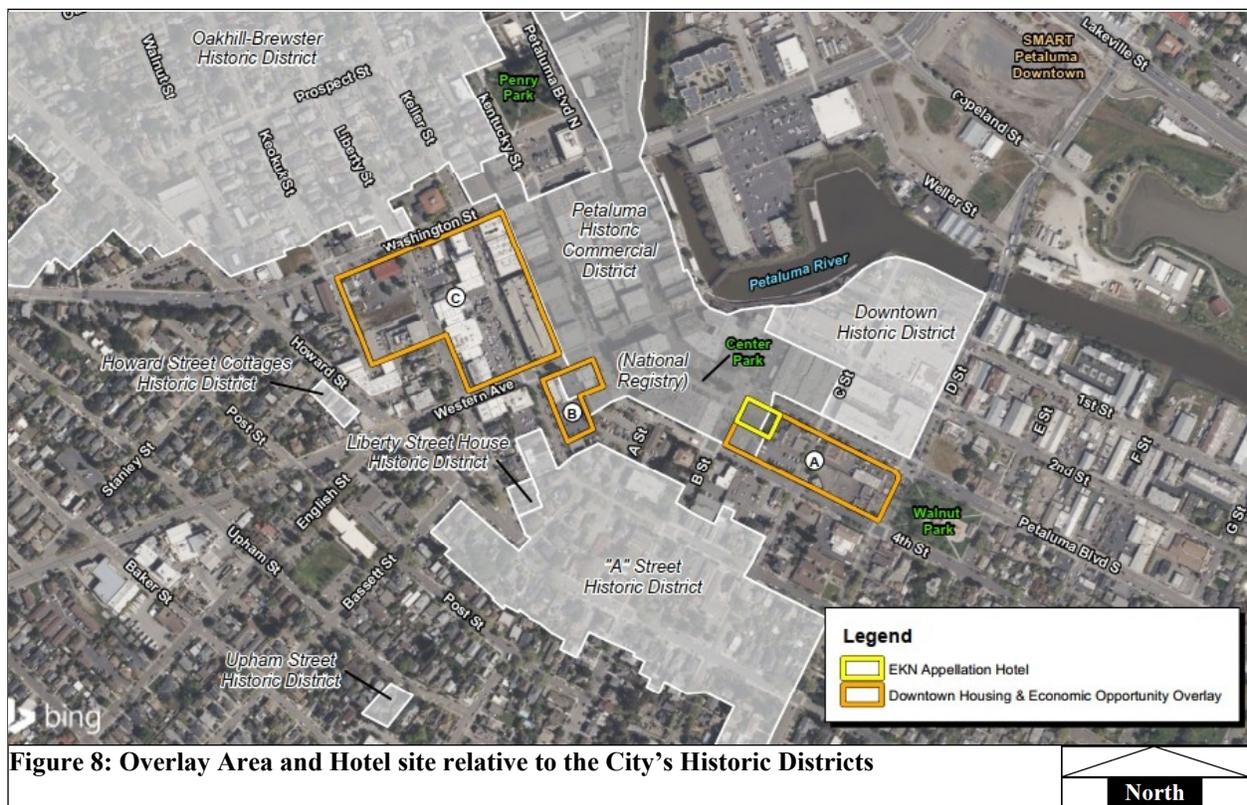


Figure 8: Overlay Area and Hotel site relative to the City’s Historic Districts

Subarea A includes three parcels within the Petaluma Historic Commercial District, but these parcels do not include contributing buildings. The buildings/sites that include contributing buildings are separated from Subarea A by B street and a single-story building to the north or by Petaluma Boulevard South. For Subarea A, the specific development standards created to require

stepbacks adjacent to historic resources would not apply, but the CUP findings to require consideration of the impact of height in relation to historic resources would apply.

Subarea B includes one parcel within the Petaluma Historic Commercial District, but the parcel does not include a contributing building. One building/site abuts Subarea B along Kentucky Street, and other buildings/sites that include contributing buildings are separated from Subarea B by Western Avenue or Kentucky Street. For Subarea B, the specific development standards created to require stepbacks adjacent to historic resources would apply, as would the CUP findings to require consideration of the impact of height in relation to historic resources.

Subarea C does not include any parcel within the Petaluma Historic Commercial District, but it does abut the rear of contributing buildings on Kentucky Street within the Petaluma Historic Commercial District. For Subarea C, the specific development standards created to require stepbacks adjacent to historic resources would apply, as would the CUP findings to require consideration of the impact of height in relation to historic resources.

Objective Standards that apply when adjacent to Historic Resources

The objective standards to require stepbacks adjacent to historic resources that would apply to buildings above 45 feet in Subarea B and C are depicted in Figure 9, below (note that the building stepbacks that apply to the rear of a building that abuts a historic resource is also illustrated in Figure 10.2, below).

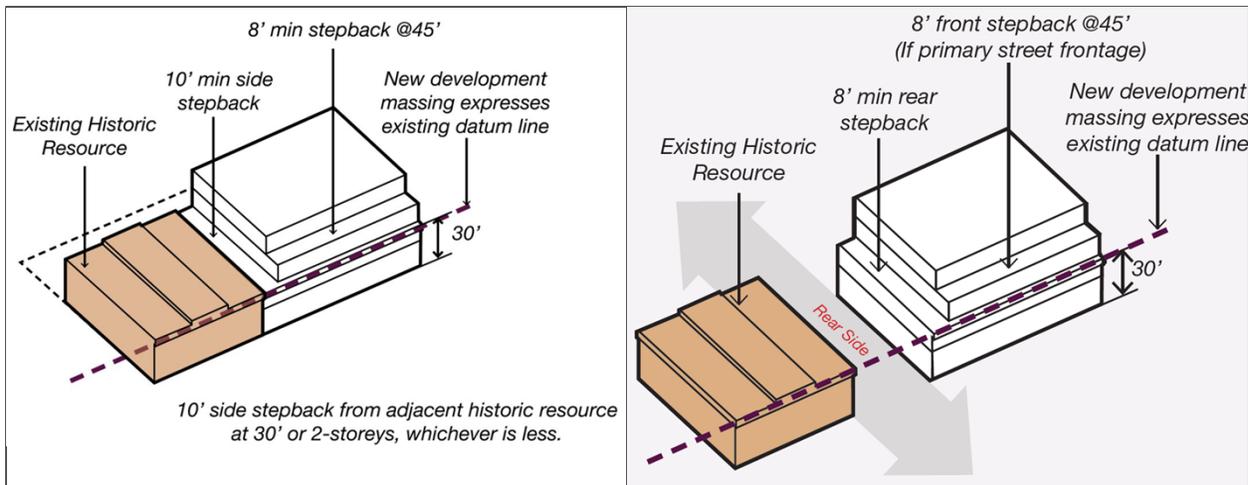


Figure 9: Required Stepbacks when Adjacent to Historic Resources

Options for the Council to Consider

The City Council may wish to consider if additional measures are needed to address the potential impact to historic resources or to properties within the Petaluma Historic Commercial District. If so, the City Council could increase the stepbacks, revise the findings, reduce the height of new buildings when adjacent to contributing buildings, or revise the extent of each Subarea to avoid any abutting or confronting parcels with contributing buildings/sites (note that the City Council could accomplish this by adopting the Planning Commission recommendation to reduce the scope of Subarea C as described under Theme #1, above).

Regarding additional findings to be created to guide the Planning Commission’s review of a CUP to allow a building above 45 feet, the City Council may wish to consider augmenting the City’s existing regulations that call for compatibility with the neighborhood to add new design principles to the Overlay CUP findings to have the design of new buildings reflect:

- The existing proportions of adjacent buildings;
- The existing rhythms or patterns (for example, windows, door openings, or bays) of adjacent buildings;
- The detailing of the facades of adjacent buildings;
- The use of building materials and colors similar to those traditionally used in Petaluma.

The NHPA initiated historic preservation for the nation and has supported the growth of state and local historic preservation in opportunities for revitalization and rehabilitation. Most importantly, historic preservation in partnership with community development encourages dialogue as part of discretionary planning entitlements to successfully identify and respond to individual projects while fostering a historic district’s historic character in an evolving and thriving community.

Theme #4 – Discretionary Review Process - Height

The first draft of the Overlay proposed increasing the by-right height limit to 60 feet, with up to 75 feet allowed if defined approval criteria was met. In response to direction from the Planning Commission, the Overlay was revised in revision 1 to require a CUP with specific findings. These findings were further refined in revision 3 to better address concerns regarding height and compatibility with historical resources. The Overlay CUP findings to allow a building above 45 feet were created to address the potential bulk or mass of taller buildings. Review of any CUP for height is subject to these new findings plus the existing findings in the IZO that govern review of all CUPs.

At the November 14, 2023, public hearing, the Planning Commission recommended that the findings to support a CUP to allow for additional height up to 60 feet and to 75 feet be revised. The Planning Commission felt that the findings to support a building height of up to 60 feet needed to be expanded to not only protect historic resources, but to also require the new construction fit the larger context. The Planning Commission also felt that the finding regarding light and air needed to be clarified. The recommended changes to the findings for additional height up to 60 feet follow in underline/strikeout:

Criteria to Exceed 45 feet. The Planning Commission may approve a Conditional Use Permit to allow for additional height up to 60 feet pursuant to the findings listed in this subsection and the review criteria set forth in Section 24.060.E:

1. That the additional height is consistent with the applicable purposes of the Overlay;
2. That the additional height makes a positive contribution to the overall character of the area and that the building will be compatible with its surroundings. The “positive contribution” and “compatibility” will be assessed using a combination of visual studies, line-of-sight drawings, photo simulations, 3-D modeling, and view shed analysis;
3. That the additional height would not cause an adverse change in the significance or integrity of a historical resource that is onsite or adjacent to the site; not adversely affect the exterior architectural characteristics or other features of the property which is the

subject of the application, nor adversely affect its relationship in terms of harmony and appropriateness with its surroundings, including neighboring structures, nor adversely affect the character, or the historical, architectural, or aesthetic interest or value of the district;

4. That the additional height will not ~~result in unreasonable restrictions of unduly restrict access to~~ light and air ~~to from~~ adjacent properties or the public right-of-way, or otherwise be detrimental to the public health, safety, or welfare; and
5. That the building design expresses a relationship to an existing datum line or lines of the street wall or adjacent historic resource, if any.

Each finding above must be made by the Planning Commission, if not, no building may exceed the current 45-foot height limit.

The Planning Commission also recommended that the findings to support a CUP to allow for additional height up to 75 feet be revised. The Planning Commission felt that the findings needed to prioritize the community benefits offered in findings 1-3 separate from those found in 4-6. The recommended changes to the findings for additional height up to 60 feet follow in underline/strikeout:

Criteria to Exceed 60 feet. The Planning Commission may allow for additional height up to 75 feet, if a Conditional Use Permit is granted per subsection 5.070.F, above, and when a proposed project includes at least ~~three~~ 2 of the ~~following~~ community benefits described in 1, 2 & 3, and 1 of the community benefits described in 4, 5, or 6, below:

1. Improves the existing streetscape by providing widened sidewalks, additional street trees, new mid-block walkways/paseos, public plazas, parks, etc. For a project that would widen the sidewalk by increasing the ground floor building setback, a public outdoor amenity space shall be included in the design, and this space shall be designed and configured to provide adequate space for pedestrian movement and activity;
2. Provides publicly accessible private open space, such as a street-level park or rooftop open space that is open to the public at least 8 hours per day and at least 120 days per year;
3. 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.
4. Respects and/or preserve cultural, historical, or archaeological resources that exist or occur onsite or within the Overlay;

5. Exceeds the minimum number of Inclusionary Dwelling units required by IZO Section 3.040; or
6. Provides all required parking below grade.

It is important to note that the new findings are on top of existing findings in the IZO that govern SPAR review, to include a finding that the “bulk, height, and color of any proposed structures is appropriate for the site and as compared to the bulk, height, and color of other structures in the neighborhood.”

The findings created by the Overlay help to minimize physical impacts and to make sure that future development approved above the current 45-foot limit represents the values of the community. Staff recommends that the City Council accept the Planning Commission’s recommendation to revise the CUP findings as noted above because they strengthen and clarify the findings, and because the revisions are consistent with the stated purpose of the Overlay.

Height Allowed by the Overlay and Potential Height per State Density Bonus Law.

Under current state law, building height above the limit set in the IZO today or above what may be allowed by the Overlay is theoretically possible.

The State first enacted a “density bonus” law in 1979, and in its current form, residential and mixed-use projects that provide affordable housing can propose buildings that exceed local zoning regulations, and the additional floor area needed to accommodate the density bonus units is allowed by-right. The size and shape of projects subject to a density bonus can vary based on the number and/or level of affordability, site constraints, and the particular investment goals of the developer. To support the construction of additional affordable units, recent amendments allow housing projects that are 100% affordable and within ½ mile of public transit unlimited residential density and up to 33-feet or 3 stories of additional height.

The City’s recent experience with 100% affordable projects is that with the extremely high building costs across the North Bay, these projects are expensive to build and generally have required significant investment – including direct financial contributions from the City – in order to be financially viable.

A new building that took full advantage of the additional building height allowed by the Overlay that also met the affordability requirements to qualify for unlimited residential density and up to 33-feet or 3 stories of additional height could be constructed, but such a building would be subject to additional fire protection, structural, and safety requirements, including fire command centers, smoke control systems, and enhanced elevator safety requirements that impose increased costs to build.

While Density Bonus Law provides for taller and denser buildings, the City could deny a height increase if it causes a specific, adverse impact on public health, safety, the physical environment, or if the project would create an impact on any property listed in the California Register of Historical Resources.

Options for the Council to Consider

Regarding the findings, the City Council may wish to consider whether there are additional findings that would further refine the discretionary review process and better ensure that development facilitated under the allowances in the Overlay reflect community values. Considerations could include Carbon neutral development or increased housing diversity.

Regarding the potential interaction between the building height possible under the Overlay and Density Bonus Law, if the theoretical risk of a building exceeding 75 feet is considered too great, the City Council may wish to consider limiting the overlay to exclude residential uses within any building constructed above the existing 45-foot height limit.

Theme #5 – Objective Standards for Buildings Above 45 feet

In addition to the review process for a CUP, the Overlay limits the bulk or mass of upper floors, and the overall visibility of these floors, by requiring upper floor stepbacks. These objective standards to require stepbacks were included in the Overlay to limit the potential visual impact of buildings above 45 feet. These stepbacks are illustrated in Figures 10.1 and 10.2, below:

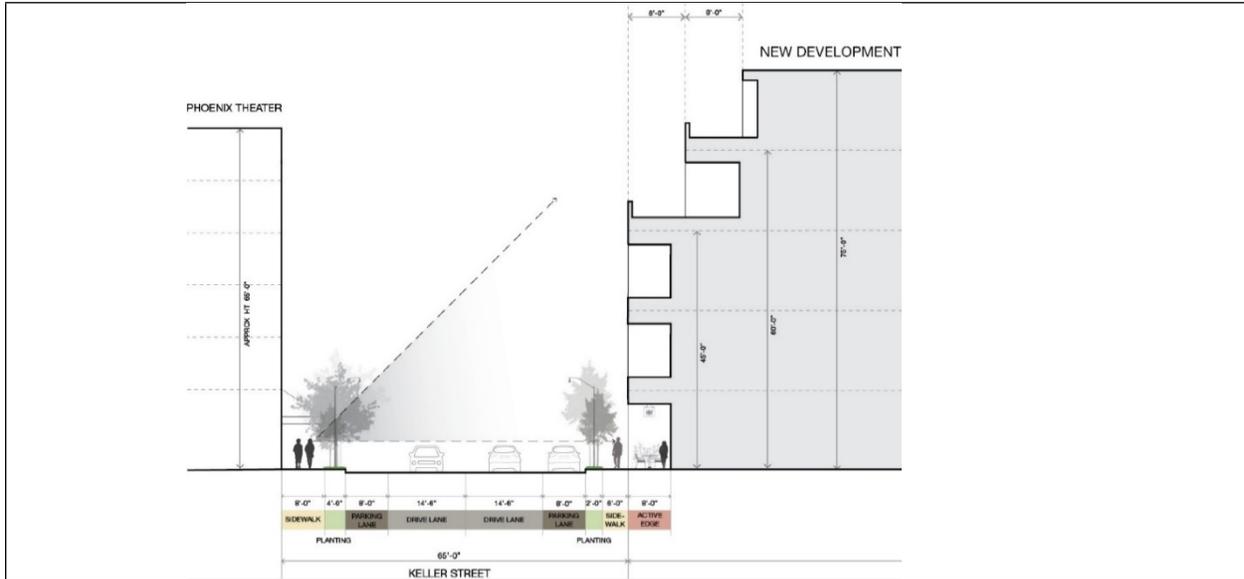


Figure 10.1: Line-of-sight analysis to depict the pedestrian-level view on Keller Street to show the stepbacks that apply to the front of a building above 45 feet.

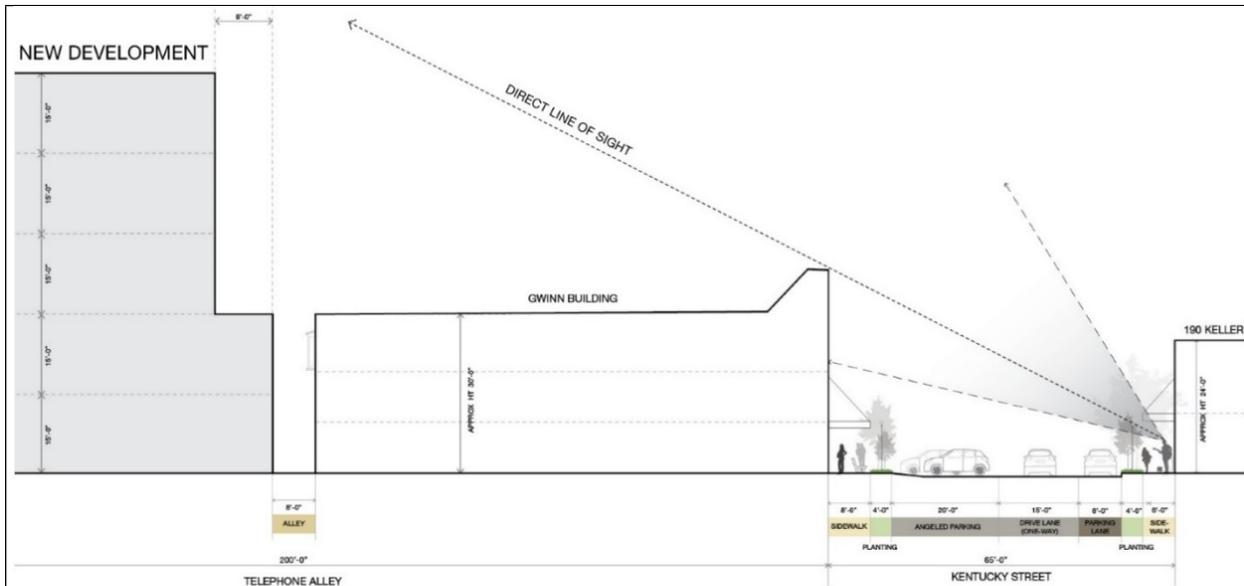


Figure 10.2: Line-of-sight analysis to depict the pedestrian-level view on Kentucky Street to show the setback that applies to the rear of a building above 45 feet.

The line-of-sight/section drawings illustrate the pedestrian-level view of what may be seen by a person walking along the street at ground level. In each view, the benefit of the upper floor setbacks is demonstrated in that the view of the enclosed portions of the building above 45 feet is reduced or is not available at the pedestrian-level view. The available view of the upper floors allowed by the Overlay is also diminished by the horizontal and vertical distance based on the principle that closer objects appear larger to the human eye, and objects that are further away appear smaller. The reduction in visual prominence due to horizontal separation is also illustrated in the Visual Simulations included in the Draft EIR for the Hotel (Draft EIR, Pages 143-161). In these Visual Simulations, the visibility and the apparent mass of the Hotel that is visible at Viewpoint 7 (roughly 200 feet from the site) is greater than what is visible in Viewpoint 6 (roughly 520 feet from the site).

Options for the Council to Consider

The City Council may wish to consider whether there are additional measures needed to further refine the provisions of the Overlay to address potential visual impact of buildings taller than 45 feet. If so, the City Council could recommend that the upper floor setbacks be increased to better reduce bulk/mass or visibility, or, to address the potential that buildings taller than 45 feet are too visible from vantage points further away (such as the residential areas that surround Downtown), the City Council could refine the setbacks with an objective standard to limit the floor area of each floor above 45 feet to a fixed percentage.

Theme #6 – Discretionary Review Process - Lot Coverage

Like other aspects of the proposed Overlay, the proposal to modify the lot coverage limit has evolved in response to community input. The first draft of the Overlay proposed increasing the lot coverage limit from 80 percent to 100 percent by-right. In response to community concerns that more than 80 percent lot coverage will result in development that is too crowded and that 80 percent maximum lot coverage needs to be retained to provide more room on a site to provide open space in downtown and/or adequate room for deliveries/solid waste/recycling to prevent the use of the public right-of-way, the Overlay was revised (Revision 3) to require a CUP with specific findings. Review of any CUP for lot coverage is subject to these new findings plus the existing findings in the IZO that govern review of all CUPs.

The criteria to exceed 80% Lot Coverage to be established by the Overlay would allow Planning Commission approval of a CUP if any one or more of the following is true for a project¹²:

1. The development improves the existing streetscape by providing widened sidewalks, additional street trees, new mid-block walkways/ paseos, public plazas, parks, etc.;
2. The additional lot coverage would reflect the prevailing development pattern established by the existing development within the block or abutting block;
3. The development includes adequate provision for recycling and solid waste;
4. The development includes adequate space for street trees; or
5. The development includes other measures to enhance the pedestrian environment.

In addition to the CUP findings, new buildings are also subject to the existing findings in the IZO that govern SPAR review to include a finding that the “siting of structures on the property is appropriate for the site and as compared to the siting of other structures in the neighborhood” or CUP review to include a finding that the “site is adequate to accommodate the proposed use and buildings(s) and all related activities.”

Most buildings within the Downtown core cover most of the lot (and thus, do not comply with the current limit of 80 percent) and are not setback from the front or street-side property lines. While the existing lot coverage maximum limits lot coverage to 80 percent, the zoning ordinance does not mandate where the 80 percent can occur on a site, and with no related setback minimum to push buildings away from the public right-of-way, existing development could directly abut the front or street-side property lines and cover 80 percent of the site, with no provisions for publicly-accessible open space or leave room for on-site deliveries, solid waste, or recycling.

¹² This text was used for the Draft EIR, however it differs from what was presented to the Planning Commission in November 2023. The text for finding #2 was revised to clean up the underlined text “The additional lot coverage would reflect the prevailing development pattern in the for the abutting and adjacent parcels.”

The Overlay CUP findings were created to address open space, the existing development pattern, and recycling/solid waste as part of a menu of options for the Planning Commission to consider (with the need to only find that one of the five must be true to support the CUP for additional lot coverage).

Options for the Council to Consider

The Overlay provides the Planning Commission with tools to guide the placement of a building on a site. However, the City Council may wish to consider if more is needed to guide the review by the Planning Commission for the CUP to exceed the existing limit of 80 percent, such as recommending an increase to the number of findings needed to support approval (e.g., require that two or more of the findings must be made).

Theme #7 – Pedestrian/Facade Activation Zones

The Overlay was revised for the October 3, 2023, HCPC to create regulations to address the urban design goals described in the original overlay document. Staff surveyed the abutting and confronting parcels that surround each subarea to develop new maps to indicate opportunities for *Pedestrian/Façade Activation Zones* and *Ground Floor Residential Zones* to apply new land use and design controls for any new building within Subarea A, B or C. Pedestrian/Facade Activation Zones were identified within each Subarea to continue the land uses and forms established by the parcels that abut or confront each subarea and to allow for specific land uses and the design of new buildings to reflect the characteristics and the context of each subarea. The purpose of these zones was to enhance the pedestrian experience via new land use and design controls to ensure that new buildings are occupied by pedestrian-oriented uses and that they present attractive building facades in specific locations to ‘mirror’ the land use pattern and vibrancy of active pedestrian-oriented streets established in the historic core of the downtown. Along with the Pedestrian/Facade Activation Zones, the Overlay would also add Ground Floor Residential Zones to allow multi-family residential as a permitted use on the ground floor in any portion of the parcel that is not mapped as part of the Pedestrian/Facade Activation Zone.

The uses within the Pedestrian/Facade Activation Zones include any of the following (each use listed below is identified in Table 4.3 as a permitted, or “by-right” use):

- Artisan Shop
- General Retail, 25,000 sf or Less
- Restaurant, Café, Coffee Shop
- Groceries/Specialty Foods, 25,000 sf or Less
- Bank, Financial Services
- Fitness/Health Facility
- Studio – Art, Dance, Martial Arts, Music, etc
- Personal Services
- Library, Museum, Art Gallery

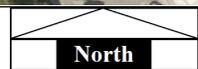
Later, in November, the Planning Commission felt that the rationale behind establishing Pedestrian/Facade Activation Zones should apply to a larger area than proposed in the Overlay, to recommend that the Pedestrian/Facade Activation Zones extend further from Petaluma Boulevard South along B, C, and D Streets in Subarea A, and to continue for the entire frontage along Liberty and Washington Street in Subarea C. The Planning Commission recommended modifications to Subarea A and C are depicted in Figures 11.1 and 11.3; the original proposal for the Pedestrian/Facade Activation Zones in Subarea B, that were not modified by the Planning Commission are shown in Figure 11.2, below.

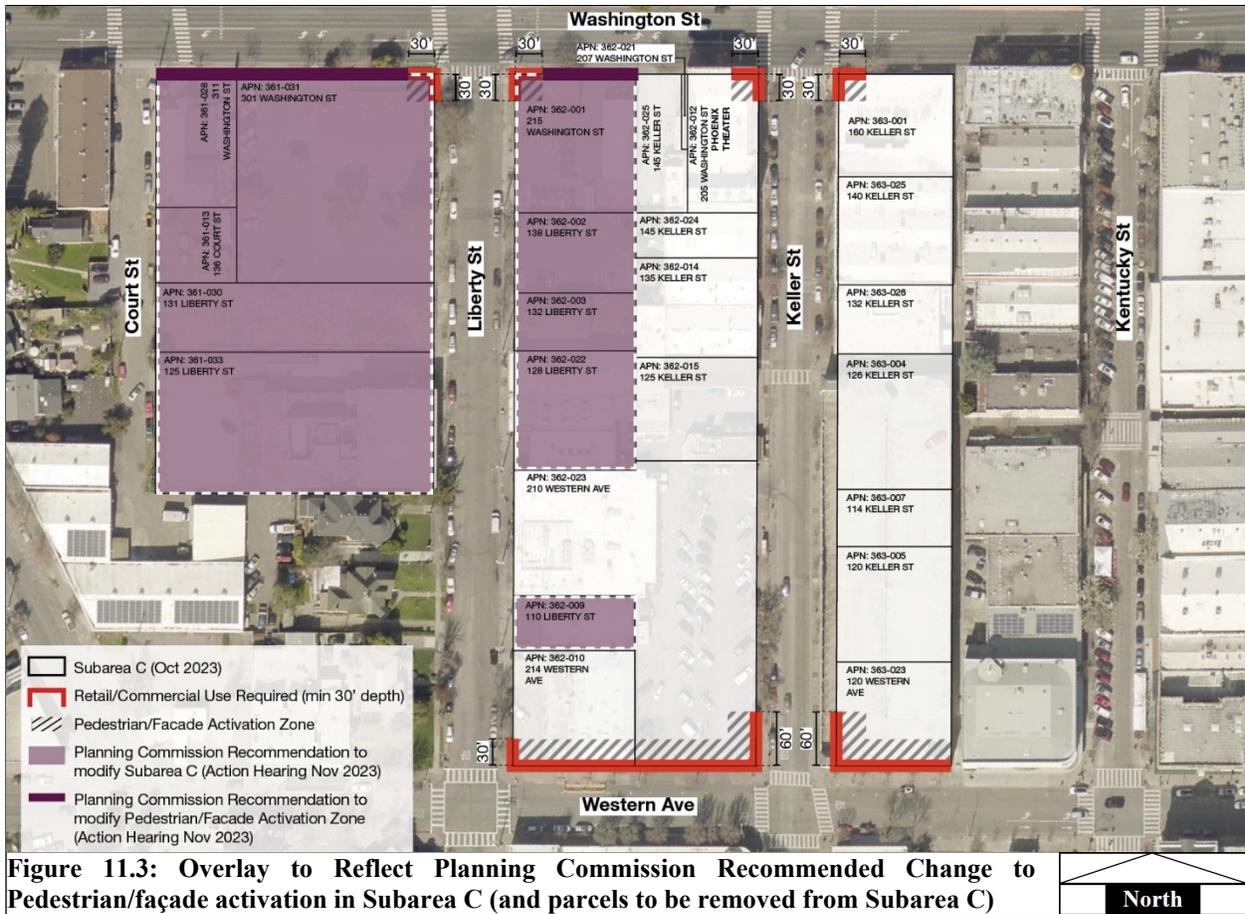


Figure 11.1: Overlay to Reflect Planning Commission Recommended Change to Pedestrian/façade activation in Subarea A



Figure 11.2: Pedestrian/façade activation in Subarea B (not recommended to be changed by the Planning Commission)





Adopting this recommendation would reduce the land area available for ground floor residential as a by-right use. However, Staff supports the Planning Commission’s recommendation to expand the areas to be included as Pedestrian/Façade Activation Zones in Subarea A and C is consistent with the stated purpose of the Pedestrian/Façade Activation Zones and that the City Council should adopt this recommendation.

PUBLIC OUTREACH

On or before November 8, 2024, the City informed the public of this Public Workshop via posters installed on the site of the Hotel, notices printed in the Argus, and mailings 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.

This agenda item appeared on the City’s tentative agenda document on November 4, 2024, which was a publicly-noticed meeting.

Public notice of the November 18, 2024, Public Hearing was posted in compliance with the Brown Act and to solicit initial public comments.

Public comments received prior to the release of this report (November 13, 2024) may be viewed in **Attachment 10**.

COUNCIL GOAL ALIGNMENT

The proposed Overlay is a commercial, mixed-use, and activity-driven project within the City’s historic Downtown core, which supports and cross-references two out of five categories of City Council Goals, for an economy that prospers and spaces and places that inspire¹³. The proposed Overlay supports new development standards and guidelines to achieve a desired height of up to 75 feet when certain design standards are met, providing for compatible and appropriate development in the Downtown area.

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

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

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 avoid 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, a climate action plan for Petaluma which contains more specificity on the policies, procedures, and actions the City of Petaluma, its residents, and businesses needed to achieve carbon neutrality.

Blueprint actions related to the Overlay include NB-2 Electrification resources and incentives, NB-3 Electrification standards, NB-4 Material Reuse, NB-5 Operations and construction emissions, TLUC-3 Development streamlining, TLUC-4 General Plan implementation, TDM-2 TDM policy implementation, TDM-3 VMT reduction and banking, TDM-4 Universal Basic Mobility Program, PM-1 Parking management policy, PM-2 Parking policy and standards, PM-3 Public parking

¹³ City of Petaluma. *Goals and Priorities - Fiscal Years 2021-2023*. Five goals include (1) a city that works, (2) a safe community that thrives, (3) an economy that prospers, (4) our environmental legacy, and (5) spaces and places that inspire. Ongoing workplan available to review at: <https://cityofpetaluma.org/departments/city-goals-priorities/>.

supply and management, TS-2 Transit stop infrastructure, TS-3 Microtransit pilot program, TS-4 Transit service planning, TS-5 Transit access planning, and TS-6 Regional coordination and partnership.

The Overlay would continue to impose existing City regulation 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 regulation 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. Furthermore, the Overlay is located in downtown Petaluma, which the Framework identifies as the most walkable area of the City. The Overlay would provide an opportunity for increased intensity within the most walkable area of the City, further supporting a shift towards active transportation.

ENVIRONMENTAL REVIEW

The proposed Overlay requires amendments to the General Plan and Zoning Ordinance, and as a legislative action is fully discretionary and subject to CEQA review. A Draft EIR for the proposed Overlay and the proposed EKN Appellation Hotel was prepared and circulated for public review and comment from August 26, 2024, to October 21, 2024. During the public review and comment period the city held two public hearings on the Draft EIR (Planning Commission and HCPC on September 24 and the City Council on October 7). In addition to public testimony and comments offered at each hearing, the city received 124 public comments. At the October 7, 2024, City Council hearing on the Draft EIR, the City Council directed staff to proceed with preparation of the Final EIR, which is in process. Once complete, the Final EIR will be brought forward to the Planning Commission at a future public hearing for recommendation to City Council and the City Council will consider certification of the Final EIR at a future public hearing.

As this agenda item is a workshop for City Council to consider and provide input on the Overlay Ordinance and there are no discretionary actions before the City Council, the workshop item is not subject to environmental review.

Nonetheless, the City Council should be aware that directing modifications to the proposed Ordinance Overlay has implications for the environmental review. Generally speaking, a reduction or narrowing of the proposed Overlay boundaries, is expected to be captured within the EIR. For example, the Draft EIR Alternative 2 is the Reduced Area C Alternative, which reflects the Planning Commission's recommendation on the Draft Overlay Ordinance as provided in November 2023. As such, should the Council provide direction to modify the proposed Overlay to reflect Planning Commission's recommendations, then no substantive changes to the EIR would be necessary since Alternative 2 is already captured in the Draft EIR. Similarly, minor refinements or augments to the proposed Overlay Ordinance are expected to be fully captured within the EIR, including those that respond to public comments, clarify ambiguity, or add additional findings to further protect environmental resources. However, in the event that the Council were to direct an expansion of the Overlay Ordinance boundary, such as the inclusion of the entire Overlay planning area (as opposed to the limits of Subareas A, B, and C), then further environmental analysis would be required to incorporate the expanded Overlay boundary into the EIR.

In providing direction on the various options and alternatives presented in the discussion above, City Council should take into consideration the implications of the environmental review and be

aware that generally, relative to the project description presented in the Draft EIR, a narrowing of the limits, height or intensity, is expected to be adequately captured within the EIR, whereas an expansion of limits, height, or intensity could be outside of the analysis presented in the Draft EIR and may require further environmental review.

Prior to acting on the proposed Overlay and Hotel entitlements, the City Council must certify that the EIR (including the Draft EIR and forthcoming Final EIR) provides adequate information to make an informed decision regarding the environmental consequences of the Project.

FINANCIAL IMPACTS

The City does not have a formal cost sharing agreement with EKN for the Overlay project. The parties agreed to a one-third / two-thirds split, whereby EKN is paying one-third of the Overlay costs and the City is paying two-thirds. Given the small size of the EKN parcel (approximately 0.32 acres) in comparison to the overall size of the Overlay zone (approximately 12 acres), staff believe this cost share is more than reasonable to the City as the hotel parcel is less than 3% of the total land area of the Overlay.

ALTERNATIVES

Alternatives to the staff recommendation are provided within this staff report within the Discussion section, above.

ATTACHMENTS

1. Downtown Housing & Economic Opportunity Overlay, published November 2023
2. June 13, 2023, PC/HCPC Staff Report
3. August 8, 2023, PC/HCPC Staff Report
4. October 3, 2023, HCPC Staff Report
5. November 14, 2023, PC/HCPC Staff Report
6. 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
7. Proposed Downtown Housing & Economic Opportunity Parcel Inventory Report, published November 2023
8. Historic Cultural Resource Report, prepared by Painter Preservation, dated September 22, 2023, revised November 7, 2023
9. Peer Review of Historic Cultural Resource Report, prepared by FirstCarbon Solutions, dated November 1, 2023
10. Public Comments Received Prior to November 12, 2024, regarding this Public Workshop