



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 Accepting the Annual Housing Element Progress Report for the 2023 Calendar Year and Authorizing Staff to Submit the Report to the California Department of Housing and Community Development and the Governor's Office of Planning and Research

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolution Accepting the Annual Housing Element Progress Report for the 2023 Calendar Year and Authorizing Staff to Submit the Report to the California Department of Housing and Community Development and the Governor's Office of Planning and Research.

BACKGROUND

The City of Petaluma is mandated by state law to update its Housing Element and have it certified by California's Department of Housing and Community Development (HCD) every eight years. Currently in its 6th Cycle, the Housing Element will shape and guide housing development from 2023 through 2031. The Housing Element is a required element of the General Plan. It addresses Petaluma's housing needs for the next eight years, identifies opportunities to support the development of needed housing, and establishes clear goals and policies to inform future housing decisions. The purpose of the Housing Element is to facilitate the production of a variety of housing types, at different income levels, for different household and family types. The Housing Element seeks to support housing production, improve, and preserve existing housing in the community, and promote fair housing.

State law (Government Code Section 65400) requires that the City submit an Annual Progress Report (APR) on the status and implementation of Petaluma's Housing Element to the Governor's Office of Planning and Research (OPR) and the California Department of Housing and Community Development (HCD) by April 1 of each year. Specifically, the APR outlines annual progress made in meeting the City's Regional Housing Needs Allocation (RHNA) and

consistency in implementing the policies and programs outlined in the City's certified Housing Element. Annual submittal of the APR is statutorily required and maintains the status of Petaluma's certified Housing Element, which in turn qualifies the City for grant funds that address the needs of low and very-low-income families, individuals, seniors, persons with disabilities, and other groups.

The status of meeting the City's RHNA as reported in the APR also determines the applicability of California Senate Bill 35 (SB 35) to a local jurisdiction. More specifically, SB 35 and its streamlined project approval requirements applies to cities that are not maintaining adequate progress in meeting their RHNA for low-income households (80% AMI and lower) and requires such local entities to streamline the approval of multi-family residential housing projects that meet the eligibility requirements of SB 35 by processing them pursuant to a ministerial approval process. Jurisdictions whose latest housing production reports reflect that fewer building permits were issued than required for units affordable to very low or low-income households are subject to SB 35 streamlining requirements for multi-family housing projects that would dedicate at least 50 percent of the units to lower income households earning 80 percent of AMI or less provided the project meets SB 35's other eligibility requirements. As shown in Table 1 below, Petaluma continues to fall below the City's RHNA threshold for the low and very low-income categories. Therefore, Petaluma will continue to be subject to the SB 35 streamlined ministerial approval process for eligible multi-family housing projects that include at least 50% lower income units for the next year.

DISCUSSION

6th Cycle Housing Element Progress to Date (2023-2031)

The City's state-certified Housing Element outlines a bold plan to provide housing for its community through smart planning and programming. A critical component of a Housing Element is to report each year on its progress to meet this plan, which includes showing progress in meeting its Regional Housing Need Allocation (RHNA) by 2031. In the 6th Cycle, the City was allocated 1,910 units, which is distributed by income categories (very low, low, moderate, and above moderate-income units).

In just its first year, the City has already been recognized in the state as having a plan that is recognized by housing advocates as the "Best Overall Housing Element in California" by Yes in My Backyard Law (YIMBY Law) and by the state as a Pro-Housing city eligible for special set-aside funds. The city has submitted an application to the Pro-Housing Incentive Program (PIP) which could provide up to the \$840,000 for the city's housing program.

In its first reporting year, the city has permitted 395 units (20.7% of our RHNA) with an additional 309 units currently going through the planning and entitlement process. For a breakdown by income level, see Table 1 for reference. Furthermore, the City issued 251 building permits on new housing units to start construction in 2023 and completed an additional 340 permits, which is the final step prior to move-in.

Table 1. Progress on Permitted Units by Income Level

Income Level	2022-2023	2023	Total to Date	Total RHNA Needed by 2031	Progress to Date (%) by Income Level
Very Low	59	25	84	499	16.8%
Low	1	34	35	288	12.2%
Moderate	11	14	25	313	8%
Above Moderate	216	35	251	810	40%
Total	287	108	395	1910	20.7%

An Emphasis on Affordable Housing

Accessory Dwelling Units (ADUs)

ADUs are a key strategy both at the state and local level to provide affordable housing. In an effort to increase the number of ADUs, the City has a number of strategies such as adopting an ADU Ordinance, streamlining review of new ADUs, and partnering with the Napa Sonoma ADU Center that provides resources to build ADUs. In 2023, the City permitted 24 ADUs and completed an additional 19 ADUs ready for move-in. When reporting its progress on ADU production, cities must allocate them across all the income categories - 30% in low income, 30% in very low-income, 30% in moderate-income categories and 10% of the units as above moderate-income. In the coming years, the City is looking to expand its ADU strategies through new policies in its General Plan Update as well as additional ways to streamline the permitting of new units.

Income-restricted developments

Affordable housing is provided in two ways – 15% of the total units in new market-rate developments (also known as inclusionary) or 100% of the total units that relies on a number of state, local and private subsidies. In 2022, the City adopted a policy that reduced the fees for affordable housing developments that are 100% income-restricted units. The City also has funding in its In-Lieu Housing Fund that allows the city to provide additional financial support. **In total, the City has 389 units either recently completed or in the process to be completed** that provide a wide range of housing options to meet a variety of needs and incomes (e.g. older adults, chronically homeless, etc.).

PEP Housing – River View - Completed, Certificate of Occupancy Issued – Fall 2022

PEP Housing completed construction on the Riverview project located at 951 Petaluma Boulevard South, **a 54-unit senior/veteran apartment project with 53 units affordable to low and very low-income households.** In fall of 2022, the City's contribution included land donation and \$1,500,000 from housing in-lieu fee funds. The development has 13 project-based vouchers which provides units identified as permanent supportive housing for community members that have experienced chronic homelessness.

MidPen Housing – 414 Petaluma Blvd North – In Construction- Opening May of 2024

MidPen Housing Corp. prepared an SB 35 application that was approved by the City in June of 2020. The project is **a 43-unit low-income rental development** located at 414 Petaluma

Boulevard North. Forty-two of the units will be for households with income between 30% to 60% AMI, with an average income of 49% AMI. There will be one unrestricted unit for the resident manager. The project will include amenities and services at the ground level, including a community room, craft room, and learning center. The City approved financial support, including \$900,000 in HOME funding and \$1.1 million in funding from housing in-lieu fees to support the project. MidPen was successful in securing many state and local funding sources for the project, which include funding from HCD and Housing Vouchers from the County of Sonoma for 13 units. The Housing Vouchers will provide permanent supportive housing opportunities for households that have experienced chronic homelessness.

Burbank Housing – River Place Apartments – Approved, In Construction

Burbank Housing applied for the River Place Apartments pursuant to SB 35 which was approved in July of 2020. The project is **a 50-unit affordable housing development** on a 2.5-acre property at 1601 Petaluma Boulevard South. The 50 units are designated to be affordable at the very low- and low-income levels. Burbank received funding from the HCD Accelerator Funding Program in addition to 13 housing vouchers from the County of Sonoma, which will provide housing for households that have experienced chronic homelessness. The City provided approximately three million dollars in funding via the City's reduced impact fee program.

Danco Group – Corona Crossing – Entitlements complete, Project financing pending

Danco submitted an application for the Meridian at Corona Station project, **a 131-unit affordable housing project, including 33 permanent supportive housing units and onsite support services** on the 5.5-acre parcel adjacent to the future Petaluma North SMART station at Corona Road. The project was approved under AB 2162 streamlining and consistent with the City Council's approval of a project specific policy under AB 2162. Danco purchased the site in fall of 2022 and applied to the HCD Affordable Housing Sustainable Communities (AHSC) Program. Funding in the amount of thirty million dollars was awarded to the project. Of the AHSC program funding, twenty million will support the development of affordable housing and ten million will support infrastructure and transit amenity projects around the future Petaluma North SMART Station. The developer will be applying for tax credits in April of 2024 with awards announced in October of 2024. If Danco is successful in securing an award, construction will start winter 2024 or spring of 2025.

MidPen - Washington Commons – SB35 application in progress, Project financing pending

A proposed 52-unit multifamily development for households with income up to 60% AMI. The development will provide a mix of studios, one-, two- and three-bedroom units. The City provided \$500,000 of In-Lieu Housing funding to support site acquisition. Mid-Pen submitted a SB 330/SB 35 application for the project and will continue to pursue additional funding sources for the project.

Project Homekey – The Studios at Montero – Constructed, Occupied

The City, in partnership with Burbank Housing Development Corporation (BHDC), was awarded Homekey funding for the Studios at Montero project on March 1, 2022. The project included the acquisition and rehab of an existing motel **and provides 60 units of permanent supportive housing for very low income chronically homeless community members. Rental assistance and on-site client services are included** in the project plan to support residents in

transitioning and maintaining housing. The site was acquired in fall of 2022, residents moved in May of 2023. The City continues to work closely with BHDC and COTS as the community gets established.

Progress on Housing Element Policies and Programs

In addition to creating new housing opportunities, the City has identified a number of policies and programs to implement over the next 8 years that will help the City achieve its housing goals. Most notable is the **recent adoption of the City's first Objective Design Standards that provides clear Petaluma-specific design standards** for housing developments that the state deems eligible for permit streamlining. The Standards **add certainty and city-specific design to future housing developments that best fit the Petaluma community**. The City is also **making progress on a comprehensive update to its General Plan and zoning code that will further enhance its ability to provide a variety of housing options to its community**. Attachment 2 of the staff report provides a comprehensive look at the City's progress on its Housing Element policies and programs.

Looking Ahead

While the Housing Element's annual progress report provides an update on the city and its housing plan, the City plays a critical role in all stages of a project from adopting regulations, processing entitlements to issuing building permits. To that end, the year 2024 is shaping up into a critical year in providing the community with much needed housing. **There are 309 units currently in the pipeline in process of receiving all its entitlements** (e.g. the 143-unit Oyster Cove project at 100 East D. St. has received its Phase 1 entitlements and is working on its Phase 2 entitlements also known as its Site Plan and Architectural Review (SPAR) approval, which is needed to complete all required entitlements prior to receiving its building permit; an additional 136-unit Spirit Living project in the Riverfront Master Plan area is also going through its entitlement process). **Additionally, there are 251 units with a building permit expected to be ready for move-in pending completion of building construction and inspection** (e.g. the 134-unit Deer Creek Apartments at 495 N. McDowell Blvd expected to open Spring 2024). The city's upcoming General Plan Update expected to be completed in Fall 2025 will also look at additional opportunities to provide the community with different housing types and price ranges.

Furthermore, the City will continue to look for additional ways to support its housing goals beyond permitting and policy planning. Most notable is a long-discussed \$10-20 billion housing bond measure that is expected to be a November 2024 ballot measure in the Bay Area. Led by the Bay Area Housing Financing Authority (BAHFA) and the region's planning agency, the Association of Bay Area Governments (ABAG), the program would fund affordable housing across the Bay Area.

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 Housing Element Progress 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.

CLIMATE ACTION/SUSTAINABILITY EFFORTS

The Housing Element is a critical plan to support the city’s climate action and sustainability efforts. By promoting a variety of housing options within the urban growth boundary, the city is able to exceed its climate and sustainability goals.

ENVIRONMENTAL REVIEW

Accepting the annual report is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, in that the annual report does not meet CEQA’s definition of a “project” because the report 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 the report preparation and submission as required by law constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. Moreover, even if preparation and submission of the report is deemed a “project” under CEQA, this report 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

Staff time for the compilation of the Annual Housing Element Progress Report for the calendar year of 2022 is the only fiscal impact. Filing of the annual report is a requirement of having a certified Housing Element and provides the City with eligibility for state housing funds.

ATTACHMENTS

1. Resolution
2. Housing Element Annual Progress Report (2023)