SETTLEMENT AGREEMENT

This Settlement Agreement is entered into by and between (1) the County of Monterey (the "County"); (2) the People of the State of California, ex rel. Rob Bonta; and, (3) the California Department of Housing and Community Development ("HCD") (the People and HCD are collectively referred to as the "State"). The "Effective Date" of this Settlement Agreement shall be the date by which this Settlement Agreement is executed by all Parties.

RECITALS

A. California law requires that all local governments adequately plan to meet the housing needs of everyone in the community, at all economic levels. (Gov. Code § 65580, subd. (b).)[1]

B. To meet this requirement, every city and county must adopt and periodically update a housing element as part of its general plan. (See §§ 65302, subd. (c); §§ 65580-65589.11.) The law mandating this adoption and periodic update is known as the "Housing Element Law." (§§ 65580-65589.11.) The Housing Element Law requires local governments to adopt plans and regulatory systems that provide opportunities for, and do not unduly constrain, housing development, especially for a locality's lower-income households and workforce. As a result, housing policy in California rests largely on the effective implementation of the housing element contained in the local general plan.

C. The housing element is a roadmap for housing development in a given community. The housing element must identify and analyze existing and projected housing needs, and must include "a statement of goals, policies, quantified objectives, financial resources, and scheduled programs for the preservation, improvement, and development of housing." (§ 65583.) The housing element must also "identify adequate sites for housing" and "make adequate provision for the existing and projected needs of all economic segments of the community." *(Ibid.)* Each housing element is also subject to review by HCD. (§ 65585, subds. (b)(1), (g), (h).)

D. A local jurisdiction's housing element must be frequently updated to ensure compliance with the Housing Element Law. (§ 65588, subds. (b), (e).) Each eight-year update cycle is known as a "planning period." (*Id.*, subd. (f)(1).)

E. Each local government must prepare a housing element that identifies adequate sites to accommodate that jurisdiction's fair share of the Regional Housing Need Allocation ("RHNA") at each income level. (§§ 65583, 65583.2.) Sites must be suitable for residential development and must be made available during the planning period. (§ 65583.2, subd. (a).) If a sufficient quantity of adequate sites is not currently available, the housing element must commit to identifying and rezoning additional sites within three years from the date of adoption. (§§ 65583, subd. (c)(1), 65583.2, subd. (h).) The housing element must also accommodate any unmet portion of the RHNA from the prior planning period. (§ 65584.09, subd. (a).)

[1] Unless specified otherwise, all further statutory references are to the Government Code.

F. The County is currently in the middle of the 2023-2031 Planning Period (also known as the "Sixth Cycle").

G. The County's deadline to adopt a Sixth Cycle housing element compliant with the Housing Element Law was December 15, 2023. The County failed to meet the deadline to adopt a Sixth Cycle housing element that substantially complies with state law.

H. On August 20, 2024, the County submitted an initial draft housing element to HCD for review.

I. On November 18, 2024, HCD issued a findings letter to the County noting multiple revisions were necessary for the housing element to be compliant with the Housing Element Law.

J. On June 26, 2025, the County submitted a subsequent draft housing element to HCD for review.

K. On August 25, 2025, HCD issued a second findings letter to the County noting multiple revisions were still necessary for the housing element to be compliant with the Housing Element Law.

L. On March 13, 2026, the County submitted a subsequent draft housing element to HCD for review.

M. On May 12, 2026, HCD issued a third findings letter to the County noting that while the revised draft housing element met the statutory requirements, the housing element could not be found in substantial compliance until the County adopted the housing element, completed its required rezones, and submitted the documents to HCD for review and approval. (§ 65588, subd. (e)(4)(C).)

N. On May 28, 2026, HCD issued a notice of violation to the County.

O. The County has noticed a public hearing to consider adopting the necessary rezoning on November 3, 2026.

P. This Settlement Agreement is to fully resolve the claims and allegations brought by the State relating to the County's Sixth Cycle housing element. The State alleges that the County violated the Housing Element Law by failing to perform its statutory duty to timely adopt a legally compliant housing element to its General Plan, in substantial compliance with California laws governing a local jurisdiction's obligations to do so, for the 2023-2031 planning period.

Q. This Settlement Agreement is made without trial or adjudication of any issue of fact or law. The Parties voluntarily enter into this Settlement Agreement to avoid the time, expense, and uncertainty of litigation. This Settlement Agreement shall not be used by any third party as evidence or ground for claim or suit.

AGREEMENT

NOW, THEREFORE, in consideration of the mutual covenants, promises, and undertakings set forth herein and other consideration, the receipt and adequacy of which the Parties hereby acknowledge, the Parties agree as set forth below.

1. THE COUNTY'S OBLIGATIONS FOR SIXTH CYCLE TIMELINE & PENALTIES

A. The County shall hold a public hearing by November 3, 2026 to consider adopting all of the legislative actions necessary to implement the required rezoning programs in compliance with the County's adopted housing element ("Rezoning Action"). If the County fails to hold a public hearing by November 3, 2026, or fails to approve the Rezoning Action by November 3, 2026, the State may take any enforcement action identified in Section 5 of this Settlement Agreement.

B. If the County approves the Rezoning Action by November 3, 2026, the County shall submit all materials necessary for HCD review to HCD by November 6, 2026. Upon receipt, HCD shall conduct a 45-day review to confirm completion of the Rezoning Action and, if acceptable, shall find the County's housing element in substantial compliance with the Housing Element Law.

C. Additionally, if the County approves the Rezoning Action by November 3, 2026, the County shall submit all necessary materials to the California Coastal Commission by November 10, 2026.

D. Nothing in this Settlement Agreement shall be construed to preclude the County from seeking a judicial determination on whether the County's Sixth Cycle housing element substantially complies with the Housing Element Law in the event that HCD, pursuant to Section 65585, subdivision (h), does not find the adopted housing element substantially compliant with the Housing Element Law. If the County seeks a judicial determination on whether the County's housing element substantially complies with the Housing Element Law, the County may initiate action and file a motion staying enforcement of this Settlement Agreement. The State reserves the right to oppose such a request on any basis.

E. In the event that the County does not come into compliance with the Housing Element Law within 12 months of the Effective Date, the County agrees that the statutory penalties under Section 65585, subdivision (l)(1) in an amount of ten thousand dollars ($10,000.00) per month, shall apply until cured. The County agrees that nothing that has occurred before this Settlement Agreement shall constitute the sole basis for any claim for mitigation under Subdivision (m) of Section 65585.

F. The County shall pay a total sum of three-hundred thousand dollars ($300,000.00) in monetary penalties. The penalties shall be paid into the County's Inclusionary Housing Trust Fund (fund 9) .

2. THE COUNTY'S OBLIGATIONS FOR SEVENTH CYCLE TIMELINE & ASSURANCES

A. The County shall allocate adequate planning resources for the 2031-2039 Planning Period ("Seventh Cycle"), which shall include the following:

i. Ensure at least one County planner is dedicated to drafting and coordinating the Seventh Cycle housing element.

ii. Include sufficient dedicated funding line items in the County's budget for the two fiscal years preceding the Seventh Cycle housing element deadline for housing element compliance.

B. The County shall submit a draft housing element to HCD at least 120 days prior to the statutory deadline, pursuant to Government Code section 65588.

C. The County shall adopt a substantially compliant housing element within 120 days after the statutory deadline, pursuant to Government Code section 65588, and otherwise comply with all statutory deadlines in the Seventh Cycle. Nothing in this Settlement Agreement shall be construed to preclude the County from seeking a judicial determination on whether the County's Seventh Cycle housing element substantially complies with the Housing Element Law in the event that HCD, pursuant to Section 65585, subdivision (h), does not find the adopted housing element substantially compliant with the Housing Element Law. If the County seeks a judicial determination on whether the County's housing element substantially complies with the Housing Element Law, the County may initiate action and file a motion staying enforcement of this Settlement Agreement. The State reserves the right to oppose such a request on any basis.

D. The County shall comply with all statutory requirements with regard to its public participation efforts including provisions to make a diligent effort to reach all economic segments of the community pursuant to Section 65583, subd. (c)(9) and public noticing pursuant to Section 65585, subd. (b)(1). Nothing in this provision precludes HCD from receiving and/or considering public comments as required pursuant to Section 65585, subd. (c).

E. If the County fails to meet any the Seventh Cycle deadlines agreed-to in this Settlement Agreement, it shall pay into its Inclusionary Housing Trust Fund (fund 9) ten thousand dollars ($10,000.00) each month for each breached deadline until the breach is cured.

F. HCD shall provide the County with technical assistance with its Seventh Cycle housing element as follows:

i. HCD staff will commit to at least 2.5 hours per month in technical assistance telephone calls with the County, with additional time provided as capacity permits. In connection with these technical assistance telephone calls, the County agrees to make good faith, reasonable progress on the housing element revision process between these calls.

ii. In order to ensure efficiency in the technical assistance provided by HCD during the housing element review process, the County agrees to make all revisions and edits to its housing element in track changes, or to devise some other method of highlighting all revisions and edits to the housing element, such that HCD can quickly identify and review the County's revisions and edits.

iii. In order to allow the County to make timely and efficient revisions to its housing element in response to HCD comments, HCD agrees each formal written findings letter will consist of a single set of consolidated comments that identify specific deficiencies in the County's draft housing element and that explains why these sections are deficient and what specific analysis or text HCD expects the County to provide to remedy the deficiency. HCD will provide the County with informal technical assistance, including sample language from other certified housing elements, as applicable, under separate cover from its formal written findings letters.

iv. To the extent that HCD is unable to meet its specific deadlines set forth herein, the deadlines for the County's performance shall be extended to account for delays attributable to HCD's failure to meet a specific deadline.

G. This Settlement Agreement will terminate when HCD finds the County's Seventh Cycle housing element in in substantial compliance with Housing Element Law.

3. WAIVER AND RELEASE OF CLAIMS

A. Unless specifically stated in this Settlement Agreement (e.g., Section 5), the Parties for themselves and on behalf of their respective boards, officials, officers, employees, successors, assigns, representatives, and agents agree to mutually release and waive all claims of any kind against every other Party and their respective boards, officials, officers, employees, successors, assigns, representatives, and agents arising from the County's failure to timely adopt a compliant Sixth Cycle housing element.

B. No Party waives any right, claim, or defense, except as explicitly waived in this Settlement Agreement.

C. Nothing in this Settlement Agreement shall be construed to limit the authority or ability of the California Attorney General to assert its right to protect the interests of the State of California or the people of the State of California. This Settlement Agreement shall not bar the Attorney General or HCD from investigating and enforcing laws, regulations, or rules against the County for conduct not covered by this Settlement Agreement, including but not limited to Sections 65302, subsections (a), (b), and (d)-(h), 65302.10, 65565.5, and other provisions of the State Planning and Zoning Law (§§ 65000-66345.4) that are not expressly covered by this Settlement Agreement. Further, nothing in this Settlement Agreement precludes or affects the Attorney General's right to determine and ensure compliance with this Settlement Agreement.

4. ACKNOWLEDGEMENT OF AFFIRMATIVE OBLIGATIONS WITH STATE HOUSING LAWS

A. Compliance with No Net Loss. The County shall maintain sites sufficient to accommodate Regional Housing Needs Allocation throughout the Sixth Cycle planning period consistent with Section 65863.

B. Compliance with Duty to Affirmatively Further Fair Housing. The County shall administer its Sixth Cycle programs and activities relating to housing and community development in a manner to affirmatively further fair housing, and to take no action that is materially inconsistent with its obligation to affirmatively further fair housing, consistent with Section 8899.50.

C. Compliance with Permit Streamlining Act for Preliminary Applications. The County shall timely process and take action on all applications submitted during the Sixth Cycle pursuant Section 65941.1.

5. COUNTY'S BREACH OF DUTIES

A. Failure to Comply with Agreed-Upon Terms. Upon the County's failure to comply with the terms of this Settlement Agreement, the State may do any of the following, after an opportunity to cure:

i. Initiate an enforcement action against the County for compliance with the Housing Element Law, which shall include, but is not limited to bringing a lawsuit and the State reserves the right to seek any and all remedies available pursuant to this Settlement Agreement and under the law.

ii. Enforce the Settlement Agreement against the County through legal action and seek all remedies available pursuant to this Settlement Agreement and under the law.

B. Remedies Upon Violation. After initiating litigation, the County agrees that the State may file an order to show cause on an *ex parte* basis with the Court. Following a hearing on the matter and upon a finding by the Court that the County failed to comply with any of the terms in this Settlement Agreement, the Court shall elect any or all provision(s) set forth under Section 65755, subdivision (a) (or any other remedy available at law), as remedies for the County's violation(s). Should the County continue to fail to comply with any of the terms of this Settlement Agreement within a reasonable period following a court order, the State may then file a renewed order to show cause seeking any additional remedy under Section 65755, and any other remedy available at law.

C. Opportunity to Cure. Prior to enforcing this Settlement Agreement, the State shall provide written notice identifying the terms with which the County has failed to comply. The State shall allow a reasonable time to cure of 15 business days after the County's receipt of written notice before seeking enforcement of this Settlement Agreement. To the extent the County must call a

special session of its governing bodies (including the Board of Supervisors) to timely cure any failure to comply with this Settlement Agreement, the County shall call such special session.

6. NOTICES

All notice shall be provided in writing to the following email and U.S. Certified Mail:

For the County:

COUNTY OF MONTEREY
ATTN: Office of County Counsel
168 W. Alisal Street, 3rd Floor
Salinas, CA 93901
Email: DonlonKL@countyofmonterey.gov
Emai: BlitchSK@countyofmonterey.gov

For the State:

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
ATTN: Melinda Coy
651 Bannon Street, Suite 400
Sacramento, CA 95811
Email: Melinda.Coy@hcd.ca.gov

CALIFORNIA DEPARTMENT OF JUSTICE, OFFICE OF THE ATTORNEY GENERAL
David Pai
John M. Natalizio
1515 Clay Street, Fl. 20
Oakland, CA 94612
Email: David.Pai@doj.ca.gov
Email: John.Natalizio@doj.ca.gov

7. COMPLIANCE WITH ALL LAWS

Nothing in this Settlement Agreement shall be construed as relieving the County of its obligation to comply with all applicable local, state, and federal laws, regulations, and rules.

8. SEVERABILITY

Should any provision of this Settlement Agreement be found invalid, void, or unenforceable, such illegality or unenforceability shall not invalidate the whole. This Settlement Agreement shall be construed as if the provision(s) containing the illegal or unenforceable part were not a part hereof.

9. ATTORNEYS' FEES AND COSTS

Unless provided otherwise herein, all Parties waive any and all claims for attorneys' fees, court fees, and all costs associated with the preparation and implementation of this Settlement Agreement.

10. SUCCESSORS AND ASSIGNS

All provisions of this Settlement Agreement shall be binding upon, and apply to the Parties, including their agents acting within the scope of their agency as well as its successors and assigns with respect to the conduct described in this Settlement Agreement. The County has and will maintain the full power and authority to undertake the duties and obligations set forth in this Settlement Agreement. The County shall use reasonable efforts to notify its Board of Supervisors, elected officials, officers, directors, employees, and agents responsible for carrying out and effectuating the terms of this Settlement Agreement and the requirements therein.

11. NO THIRD PARTY BENEFICIARIES

Nothing in this Settlement Agreement shall convey any rights upon any person or entity which is not a Party to this Settlement Agreement. This Settlement Agreement may be enforced only by the Parties hereto.

12. ENTIRE AGREEMENT

This Settlement Agreement constitutes the entire agreement between the Parties, supersedes any previous oral or written agreements, and shall not be modified except by a writing executed by the Parties to be bound thereby. The Parties acknowledge that no other Party hereto nor any of their legal counsel has made any promise, representation or warranty, express or implied, not contained in this Settlement Agreement, and further acknowledge that no Party has executed this Settlement Agreement in reliance upon any promise, representation, or warranty not set forth herein.

13. CHOICE OF LAW; VENUE

This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of California. The venue for any disputes concerning this Settlement Agreement shall be in Monterey County. Any Party may seek to enforce the terms of this Settlement Agreement, provided that the Party makes a reasonable and good faith effort to resolve any dispute prior to initiating any action or proceeding to enforce the terms.

14. COUNTERPARTS

This Settlement Agreement may be executed in counterparts, by either an original signature or signature transmitted by facsimile or electronic transmission or other similar process, each of which shall be an original, but all of which taken together shall constitute one and the same instrument.

15. INCORPORATION OF RECITALS

The recitals contained herein are hereby incorporated by reference and are material and binding upon the Parties hereto.

16. HEADINGS

The use of headings in this Settlement Agreement is for ease of reference, and the headings have no legal effect and are not to be considered part of this Settlement Agreement.

17. WAIVER

Any failure by any Party to insist upon strict performance by any other Party of any of the provisions of this Settlement Agreement shall not be deemed a waiver of any of the provisions of this

Settlement Agreement, and such Party, notwithstanding such failure, shall have the right thereafter to insist upon the specific performance of any and all of the provisions of this Settlement Agreement.

18. ATTORNEY CONSULTATION AND REVIEW

All Parties represent and warrant that they have consulted with their respective legal counsel prior to execution of this Settlement Agreement and have full knowledge of its meaning and effect. The Parties further agree that this Settlement Agreement was mutually drafted and that this Settlement Agreement shall not be construed in favor of, or against, any Party by reason of the extent to which any Party or their counsel participated in the drafting of this Settlement Agreement.

19. AUTHORITY

Each signatory to this Settlement Agreement represents and warrants that they are authorized to sign this Settlement Agreement on behalf of the Party for which they are signing, and thereby binding that Party fully to the terms of this Settlement Agreement.

[SIGNATURES TO FOLLOW DIRECTLY ON NEXT PAGE]

CALIFORNIA DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT:

By: _____ Date: 11/3/2026

Title: Assistant Deputy Director, Housing Accountability

THE COUNTY OF MONTEREY:

By: _____ Date: 11/3/2026

Title: Assistant County Administrative Officer

THE CALIFORNIA DEPARTMENT OF JUSTICE

By: _____ Date: 11/3/26

Title: Deputy Attorney General

Approved as to form:

CALIFORNIA DEPARTMENT OF JUSTICE & HCD

By: _____ Date: 11/3/26

John M. Natalizio, Deputy Attorney General

COUNTY OF MONTEREY

By: _____ Date: 11/3/26

Kelly L. Donlon, Chief Assistant County Counsel