

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

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September 9, 2025

Matthew Mogensen, City Manager
City of Pacific Grove
300 Forest Avenue, 2nd Floor
Pacific Grove, CA 93950

Dear Matthew Mogensen:

**RE: City of Pacific Grove Failure to Adopt a Compliant 6th Cycle Housing Element
– Letter of Inquiry**

The purpose of this letter is to inquire about the status of the City of Pacific Grove's 6th cycle planning period housing element pursuant to Government Code section 65588, subdivision (e). The 6th cycle planning period for the City is December 15, 2023, through December 15, 2031.¹ The City failed to adopt a compliant housing element by its 6th cycle due date of December 15, 2023. Therefore, the City is out of compliance with Housing Element Law.²

The California Department of Housing and Community Development (HCD) issued a letter to the City on July 10, 2025, finding the City's draft housing element had met the statutory requirements of Housing Element Law.³ However, the housing element cannot be found in substantial compliance until the City has completed its necessary rezones; specifically, the City's commitment to complete Program 5 (Adequate Sites for RHNA) to rezone adequate sites to satisfy its Regional Housing Needs Allocation (RHNA) shortfall and to allow by-right processing of sites identified in previous housing elements pursuant to Government Code section 65583.2, subdivision (c).

HCD is requesting the City provide a revised and specific timeline for (1) completing necessary rezones, (2) adopting the housing element and rezones, (3) submitting rezone documentation and a copy of the adopted housing element to HCD for review, and (4) obtaining compliance with Housing Element Law, no later than October 9, 2025.

¹ Gov. Code, § 65588, subd. (e)(3).

² Article 10.6 (commencing with section 65580) of Chapter 3 of the Government Code.

³ Findings Letter is available at <https://www.hcd.ca.gov/planning-and-community-development/housing-element-download-tool>.

6th Cycle Housing Element Submission and Review History

HCD records are as follows:

- On November 2, 2023, the City submitted an initial draft housing element to HCD for review.
- On January 31, 2024, HCD issued a findings letter to the City noting multiple revisions necessary for the housing element to be substantially compliant with Housing Element Law.
- On December 20, 2024, the City submitted a subsequent draft housing element to HCD for review.
- On February 18, 2024, HCD issued a second findings letter to the City noting revisions were still necessary for the housing element to be substantially compliant with Housing Element Law.
- On May 21, 2025, the City submitted a subsequent draft housing element to HCD for review.
- On July 10, 2025, HCD issued a third findings letter to the City noting that the draft housing element meets the statutory requirements described in HCD's review. However, the housing element cannot be found in substantial compliance until the City completes its required rezones, and both the housing element and rezones are adopted, submitted to, and approved by HCD.
- As of the date of this letter, the City has not submitted rezone documentation or a copy of its adopted housing element to HCD since receiving HCD's third findings letter.

AB 1398, Statutes of 2021

Please note, pursuant to Assembly Bill 1398 (Chapter 358, Statutes of 2021), if a jurisdiction fails to adopt a compliant housing element within one year from the statutory deadline, its housing element cannot be found in compliance until any rezones necessary to accommodate the jurisdiction's RHNA are completed. Once the City completes the rezone, a copy of the resolution or ordinance should be transmitted to HCD. HCD will review the documentation and issue correspondence identifying the updated status of the City's housing element compliance.

Consequences of Noncompliance

Consequences apply if the City does not have a housing element in substantial compliance with Housing Element Law. First, noncompliance results in ineligibility or delay in receiving state funds that require a compliant housing element as a prerequisite, including, but not limited to, the following:

- Permanent Local Housing Allocation Program
- Local Housing Trust Fund Program
- Infill Infrastructure Grant Program
- Senate Bill 1 Caltrans Sustainable Communities Grants

- Affordable Housing and Sustainable Communities Program

Second, under the Housing Accountability Act, jurisdictions that do not have a substantially compliant housing element are subject to the Builder's Remedy.⁴

In addition, jurisdictions that do not have a compliant housing element may face additional legal ramifications, including referral of the City to the Attorney General's Office for its violations of state law.⁵ Further, state law provides for court-imposed penalties for persistent noncompliance, including enhanced financial penalties. Government Code section 65585, subdivision (l)(1), establishes a minimum fine of \$10,000 per month, up to \$100,000 per month for jurisdictions that fail to comply with a court order to bring its housing element into compliance. If a jurisdiction remains noncompliant, a court may multiply those penalties by a factor of three and then six, depending on the duration of the continued noncompliance.⁶

Finally, in any action brought by the Attorney General or HCD to enforce the adoption of housing element revisions, jurisdictions are subject to additional fines of between \$10,000 and \$50,000 per month for each violation, accrued from the date of the violation until the date the violation is cured, including investigation costs, expert fees, attorneys' fees, costs, and any other relief the court deems appropriate.⁷ If a jurisdiction fails to comply after six months from the imposition of fees, the court may also appoint a receiver.⁸

Conclusion

HCD recognizes that, ultimately, state housing laws are effective only with the cooperation of local governments and understands staffing and resource constraints that may hinder efforts to gain compliance. HCD also acknowledges the City's measurable effort towards achieving compliance in cooperation with HCD. However, housing elements, and the timely implementation thereof, are essential to developing a blueprint for growth and are a vital tool to address California's prolonged housing crisis. Accordingly, state law has established clear disincentives for local jurisdictions that fail to comply with Housing Element Law. To meet the 6th cycle update requirements for a substantially compliant housing element, the City must complete its required rezones, adopt its housing element and rezones, and submit the rezone documentation and a copy of the adopted housing element to HCD for review and certification before it can be considered compliant.⁹

⁴ Gov. Code, § 65589.5, subds. (d)(6), (f)(6), and (h)(11).

⁵ Gov. Code, § 65585, subds. (i)(1)(A) and (j).

⁶ Gov. Code, § 65585, subds. (l)(2) and (3).

⁷ Gov. Code, § 65009.1, subd. (a).

⁸ Gov. Code, § 65585, subd. (l)(3)(B).

⁹ Gov. Code, § 65585, subds. (b)-(h).

Matthew Mogensen, City Manager
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If you have any questions or would like to discuss the content of this letter, please contact Sydney Sloan of our staff at Sydney.Sloan@HCD.ca.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Fidel Herrera", with a stylized, flowing script.

Fidel Herrera
Section Chief, Housing Element Implementation
Housing Accountability Unit