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DATE: August 8, 2023

TO: Planning Commission

FROM: Greg Powell, Principal Planner  
Isabel Castellano, Historic and Preservation Specialist

REVIEWED BY: Andrew Trippel, AICP, Planning Manager

SUBJECT: Recommendation that the Planning Commission and the Historic and Cultural Preservation Committee conduct a joint study session to receive information, take public comment, and provide nonbinding feedback on revisions to the proposed zoning overlay district in Downtown Petaluma File No. PLPJ-2022-0015 (PLGP-2023-0001 and PLZA-2023-0002)

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## **RECOMMENDATION**

It is recommended that the Planning Commission and the Historic and Cultural Preservation Committee conduct a joint study session to receive information, take public comment, and provide nonbinding feedback on revisions to the proposed zoning overlay district in Downtown Petaluma. No formal action will be taken. The PC and HCPC are asked to provide feedback only; no formal action is requested.

## **BACKGROUND**

### ***Summary***

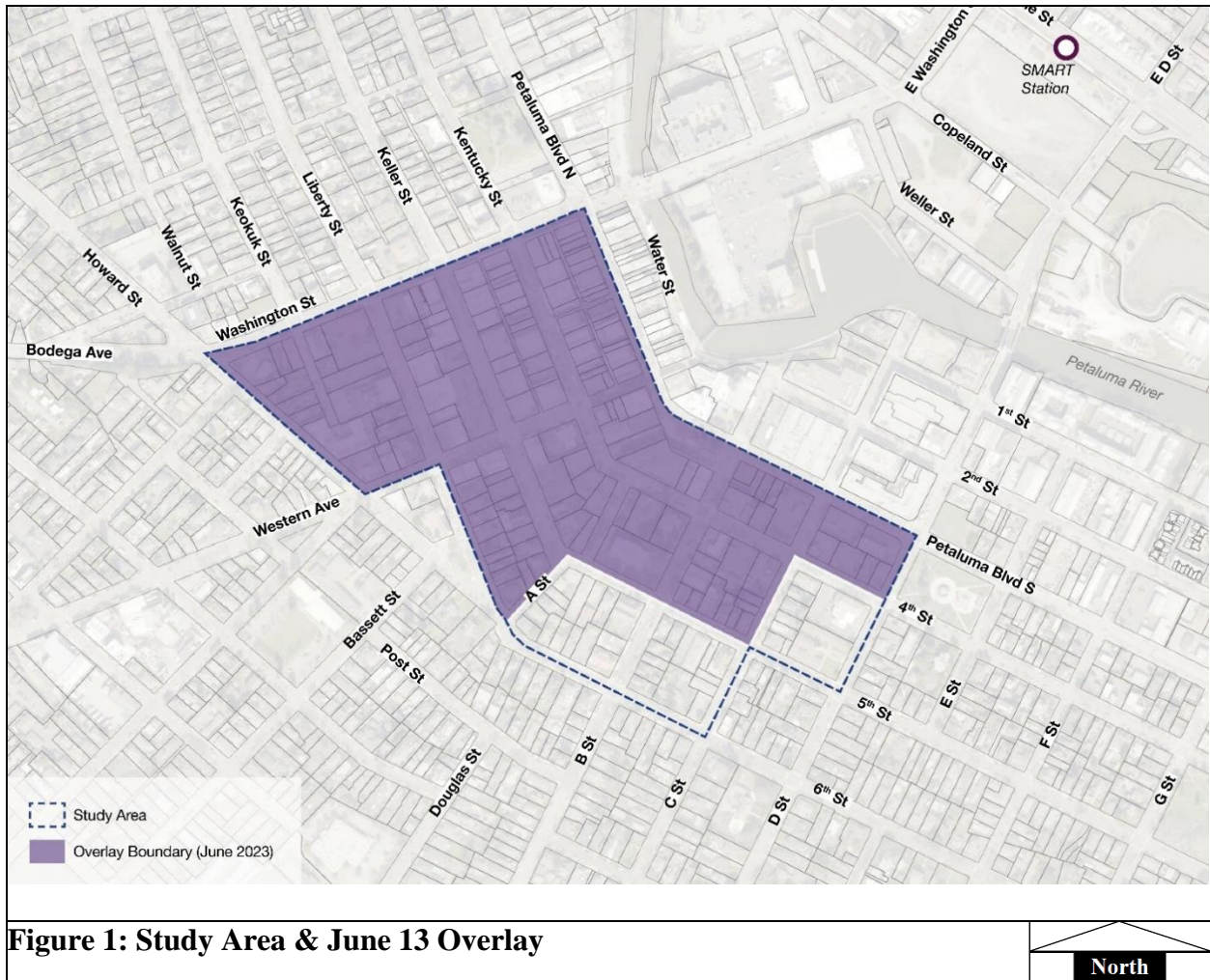
A joint study session was conducted by the PC and HCPC on June 13, 2023, to review a zoning overlay proposal for Downtown Petaluma and the proposed EKN Appellation Hotel, a 93-room hotel at 2 Petaluma Boulevard South. As requested by the PC and HCPC, the zoning overlay is presented for a second study session separately from the EKN Appellation Hotel project and the focus of this staff report and the joint meeting on August 8, 2023, is to provide feedback on the revised proposal for the Overlay District. Information presented in this staff report and associated exhibits focus on the proposed zoning overlay to support housing and economic development opportunities in one or more places in the Downtown area.

At the June 13<sup>th</sup> joint study session, the PC and HCPC reviewed the [\*Petaluma Building Form Overlay Proposal in Downtown\*](#), which proposed a 10-block zoning overlay within a 14-block study area bounded by Washington Street to the north, Petaluma Boulevard to the east, D Street to

the south, and Howard/Liberty Streets to the west, which would include the site of the EKN Appellation Hotel that is proposed at 2 Petaluma Boulevard South. Within the originally proposed boundary, new development regulations would have allowed for the following modifications to existing development standards currently applicable to this area:

1. Increase to the maximum allowable building height
2. Increase to the maximum allowable lot coverage and Floor-to-Area Ratio (FAR)
3. Reduction in the minimum required building setbacks
4. Establishment of minimum required step backs for upper floors

The Study area and the originally proposed overlay are depicted in Figure 1 below.



The general consensus at the June 13, 2023, study session was that the proposed Overlay covered too broad of an area and that it did not adequately respect or preserve contributing buildings within the Petaluma Historic Commercial District or existing residential development within the study area. The June 13, 2023, meeting minutes are available [online](#).

Following the June 13<sup>th</sup> study session, staff urged the applicant team to analyze the following concepts in response to feedback from the Planning Commission and HCPC and to guide revisions:

- Modify the name of the overlay to reflect the intent of the proposed zoning overlay more accurately
- Focus the boundaries of the zoning overlay to support the redevelopment of under-utilized parcels
- Consider how the zoning overlay could more effectively preserve historic buildings and the Downtown Commercial Historic District
- Establish discretionary review requirements for proposed heights exceeding 45 feet, which is the height currently permitted by right in the MU2 zoning district
- Review proposed setbacks and step backs to reduce potential impacts of new structures on existing development, including historic buildings and the Downtown Commercial Historic District
- Consider how residential development could be incentivized in the proposed zoning overlay

Conceptual modifications to the proposed zoning overlay were presented at a community meeting held by [Know Before You Grow](#) on July 12, 2023 (the presentation may be viewed [here](#), and a video recording of the meeting may be viewed [here](#)). Participant comments were received by City staff during Question and Answer and Conversation Circle opportunities, and they continued to reflect similar themes to the comments received during the June 13, 2023, study session.

Planning staff considered the volume of comments from both the review authorities and community members received at the study session and the community meeting and developed these themes reflecting topics of concern:

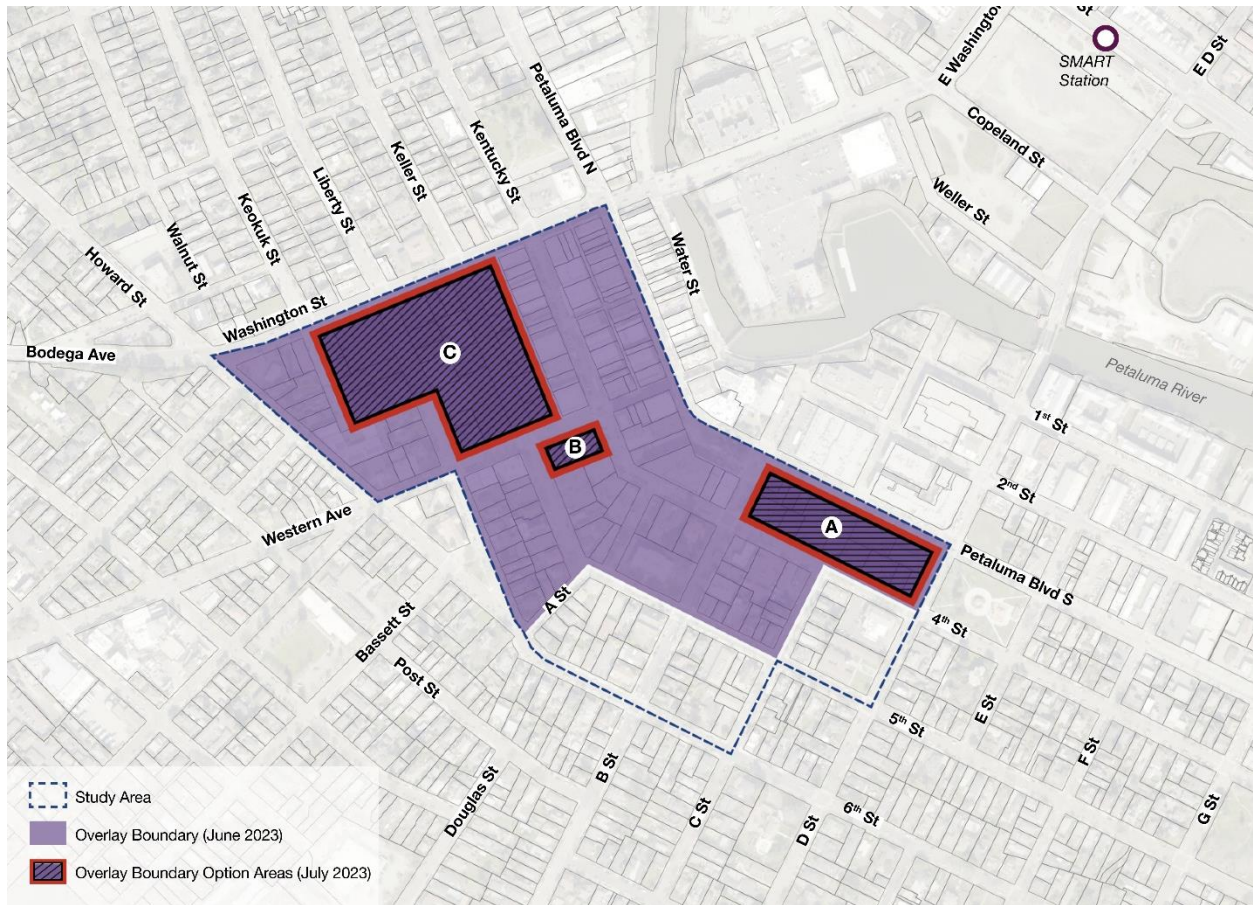
- Is a zoning overlay the correct approach to allow modification to existing development standards in the Downtown area?
- What is an appropriate extent or scope of a proposed zoning overlay district? What should its boundary be, and what is that based on?
- How might a change to development standards impact historic resources and the Commercial Historic District? How can these potential impacts be minimized?
- What are the potential consequences of new development on Downtown's sense of character or charm?
- If new commercial square footage is developed, how might this impact existing local businesses?
- How might the proposed overlay impact existing residential development?
- How would traffic and parking demand increase, and how could these issues be addressed?

In response to the feedback received to date and with the above concerns in mind, modifications to the proposed overlay district have been made and are presented to the Planning Commission and HCPC for consideration and discussion. The primary modifications to the proposed overlay include:

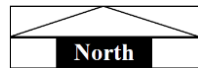
1. **Modification to the name of the overlay to Downtown Housing and Economic Opportunity Overlay** to more accurately reflect the intent of the proposed zoning overlay.
2. **Reduction to the proposed boundaries of the overlay to focus the overlay to support the redevelopment of under-utilized parcels.** A parcel-by-parcel analysis identified three subareas within the original study area where parcels are either vacant or under-utilized in that existing development does not achieve a current maximum allowable height, lot coverage, or FAR. These subareas are mapped as Subarea A, B, and C and reflect the existing groupings or concentrations of vacant or under-utilized properties that could be redeveloped to provide housing and economic opportunities (**Exhibit 1** - Revised Overlay (August 2023) - Opportunity Site and Subareas).
3. **Reduction of the proposed initial overlay boundary (June 2023) to reduce potential impacts on historic resources.** The three subareas largely eliminate overlap with the boundaries of the City's designated historic districts. More specifically, the revised boundaries of the three subareas only include four parcels (three in Subarea A and one in Subarea B) that are within the Downtown Commercial Historic District and have no contributing properties. (**Exhibit 2** - Subareas, Historic Districts & Residential Properties)
4. **Establishment of discretionary review requirements for any building height in excess of 45 feet, which is the height currently permitted by right in the MU2 zoning district.** As modified, the regulations for the proposed overlay require discretionary approval of a conditional use permit (CUP) with specific findings to allow a building to be constructed above 45 feet (**Exhibit 3** - Modification to Maximum Allowable Building Height).
5. **Allowance of flexibility to allow multifamily residential use on ground floors, subject to a Conditional Use Permit approval.** Where ground floor activity generated uses are currently required on the ground floor in the MU2 district. Exceptions to this flexibility would require ground floor-activating uses on the ground floor along Petaluma Blvd South and within 30 feet of an intersection of two or more public streets.

By focusing on under-utilized parcels, avoiding overlap with designated historic districts, and avoiding the residential areas that were included in the original proposal, the revised proposal significantly reduces the scope of the overlay to focus on one or more of the three smaller areas depicted as Subarea A, B and C, in Figure 2 below.





**Figure 2: Study Area, June 13 Overlay, and Revised Overlay: Subareas A, B, & C**



***Project Description***

Consistent with goals and policies of the 2025 General Plan, the proposed Downtown Housing and Economic Opportunity Overlay would implement the General Plan by:

1. Encouraging higher density, mixed-use infill developments that prioritize additional housing and economic opportunities in the Downtown core on underutilized sites;
2. Acknowledging, reflecting, and complementing Downtown’s historic context and its historic resources;
3. Activating and encouraging neighborhood and cultural tourism-oriented uses;
4. Spurring economic growth by creating attractive development opportunities in Downtown;
5. Enhancing the pedestrian experience with high-quality streetscapes that include primary entrances that face the street, links towards the Petaluma River with access and visibility, and context-sensitive building designs; and
6. Improving the quality of life in the Downtown and around the Petaluma River.

The modified Overlay would allow new development to include more floor area, cover more of the lot, be taller, and would be subject to new setback/step back standards. The Overlay would also require discretionary review for any building above 45 feet.

The building form for a 45-foot building currently allowed in the MU2 District and the potential building forms for a 60-foot and a 75-foot building are described and illustrated in **Exhibits 3.1-3.3**. A comparison of development standards under existing MU2 regulations and the proposed development standards presented to the PC and HCPC in June and within this report may be viewed in **Exhibit 4** - Development Standards - MU2, June Overlay & August Overlay. The Overlay proposes new setback/step back standards for new buildings within the Overlay, and these standards are described in **Exhibit 4.1** - Overlay Proposed Development Standards and these development standards are depicted in **Exhibits 4.2-4.4**.

For visual context to better understand potential building forms that would be made possible under the modified Overlay proposal and within the context of Downtown, **Exhibits 5.1 and 5.2** depict potential building form of a new 75-foot building located in Subarea A along Petaluma Boulevard South and a new 75-foot building located in Subarea C along between Kentucky and Keller Streets (**Exhibit 5.1** - Section/Line-of-Sight: Petaluma Boulevard South & **Exhibit 5.2** - Section/Line-of-Sight: Kentucky and Keller Streets).

While the Overlay proposes an increase to FAR, lot coverage, and building height and would create new setback and step back controls, any new building would be subject to other development standards in the IZO (such as parking, tree preservation, signs) and be subject to Site Plan and Architectural Review. If located on a parcel within a designated historic district, any new construction would also be subject to the City's Historic District Design Guidelines and the Secretary of the Interior's Standards, which provide quantitative development standards and qualitative design guidelines.

To incentivize new multifamily housing production, the Downtown Housing and Economic Opportunity Overlay proposes modification to allowable land uses in the MU2 zoning district so that residential ground floor uses would be permitted by right, with exceptions.

These proposed modifications to the Overlay seek to respond to public comments and are presented at a second study session to facilitate further discussion with the public and legislative bodies. Feedback from this study session will be used to further refine the revised boundary and standards, required review authority, and findings for any future formal action on the proposed Overlay. Adopting the proposed overlay would be a Zoning Amendment, requiring review and recommendation by the Planning Commission and ultimate adoption by the City Council, consistent with Chapter 25 of the Implementing Zoning Ordinance.

## **DISCUSSION**

### ***Project Context***

Consideration of the proposed Overlay is guided by the Goals and Policies contained in the [General Plan 2025](#), and the ultimate adoption of a Zoning Amendment to implement the Overlay would require a determination that the proposed amendments are in general conformity with the General Plan. General Plan Goals and Policies supported by the adoption of the Overlay are outlined in **Exhibit 6** - General Plan 2025 Consistency. The study area is within an area designated by the [2025 General Plan](#) as the Downtown Subarea. Please refer to **Exhibit 7** - General Plan 2025 Subareas for a description of the General Plan Subareas. The General Plan Land Use Classifications for the parcels within the study area include Mixed Use, Public/Semi-Public and

Park. Please refer to **Exhibit 8** - General Plan 2025 Land Use for a description of the General Plan Land Use Classifications.

The Zoning designations for the parcels within the study area include MU2, Civic Facility (CF) and Open Space and Park (OSP). Please refer to **Exhibit 9** - Implementing Zoning Ordinance for a description of the Zoning designations. [IZO Chapter 5](#) established several Overlay Zones, and within the study area, there are two historic district overlays and the Theater District Overlay. Please refer to **Exhibit 10** - IZO Overlays for a description of the Overlay Zones.

The initial study area includes parcels within the [Petaluma Historic Commercial District](#) and the [A-Street Historic District](#). Based on public discussion, the proposed boundary has been revised to address concerns about historic preservation. Please refer to **Exhibit 11** - Historic Context for a description of the historic setting in Downtown. Also, for context on how the Petaluma Commercial Historic Design Guidelines address new buildings in relation to setback and lot coverage may be viewed in **Exhibit 12** - Petaluma Commercial Historic Design Guidelines.

### ***Review Authorities***

Adoption of a Zoning Overlay District requires the adoption of amendments to the General Plan and Implementing Zoning Ordinance. These amendments require review and recommendation by the Planning Commission and ultimate adoption by the City Council. Additionally, the adoption of an amendment requires that the PC would first need to find that the amendments are in conformance with the Petaluma General Plan and consistent with the public necessity, convenience, and general welfare, and the City Council would need to make the same findings for the amendments to be adopted by the City Council. Adoption of the Overlay is a discretionary action and is subject to review under the California Environmental Quality Act (CEQA).

### ***Review Process to Date***

On June 13, 2023, the building form overlay came before PC and HCPC as a study session and the PC and HCPC were asked to provide non-binding comments and direction regarding the building form overlay. Additionally, regarding the proposed hotel, the PC and HCPC was asked to provide feedback on the overall design, scale, and architectural compatibility and proximity to Petaluma's Downtown and riverfront.

### ***Responses to Frequently Asked Questions***

To manage and offer a consolidated response to various questions and comments offered by the PC, HCPC, and the community, staff prepared responses to frequently asked questions. These responses are available as **Attachment B** to the staff report and on the [Overlay](#) project webpage.

1. What is a Zoning Overlay?
2. Why is a Zoning Overlay being reviewed?
3. Why discuss the proposed overlay through a study session?
4. Is the overlay document the applicant's or the City's?
5. Why can an applicant request a change to the General Plan or Implementing Zoning Ordinance?
6. Why now, before the General Plan Update?
7. How does the timeline for the General Plan Update relate to the timeline for this Overlay's review?

8. Why not apply for a Variance instead?
9. Why not rezone the hotel project site to a Planned Unit Development (PUD)?
10. Why not focus the amendment on just the Mixed Use Classification set by the General Plan and Mixed Use 2 development standards set by the IZO?
11. Why not amend Chapter 12 to allow greater FAR instead of using the Overlay?
12. How will parking be addressed?
13. Will the City require traffic and parking studies?
14. Portions of the Overlay would apply to parcels within the City Parking Assessment District. Would the hotel, or other new developments within the District contribute to the assessment district?
15. How has Petaluma's Downtown evolved and how has it continued to preserve the integrity of its Historic Resources?
16. Would the Overlay preserve Historic Resources?
17. Would the Overlay preserve existing residential buildings?
18. Does the City require story poles for new construction?
19. What are the economic benefits of the Overlay?

### ***Public Outreach and Public Comment***

A study session with the PC and the HCPC was held on June 13, 2023. On July 12, 2023, City Staff presented the Overlay project at a meeting of Know Before You Grow (the agenda of this meeting is [here](#)). Most recently, staff facilitated a discussion for the Petaluma Downtown Association on August 3, 2023.

On July 25, 2023, the applicant installed two signs on-site to inform the public of the upcoming meeting with the PC & HCPC. Pursuant to [IZO Section 24.100.B](#), each sign was at least 12 square feet in area and placed in a position most visible to the public along the Petaluma Boulevard South and B Street frontages.

On or before July 29, 2023, a notice of a public hearing was published in the Argus-Courier and mailed to all property owners and occupants in the study area and within 1,000 feet of the perimeter of the study area.

Public notice of the August 8, 2023, Study Session with the PC and HCPC were posted in compliance with the Brown Act and to solicit initial public comments.

Written public comments may be viewed in **Attachment C**.

### ***Planning Commission and HCPC Guidance and Direction Requested***

Staff requests feedback from the PC and the HCPC on the following topics:

1. Would a specific subarea or subareas be preferred? In consideration of the higher concentration of vacant parcels, vacant buildings, and surface parking present in Subarea A and in response to many of the public concerns about the extent and impact of the original district boundaries, the review authorities may wish to consider reducing the scope or extent of the applicable area of the proposed zoning overlay to Subarea A. Focusing on Subarea A would also allow new development to complement the developments that have occurred across Petaluma Boulevard South, within the boundaries of the Central Petaluma



Specific Plan and its SmartCode regulating plan as well as accommodate the plans for the proposed EKN Appellation Hotel

2. Should height be allowed over 45 feet as described above, or should a building over 60 feet only be permitted via a height exception when a building has a roof-activating use.
3. Are the setbacks proposed by the Overlay adequate to preserve the integrity of adjacent historic resources and/or residential uses?
4. Are there opportunities to further incentivize new housing, such as eliminating the prohibition on ground-floor residential care facilities to be consistent with HE recommendation.

### **CASE STUDIES**

No case studies are provided as part of this staff report.

### **ENVIRONMENTAL REVIEW**

This is a discussion item only. No action will be taken on this item; therefore, no finding under the California Environmental Quality Act (CEQA) is required to be made for this meeting item.

The proposed Downtown Housing & Economic Opportunity Overlay requires approval of discretionary entitlements including a General Plan Text Amendment and Zoning Text Amendment, which triggers review pursuant to the California Environmental Quality Act (CEQA). Though the Overlay will not result in direct physical changes to the environment, the CEQA Guidelines require the Lead Agency (City of Petaluma) to consider reasonably foreseeable indirect physical changes in the environment which may be caused by a project. The Overlay will allow for increased floor area ratio, lot coverage, and height when compared to existing regulations. As such, it is reasonably foreseeable that changes to the environment will occur as a result of the Overlay, and therefore the CEQA analysis prepared for the Overlay will evaluate potential environmental impacts resulting from the proposed general plan and zoning amendments. Given that the proposed Overlay will not result in direct physical changes to the environment, the CEQA document will analyze impacts at a programmatic level. It should be noted that future, site-specific development proposals within the Downtown Housing & Economic Opportunity Overlay will be subject to independent discretionary review and will be required to comply with CEQA. At such time of a site-specific development proposal within the Overlay, necessary technical studies (e.g., Air Quality, Noise, Transportation, Historic Resource Evaluation, etc.) to analyze impacts under CEQA will be requested, as appropriate.

Technical studies currently in process include a Historic Cultural Resources Report to analyze the potential impacts of the proposed Overlay on Petaluma's Downtown Commercial Historic District and historic resources. Public and Commissioner comments received at this meeting that relate to environmental impacts will be considered and addressed as part of the environmental analysis. Once complete, the CEQA document will be made available for public review and comment in accordance with City and State notification and publication procedures. Prior to acting on the proposed General Plan and Zoning Amendments, including making recommendations to City Council, the Planning Commission will consider the adequacy of the CEQA analysis at a subsequent public hearing.

## **CITYWIDE GOALS & PRIORITIES**

The proposed Overlay is a commercial, mixed-use, and activity-driven project within the City's historic Downtown core, which supports and cross-references two out of five categories of City Council Goals, for an economy that prospers and spaces and places that inspire.<sup>1</sup> The proposed Overlay supports new development standards and guidelines to achieve a desired height of up to 75 feet when certain design standards are met, providing for compatible and appropriate development in the Downtown area.

Specifically, the Overlay is consistent with the following adopted City Council Goals:

- Goal #103     Prioritize and incentivize sustainable infill development.
- Goal #113     Facilitate the development of additional hotels where appropriate.
- Goal #114     Identify potential parking and transportation alternatives for Downtown.
- Goal #121     Identify and prioritize projects to upgrade and improve the Downtown, alleyways, and public spaces.
- Goal #120     Robust focus on the riverfront and river-oriented development, including redevelopment potential of the Golden Eagle Shopping Center and Water Street.
- Goal #135     Encourage temporary art installations and other types of public arts celebrations and partnerships with other arts and community organizations.

## **FURTHER RECOMMENDATION**

Requests for recommendations are made in the Discussion section under *Planning Commission and HCPC Guidance and Direction Requested*.

## **ATTACHMENTS**

- Attachment A   Exhibits 1-12
- Attachment B   Frequently Asked Questions
- Attachment C   Public Comments received through August 1, 2023
- Attachment D   June Building Form Overlay
- Attachment E   June 13, PC/HCPC Staff Report

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<sup>1</sup> City of Petaluma. *Goals and Priorities - Fiscal Years 2021-2023*. Five goals include (1) a city that works, (2) a safe community that thrives, (3) an economy that prospers, (4) our environmental legacy, and (5) spaces and places that inspire. Ongoing workplan available to review at: <https://cityofpetaluma.org/departments/city-goals-priorities/>