

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

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January 13, 2026

Brandon Swanson, City Administrator
City of Carmel-by-the Sea
P.O. Box CC
Carmel-by-the-Sea, CA 93921

Dear Brandon Swanson:

RE: City of Carmel-by-the-Sea's 6th Cycle (2023-2031) Draft Amendment to the Housing Element

Thank you for submitting the City of Carmel-by-the-Sea's (City) draft amendment to the housing element update that was received for review on November 14, 2025. Pursuant to Government Code section 65585, the California Department of Housing and Community Development (HCD) is reporting the results of its review. In addition, HCD considered comments from California Housing Defense Fund, pursuant to Government Code section 65585, subdivision (c).

On April 25, 2024, HCD found the City's housing element in substantial compliance with State Housing Element Law (Gov. Code, § 65580 et seq) and as of this writing, the City continues to comply with State Housing Element Law. This draft amendment continues to meet most statutory requirements. For example, the element demonstrates the suitability of some strategies to accommodate the regional housing need allocation (RHNA) such as accessory dwelling units (ADUs), hotel conversions to affordable housing and Downtown Carmel. However, this draft amendment may impact HCD's prior finding of substantial compliance and should be revised, as follows:

1. *An inventory of land suitable and available for residential development, including vacant sites and sites having realistic and demonstrated potential for redevelopment during the planning period to meet the locality's housing need for a designated income level, and an analysis of the relationship of zoning and public facilities and services to these sites. (Gov. Code, § 65583, subd. (a)(3).)*

Identify actions that will be taken to make sites available during the planning period with appropriate zoning and development standards and with services and facilities to accommodate that portion of the city's or county's share of the regional housing need for each income level... (Gov. Code, § 65583, subd. (c)(1).)

Progress toward the RHNA: The City's RHNA may be reduced by the number of new units built, approved, or pending since June 30, 2023; however, the element must demonstrate their availability and affordability in the planning period. While the element demonstrates the availability and affordability of Ulrika Plaza (Site No. P-1), Scandia Lopez/Hakim (Site No. P-3) and ADUs, it must also demonstrate the availability for the JB Pastor Building (Site Number P-2). Specifically, the element explains an appeal has been heard that denied some portions but upheld others and the project has been remanded back to the Planning Commission. In addition, the element should discuss which portions were upheld and what direction was provided by the City Council then demonstrate the likelihood of the project being permitted in the planning period, including any known barriers or circumstances that influence timing, any past trends or other relevant factors.

Realistic Capacity: The element must demonstrate the realistic residential capacity of identified sites and account for land use controls, site improvements, typical densities of existing or approved residential developments at a similar affordability level in that jurisdiction, and on the current or planned availability and accessibility of sufficient water, sewer, and dry utilities. While in most cases, the element addresses this statutory requirement, it must specifically support assumptions for the Church of the Wayfarer site or adjust calculations, as appropriate. For example, the element could list past trends by zone and built densities or preliminary applications or conversations with the property owner.

Prior Identified Sites: Sites identified in prior planning periods shall not be deemed adequate to accommodate the housing needs for lower-income households unless a program, meeting statutory requirements, requires appropriate rezoning within one or three years. The element identifies sites used in prior planning periods for the Additional Opportunities for Housing strategy and includes Program 1.4.C (By-Right Approval). However, the element should clarify if sites were used in prior planning periods for the Affordable Housing on Religious Facility Properties and Downtown Carmel (Live Work and Mixed Income Incentive) strategies.

For your information, a jurisdiction that did not adopt a compliant housing element within 120 days from the statutory deadline (December 15, 2023) must rezone sites within one year of the statutory deadline and meet requirements pursuant to Government Code sections 65583, subdivision (c)(1)(A) and 65583.2, subdivisions (c), (h) and (i), as applicable. As this year has passed, if Program 1.4.C (By-Right Approval) is necessary to accommodate the lower-income RHNA, the housing element will remain out of compliance until the rezoning has been completed and submitted to HCD to meet all statutory requirements.

Nonvacant Sites: The element demonstrates the potential for redevelopment on identified sites for the Affordable Housing on Religious Facility Properties and Downtown Carmel (Live Work and Mixed Income Incentive) strategies. But the element must include an analysis to demonstrate the potential for redevelopment on identified sites for the Additional Opportunities for Housing strategy. The analysis shall consider factors including, but not limited to, the extent to which existing uses may constitute an impediment to additional residential development, the City's past experience with converting existing uses to higher density residential development, the current market demand for the existing use, an analysis of any existing leases or other contracts that would perpetuate the existing use or prevent redevelopment of the site for additional residential development, development trends, market conditions, and regulatory or other incentives or standards to encourage additional residential development on these sites. This analysis may be conducted on a site-by-site basis utilizing the site profiles (Starting on page C-41).

In addition, the element relies on nonvacant sites to accommodate 50 percent or more of the housing needs for lower-income households, which triggers requirements to make findings based on substantial evidence that the existing use is not an impediment and will likely discontinue in the planning period. Absent findings (e.g., adoption resolution) based on substantial evidence, the existing uses will be presumed to impede additional residential development and will not be utilized toward demonstrating adequate sites to accommodate the RHNA.

Electronic Sites Inventory: For your information, pursuant to Government Code section 65583.3, subdivision (b), the City must utilize standards, forms, and definitions adopted by HCD when preparing the sites inventory and submit an electronic version of the sites inventory. While the City has submitted an electronic version of the sites inventory, since changes have occurred, future adopted versions of the element must also submit the electronic version of the sites inventory.

Programs: As noted above, the element does not include a complete site analysis; therefore, the adequacy of sites and zoning were not established. Based on the results of a complete sites inventory and analysis, the City may need to add or revise programs to address a shortfall of sites or zoning available to encourage a variety of housing types. In addition, the element should be revised, as follows:

- *Program 1.1.H (Accessory Dwelling Units):* The Program commits to monitor ADU production annually and take action, as appropriate but should also specifically monitor ADU affordability and occupancy.

- *Program 1.1.B (Development on Small Sites) or Program 1.1.D (Mixed-Income Incentive Program):* Either of these Programs should commit to modifying development standards (e.g., heights) as appropriate to facilitate achieving program goals and maximum allowable densities, including allowable densities under incentive-based approaches.

2. *Include a program which sets forth a schedule of actions during the planning period, each with a timeline for implementation, which may recognize that certain programs are ongoing, such that there will be beneficial impacts of the programs within the planning period, that the local government is undertaking or intends to undertake to implement the policies and achieve the goals and objectives of the housing element... (Gov. Code, § 65583, subd. (c).)*

To have a beneficial impact in the planning period and achieve the goals and objectives of the housing element, programs should be revised, as follows:

- *Discrete Timing:* Several programs should be revised with timing earlier in the planning period (e.g., by 2027), including Programs 1.1.B (Development on Small Sites), 1.1.D (Mixed-Income Incentive), 1.4.A (Modify or Eliminate Onerous Use Permits), 1.4.C (By-Right Approval), 2.1.A (Incentives for Mixed-Use Development) and 3.1.A (Mixed-Use 3.3.C):
- *Program 3.3.C (Unlicensed Residential Care Facilities):* While the Program commits to allow these residential uses in all zones allowing residential uses, it should also address the conditional use permit as a constraint. For example, the Program could commit to amend zoning for these uses as a permitted use and only subject to requirements that apply to other residential uses of the same type in the same zone.

3. *Include a diligent effort by the local government to achieve public participation of all economic segments of the community in the development of the housing element, and the program shall describe this effort. (Gov. Code, § 65583, subd. (c)(9).)*

While the City made the draft amendment to the housing element to the public for comment, moving forward, the City should employ additional methods for public outreach, particularly including lower-income and special needs households. For example, the City could conduct targeted stakeholder interviews or establish a committee representative of lower-income and special needs households in future public outreach efforts.

Public participation in the development, adoption and implementation of the housing element is essential to effective housing planning. Throughout the housing element process, the City must continue to engage the community,

including commenters on this draft amendment and organizations that represent lower-income and special needs households, by making information regularly available while considering and incorporating comments where appropriate.

Please be aware, any revisions to the element must be posted on the local government's website and to email a link to all individuals and organizations that have previously requested notices relating to the local government's housing element at least seven days before submitting to HCD.

The draft amendment will not negatively impact HCD's finding of substantial compliance with State Housing Element Law once the amendment has been revised to address the above requirements, adopted, submitted, and reviewed by HCD to comply with the above requirements pursuant to Government Code section 65585.

Several federal, state, and regional funding programs consider housing element compliance as an eligibility or ranking criteria. For example, the CalTrans Senate Bill (SB) 1 Sustainable Communities grant; the Strategic Growth Council and HCD's Affordable Housing and Sustainable Communities programs; and HCD's Permanent Local Housing Allocation consider housing element compliance and/or annual reporting requirements pursuant to Government Code section 65400. With a compliant housing element, the City continues to meet housing element requirements for these and other funding sources.

HCD appreciates the hard work and diligence of the City in the housing element update and acknowledges and appreciates the extensive collaboration and innovative approaches employed during the entirety of this process. Significant progress has been achieved in developing community driven solutions that meet housing needs, the unique circumstances and conditions of the City and statutory requirements. HCD welcomes the opportunity to discuss this review and assist with the remaining statutory requirements of State Housing Element Law. If you have any questions or need additional technical assistance, please contact Rogelio Martinez, of our staff, at rogelio.martinez@hcd.ca.gov.

Sincerely,



Paul McDougall
Senior Program Manager