



DATE: March 20, 2023

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

FROM: Heather Hines, Special Projects Manager
Christina Paul, Principal Planner

SUBJECT: Public Hearing and Resolution Adopting a General Plan Amendment to Repeal the 2015-2023 Petaluma Housing Element, Adopt the Petaluma Housing Element of the General Plan for the Period of 2023-2031 with Findings that it Substantially Complies with State Housing Element Law, and Including Approval of an Addendum to the Previously Approved Negative Declaration Approved for the 2015-2023 Housing Element

RECOMMENDATION

It is recommended that the City Council conduct a public hearing and approve a Resolution (Attachment 1) adopting a General Plan Amendment to repeal the 2015-2023 Housing Element, adopt the City of Petaluma Housing Element of the General Plan for the period of 2023-2031 (Exhibit A to Attachment 1) with findings that it substantially complies with State Housing Element Law, and including approval of an Addendum to the previously approved Negative Declaration for the 2015-2023 Housing Element (Exhibit B to Attachment 1). Following local adoption, the Housing Element will be submitted to the State Department of Housing and Community Development for final review and certification. A locally adopted Housing Element brings the City into substantial compliance with State Housing Element laws.

BACKGROUND

The development of the City's 6th cycle Housing Element was discussed by the General Plan Advisory Committee (GPAC) at each of its meetings between March and June 2022, and a full Public Draft was reviewed by Planning Commission on September 13, 2022, and City Council on October 3, 2022. Concurrently, the Public Draft Housing Element was available for public review for 30 days between August 28 and September 29, as required by State law.

In accordance with State statute, the City's Draft 6th cycle Housing Element was submitted to the State of California Department of Housing and Community Development (HCD) in October 2022 for their required 90-day review period. In early January 2023, the City received technical questions from HCD. It provided requested clarifications, additional data, and content asserting

that the City will comply with State law in implementing its final Housing Element. These clarifications did not identify any draft policies that would not be in substantial compliance with State Housing Element laws. On January 27, 2023 (the 90th day of the state's review period), the City received the State's formal response to the Draft Housing Element (Attachment 2), which included additional requests for data and clarifications, as well as policy suggestions and requests to work to mitigate barrier to housing development for the City to respond to when updating the final Housing Element for local adoption and submission to HCD for certification.

On February 14, 2023, staff provided a draft Housing Element status update to the Planning Commission and requested feedback on the specific policy items to inform subsequent City Council consideration and direction. On February 16, 2023, staff provided a similar presentation to the GPAC and received their feedback on the policy items to inform the City Council's discussion. The City Council considered the item on February 27, 2023, including comments from the Planning Commission and GPAC, and provided direction on the policy items to be included in the final Housing Element.

The HCD comment letter asked for the City to commit to specific actions and timelines to implement specific housing programs in five policy areas. These five policy items (single room occupancy, private open space requirements for multi-family development, residential care housing, parking requirements, and suggested strengthening of overall program language) were the focus of City Council discussion. After deliberation, the City Council indicated overall support for the recommended modifications as outlined in the staff report in response to HCD comments. The City Council, taking into consideration Planning Commission and GPAC input, provided overarching suggestions for consideration with future code amendments as part of Housing Element implementation. These suggestions and modifications in the final Housing Element to respond to HCD comments are summarized in the Discussion section of this report.

The Planning Commission considered the final Housing Element at their regular meeting on March 14, 2023. After receiving public comment, the Planning Commission unanimously approved Resolution No. 2023-023 (Attachment 3) recommending City Council approval of a General Plan amendment to repeal the 5th cycle Housing Element and adopt the 6th cycle Housing Element with finding that it is in substantial compliance with State Housing Element Law and including approval of the associated environmental document. No changes were requested as part of that motion. The Planning Commission was very supportive of the final Housing Element and appreciated the final updates made in response to the HCD comment letter and their comments provided at the February 14, 2023, Planning Commission meeting.

Once adopted by the City Council, the Housing Element will be submitted to HCD for its 60-day review and certification. A locally adopted Housing Element brings the City into substantial compliance with State Housing Element laws.

DISCUSSION

The 6th Cycle Petaluma Housing Element is attached to this staff report in two formats. The first, Exhibit A to Attachment 1, is the final document that is proposed for submission to HCD. The

second, Attachment 4, includes tracked changes in underlined, colored text and text that is both indicated by track changes and highlighted in yellow. The text changes that are only shown in track changes (underlined) are additions and clarifications to clarify the content for HCD, to clarify how the City will comply with State housing law, and reply to technical commentaries, such as requiring that the City include the number of accessory dwelling unit (ADU) permits issued in 2018 as part of the methodology to determine the anticipated number of ADUs permitted during the 6th Cycle Housing Element period. The technical changes to the Housing Element (underlined only) were provided to the Planning Commission, GPAC and City Council prior to each of their meetings in February 2023, with the exception of correcting minor typographical errors and providing clarifications on existing City programs regulations. The highlighted text in Attachment 4 indicates newly developed content to implement City Council's direction on policy updates and ancillary language clarifications to address HCD comments on the draft Housing Element. Please note that some additional technical edits have been incorporated after the Planning Commission review and recommendation but none are substantive changes to the document.

Five major policy decision points were discussed with GPAC, Planning Commission, and City Council in February 2023 in response to HCD comments. Modifications related to each of these specific topics (Single Room Occupancy (SRO), private open space requirements for multi-family development, residential care facilities for seven or more people, parking requirements, and the overall level of commitment to implementing the Housing Element) are included in the final Housing Element and summarized below.

Single Room Occupancy Development (SROs)

Neither the Implementing Zoning Ordinance nor the SmartCode specifically identifies SROs as a land use or allows this use in any zones within Petaluma. As directed by the City Council, Program 7 has been modified to specify that the City will update zoning regulations to define SRO as a land use type and permit SROs in zoning districts such as the MU, R4 and R5 zoning districts where high-density multi-family housing is currently allowed. The target date for adoption of necessary Zoning Text Amendments is December 2024 as part of the City's planned holistic zoning code update after adoption of the General Plan Update.

Consistent with feedback from the City Council, Planning Commission, and GPAC, as part of development of the appropriate text amendments staff will consider minimizing tenancy timelines and evaluate other possible zoning districts (including low-density residential areas) where SROs may be appropriate.

Private Open Space Requirements

To address HCD's comments and remove a potential barrier that the City's current private open space requirements may present to development of multifamily rental apartments, and as directed by the City Council, Program 7 has been modified to commit to "study open space requirements for comparable housing types in the region and reduce the open space requirements to align with the regional trends and to ensure maximum allowable density in each district can be achieved." While this does not commit the City to a specific reduction, it does commit the City to reducing the amount of usable private open space required for multi-family projects in an effort to reduce development constraints and to align with other jurisdictions in the region. The targeted date for

adoption of the necessary Zoning Text Amendments is December 2024 as part of the City's planned holistic zoning code update after the adoption of the General Plan Update.

Consistent with feedback from the City Council, Planning Commission, and GPAC, as part of development of the appropriate text amendments staff will look not only at evaluating regional jurisdictions' code standards but also seek to maintain desirable livability standards for future multi-family developments. This may include changes to existing definitions, dimensional requirements, and/or credits for increasing communal open space within a development.

Residential Care Housing

The City currently allows residential care for seven or more clients only on upper floors in the MU1A, MU1B, MU2, C1, and C2 mixed-use and commercial zoning districts. These restrictions may create a barrier to the production of housing for persons with disabilities. In accordance with the HCD interpretation of Affirmatively Furthering State Housing Legislation and as directed by the City Council, Program 7 has been modified to state that the City will "evaluate the constraint and amend the Zoning Code to mitigate this constraint in order to facilitate the development of additional types of residential care facilities" and "specifically, residential care facilities for seven or more persons will be conditionally permitted in residential zones, mixed-use zones, and commercial zones, subject to findings for approval that are objective and provide certainty in outcomes" Requirements that these uses be placed on upper floors and behind a ground floor street fronting use will be removed. The target date for adoption of the necessary Zoning Text Amendments is December 2024 as part of the City's planned holistic zoning code update after the adoption of the General Plan Update.

Consistent with feedback from the City Council, Planning Commission, and GPAC, as part of development of the appropriate text amendments staff will evaluate appropriate design and operational characteristics for consideration to ensure the City is able to achieve ground floor activation appropriate for specific locations.

Parking Requirements

To address the comment from HCD that the City's current parking regulations create a constraint to the development of multi-family housing, Programs 5 and 7 have been modified to commit the City to change parking requirements as part of the implementation of the Housing Element. Program 5 is modified to read "By December 2023, update onsite parking regulations to reduce barriers to housing development and to support the City's affordable housing development and climate goals. Specifically, remove the 1.5 space per unit requirement for small units and replace that requirement with parking standards based on unit size (micro units, studio/efficiency units, and one-bedroom units) and location relative to transit and amenities." Similarly, Program 7 is modified to read "specifically, the City will reduce 1.5 space per unit requirement for small units such as micro-units, studios, and one-bedroom units as described in Program 5".

These modifications highlighted in these changes to Program 5 and Program 7 are in keeping with previous policy discussions with the Planning Commission, Pedestrian and Bicycle Advisory Committee, and City Council.

The commitment in the Housing Element to address HCD comments does not need to be specific to new parking metrics or specific areas but rather to reducing existing code requirements to remove barriers to housing production and to consider the size of units and location of units in determining the appropriate parking requirement. When code amendments are brought forward in the future, consistent with feedback from the City Council, Planning Commission, and GPAC, such amendments will be considered within the context of other resources to encourage mode shift, such as increased transit, improved active transportation resources, and new trends and technology. It is also noted that appropriate parking requirements may differ depending on the area of the City and related to transit and amenities readily available.

Strengthening of Overall Program Language

A range of modifications to program language has been made to respond to HCD's overarching comment that language throughout the housing element should be more specific, clarify what actions the City will take, commit to timelines and provide metrics. Modifications to the Housing Element to address this comment are shown in highlighted text in Attachment 4 representing additional changes made in response to feedback from the City Council, Planning Commission, and GPAC that specifically clarify methodology used to set specific metrics.

The final Housing Element includes quantifiable metrics for tracking and measuring program success, as required by HCD. In response to questions regarding the methodology for setting specific metrics, text in the Housing Element was updated. More specifically, changes were made to Programs 3, 5, 6, 7, 8, 15, 24, and 27 to reflect the methodology behind each unit production goal.

Additionally, in response to feedback from the Planning Commission and City Council regarding methodology, the consultant team reviewed all metrics and made modifications to three metrics in an effort to ensure all metrics are based on reasonable but conservative estimations of possible development. The metric in Program 5 for conversion of non-residential uses to residential was reduced from 100 units to 40 units for an average of five units annually and representing the potential conversion of one to two second floor office uses per year. The metric in Program 15 to produce infill units in single-family and lower density neighborhoods was reduced from 200 to 80 new units (duplex, triplex, fourplex, and small multi-family complex), for an average of ten units per year as part of the City's efforts to create 15-minute neighborhoods. The metric in Program 27 to create housing units for hospitality or farm workers was increased rather than decreased from 20 units to 50 units, given that typical affordable housing projects are generally sized at approximately 50 units, and this goal would consist of one project over the Housing Element cycle.

To respond to HCD comments, modifications were made to a number of programs, including Program 1 (Adequate Sites for regional housing needs allocation (RHNA) and Monitoring of No Net Loss), Program 2 (Replacement Housing), Program 3 (Accessory Dwelling Units), Program 4 (Efficient Use of Multi-Family Land), Program 5 (Flexible Development Standards), Program 6 (Religious and Institutional Facility Housing Overlay), Program 7 (Zoning Code Amendments), Program 12 (Housing-Commercial Linkage Fee), Program 20 (Historic Preservation), Program 21 (Condominium Conversion), Program 25 (Adequately Sized Rental Housing for Families), Program 26 (Universal Design and Visitability), Program 27 (Housing for

Farmworkers and Hospitality Workers), and Program 29 (Tenant Protection Strategies). Edits focus on clarifying content, detailing the ways the City will comply with State housing laws, and providing clear timelines for policy implementation.

The updated Housing Element also clarifies actions and timelines for implementation of specific programs rather than saying such things as, “the City will take action as appropriate.”. These updates are made throughout the draft. The City has prioritized updates to the Zoning Code and impact fee structure by stating that those impacts will happen in 2024 in concert with the ongoing General Plan update. In response to City Council feedback, the final Housing Element notes those housing programs that are currently underway.

Updated Housing Element Attachments

The Housing Element itself contains the programs and policies of the Housing Element. The Housing Element also has multiple attachments, including Appendix A: Needs Assessment, Appendix B: Constraints, Appendix C: Resources and Opportunities (including the Sites Inventory), Appendix D: Review of Past Accomplishments, Appendix E: Affirmatively Furthering Fair Housing, and Appendix F: Public Participation. As part of the finalization of the Housing Element, each of these appendices was reviewed and updated with clarifying language as needed to respond to HCD’s comments. Appendix A was updated to reflect more recent point-in-time unhoused counts. Appendix B was updated to include additional information about Petaluma’s current open space requirements, parking standards, compliance the State Density Bonus law, Residential Growth Management System, and other technical information in response to queries from HCD. Appendix C: Resources and Opportunities was updated to reflect the current status of pipeline projects, the need to include Accessory Dwelling Units (ADUs) permitted in 2018 in the average ADU production calculation, information on how site capacities were calculated. Appendix D was reviewed for typographical errors. Appendix E was updated to contain additional information about Fair Housing and an assertion that the City will comply with State and Federal law and areas of need in the City.

The final Housing Element before the City Council for consideration is in substantial compliance with State Housing Element Law and responds to comments received from HCD on the draft Housing Element. As such, the final Housing Element is presented for adoption. After local adoption the Housing Element will be submitted to HCD for their required 60-day review prior to certification. To expedite that process, the resolution for City Council consideration includes language that gives the City Manager authorization to make minor modifications to the Housing Element in response to any subsequent comments from HCD without returning to the City Council for readoption. If there are substantive changes needed to address HCD comment the item will be brought back to the City Council for consideration and readoption.

PUBLIC OUTREACH

During the General Plan Update process to date, the community has provided a significant amount of housing-related input, including input received as part of the 2020 General Plan community- wide survey and the 2021 Area Meetings, Pop-ups, Visioning Workshop, GPU Youth Survey, and Latinx Focus Group. This input informed the Vision, Pillars, and Guiding

Principles drafted by General Plan Advisory Committee Members and unanimously recommended to drive the subsequent planning phases of the General Plan Update.

In March and April 2022, the Planning Team conducted engagement related specifically to the Housing Element through two presentations to the GPAC on March 17 and April 21, 2022, a presentation to the Planning Commission on March 22, 2022, and the Housing Element Community Workshop on April 7, 2022. In June and July 2022, drafts of the Housing Sites Inventory and Policy Framework were presented to and discussed with the General Plan Advisory Committee (GPAC) on June 16, 2022, Planning Commission on June 21, 2022, and City Council on July 18, 2022. The feedback received to date shaped the development and refinement of the Draft Housing Element and associated appendices.

The release of the Public Draft Housing Element was posted on the General Plan website and announced in the Community Update and on City social media, via the General Plan Constant Contact email list, via email to the GPAC, and via direct email to approximately 50 housing-focused stakeholders. The community was invited to provide feedback on the Public Draft via a survey on the General Plan website, which helps ensure that the planning team accurately tracks feedback, as well as via email or at a public meeting on the Housing Element, which are listed below. The Draft Housing Element was released on Monday, August 29, for the public review period required by the Department of Housing and Community Development. During the public review period, the City held the following public meetings and engagement events:

- Planning Commission meeting: September 13th
- General Plan Advisory Committee meeting: September 15th
- Community Open House: September 20th
- City Council meeting: October 3rd
- Public online survey accepting comments during the full 30-day review period

The comments generated during the public review period through the survey, emails, and meetings noted above were compiled in the Housing Element Comment Matrix. Any additional public input will inform the changes made prior to submission to HCD and will be submitted in an amended Housing Element Appendix F: Public Participation.

Following the receipt of the HCD comment letter on January 27, 2023, the item went before Planning Commission on February 14, 2023, GPAC on February 16, 2023, and City Council on February 27, 2023, to review HCD comments and gather recommendations and direction from these bodies.

The March 14, 2023 Planning Commission hearing to consider the final Housing Element for recommendation to the City Council was published as an 1/8 page ad in the Argus Courier on March 3, 2023. The March 20, 2023 City Council hearing to consider the final Housing Element for adoption was published as an 1/8 page ad in the Argus Courier on March 10, 2023. The final Housing Element is posted online for public review.

One letter was received from TransForm in response to the final Housing Element and is included at Attachment 5.

COUNCIL GOAL ALIGNMENT

While not explicitly on the City Council's approved list of Top 10 Citywide Goals, the Housing Element is a required part of the General Plan Update underway and is guided by specific state statute that necessitated that the Housing Element be bifurcated from the larger General Plan Update to expedite adoption. The draft Housing Element furthers many of the Council's overarching goals for the community in seeking to provide housing opportunities for all Petalumans.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) Guidelines Sections 15162 and 15164 establishes criteria to assess which level of environmental review is appropriate when a project analyzed in a previously approved CEQA Analysis (e.g., Initial Study/Negative Declaration) has changed or the environmental setting within which the review was carried out has changed. It is up to the Lead Agency to determine whether an addendum, supplemental, or subsequent environmental document is appropriate. The lead or responsible agency may choose to prepare an Addendum rather than a supplemental or subsequent ND if the following findings can be made:

- No new significant impacts will result from the project or from new mitigation measures.
- No substantial increase in the severity of the environmental impact will occur.
- No new feasible alternatives or mitigation measures that would reduce impacts previously found not to be feasible have, in fact, been found to be feasible

Accordingly, it was determined that based on the proposed Housing Element (6th Cycle 2023-2031) relative to the previously adopted Housing Element (5th Cycle 2015-2023), changes to the approved project (Housing Element) and/or changes to the project setting will not result in potentially significant impacts not previously identified or analyzed nor would they increase the severity of any previously identified impacts. Further, there are no previously infeasible alternatives that are now considered feasible. Finally, none of the factors set forth in 15162(a)(3) were found to exist.

As such only minor additions or changes are necessary to make the previous environmental document (Initial Study/Negative Declaration adopted for the 5th Cycle Housing Element) adequately apply to the proposed Housing Element (6th Cycle). As such, the City of Petaluma, as the Lead Agency has determined that an Addendum to the IS/ND is the appropriate level of review and is sufficient to address any revisions or changes to the project and/or that of the environmental setting.

The conclusions of the Addendum to the adopted Initial Study/Negative Declaration (IS/ND) prepared for the Housing Element (6th Cycle) remain consistent with those findings made in the IS/ND prepared for the 2015-2023 (5th Cycle) Housing Element adopted December 1, 2014 (State Clearinghouse Number 2014012018). There is no indication that the Housing Element

Update would generate new impacts or more severe impacts beyond those identified in the adopted IS/ND. The Addendum is available as Exhibit B to Attachment 1.

FINANCIAL IMPACTS

Preparation of the City's 6th cycle Housing Element was part of the larger contract with Raimi Associates for the General Plan Update which was approved by the City Council and subsequently executed by the City Manager.

ALTERNATIVES

The item before the City Council is approval of a General Plan Amendment to repeal the 2015-2023 Housing Element, adopt the City of Petaluma Housing Element of the General Plan for the period of 2023- 2031 with findings that it substantially complies with State Housing Element Law, and including approval of an Addendum to the previously approved Negative Declaration for the 2015-2023 Housing Element. The final Housing Element has been updated to incorporate thorough response to all HCD comments on the draft Housing Element and direction from the City Council on previously considered policy items while retaining future city discretion for specific code amendments. Local adoption of the Housing Element will bring the City into compliance with State Housing Element Law.

Alternatively, as part of approval of the General Plan Amendment the City Council may direct further modifications to the recommended changes to be incorporated into the final Housing Element to be submitted to HCD.

ATTACHMENTS

1. Draft GPA Resolution with Exhibits:
 - a. Housing Element
 - b. Addendum to Negative Declaration
2. Comment Letter from HCD
3. Housing Element with Tracked Changes and Highlight
4. Planning Commission Resolution No. 2023-023
5. Public Comment Letter - TransForm