



DATE: November 21, 2022

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

FROM: Eric Danly, City Attorney
Heather Hines, Interim Community Development Director

SUBJECT: Resolution of the City Council of the City of Petaluma Amending Resolution Nos. 2014-036 N.C.S. Setting City Facilities Development Impact Fees, 2014-037 N.C.S. Setting Park Land Development Impact Fees, 2014-038 N.C.S. Setting Non-Quimby Act Park Land Acquisition Fees, 2014-039 N.C.S. Setting Open Space Land Acquisition Fees, and 2016-076 N.C.S. Setting Traffic Development Impact Fees, to Provide for Non-Applicability of the Fees to Certain City-Supported Affordable Housing Projects and Finding This Action is Not a “Project” Pursuant to CEQA Guidelines Section 15378(b)(4)

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolution amending Resolution Nos. 2014- 036 N.C.S. setting City Facilities Development Impact Fees, 2014-037 N.C.S. setting Park Land Development Impact Fees, 2014-038 N.C.S. setting Non-Quimby Act Park Land Acquisition Fees, 2014-039 N.C.S. setting Open Space Land Acquisition Fees, and 2016-076 N.C.S. setting Traffic Development Impact Fees, to provide for non-applicability of the fees to certain city-supported affordable housing projects.

BACKGROUND

The City has taken definitive action to facilitate the development of affordable housing to meet the needs of all Petalumans across the full spectrum of income levels. With the dissolution of redevelopment the City saw a significant reduction in funding resources to support affordable housing partners. Additionally, when the City Council adopted updated inclusionary requirements to eliminate the option to pay housing in-lieu fees unless approved as Alternative Compliance at the discretion of the City Council, the City saw a further reduction to its available funding sources to offer local match for affordable housing projects.

In response, the City has remained focused on finding new opportunities to continue to play an active role in facilitating affordable housing production. Examples of these efforts have included dedication of City-owned property, partnership on grant applications, allocation of other funding

sources, use of streamlined provisions for approving projects, and adoption of city policy to provide the greatest flexibility.

More specifically, some of the City's recent efforts have included:

- Sale of city owned property to PEP Housing
- Co-application with SMART and Danco Communities for Affordable Housing Sustainable Housing Grant funding
- Adoption of a Resolution declaring a Shelter Emergency
- Allocation of ARPA funding for expansion of Mary Isaac Center
- Streamlined processing of applications under SB-35
- Application for HomeKey 2.0 funding for Studios at Montero project
- Allocation of local funding through Housing In-Lieu and Commercial Linkage Fees

Through these efforts the City has made significant strides to continue to facilitate affordable housing production to address the acute housing crisis. The following table provides a summary of recent affordable housing projects and the current status of each. Affordable housing units achieved through the City's inclusionary housing program are not included in these numbers.

Project Name	Partner	# of Units	Income Levels	Status
414 Pet Blvd North	MidPen	44	Very low Low	Under construction
Meridian at Corona Station	Danco	131	Very low Low Permanent supportive	Approved Seeking funding
Studios at Montero	Burbank COTS	60	Permanent supportive	Under construction
River City	Burbank	53	Very low Low	Approved Funding secured
People's Village	COTS	25	Emergency Shelter	Completed
Petaluma River Place	PEP	50	Very low Low Veterans Senior	Completed

Despite the City's focused effort on housing, the City's current development impact fees provide limited flexibility or inapplicability for affordable housing development. With the exception of senior housing and housing projects located in proximity to transit and services as defined by state law, there are no other current reductions or credits to incentivize housing. An example of this is the Studios at Montero project which is currently under construction and funded through the City's recent award of \$13.5 million through the HomeKey program. The project involves renovation to an existing 60-unit motel into 60 permanent supportive housing units with onsite services. Under the current program, no credit for the existing use is provided unless the new use is non-residential. The assessed impact fee for the Studio at Montero project under the current fee resolutions is \$1.5 million.

DISCUSSION

Recognizing that the assessment of development impact fees is a significant cost to affordable housing providers and in keeping with the City's effort to remain focused and diligent in finding ways to facilitate affordable housing, staff have drafted a proposed amendment to the City's development impact fees for the City Council's consideration. The proposed amendment would modify the fee resolutions for City Facilities Impact Fees, Parkland Development Impact Fees, Non-Quimby Act Parkland Acquisition Impact Fees, Open Space Acquisition Impact Fees, and Traffic Mitigation Impact Fees to make them inapplicable to residential development projects that are deed restricted for affordable housing units and that are owned and operated by non-profit corporations, supportive housing projects and/or are financially supported by the City.

Specifically, the proposed resolution adds to the "Inapplicability of Fee" section in Resolution nos. 2014-036 N.C.S., 2014-037 N.C.S., 2014-038 N.C.S., 2014-039 N.C.S., and 2016-067 N.C.S., to read as follows:

- a. Residential development projects that will be deed-restricted prior to occupancy to acutely low, extremely low, very low, low, and/or moderate income residents and that will be owned and operated by non-profit corporations recognized as such by the United States Internal Revenue Service and the State of California Franchise Tax Board.
- b. Residential development projects that will be deed-restricted prior to occupancy to acutely low, extremely low, very low, low and/or moderate income residents, that will be supportive housing projects or will provide on-site supportive services, and that have received or will receive City financial support or other comparable City support such as the City applying for grant funding for the project as co-applicant with or on behalf of the project developer.
- c. For purposes of this section:
 - i. "Deed restricted" means that a restrictive covenant has been recorded against the title of all of the property underlying the residential units in the development project which deed restriction will run for at least 55 years.
 - ii. "Residential" means Multi Family Residential or Single Family Residential as defined in this resolution.
 - iii. "Supportive housing" and "Supportive services" have the meanings set forth in Section 65582 of the Government Code, which is part of the Housing Accountability Act, as amended from time to time.
 - iv. "Acutely low", "extremely low", "very low," "low," and "moderate" have the meanings set forth in Section 33411.2 of the Health and Safety Code as amended from time to time.

The proposed amendment does not apply to affordable units within a market rate project.

The proposed amendment would be applicable to any applicable project as of the approval date of the resolution, including applicable projects that are under construction but have not paid their

impact fees. The proposed amendment would not apply retroactively to completed projects that have already paid their impact fees.

The proposed amendment does not modify the City's water or wastewater capacity fees, however those fees are currently structured to credit for existing services if applicable to a project.

PUBLIC OUTREACH

This agenda item appeared on the City's tentative agenda document on November 7, 2022 which was a publicly-noticed meeting.

COUNCIL GOAL ALIGNMENT

This amendment satisfies City Council's goal item #4: Review and update the City's Development Impact Fees where appropriate. Additionally, the proposed amendment satisfies the following City of Petaluma's 5th cycle Housing Element: • Goal 3 which states "minimize constraints on housing development to expedite construction and lower development costs" and further includes Program 3.4 which calls for the City to "continue to subsidize and defer application fees, development impacts fees, and on and off site improvements for affordable housing projects." • Policy 4.1 which states that "because of the dissolution of redevelopment housing set-aside funding, make the maximum use of other resources available for the provision of housing affordable to extremely low to moderate income households. • Policy 5.2 which states: "ensure the long-term affordability of units developed or provided with City assistance" and Program 5.5 notes that the City should "continue to impose long term resale controls or rent restrictions on affordable units provided through the inclusionary housing program or city subsidies to ensure that they remain affordable to the targeted income groups."

CLIMATE ACTION/SUSTAINABILITY EFFORTS

The Climate Emergency Framework acknowledges the importance of meeting the housing needs of all Petalumans regardless of special needs or income level. As such, the proposed resolution supports the provision of a range of housing units across income categories and including housing types to address all needs.

ENVIRONMENTAL REVIEW

The proposed action is exempt from the requirements of the California Environmental Quality Act (CEQA) in accordance with CEQA Guidelines Section 15378(b)(4)-(5), in that amending the development impact fees does not meet CEQA's definition of a "project," because the action is an administrative activity of the City which will not either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment, and because the action is a government fiscal activity which does not involve commitment to any specific project. If this resolution was a project under CEQA, this resolution would also be statutorily exempt from CEQA requirements in accordance with Section 15273, subdivision (a) of the CEQA guidelines, because CEQA does not apply to the establishment, modification, structuring, restructuring, or approval of rates, tolls, fares, and other charges by public agencies which the public agency finds are for the

purpose of obtaining funds for capital projects, necessary to maintain service within existing service areas, and the City Council hereby finds that the development fees amended by this resolution are for the purpose of obtaining funds for capital projects necessary to maintain service levels and amenities in the City as it develops.

FINANCIAL IMPACTS

The proposed amendment will add inapplicability to certain deed restricted affordable housing projects as detailed in the draft resolution. This will in turn reduce fee proceeds from these projects into the city facilities, parkland development, parkland acquisition, open space acquisition, and traffic mitigation funds. However, this amendment will help encourage the production of affordable housing units through the reduction of associated costs for applicable projects.

ATTACHMENTS

1. Draft Resolution