



DATE: March 17, 2025

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

FROM: Sarah Wolf, Management Analyst I
Karen Shimizu, Assistant Director of Community Development

SUBJECT: Public Hearing to Receive Comments on the City's 2025-2030 Proposed
Community Development Block Grant (CDBG) Program Consolidated Plan for
the U.S Department of Housing and Urban Development

RECOMMENDATION

It is recommended that the City Council conduct a Public Hearing to receive public comments on the draft 2025-2030 CDBG Consolidated Plan (Plan) and provide input and feedback on its goals and priorities for the next five years.

BACKGROUND

The objective of the Community Development Block Grant (CDBG) program is to support the development of viable urban communities by providing funding for housing, housing rehabilitation, and a range of community services. These efforts aim to create suitable living environments and expand economic opportunities, primarily for low- and very-low-income families and individuals in Petaluma.

The City of Petaluma is an entitlement jurisdiction under the CDBG program. Cities with populations of 50,000 or more receive a direct annual allocation of CDBG funds. With a population of over 58,000, Petaluma qualifies for this annual entitlement grant.

One of the CDBG program's statutory requirements is for all entitlement jurisdictions to prepare a Five-Year Consolidated Plan (Plan) in order to receive federal housing and community development funding. The purpose of the Five-Year Plan is to identify a city's housing and community development needs, set program priorities, establish goals, and identify strategies to implement the goals. The Plan serves as a guide for staff during the process of preparing the Annual Action Plan (AAP) for the CDBG program. The Annual Action Plan is a work plan that is focused on achieving the Five-year Goals established in the Plan.

The Consolidated Plan is prepared every five years, the Annual Action Plan (AAP) and the Consolidated Annual Performance Report (CAPER) are completed on an annual basis. When a city prepares the Five-Year Consolidated Plan, as part of that process the City also prepares the first year of the Annual Action Plan. Please see the timeline below.

To meet HUD guidelines for approval of the City's 5-year Consolidated Plan, the City Council must hold two public hearings before submitting the Approved Consolidated Plan to HUD for review and approval. Below is the timeline for the Five-Year Consolidated Plan, the Annual Action Plan and the Consolidated Annual Performance Evaluation Report.

The CDBG Consolidated Plan Timeline

March 17, 2025 – First Public Hearing for Consolidated Plan -Public Input

- A public notice was posted on February 17, 2025 and the draft Five Year Plan was posted to the city website to meet the 30-day public comment period.
- Staff will include comments from the City Council, stakeholders and the community on the goals and priorities identified and recommended as plan priorities for the 2025-2030 plan period.
- Following the meeting staff will update and incorporate public comments into the draft Consolidated Plan, which will then be posted for a 30-day public comment period

April 17, 2025 – Second Public Hearing for Consolidated Plan and Public Hearing for Annual Action Plan - Review/Approval

- The proposed goals and strategies will be presented/reviewed, and City Council will determine the plan priorities for the next five years.
- The first-year funding allocations for (2025-2026) will be reviewed.
- The City Council will consider approval of the 2025-2030 CDBG Consolidated Plan, the 2025-2026 Annual Action Plan, and funding recommendations.
- The City Council will authorize the City Manager to submit the Consolidated Plan and 2025-2026 Annual Action Plan to HUD by May 15, 2025.

The Annual CDBG Program Timeline

(April) Annual Action Plan (AAP) Approval:

- Each April, staff presents the AAP to City Council as part of the Community Development Block Grant (CDBG) process.
- During this public hearing, City Council approves the plan and allocates funds to local nonprofit agencies for programs and activities serving low- and moderate-income residents.

- The 2025-2030 Consolidated Plan includes Year One of the AAP (FY 2025-2026), which details how the annual grant will be distributed for programs, projects, and grant administration.

(October) Consolidated Annual Performance Evaluation Report (CAPER) Submission:

- Each October, cities submit the Consolidated Annual Performance and Evaluation Report (CAPER) to HUD. Staff included as Attachment 4 the city's most recent submittal that covered FY23 work.
- The report documents how federal and state funds were used and evaluates progress in meeting CDBG Plan and AAP goals from the previous fiscal year.
- It also outlines the impact of non-CDBG funds in addressing City Council's priorities, including affordable housing, homelessness, and housing stability for low-income residents.
- CAPER reports are publicly available on the City's Housing webpage: [Petaluma Housing Reports](#).

Program Funding -Historical funding levels are shown below table. In 2020, the City received additional CDBG-CV funding, which is reflected as a substantial increase in the award amount. Excluding the exceptional year of 2020, the average annual federal allocation is approximately \$330,000 and staff expect a similar annual allocation for this plan cycle.

Year	Award	Use
2024	\$304,473	Public Service, Housing Preservation
2023	\$330,388	Public Service, Housing Preservation
2022	\$360,441	Public Service, Housing Preservation
2021	\$351,053	Public Service, Housing Preservation
2020	\$587,359	Public Service, Housing Preservation, Rental Assistance

A complete list of eligible uses is attached as Exhibit A. In summary, eligible activities include real property acquisition, public facility improvements, rehabilitation, economic development, housing assistance, and program administration. Conversely, ineligible activities include general government expenses, political activities, and equipment purchases. The 2020-2024 Consolidated Plan identified the following goals to address the City's housing and community development needs:

1. Improve housing opportunities by preserving existing affordable housing.
2. Provide housing and services to the low-income populations, including but not limited to, children, seniors, and special needs population (homeless, disabled, etc.).
3. Increase the supply of affordable housing.

DISCUSSION

Based on the list of eligible uses, prior goals, and CDBG Consolidated Plan data from the Needs Assessment and Housing Market Analysis, the purpose of this public hearing is to gather input and feedback from the community and City Council to set goals and priorities based on the highest community needs. The table in Exhibit B outlines CDBG-eligible activities with examples, aligned with key areas identified as top needs from the Needs Assessment, housing market data, and City Council priorities, as well as previously funded activities. Additionally, by prioritizing recommendations, staff will be better equipped to guide the community in understanding how funding applications align with the Consolidated Plan goals and priorities for this new 5-year cycle.

The Five-Year Consolidated Plan is a comprehensive report but below is a high-level summary of the Housing Needs Assessment and the Housing Market Analysis.

Summary of Housing Needs Assessment: This needs assessment found that Housing instability in Petaluma is worsened by overcrowding, where many households have more than one person per room. Despite Petaluma's median income being higher than the county's, many seniors on fixed incomes and families with children are struggling to afford housing. Rising rents and home prices, combined with stagnant wages, are increasing the risk of displacement for lower-income residents, creating ongoing challenges in addressing homelessness and housing instability. This issue is further compounded by the expiration of pandemic-era protections, such as housing and income support.

Low-income families, especially those in the extremely low-income bracket, are at high risk of homelessness due to the burden of housing costs and limited income. According to the 2024 Point-in-Time Count, job loss is the primary cause of homelessness, followed by the high cost of living and challenges related to mental health and substance abuse. A significant barrier to securing permanent housing is unaffordable rent, with 57% of individuals reporting this issue, while 47% cite unemployment or lack of income as additional obstacles. A more detailed analysis is provided in the Consolidated Plan Report, which includes further insights from the Housing Needs Assessment.

Summary of Housing Market Analysis: There is insufficient housing for very low, low, and moderate-income households in Petaluma. Affordability is expected to remain a challenge as home values and rents continue to rise. Factors such as a tight credit market, shrinking housing inventory, and competition from investors make it increasingly difficult for low-income buyers to secure homes. In the past three years, rents in Sonoma County have surged by over 30%, with the average rent for a one-bedroom apartment in Petaluma now at \$2,379. The lack of new market-rate multi-family units has pushed rental prices out of reach for many low-income residents. The City plans to collaborate with developers and non-profits to create more affordable rental and first-time homebuyer opportunities and address these affordability challenges. For further details, refer to the Consolidated Plan Report, which includes a comprehensive analysis of the Housing Market Analysis.

Based on these findings, City staff recommend the following goals to evaluate utilization of these funds:

1. Increase the Supply of Affordable Housing for Low- and Middle-Income Households

One of the most pressing issues in Petaluma is the lack of affordable housing, with the average rent for a one-bedroom apartment nearing \$2,400 per month. Thirty-nine percent of households are cost-burdened, meaning they spend over 30% of their income on housing costs, which makes it difficult to afford other necessities. Additionally, the limited supply of diverse housing types—such as duplexes, triplexes, and ADUs—has created barriers for young professionals, first-time homebuyers, and moderate-income families seeking stable housing options. Expanding the supply of multi-family and affordable rental housing is crucial to addressing this housing gap.

2. Preserve Existing Affordable Housing

In addition to increasing supply, preserving existing affordable housing is vital. Aging housing stock contributes to rising maintenance costs and substandard living conditions. Approximately 15% of households report one or more housing problems, including incomplete kitchens, plumbing issues, overcrowding, or severe cost burden. Protecting these units through rehabilitation programs, rental assistance, and tenant protections will help maintain long-term affordability for Petaluma's lower-income residents.

3. Increase Access to Homeownership Opportunities

Petaluma's high cost of rental housing makes it difficult for renters to save for a down payment, creating barriers to homeownership, particularly for low- and middle-income families. Rising home prices—with a median home value exceeding \$1,000,000—further restrict access, disproportionately impacting first-time homebuyers, essential workers, and moderate-income households. Expanding down payment assistance, first-time homebuyer programs, and incentives for "missing middle" housing will provide more pathways to homeownership.

4. Support Economic Development Activities Through Micro-Enterprise Assistance and Workforce Development Programs

Housing affordability and economic stability are deeply interconnected. Many low-income entrepreneurs, particularly women- and minority-owned businesses, face barriers to accessing capital, business development resources, and affordable commercial spaces. Additionally, employers struggle to retain workers due to high living costs and long commutes. Supporting small business growth, micro-enterprise assistance, and workforce training programs will help strengthen economic resilience and job stability for residents, improving overall affordability and financial independence.

5. Provide Funding for Public Facilities Maintenance and Improvements

Investments in public facilities and infrastructure are critical to supporting housing stability and economic opportunity. This includes expanding community centers, improving transportation access, and upgrading essential public services that contribute to a more livable and equitable city. Ensuring neighborhoods have adequate recreational facilities, walkability, and transit connectivity will enhance the quality of life for residents, particularly those in low- and middle-income communities. Additionally, community resources and supportive services play a vital

role in offsetting high housing costs and promoting housing stability. Meal assistance programs, fair housing support, rental assistance, and workforce training initiatives help prevent displacement and create economic opportunities for underserved populations. Strengthening these services will ensure that low- and middle-income households have access to financial stability, housing security, and essential community support programs.

6. Provide Public Services for Low-and Middle-Income Households

Investments in community resources and supportive services are essential in offsetting high housing costs and promoting housing stability. Meal assistance programs, fair housing support, rental assistance, and workforce training initiatives help prevent displacement and create economic opportunities for underserved populations. Strengthening these services will ensure that low- and middle-income households have access to financial stability, housing security, and essential community support programs.

Looking Ahead

On April 17, 2025, the City will hold a second public hearing for the Consolidated Plan, as well as a public hearing for the 2025-2026 Annual Action Plan, where proposed goals and projects will be discussed and considered for approval. During this session, the City Council will determine the priorities for the Five-Year Consolidated Plan and approve funding recommendations for the 2025-2026 Annual Action Plan.

PUBLIC OUTREACH

While this public hearing is an opportunity for community and City Council to weigh in on the needs during the 30-day public hearing window required for the funding allocation, staff has received valuable feedback through its community engagement efforts on the Housing Element and General Plan Update that reiterates the 6 proposed goals that staff is recommending for consideration. A public notice was published in the *Argus Courier* on February 7, 2025, fulfilling the required 30-day public review period. The report was also posted on the City's housing webpage. All public comments received will be included in the report to the City Council during the Public Hearing and will be incorporated into the final Consolidated Plan Report, which will be presented to the Council on April 21, 2025. Public comments submitted at the April 21, 2025, Public Hearing will also be included in the report and submitted to HUD by May 15, 2025.

The Consolidated Plan 2025-2030 is available on the City's Housing Webpage at the following link: <https://cityofpetaluma.org/documents/draft-2025-2030-petaluma-consolidated-plan-3-6-25/>

This agenda item appeared on the City's tentative agenda document for the publicly-noticed meeting on March 3, 2025.

COUNCIL GOAL ALIGNMENT

The proposed action supports the following Council Goals, Objectives, and Workplan Items: Under the goal of **A Safe Community that Thrives**, the proposed action aligns with Objective #86, which is to develop programs that provide affordable rental and homeownership opportunities. It also supports efforts to assist organizations that serve housing-insecure and unsheltered populations. Additionally, under the goal of **A City that Works for Everyone**, the proposed action contributes to Objective #1, which focuses on developing a fiscal sustainability plan with the community. This plan aims to balance City services with available revenues, integrate policies, and identify potential revenue sources to ensure the long-term financial health and effectiveness of the City. The action also supports Objective #7, which emphasizes leveraging local, regional, and state programs and resources to maximize city revenues

CLIMATE ACTION/SUSTAINABILITY EFFORTS

Housing preservation positively contributes to Petaluma's Climate Action Plan by reducing greenhouse gas emissions through energy-efficient upgrades when feasible. Additionally, by preserving and upgrading existing structures, it helps reduce waste and conserve raw materials.

ENVIRONMENTAL REVIEW

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378, in that conducting a Public Hearing to receive public comments on the draft 2025-2030 CDBG Consolidated Plan (Plan) and provide input and feedback on its goals and priorities for the next five years does not meet CEQA's definition of a "project," because the action does not have the potential for resulting in either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because the action constitutes organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment.

FINANCIAL IMPACTS

This item is focused on setting the 5-year program goals and priorities and there is no immediate fiscal impact.

ATTACHMENTS

1. Attachment 1- CDBG Eligible Uses
2. Attachment 2- 25-30 Consolidated Plan Eligible Uses and Priority Goals Programs Matrix
3. Attachment 3- Draft 2025-2030 Consolidated Plan
4. Attachment 4- CAPER (FY23)