



DATE: March 20, 2023

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

FROM: Heather Hines, Special Projects Manager

SUBJECT: Resolution Authorizing the City Manager to Submit a Joint Application with Danco Communities and Sonoma Marin Area Rail Transit for Funding through the Affordable Housing and Sustainable Communities Program for the Meridian at Corona Station Affordable Housing Project located at 890 North McDowell Boulevard and finding that the authorization to partner in the AHSC grant funding application does not create a physical change in the environment and is therefore not a project under CEQA Guidelines Section 15378

RECOMMENDATION

It is recommended that the City Council adopt the attached Resolution authorizing the City Manager to submit a joint application with Danco Communities and Sonoma Marin Area Rail Transit for funding through the Affordable Housing and Sustainable Communities program for the Meridian at Corona Station Affordable Housing Project located at 890 North McDowell Boulevard and finding that the authorization to partner in the AHSC grant funding application does not create a physical change in the environment and is therefore not a project under CEQA.

BACKGROUND

Project History

The Meridian at Corona Station Affordable Housing project was approved in 2021 consistent with State streamline provisions outlined in AB 2162. The project includes 131 apartments within six three-story buildings and one 4-story building. The affordable units (studios, one bedroom, two bedroom, and three bedrooms) will be designated as rentals for households earning between 30 and 80 percent of area median income (AMI), which allows for households in the Extremely Low Income (up to 30 percent AMI), Very Low Income (30 to 50 percent AMI), and Low Income (50 to 80 percent AMI) categories. Additionally, the project includes up to 25% of the units designated for supportive housing and incorporates support services onsite.

The project also includes community amenity/flex space, outdoor amenities, designation of an approximately 1.27-acre parcel to be dedicated to Sonoma Marin Area Rail Transit (SMART) for

the future Corona Station, and a half acre area at the corner of North McDowell and Corona Road for future commercial development.

Since approval of the project in September of 2021, Danco has acquired the project site. Additionally, SMART has obtained funding for the Corona Station and is working on construction level drawings. Construction of the station is anticipated to initiate in in late 2023.

Affordable Housing and Sustainable Communities Program

The Affordable Housing and Sustainable Communities Program (AHSC) was developed by the Strategic Growth Council and the State Housing and Community Development Department with a set of goals that include reducing vehicle miles traveled through development of a network of alternative modes of transportation in conjunction with affordable housing projects. The purpose of the program is to reduce gas emissions by supporting compact, infill development, and encouraging active transportation and transit usage in connection with affordable housing.

This program is a targeted source of funding for Danco to realize the Meridian at Corona Station project given its location adjacent to the second SMART station and the vision for this area of Petaluma to transition to a denser more transit-oriented neighborhood with enhanced bike, pedestrian, and transit facilities. To maximize the opportunities presented by the AHSC program for both the affordable housing project and the sustainable infrastructure improvements, Danco, SMART, and the City of Petaluma are working jointly to create a competitive application for the AHSC funding cycle.

A previous joint application for AHSC funding in 2021 was not successful. A Notice of Funding for the 7th round of AHSC funding was issued on January 30, 2023, with the associated application deadline of April 4, 2023. The program provides for up to \$35,000,000 in grant funding for affordable housing projects with an additional \$15,000,000 in grant funding available for sustainable infrastructure and transit amenities with public partnerships. Announcement of funding awards are anticipated in late August 2023.

DISCUSSION

The Meridian at Corona Station Affordable Housing Project was approved by the City in September 2021 under streamlining provisions outlined in AB 2162. The project was found consistent with the following General Plan goals and policies:

- 1-P-2:** Use land efficiently by promoting infill development, at equal or higher density and intensity than surrounding uses.
- 1-P-6:** Encourage mixed-use development, which include opportunities for increased transit access.
- 1-P-14:** Require provision of street trees, landscaping, parking and access features to help integrate land uses and achieve an effective transition between uses of disparate intensities.

- 2-P-1:** As depicted on the Land Use Map allow for urban development at defined densities and intensities to prevent the need to extend outward beyond the Urban growth Boundary.
- 2-P-5:** Strengthen the visual and aesthetic character of major arterial corridors.
- 2-G-14:** Recognize the complex demands upon North McDowell Boulevard and enhance the function and aesthetic value it could provide to the community.
- 2-P-88:** Provide enhanced pedestrian and bicycle network connections between the industrial, commercial, and residential clusters.
- 2-P-90:** Work with regional and other agencies to create a new light rail transit station near Corona Road with high-intensity, transit-oriented development.
- 4-P-7-A:** Enforce land use and transportation strategies that promote use of alternatives to the automobile for transportation including walking, bicycling, bus transit, and carpooling.
- 4-P-9:** Require a percentage of parking spaces in large parking lots or garages to provide electrical vehicle charging facilities.
- 5-P-4:** New development and/or major expansion or change of use may require construction of off-site mobility improvements to complete appropriate links in the network necessary for connecting the proposed development with existing neighborhoods and land uses.
- 5-P-15:** Implement the bikeway system as outline in the Bicycle and Pedestrian Plan and expand and improve the bikeway system wherever the opportunity arises.
- 5-P-18:** The City shall require Class II bike lanes on all new arterial and collector streets.
- 5-P-20:** Ensure that new development provides connections to and does not interfere with existing and proposed bicycle facilities.
- 5-P-22-A:** Improve the pedestrian experience through streetscape enhancements, focusing improvements where there is the greatest need, and by orienting development toward the street.
- 5-P-11-B:** Improve street crossings and complete gaps in the sidewalk system through development review and capital improvement projects.
- 5-P-23:** Require the provision of pedestrian site access for all new development.
- 5-P-31:** Make bicycling and walking more desirable by providing or requiring development to provide necessary support facilities throughout the city.
- 5-P-43:** Support efforts for transit-oriented development around the Petaluma Depot and along the Washington Street, Petaluma Boulevard, McDowell Boulevard, Lakeville Street, and other transit corridors.
- 5-P-50:** Maintain the Northwestern Pacific Railroad corridor for mobility purposes and ensure that any future projects adjacent to or near the rail corridor be planned with safety of the rail corridor in mind, especially with regard to pedestrian and vehicle circulation.

- 7-P-4:** Assist other local and regional public and non-profit agencies and service providers in locating facilities and resources needed to maintain, improve, and expand community services and programs that address specific needs in the Petaluma community.

Additionally, the Meridian at Corona Station Project is consistent with the following goals, policies, and programs contained in the City's certified 5th cycle Housing Element (Chapter 11 of the General Plan):

Policy 1.1: Promote residential development within the UGB.

Policy 1.2: Encourage development to of housing on underutilized land that is appropriately zoned.

Program 2.3: Treat transitional and supportive housing as residential uses, subject only to those restrictions on residential uses contained in each respective zone.

Goal 3: Minimize constraints on housing development to expedite construction and lower development costs.

Program 3.3: Enforce procedures and standards of Petaluma's density bonus ordinance to facilitate the review and approval of projects proposing affordable housing.

Program 3.5: Continue to give priority processing to affordable housing projects.

Goal 4: Promote the development of housing affordable to extremely low, very low, low- and moderate-income households.

Program 4.2: Continue to work with non-profit housing organizations to benefit from their expertise in and resources for developing and supporting affordable housing.

Goal 6: Promote housing opportunities for special needs groups.

Policy 6.1: Support efforts to prevent homelessness

Policy 6.2: Support efforts to provide housing and support services for the homeless

Policy 6.3: Support efforts to provide transitional and supportive housing to those moving from homelessness to independent living.

Policy 6.6: Promote the construction of rental units for larger families.

Goal 9: Promote the integration of affordable and special needs housing with existing neighborhoods.

Policy 9.1: Promote the integration of affordable and special needs housing projects on existing neighborhoods.

Program 9.1: Continue to address community input of such projects on surrounding neighborhoods during the design review and approval process.

Goal 10: Encourage energy conservation in housing and reduce the contribution to greenhouse gases from existing sources and minimize the contribution of greenhouse gases from new construction and sources.

Policy 10.1: Promote the use of energy conservation features in the design of residential development.

In 2020, the City Council approved Resolution No. 2020-179 N.C.S. establishing a policy to authorize an increase in the allowable units in by-right supportive housing development as prescribed by AB 20219 for the Meridian at Corona Station Affordable Housing Project. As part of that resolution the Council encouraged the applicant “to seek creative partnerships and funding sources to expand infrastructure, transit, and connectivity resources to the project and surrounding neighborhood.” The AHSC grant application is a collaboration between Danco Communities, SMART, and the City to seek funding for not only the affordable housing component but also additional improvements to the SMART station and improvements to the bicycle, pedestrian, and transit amenities in the surrounding area.

This private public partnership has been working collaboratively along with technical support from outside consultants to put together a competitive funding application that brings together the key components of the AHSC program to facilitate affordable infill housing in proximity to alternative modes of transportation while decreasing greenhouse gas emissions. While the grant application is still being finalized, in general terms the funding request will include the following for each of the three partners:

- **Danco:** Up to \$35,000,000 for development of the affordable housing project.
- **SMART:** Approximately \$7,000,000 for a signalized crossing of the SMART multi-use path at North McDowell, 2.3 miles of Class 1 bike path from Southpoint to Main Street Penngrove, station platform amenities, and solar in the surface parking lot.
- **City:** Approximately \$6,000,000 for bike, pedestrian, and transit improvements to include 1,800 feet of safe and accessible walkway on North McDowell Boulevard from the SMART rail crossing to Corona Road and on Corona Road from McDowell Blvd to the SMART rail tracks, 1,025 feet of safe and accessible walkway on both sides of the road and 1,056 feet of Class II bike lane on Corona Road from North McDowell Blvd to Sonoma Mountain Parkway, the purchase of ZEV buses, construction of five new bus stops on McDowell Blvd, and operational funding to increase the frequency of Petaluma Transit on North McDowell.

In addition to the AHSC funding request, there are other ongoing partnerships between Danco, SMART, and the City that would further the success of the project. More specifically, Danco has committed to dedicating the approximately 1.27 acres for the SMART parking area as part of construction of the affordable housing project. There is \$2 million designated in the City’s Traffic Impact Fee program to help fund the necessary parking and amenities associated with the Corona SMART station.

In 2021 the City Council approved allocation of \$2 million to Danco for acquisition and development of the Meridian at Corona Station Affordable Housing Project. Those funds were a key component in the successful acquisition of the project site by Danco. Additionally, dedication of City property adjacent to the project site for development of a public park is

anticipated to be brought forward to further assist in demonstrating local match to support the project and the development of the surrounding neighborhood.

PUBLIC OUTREACH

The current item to authorize the City's participation in the AHSC grant application was noticed on the March 6, 2023 City Council agenda. No public comments have been received specifically in response to the AHSC grant application or in response to this specific agenda item.

There was robust community outreach during the City's review of the Meridian at Corona Station Affordable Housing Project, including:

- An informational presentation to the Planning Commission on November 17, 2020
- Community forum at the November 18, 2020 Know Before You Grow meeting
- Neighborhood meeting on November 30, 2020
- Presentation to the Pedestrian and Bicycle Advisory Committee on December 2, 2020
- City Council consideration and approval of AB 2162 policy for the project on December 7, 2020
- City Council consideration and approval of funding allocation for affordable housing on July 12, 2021

COUNCIL GOAL ALIGNMENT

While not specifically called out as one of the Top 10 priorities, the components of the project for AHSC funding is in line with the following overarching goals in that it includes development of affordable housing to our most vulnerable populations, facilitates expansion of transit, and improves the City's active transportation network:

- A City that Works for Everyone
- Our Environmental Legacy
- A Safe Community that Thrives

CLIMATE ACTION/SUSTAINABILITY EFFORTS

The proposed partnership for the AHSC program funding supports the Meridian at Corona Station project which would create 131 units of affordable and supportive housing, support implementation of the Corona SMART station, and facilitate bike, pedestrian, and transit improvements in the immediate vicinity. This action facilitates a private public partnership that is consistent with the City's commitment to action in the face of the climate emergency in that the project introduces residential development within the UGB and adjacent to the future SMART station, supports the construction of the second SMART rail station at Corona Road, and recognizes and implements needed improvements to the bike, pedestrian, and transit network in

the area to reduce vehicle miles traveled. The project has been designed as an all-electric and net zero project, including roof top photovoltaic and EV charging stations. The project incorporates pedestrian and bicycle facilities and a commitment to furthering opportunities to encourage and facilitate additional mobility and infrastructure improvements in the surrounding area.

ENVIRONMENTAL REVIEW

The Meridian at Corona Station Project is not subject to the requirements of the California Environmental Quality Act (CEQA) in accordance with Government Code Section 65651, subdivision (b), paragraph (2) as a qualifying supportive housing projects under AB 2162. Based on the previously approved and later rescinded approval of the Mitigated Negative Declaration for the previous Corona Station Residential Project and a clear understanding of the potential environmental impacts, many of the previous mitigation measures were incorporated as conditions of approval for the Meridian at Corona Station Project.

The action before the Council is approval of a resolution authorizing partnership in the AHSC grant funding application and therefore that action in and of itself does not create a physical change in the environment. However, the sustainable infrastructure projects proposed by SMART and the City of Petaluma as part of that application are subject to the requirements of CEQA. An Environmental Impact Report was certified for SMART system and included both the Corona Station and the multi-use path. Therefore, no further environmental analysis is required for those components as included in the funding request. The scope of the City's bike, pedestrian, and transit improvements as included in the AHSC funding request consist of pedestrian, bicycle, and transit infrastructure and transit service along North McDowell Boulevard including 1,800 feet of safe and accessible walkway on North McDowell Boulevard from the SMART rail crossing to Corona Road and on Corona Road from McDowell Blvd to the SMART rail tracks, 1,025 feet of safe and accessible walkway on both sides of the road and 1,056 feet of Class II bike lane on Corona Road from North McDowell Blvd to Sonoma Mountain Parkway, the purchase of ZEV buses, construction of five new bus stops on McDowell Blvd, and operational funding to increase the frequency of Petaluma Transit on North McDowell. All improvements will occur within or immediately adjacent to the existing right-of-way. There is negligible or no expansion of use beyond what currently exists and there are no cumulative impacts, unusual circumstances or other factors that would make the exemption inapplicable. Therefore, the project is exempt under CEQA Guidelines Section 15301 (c), Existing Facilities, including the addition of bicycle facilities, bicycle lanes, transit improvements and service frequency, pedestrian crossings, and similar alterations that do not create additional automobile lanes. Additionally, the project is exempt pursuant to CEQA Guidelines Section 15304 (h), Minor Alterations to land including the creation of bike lanes, sidewalks, and transit infrastructure within the existing right-of-way.

Additionally, the increase of transit service frequency is exempt under Public Resources Code section 21080(b)(10) and CEQA Guidelines Section 15275 Specified Mass Transit Projects.

FINANCIAL IMPACTS

Staff resources to work with Danco and SMART to strategize and prepare the grant application has been completed as base level staff work. Grant award will be announced in late August 2023 and if awarded the City's portion of approximately \$6,000,000 would fund completion of bicycle, pedestrian, and transit improvements in the area. More specifically, the award would fund 1,800 feet of safe and accessible walkway on North McDowell Boulevard from the SMART rail crossing to Corona Road and on Corona Road from McDowell Blvd to the SMART rail tracks, 1,025 feet of safe and accessible walkway on both sides of the road and 1,056 feet of Class II bike lane on Corona Road from North McDowell Blvd to Sonoma Mountain Parkway, the purchase of ZEV buses, construction of five new bus stops on McDowell Blvd, and operational funding to increase the frequency of Petaluma Transit on North McDowell.

ATTACHMENTS

1. Draft Resolution