

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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July 27, 2026

Megan Martin, Community Development Director
City of Grover Beach
154 S 8th Street
Grover Beach, CA 93433

Dear Megan Martin:

RE: Grover Beach Measure F-26 – Letter of Technical Assistance

The California Department of Housing and Community Development (HCD) is aware that the citizens of the City of Grover Beach (City) are considering Measure F-26 on the ballot this November. HCD understands that Measure F-26 proposes to amend the City's Development Code and Objective Design Standards by: (1) limiting building and structures in all commercial zoning districts to a maximum of three stories and 40 feet in height, including appurtenances (2) limiting buildings and structures in all industrial zoning districts to a maximum height of 33 feet in height (3) requiring that building heights be measured from average natural grade to the absolute highest point of the structure, explicitly including all architectural appurtenances (4) requiring a minimum of 33% of a mixed-use project be dedicated to commercial or retail use (5) requiring commercial space to be located on the ground floor fronting the primary street, and reducing minimum ground floor ceiling heights to 10 feet.

If Measure F-26 passes, the amendments to the City's Objective Design Standards and Development Code (Article IX of the City's Municipal Code) will likely result in a reduction in residential density or intensity. The purpose of this letter is to provide technical assistance related to the Housing Crisis Act (HCA)¹ and Housing Element Law.² This letter provides technical assistance to the City regarding the requirements of the HCA with respect to No Net Loss.³ This letter also provides technical assistance regarding the requirements and process to amend the City's sixth cycle Housing Element.

Housing Crisis Act (HCA) – Reductions in Intensity

The HCA limits the ability of a local agency to reduce residential densities without

¹ Gov. Code, § 66300.

² Gov. Code, §§ 65580-65589.11.

³ Gov. Code, § 65863.

concurrently increasing (i.e., upzoning) residential densities elsewhere. The HCA specifies that an “affected city” specifically “includes the electorate of an affected county or city exercising its local initiative or referendum power”.⁴ The HCA prohibits changing the land use designation or zoning of a parcel to a less intensive use or reducing the intensity of land use below what was allowed by the land use designation or zoning that was in effect on January 1, 2018.⁵ Specifically, the law prohibits an affected county or city from enacting “a development policy, standard, or condition” that would have the following effect:

Changing the general plan land use designation, specific plan land use designation, or zoning of a parcel or parcels of property to a less intensive use or reducing the intensity of land use within an existing general plan land use designation, specific plan land use designation, or zoning district in effect at the time of the proposed change, below what was allowed under the land use designation or zoning ordinances of the affected county or affected city, as applicable, as in effect on January 1, 2018, except as otherwise provided in clause (ii) of subparagraph (B) or subdivision (i). For purposes of this subparagraph, “reducing the intensity of land use” includes, but is not limited to, reductions to height, density, or floor area ratio, new or increased open space or lot size requirements, new or increased setback requirements, minimum frontage requirements, or maximum lot coverage limitations, or any other action that would individually or cumulatively reduce the site’s residential development capacity.⁶

However, the City is exempt from this prohibition if it “concurrently changes the development standards, policies, and conditions applicable to other parcels within the jurisdiction to ensure that there is no net loss in residential capacity”.⁷ In the case of an initiative measure, “concurrently” means the action is included in the initiative in a manner that ensures the added residential capacity is effective at the same time as the reduction in residential capacity.⁸

Furthermore, per the HCA, “any development policy, standard, or condition enacted on or after the effective date of this section that does not comply with this section shall be deemed void.”⁹ Therefore, should Measure F-26 pass without the required compensatory zoning action to accommodate potential reduction in residential capacity in violation of the HCA, the action shall be deemed void.

⁴ Gov. Code, § 66300, subd. (a)(3).

⁵ Gov. Code, § 66300, subd. (b)(1)(A).

⁶ Gov. Code, § 66300, subd. (b)(1)(A).

⁷ Gov. Code, § 66300, subd. (h)(1).

⁸ Gov. Code, § 66300, subd. (h)(2)(C).

⁹ Gov. Code, § 66300, subd. (b)(2).

Housing Element Background

As you are aware, HCD found the City's housing element in full compliance on March 2, 2021. It is the responsibility of the City to "review its housing element as frequently as appropriate to evaluate... the appropriateness of the housing goals, objectives, and policies, the effectiveness of the housing element in attainment of the community's housing goals and objectives, the progress of the city in implementation of the housing element, and the effectiveness of the housing element goals, policies, and related actions to meet the community's needs, pursuant to paragraph (7) of subdivision (a) of Section 65583."¹⁰

There are several goals, policies, and programs within the housing element that could be impacted by passing Measure F-26. The following Housing Element goals, policies, and programs would need to be reevaluated should Measure F-26 pass:

Goal #5 - Reduce development constraints, where appropriate, encourage creativity, and provide incentives for the development of affordable housing.

Policy 1.1 - The City shall ensure there is an adequate supply of vacant or underutilized land for development or redevelopment at specific densities to meet the housing objectives for affordable housing. This will include meeting or exceeding the RHNA.

Policy 6.1 - The City shall review site development standards, development review procedures, and development fees and shall modify them, if necessary, to ensure they do not unreasonably constrain the development, conservation, and rehabilitation of housing.

Program 1.5: No Net Loss - The City will evaluate residential development proposals for consistency with goals and policies of the General Plan and the 2020-2028 Housing Element sites inventory and make written findings that the density reduction is consistent with the General Plan and that the remaining sites identified in the Housing Element are adequate to accommodate the RHNA by income level. If a proposed reduction of residential density will result in the residential sites inventory failing to accommodate the RHNA by income level, the City will identify and make available additional adequate sites to accommodate its share of housing need by income level within 180 days of approving the reduced density project.¹¹

Within the existing and compliant Housing Element, the Vacant Land Inventory identifies 26 sites that would be impacted by Measure F-26. These sites have a realistic unit

¹⁰ Gov. Code, § 65588.

¹¹ City of Grover Beach Housing Element

capacity of 38 Above-Moderate units and 37 Moderate units. Additionally, the City's Opportunity Sites will be impacted by Measure F-26.¹² The realistic capacity would need to be evaluated in light of the more restrictive standards. Depending on the results of that analysis, the City may need to identify additional site capacity to continue to accommodate the City's Regional Housing Needs Allocation (RHNA). As a reminder the RHNA for Grover Beach includes 91 Very Low-Income units and 66 Moderate Income units for the Sixth Cycle Housing Element cycle. Of these, there is an unmet need of 31 Very-Low Income units and 49 Moderate Income units. Additionally, the modified development standards outlined in Measure F-26 would need to be identified as a potential governmental constraint in the housing element. For example, the current element would require revisions to demonstrate the modified standards would allow for housing at the allowed zoning densities. This would require additional revisions to the currently approved housing element. HCD commends the City for the progress made thus far in fulfilling their sixth cycle RHNA obligations and reminds the City that compliance throughout the entire planning period is required.

Process for Amending the Adopted, Substantially Compliant Housing Element

Pursuant to Government Code section 65585, prior to making any amendments to the housing element (including amending the sites inventory, or amending program commitments), the City must submit a draft of those changes to HCD at least 60 days prior to adoption.¹³ HCD must then review those amendments to ensure substantial compliance with housing element requirements and report its findings to the City.¹⁴

As a reminder, per Housing Element Law, HCD "shall review any action or failure to act by [the City] that it determines is inconsistent with an adopted housing element..., including any failure to implement any program actions included in the housing element..."¹⁵ If HCD "finds that the action or failure to act by [the City] does not substantially comply with this article," HCD may revoke its finding that the City's housing element is in compliance with Housing Element Law until it determines that the City has come into compliance with state law.¹⁶ The City must then consider those findings prior to adoption. If HCD finds that the amendments do not substantially comply with housing element requirements, the City can either (1) change the draft amendments to substantially comply or (2) adopt the amendments without changes but also include in the adopting resolution "written findings that explain the reasons [the City] believes that the ... amendment[s]" substantially comply with housing element requirements despite HCD's findings.¹⁷

¹² City of Grover Beach Housing Element

¹³ Gov. Code, § 65585, subd. (b)(1).

¹⁴ Gov. Code, § 65585, subds. (b)(3), (d).

¹⁵ Gov. Code, § 65585, subd. (i)(1)(A).

¹⁶ Gov. Code, § 65585, subd. (i)(1)(B).

¹⁷ Gov. Code, § 65585, subd. (f).

After readopting the housing element, the City is required to resubmit it to HCD.¹⁸ HCD is then required to review the amended housing element and determine if the amended element continues to substantially comply with Housing Element Law.¹⁹ Additionally, the City is also responsible for providing adequate opportunity for public participation and review, no less than seven days prior to submitting a draft to HCD.²⁰

As part of this review, HCD will review any changes to the housing element to ensure that sites are suitable and available for housing development within the planning period and meet all the requirements of Government Code sections 65583, subdivision (c) and 65583.2. In addition, the element must demonstrate that any new development standards do not pose a constraint to the development of housing.²¹ Additionally, the housing element must ensure that the new development standards do not inhibit compliance with other state housing laws, including, but not limited to, State Density Bonus Law²² and No Net Loss Zoning Law.²³

Consequences for Housing Element Noncompliance

HCD will continue to monitor the City's progress towards meeting all requirements and ensure the City meets its RHNA obligations in accordance with the housing element that was approved on March 2, 2021. Various consequences may apply when a city does not have a housing element in compliance with Housing Element Law, including ineligibility or delay in receiving certain state funds, referral to the California Office of the Attorney General (AGO), court imposed financial penalties, the loss of local land use authority to a court-appointed agent, and the application of the "builder's remedy."²⁴ In addition, further penalties such as a minimum of \$10,000 per month and associated attorney costs are authorized for any action brought by the AGO or HCD to enforce the adoption of housing element revisions, among other statutes.²⁵

Conclusion

If Measure F-26 passes and results in a reduction in capacity relative to what existed January 1, 2018, and does not include a commensurate increase in capacity, then the measure is void pursuant to Government Code section 66300, subdivision (b)(2). In addition, the resulting modifications to the objective development standard may trigger the need for amendments to existing housing element.

¹⁸ Gov. Code, § 65585, subd. (g).

¹⁹ Gov. Code, § 65585, subd. (h).

²⁰ Gov. Code, § 65585, subd. (b)(1).

²¹ Gov. Code, § 65583, subd. (a)(5).

²² Gov. Code, § 65915.

²³ Gov. Code, § 65863.

²⁴ Gov. Code, § 65585, subds. (j), (l).

²⁵ Gov. Code, § 65009.1, subds. (a)(1), (a)(2) (effective January 1, 2025).

HCD reminds the City that HCD has enforcement authority over the HCA and Housing Element Law.²⁶ As such, HCD may review local government actions and inactions to determine consistency with these laws. If HCD finds that a city's actions do not comply with state law, HCD may notify the California Office of the Attorney General that the local government is in violation of state law.

HCD appreciates the opportunity to provide technical assistance to implement the provisions of Housing Element Law and ensure compliance with the Housing Crisis Act. We look forward to continued cooperation with City staff as the City continues to implement its housing element and ensure compliance with state housing laws.

If you have any questions regarding the content of this letter or need additional technical assistance, please contact Clancy Taylor at clancy.taylor@hcd.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Melinda Coy', with a long, sweeping horizontal stroke extending to the right.

Melinda Coy
Housing Accountability Unit Chief

²⁶ Gov. Code, § 65585, subd. (j).