

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

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April 09, 2026

Mayor Debbie Ruddock
Vice Mayor Deborah Penrose
Councilmembers Robert Brownstone, Patric Bo Jonsson, Paul Nagengast
City of Half Moon Bay
501 Main Street
Half Moon Bay, CA 94019

Dear Mayor Debbie Ruddock, Vice Mayor Deborah Penrose, and Councilmembers Robert Brownstone, Patric Bo Jonsson, and Paul Nagengast:

RE: City of Half Moon Bay – 555 Kelly Avenue – Letter of Support and Technical Assistance and Notice Under AB 712

The California Department of Housing and Community Development (HCD) understands the City of Half Moon Bay (City) held a special meeting for the approved, 100-percent affordable farmworker housing project located at 555 Kelly Avenue (Project) on March 18, 2026. The purpose of this letter is to express HCD's support for the Project and to provide notice to the City that delaying action or denying the Affordable Housing and Property Disposition Agreement and the Ground Lease (Agreements) may result in the violation of one or more state housing laws and would delay achieving a substantially compliant housing element.

Background

The Project is located on a City-owned site and consists of a new five-story building with 40 deed-restricted affordable residential units for extremely low and very low-income households for senior farmworkers. The Project includes an on-site property management office and a 2,658-square-foot farmworker resource center to serve the building residents.

The City Council is commended for working with Mercy Housing (Applicant) to facilitate development of the Project. The City Council released a request for qualifications in May 2022 to solicit qualified candidates to develop the property for multifamily affordable rental housing. In June 2022, the City Council authorized the City Manager to prepare an Exclusive Negotiations Agreement (ENA) and pre-development loan agreement between the City and the Applicant to provide funding to support development activities for the Project. In October 2022, the City declared the Project site exempt from the Surplus Land Act and authorized the City Manager to execute the ENA, allowing the Applicant to proceed with the Project. In February 2023, the City Council authorized a

pre-development loan agreement between the City and the Applicant for \$1 million from the City's Affordable Housing Fund to support development activities. Finally, in May 2023, the City Council executed a grant agreement with the County of San Mateo and a grant agreement between the City and the Applicant to utilize up to \$1.5 million of American Rescue Plan Act funds to support predevelopment activities.

On May 14, 2024, the Planning Commission approved the Project. Following the Planning Commission action, three separate appeals were filed. The City Council appeal hearing was held on June 26, 2024, at which time the City Council denied the appeals and upheld the Planning Commission approval. After the City Council appeal hearing, the City Council created an ad hoc committee to negotiate the terms of the Agreements, which has been ongoing since 2024. HCD understands the City Council is still deliberating on the terms of the Agreements and plans to hold another meeting to discuss and/or act on the Agreements at an undetermined date.

HCD strongly encourages the City to expeditiously approve the Agreements necessary to facilitate the Project.

Housing Element Commitments

The City adopted its 6th cycle housing element on November 4, 2025, and HCD received it for review on December 8, 2025. On February 2, 2026, HCD found the housing element to meet statutory requirements of state Housing Element Law¹ but could not be found substantially compliant until the City completes its necessary rezones to address the shortfall of sites to accommodate its regional housing need allocation (RHNA). On March 24, 2026, HCD issued a Notice of Violation to the City for failing to adopt a substantially compliant housing element. The City's housing element shows the property at 555 Kelly Avenue listed as a Pipeline Project under Table C-4 of the housing element as a project "between formal proposal and receiving a certificate of occupancy," to be counted toward meeting RHNA obligations and is planned for completion by 2027.² The Project represents 14 percent of the City's total lower-income RHNA.

The Project is consistent with several housing element programs, including:

- **Program 1-8 Diverse and Healthy Neighborhoods:** This program states the City shall prioritize developments with 100 percent affordable units on infill sites. The proposed Project is 100 percent affordable to extremely low- and low-income households on an infill site.
- **Program 1-12 Approvals Monitoring:** The City plans to facilitate and streamline the development of approved residential projects. If the length of time between entitlement approval and building permit submittal exceeds one

¹ Gov. Code, § 65580 et seq

² Pg. C-4 of City of Half Moon Bay 6th Cycle Housing Element

- year, the City must identify ways to encourage timely building permit submittal to improve construction certainty.
- **Program 3-1 Senior and Disable Housing:** The City is required to encourage development of housing for seniors and provide priority processing of applications for residential units affordable for seniors, which the Project meets. This program explicitly references this Project as a Pipeline Project to meet the goal of this program and states the City will prioritize the Project.
 - **Program 3-4 Housing for Essential Workers:** The City aims to provide affordable housing for essential workforce populations, including farmworkers, by implementing the Workforce Housing Overlay. The Project provides housing to farmworkers and is being processed under the Workforce Housing Overlay.
 - **Program 4-7 Affordable Housing Fund Management Use:** The City will work with the development community to bring forward affordable housing development, including housing affordable to extremely low- and very low-income households, and other housing related-supported services. The Project proposes that 100 percent of the units will be affordable to extremely low- and very-low income households that provide on-site services to its residents.
 - **Program 4-8 Public and Quasi-Public Owned Lands to be used for Affordable Housing:** The City facilitates affordable housing on sites in ownership by nonprofit or religious institutions through the application of the Workforce Housing Overlay. This program explicitly references this Project as a Pipeline Project to meet the goal of this program.
 - **Program 6-6 Work with Non-Profits and Regional Partners:** The City aims to work collaboratively with non-profits and regional partners to achieve the City's housing goals and implementation programs.

Furthermore, the City's 2020 Local Coastal Land Use Plan (LCLUP) introduced policies intended to bolster housing production in a manner consistent with the Coastal Zone requirements. LCLUP Policy 4-4 – Farmworker Housing, establishes farmworker housing as both a Coastal Act and local priority land use. Farmworker housing has been identified as a “top priority” for development in Half Moon Bay.³ Policy 4-4 requires the City to encourage farmworker housing through the Workforce Housing Overlay, in which this Project is located.

Given the inclusion of this site and the Project in the City's housing element, its consistency with the LCLUP, and the funds dedicated to the Project, it appears that the City is committed to getting the Project constructed. HCD commends the City's stated commitments to facilitate housing, and specifically, this Project. However, HCD understands that there may be concerns by the City Council in approving the Agreements, or that the City Council may choose not to vote on the Agreements and instead place this item on the ballot for referendum. Delaying, or not approving the

³ Pg. B-20 of City of Half Moon Bay 6th Cycle Housing Element

Agreements, would be inconsistent with the City's housing element. As the City is aware, the state remains in a housing crisis and the provision of housing, especially affordable housing, continues to be a priority of the highest order. Approval of the Agreements will help meet the housing challenges as well as fulfill several of the City's stated housing goals, policies, and implementation programs listed above.

HCD will continue to monitor the City's progress toward meeting all requirements and ensure the City meets its RHNA obligations in accordance with the housing element reviewed on February 2, 2026. If the Agreement is denied or not voted on, and the City Council chooses to place the Agreement on the ballot for referendum, the City must make additional revisions to the housing element, including identifying and analyzing the referendum process as a governmental constraint and potentially identifying additional site capacity elsewhere in the City to accommodate its RHNA obligations. This would continue to delay the City's compliance with Housing Element Law, which was due on January 31, 2023. As a reminder, the City remains subject to the Builder's Remedy until HCD finds its housing element to be substantially compliant with the law.⁴

Anti-Discrimination in Land Use Law

To inform the City Council's decision making in its review of the Agreements for the Project, HCD reminds the City Council of the parameters set forth under Government Code section 65008, known as the Anti-Discrimination in Land Use Law. Specifically, Government Code section 65008, subdivision (a), deems any action taken by a city, county or other local government agency to be null and void if such action denies an individual or group of individuals the enjoyment of residence, tenancy, or any other land use in the state due to discrimination. This law prohibits discrimination based on a protected class such as race, color, religion, sex, gender, gender identity, gender expression, sexual orientation, marital status, national origin, ancestry, familial status, source of income, disability, veteran or military status, or genetic information. The law further prohibits discrimination based on the method of financing of any residential development or the intended occupancy of any residential development by persons of very low, low, moderate, or middle income.⁵ These provisions are pertinent to the Project as the units will be reserved for extremely low- and very low-income senior farmworkers.

Relevant federal guidance on the Fair Housing Act notes, "a land use or zoning practice may be intentionally discriminatory even if there is no personal bias or animus on the part of the individual government officials. For example, municipal zoning practices or decisions that reflect acquiescence to community bias may be intentionally discriminatory, even if the officials themselves do not personally share such bias."⁶

⁴ Gov. Code, § 65589.5, subd. (h)(11).

⁵ Gov. Code, § 65008, subd. (a)(1 – 3).

⁶ Joint Statement of the Department of Housing and Urban Development and the Department of Justice, State and Local Land Use Laws and Practices and the Application of the Fair Housing Act, published November 10, 2016, <https://www.justice.gov/opa/file/912366/download>.

Please note that the Anti-Discrimination in Land Use Law further states that the imposition of different requirements on a residential use by a protected class or by persons of very low, low, moderate, or middle income, other than those generally imposed for other residential uses would be discriminatory.⁷

Affirmatively Furthering Fair Housing

Government Code section 8899.50 is intended to strengthen California's commitment to fair housing and access to opportunity by mandating that all public agencies must Affirmatively Further Fair Housing (AFFH) through their housing and community development programs. Government Code section 8899.50, subdivision (a)(1), defines "affirmatively furthering fair housing" as taking meaningful actions, in addition to combatting discrimination, that overcome patterns of segregation and foster inclusive communities free from barriers that restrict access to opportunity based on protected characteristics. The duty to AFFH extends to *all* of a public agency's activities and programs related to housing and community development. Public agencies are required to take meaningful actions to AFFH and take *no* action that is materially inconsistent with its obligation to AFFH.⁸ It is critical for the City to AFFH by expediting approval of the Agreements.

AB 712 Enforcement Actions – Fines and Penalties

HCD informs the City that AB 712 (Chapter 496, Statutes of 2025)⁹ went into effect on January 1, 2026. Among other things, the new law increases penalties that a court may impose on a local government if the local government was advised in writing prior to the commencement of a lawsuit brought by the Attorney General or HCD that the local government's decision, action, or inaction would represent a violation of specified housing laws.

Conclusion

HCD urges the City Council to continue its positive work on the Project and expeditiously approve the Agreements at issue. HCD warns the City to be mindful of its obligations under Housing Element Law, the Anti-Discrimination in Land Use Law, Affirmatively Furthering Fair Housing, and other housing laws as it considers the Agreements. HCD also reminds the City that HCD has enforcement authority over Housing Element Law, the Anti-Discrimination in Land Use Law, Affirmatively Furthering Fair Housing, and other housing laws. Accordingly, HCD may review local government actions or inactions to determine consistency with these laws. If HCD finds that a city's actions do not comply

⁷ Gov. Code, § 65008, subd. (d)(2)(A).

⁸ Gov Code, § 8899.50, subd. (b).

⁹ Gov. Code, § 65914.2.

with state law, HCD may notify the California Office of the Attorney General that the local government is in violation of state law.¹⁰

HCD requests the City provide a written response with an update on the status of the Agreements by May 11, 2026. The written response should include details such as, but not limited to, identifying the next steps and a timeline that the City will undertake for the City Council to act on the Agreements.

HCD appreciates the opportunity to provide technical assistance to ensure proper implementation of the various housing laws over which HCD has enforcement authority. If you have questions or need additional information, please contact Jessica Evans at Jessica.Evans@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

¹⁰ Gov. Code, § 65585, subd. (j).