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DATE: March 11, 2024

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

FROM: Karen Shimizu, Assistant Director of Community Development  
Sarah Wolf, Housing Specialist  
Gillian King-Bailey, Senior Management Analyst

SUBJECT: Resolution Approving the Annual Housing Successor Agency Report July 1, 2022 – June 30, 2023, pursuant to Health and Safety Code §34176.1 and Directing Staff to Submit the Annual Successor Agency Report to the State Department of Housing and Community Development (“HCD”) as an attachment to the Housing Element Annual Progress Report and to the Governor’s Office of Planning and Research (“OPR”) and Finding This Item is Exempt from CEQA Pursuant to CEQA Guidelines Section 15378(b)(5)

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### **RECOMMENDATION**

It is recommended that the City Council adopt the attached Resolution approving the July 2022 – June 30, 2023, Annual Housing Successor Agency Report pursuant to Health and Safety Code §34176.1 and direct staff to submit the report to HCD as an attachment to the Housing Element Annual Progress Report and to OPR.

### **BACKGROUND**

On December 29, 2011, the California Supreme Court upheld the constitutionality of Assembly Bill 26 (“Dissolution Law”) dissolving redevelopment agencies statewide as of February 1, 2012. Accordingly, the City Council established the Petaluma Community Development Successor Agency (“PCDSA”) as a separate legal body to oversee the dissolution of the former Petaluma Community Development Commission. The successor entity reporting outlined in Senate Bill 341 (Chapter 796, Statutes of 2013) amended Health & Safety Code Section 34176 addressing particular provisions and functions relating to former “redevelopment agencies” and new “housing successor” entities that were permitted to assume particular functions of the former redevelopment agencies (“RDA(s)”) that were dissolved in 2012. One successor entity reporting requirement is providing an independent financial audit to the legislative body. Another requirement is for housing successor agencies to report housing information by (1) including

specified information with the housing element Annual Progress Report (“APR”) required to be submitted annually to HCD by April 1 and (2) posting specified information on the successor agency’s website. The attached Annual Successor Agency Report is 2 intended to satisfy Health and Safety Code Section 34176 successor agency reporting requirements.

## **DISCUSSION**

Senate Bill 341 (“SB 341”) became effective on January 1, 2014, and requires each housing successor agency to post a report on its website containing information on the low- and moderate-income housing asset funds of the former RDA (“Funds”) for the previous fiscal year. The City created the Petaluma Community Development Successor Agency (“Successor Agency”) in accordance with the Dissolution Law to wind down the operations and manage the assets and obligations of the Petaluma Community Development Commission (“PCDC”), the City’s former redevelopment agency. Under the Dissolution Law, the Successor Agency is required to prepare and post the Funds report. In addition, the Successor Agency is required to conduct and provide an independent financial audit of the Funds within six months of the end of the fiscal year. The Audit may be included as part of the City’s independent financial audit.

The City of Petaluma established the Successor Agency to assume the housing functions of the former PCDC on January 23, 2012. As a result, low-and moderate-income housing funds of the former PCDC and funds generated by the former PCDC assets were transferred to the Successor Agency. To ensure that the monies in the Funds are expended in accordance with the law, Section 34176.1(f) of the California Health and Safety Code (part of the Dissolution Law) requires an independent financial audit of the Funds within six months of the end of the fiscal year. The independent audit of the Successor Agency Funds is included as part of the City’s Annual Comprehensive Financial Report (“ACFR”) issued by Badawi and Associates on December 30, 2022, and is on the City’s website at <https://cityofpetaluma.org/financial-reports/>.

The Fiscal Year 22-23 Annual Housing Successor Agency Report (“Report”), Exhibit A to the resolution attached as Attachment 1 to this staff report, is based upon information prepared by Housing Successor Agency staff and information within the independent financial audit of the Low- and Moderate- Income Housing Asset Fund (“LMIHAF”). The Report conforms with Section 34176.1(f) of the Dissolution Law.

## **PUBLIC OUTREACH**

This agenda item appeared on the City’s tentative agenda document on February 26, 2024 which was a publicly-noticed meeting.

## **COUNCIL GOAL ALIGNMENT**

The Annual Successor Agency Report aligns with City Council’s Goal 1, 2, 3, and 4:

- Goal 1: A CITY THAT WORKS FOR EVERYONE – Ensure a fiscally and organizationally sustainable City that is innovative and efficient; provides valued services promptly and professionally; engages the community, and proactively funds, designs,

installs and maintains City infrastructure that is safe, functional, and sustainable and serves the needs of our residents.

- Goal 2: OUR ENVIRONMENTAL LEGACY – Preserve and protect Petaluma’s environment for future generations and become a municipal leader in sustainability by protecting our river and open space; reducing and drawing down greenhouse gas emissions; and encouraging sustainable development.
- Goal 3: A SAFE COMMUNITY THAT THRIVES – Support facilities and design programs that create a healthy, resilient, and engaged community that is prepared, safe, and housed.
- Goal 4: AN ECONOMY THAT PROSPERS – Encourage a thriving business environment that results in a strong, diverse, resilient economy and supports community prosperity.

## **ENVIRONMENTAL REVIEW**

Preparation and approval of the Report is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, in that preparation and approval of the Report does not meet CEQA's definition of a “project,” because the action does not have the potential for resulting either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because preparation and approval of the Report constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. Even if preparation and approval of the Report is deemed a “project” under CEQA, the action would be categorically exempt from environmental review per CEQA Guidelines section 15306, which provides that information collection activities that do not result in a serious or major disturbance to an environmental resource are exempt from the provisions of CEQA.

## **FINANCIAL IMPACTS**

The only direct costs are staff time to prepare the Annual Housing Successor Agency Report for FY 22/23.

## **ATTACHMENTS**

1. Resolution - Housing Successor Agency  
Exhibit A - Annual Housing Successor Agency Report