



**CITY OF
HERMOSA BEACH**

Date: April 16, 2025

To: Honorable Mayor and City Council

From: Joe SanClemente, PE, AICP, Public Works Director
John Oskoui, PE, Interim City Engineer
Doug Krauss, Environmental Programs Manager

Cc: Suja Lowenthal, City Manager

Subject: Lot D Summary and Options for Consideration

Executive Summary:

The Fiscal Year 2024–2025 Capital Improvement Program (CIP) includes CIP 682 Parking Lot D Improvements to fully reconstruct the existing surface lot, while also incorporating storm water infiltration and other environmentally sustainable design elements, landscape and beautification, and bringing the lot up to current accessibility requirements. At its November 12, 2025 meeting, City Council directed staff to immediately reject all bids and place the project on hold until the 2025-2026 budget discussions are held. As the project is still programmed on the CIP and funded through two separate grant agreements, staff is seeking direction from City Council on how to best proceed with the project based on the available options outlined in this report.

Background:

The subject project was first conceived in 2017 to not only reconstruct Parking Lot D, located at the southwestern corner of Manhattan Avenue and 14th Street, but also to showcase a range of environmentally sustainable design elements. The design phase was completed in August of 2024.

The current project, as fully designed, includes increasing parking supply from 19 parking spaces to 22, including a combination of 13 standard stalls, 4 compact stalls, 2 electric vehicle (EV) charging stations, 1 Americans with Disabilities Act (ADA) stall, and 2 Neighborhood Electric Vehicle (NEV) “golf cart” stalls. The project also includes a parking pay station, a covered parking space with solar panels, stormwater infiltration system, native vegetation, ADA ramp from the parking lot onto Manhattan Avenue, new lighting, landscaping, and a covered trash enclosure.

At the FY 2024–2025 Capital Improvement Program (CIP) study session held on April 28, 2024, City Council provided staff with direction to pause the current project to obtain information regarding the costs and feasibility of constructing a parking structure in place of the currently scoped project.

At its Special Meeting of June 4, 2024, after a careful review of the feasibility, cost, and other relevant factors such as additional time required to complete the design phase of a parking structure, and potential loss of grant funds, City Council decided to forgo the alternative option of building a parking structure in lieu of the previously envisioned surface parking lot and directed staff to continue with the effort to finalize the design phase of the project and proceed with the construction phase as quickly as possible.

Per Hermosa Beach Municipal Code Section 17.58.020, “the use of land, and erection, construction or location of buildings or structures in any zone shall require submittal of plans for Planning Commission’s review.” At its meeting of August 20, 2024, the Planning Commission held a public hearing on Precise Development Plan (PDP) 24-10 for the Parking Lot D project. After reviewing public input and staff recommendations, the Commission determined the project met the required findings for PDP approval. The Commission adopted Resolution No. 24-16, approving the project, subject to conditions of approval.

At its September 10, 2024 meeting, and subsequent to the Planning Commission’s approval of the project’s PDP, City Council expressed concerns with certain aspects of the project and voted to initiate a *de novo* hearing to review the Planning Commission approval of a Precise Development Plan (PDP 24-10). At its October 8, 2024 meeting, City Council reviewed the aforementioned plan, and after deliberation, adopted Resolution No. 24-7458 approving the Precise Development Plan.

Construction Advertisement and Consideration of Award

On October 08, 2024, the City issued Notice Inviting Bids 24-007 inviting experienced contractors to submit a bid for the project. The project was advertised for formal competitive bids in the local newspaper, on the City’s electronic bidding platform Planet Bids, and in relevant construction trade journals.

On October 29, 2024, the City received only one bid for the project in the amount of \$1,780,578, submitted by CSI Services, which was significantly higher than the design engineer’s construction cost estimate of \$1,450,000. The budget for the project in the FY 2024-25 CIP is \$1,815,838 and would not have been sufficient to cover the cost of construction submitted by CSI Services with the addition of necessary construction contingency, the cost of construction management, inspection services and material testing estimated at \$250,000.

After a detailed analysis of the bid submitted by CSI services, it was determined that some of the 143 bid line items were unreasonably high and did not reflect the current public works construction bid environment at that time. Staff also contacted 11 of the contractors who had participated in the bid process, but that failed to submit a bid, to understand the

reasons for their lack of participation. Most of the contractors indicated that they were not able to submit a bid due to their current heavy backlog of work and not having adequate resources to take on additional projects. Several of the contractors also indicated that they were deterred from bidding on the project because they needed more time to prepare a bid for the solar components.

At the November 12, 2025 City Council meeting, staff recommended rejection of the single bid received and authorization for staff to readvertise the project. Council directed staff to immediately reject all bids and place the project on hold until the 2025-2026 budget discussions are held.

Coastal Commission Permit

The Project is also subject to California Coastal Commission review and approval for a Coastal Development Permit. The application to Coastal Commission required approval by the City's Community Development Department following the PDP approval. The application is currently under review by the Coastal Commission to determine completeness. Coastal Commission has since requested additional information from the City to complete the application. This information includes updates on the parking meter rates that were changed as part of a separate Coastal Commission permit that is still under review as well as other clarifications on design elements in the project. Once deemed complete, and assuming no further information is requested that would trigger an additional review period, the Coastal Commission has up to 180 days to either approve or disapprove the project. While staff has been in close coordination with Coastal Commission staff and does not believe that the review and approval would require the full duration, Coastal Commission staff cannot provide a more definitive estimate for the completion of the review and approval process which would need to be completed before construction commences on the project.

Project Funding

The FY 2024–25 CIP reflects a total project budget of \$1,815,838, which includes \$433,650 in grant funds from the Coastal Conservancy (Conservancy), \$423,950 in grant funds from the Safe Clean Water (SCW, formerly Measure W) regional program, \$200,000 of local return SCW funds, and \$758,238 from the City's Storm Drain fund.

Through multiple conversations with the Coastal Conservancy throughout 2024, City staff understood that, due to budget issues, the \$433,650 grant for the project could not be extended and would therefore lapse on February 28, 2025. However, on November 6, 2024, Coastal Conservancy staff informed the City that they were able to successfully reappropriate the funding source and that the previous funding deadline of February 28, 2025 would now be extended through December 31, 2028. Staff submitted a formal request to extend the funding on November 6, 2024 and received confirmation on November 8, 2024 that the extension request was approved. The Coastal Conservancy has since processed the extension through a revised grant agreement with the City.

The Safe Clean Water grant funding has a deadline of June 2026 to be expended, but does include the possibility of being extended subject to formal request to the program’s governing board at its discretion.

Any modifications to the project scope or cost, including reductions in scope of work, would also require submittal of a grant modification request to both agencies for consideration and approval by their respective boards. Reductions in scope may also result in a commensurate reduction in grant funding. Significant modifications to the project that materially alter the scope of work may result in loss of current grant funds and require submittal of a new grant request to both agencies for consideration and approval, and subject to availability of funding at that time.

The local return Measure W funds are restricted and the City Storm Drain Funds are a committed funding source for use on stormwater-related projects. There are currently no non-storm water related funds tied to the project.

Past Board, Commission, and Council Actions

Meeting Date	Description
March 27, 2018	City Council approved a resolution authorizing staff to submit a grant application to the California Climate Investments Urban Greening Program.
May 16, 2018	Public Works Commission reviewed the preliminary design plans for the Lot D Improvement project and provided feedback.
July 13, 2021	City Council approved a resolution authorizing acceptance of grant funding from the Coastal Conservancy.
January 10, 2023	Two Councilmembers supported returning to City Council with an item updating Council on the status of the Parking Lot D Improvement Project to facilitate a discussion regarding the project and possible project alternatives.
February 27, 2023	A motion was made by Councilmember Detoy, seconded by Mayor Pro Tempore Massey to receive the update on the Parking Lot D project and Conceptual Rendering. The motion carried by a 5–0 vote.
March 28, 2023	Approved a Resolution approving Safe Clean Water program grant funds for the project

Meeting Date	Description
April 18, 2024	2024 Fiscal Year 2024–2025 Capital Improvement Program Study Session. Council directed staff to pause on current Lot D Project.
June 4, 2024	Update on project next steps
August 20, 2024	Planning Commission approved the Precise Development Plan for the project.
September 10, 2024	Requested an item be brought before Council to review the Planning Commission’s approval of the project’s Precise Development Plan approval
October 8, 2024	City Council held a <i>de novo</i> hearing to review the Planning Commission’s approval and adopted Resolution No. 24-7458 approving the Precise Development Plan.
November 12, 2024	A motion was made by Mayor Pro Tem Seamann, seconded by Councilmember Detoy immediately reject all bids and place the project on hold until the 2025-2026 budget discussions are held. The motion carried by a 3–2 vote.

Analysis:

Parking Lot D has several deferred maintenance, accessibility, and aesthetic issues that will require attention in the near future that this CIP was intended to address. Any significant resurfacing of the lot would trigger compliance with current accessibility requirements including the construction of the switchback ramp providing access to Manhattan Avenue, as well as bringing the existing driveway apron and adjacent curb ramps into compliance. Construction of the ramp would also address the issue of the existing wooden retaining wall that is in poor condition and in need of replacement. In addition, the existing irrigation system is not operable, and the landscaping is in poor condition.

Staff recommends City Council consider the following options for the Project and direct staff on how to proceed:

1. **Readvertise the project as currently designed.** In response to bidder comments and concerns, staff would simplify the bid items and advertise for a longer duration to allow more time for bidders to obtain quotes for various items of work including photovoltaic parts, in hopes of yielding a more competitive bid. Readvertisement of the project would follow successful completion of the Coastal Commission permit

process. Council would then have the ability to make a decision on whether to proceed with the project at time of contract award. With implementation of this option, the City would benefit from utilizing the \$857,600 to offset the overall cost of the project.

- 2. Revise the project design and readvertise to reduce the scope of work and the overall project cost.** Reduction in scope could include eliminating elements such as the carport and photovoltaic system and analyzing other opportunities for value engineering of some elements of the project such as the retaining walls and stormwater capture devices.

To advance this option, staff would need to confirm that by eliminating the photovoltaic system, and any other changes, the City would still qualify to receive the full grant amounts from the two funding agencies, which would require staff to submit a grant modification request and be subject to their respective board approvals. It is anticipated that this process would take several months to complete and that the agencies may reduce the grant amounts commensurate with the reduction in scope.

If confirmed that the funding would remain available, staff would then re-engage the design engineer to revise the plans at an additional cost of approximately \$30,000 to complete revisions to the plans and construction documents, which would take at least three (3) months to complete, and then readvertise the project for bids. Readvertisement of the project would occur following completion of the design modifications and Coastal Commission permit process. Council would then have the ability to make a decision on whether to proceed with the project at time of contract award.

- 3. Defund the current project and direct staff to bring forward a revised project in a future budget cycle with accessibility components, but sustainability elements removed.** This option would substantially reduce the scope of the current design by eliminating installation of the carport and photovoltaic system and stormwater infiltration and other environmentally sustainable design elements. The project scope would only include resurfacing and construction of the accessible ramp to provide access from Manhattan Avenue and satisfy accessibility requirements. This option is not in alignment with the City's Low Impact Development requirements for stormwater capture and would no longer be able to utilize any of the current grant or local funding sources that are tied to stormwater and would need to find another funding source to be considered as part of a future budget cycle. This effort would require a redesign which would also require

additional staff time to oversee the revised effort and would need to be reprioritized against the delivery of other programmed or future CIPs. A rough order of magnitude cost estimate for this option is \$800,000 to 900,000 including design and construction and would require returning to City Council at a future date to identify non-stormwater funding sources, and staff capacity to advance redesign to advance the project.

- 4. Defund the current project and direct staff to bring forward a revised project in a future budget cycle with a greatly reduced scope of work.** This option would replace the current project with a significantly reduced scope of work to be limited to only include grind and overlay of the existing parking lot pavement, restriping, fence replacement, installing new irrigation and landscape, and repairing damaged retaining wall. This option is not in alignment with the City's Low Impact Development requirements for stormwater capture and would not address accessibility issues at this public lot, requiring the parking to remain on the City's transition plan.

The project would also no longer be able to utilize any of the current grant or local funding sources that are tied to stormwater and would need to find another funding source to be considered as part of a future budget cycle. This effort would require a redesign which would also require additional staff time to oversee the revised effort and would need to be reprioritized against the delivery of other programmed or future CIPs. A very rough order of magnitude cost estimate for this work is anticipated to be approximately \$355,000 including design and construction.

- 5. Defund the current project and direct staff to bring forward a revised project in a future budget cycle with parking structure.** This option would include a two-level parking structure with separate access to each level from Palm Drive and Manhattan Avenue. A parking structure at this location could potentially yield a total capacity of 38 spaces consisting of 21 standard stalls, 7 compact stalls, 6 EV charging stations, and 4 ADA stalls.

As this project would be a completely new scope of work versus the current project, the City would have to forgo current grant funding agreements and identify another funding source as part of a future budget cycle. The project would require preliminary design to determine what level of sustainability elements could potentially be included to help increase the project's chances to qualify for grant funding as grant funding generally does not cover the costs for parking structures alone.

This effort would require a new design which would also require additional staff time to oversee the new effort and would have to be reprioritized against the delivery of other programmed or future CIPs. The project would also require input from the adjacent neighborhood and review and approval by Planning Commission and the Coastal Commission. A very rough order of magnitude cost estimate for this work is anticipated to be approximately \$3,600,000 including permitting, design, construction, and construction inspection services.