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Sent: Monday, July 07, 2025 2:23 PM

To: Planning Commission <Planningcommission@hermosabeach.gov>

Cc: City Council <citycouncil@hermosabeach.gov>; Alison Becker <abecker@hermosabeach.gov>; Steve Napolitano <snapolitano@hermosabeach.gov>

Subject: My Comments on Upcoming LVR Item, Zoning

Dear Planning Commission,

I noticed that on the future agenda items for the planning commission is the **LVR topic** and **54 Hermosa Ave.**

I've been getting my thoughts together for a while on the LVR discussion coming back. Since this topic touches so many parts of zoning, I decided to write up a comprehensive list of comments/recommendations. See Attached PDF. I may update once the staff report is out, but I'm sending out early since it's so long.

I realize that not all my comments are under the purview of the planning commission, so I'm also ccing council.

I'm not addressing 54 Hermosa Ave. specifically, but my Appendix A on page 6 has some history that could be helpful.

As always, thanks for listening.

If you have any questions, please don't hesitate to reach out to me.

Best,
Claudia Berman

Land Value Recap (LVR) & Zoning Comments - C. Berman

A bit about me for context on my comments:

You may know me as a volunteer docent at the Hermosa Beach Museum, Community Police Advisory Board member, or PLAN Hermosa participant. What you may not know is my professional background: As an Oracle Applications sales engineer I sold into the Store Lifecycle Development (lifecycle of a brick-and-mortar store – site identification, analysis go/no go, construction, opening, remodeling/reformatting, closure) space to major retailers like Starbucks, GAP, and Jack in the Box.

Less than a year after Housing Element approval, a handful of Upper Pier property owners continue lobbying against Land Value Recapture (LVR) fees for smaller lots. *(Note: I recall that small lots represent a significant percentage. I think 40+%, but that number should be verified.)* These owners received free up-zoning from Commercial to Residential, an incredible windfall at zero cost, yet claim the LVR fee makes residential development financially unviable. They also claim their projects will boost economic development. Yet, they have not presented any data to support their claims. See *APPENDIX A: Hermosa Ave Mixed Used Development – A Cautionary Tale* for an example of a mixed-use luxury residential property mixed with a ground floor vacation rental.

My comments with recommendations fall into the following three areas:

1. LVR IS NOT AN IMPEDIMENT TO DEVELOPMENT, PER KOSMONT
2. TIME, EFFORT & RISK
3. DROPPING LVR ON SMALL SITES, NOT A GUARANTEE OF ECON. DEV.

LVR IS NOT AN IMPEDIMENT TO DEVELOPMENT, PER KOSMONT

Council asked Kosmont to analyze the LVR fees and determine whether the fees would obstruct development. Kosmont determined the fees would not deter development. (12/23).

RECOMMENDATION 1: Property Owner/Developer Provides High Level Plan and Financial Projection

Each downtown commercial property owner/developer who says that paying into LVR or building one below market unit is an impediment to their development, should show why Kosmont is not correct. It's possible that their project scope/design is the impediment, not the lot size. It's also possible they may not have investigated the incentives available for building below market housing.

For each property targeted for development, the developer should provide the city and the public the following:

- The address/addresses of the development project.
- Estimated start date.
- High level build plan with number of housing units, very rough floor plan, and square footage estimates, and target market (e.g., moderate, premium, luxury).
- Whether this is a renovation or tear down/new construction.
- Will there be any lot consolidation?
- Will they be building condos for sale, or will they be building rentals? Or a combination?
- What type of commercial is targeted for the ground floor?
- Show us the numbers. Show a financial projection with assumptions, why building one small affordable unit or paying into LVR is not financially feasible on the lot.

RECOMMENDATION 2: Give the property owners one year to submit their plans (above) to the city and post on the city's website.

This will provide the city with data necessary to understand what the appetite is for housing development on upper Pier and to match those plans to housing element site list. It will be interesting to see if the development plans do the minimum number of units per the site list, or if they plan to maximize what could be developed on the lot.

HCD requires community input, which is why it's important to post publicly.

TIME, EFFORT & RISK

TIME & EFFORT:

All upper management staff who participated in the housing element are no longer with the city: City Manager, Deputy City Manager, City Attorney, and Community Services Director.

We have a new a new Community Development director who likely needs to focus on her team and learning about processes, projects, and ordinances unique to Hermosa. Adding an off-cycle housing element update, could negatively impact Community Development's current workload.

RECOMMENDATION 3: Community Development should focus on the Zoning Code Update

The modernization of the zoning code impacts all businesses and residents; therefore, the Zoning Code Update should be completed before adding non-critical, new projects to Community Development workload.

RISK:

1. Reduction of LVR fund will negatively impact the ability to subsidize developers who are open to building below-market units. How will the state react to this?
2. Some small lots are tagged in the site list with a required below-market unit. If that developer chooses to not build a below-market unit, the city not only loses needed LVR funds, but it also must find another site to put on the list in its place.

Housing Element Map:

<https://hermosabeach.maps.arcgis.com/apps/webappviewer/index.html?id=c8928e777d71462da500de9e5188d0da>

3. These changes could trigger a whole new review cycle with public hearings. That seems likely since the site list and LVR process was so integral to the approval. Could HCD then reevaluate other parts of the Housing Element for scrutiny?

RECOMMENDATION 4: After the high-level development plans are submitted and the zoning code update is complete, then perform a risk assessment on an off-cycle housing element update.

DROPPING LVR ON SMALL SITES, NOT A GUARANTEE OF ECON. DEV.

Assuming average density in Hermosa Beach, there are approximately 600 residences within a 5–10 minute walk (4 block radius of upper Pier). Per the housing element map, multifamily zoning surrounds this area, so the 600 count would be higher. For example, the Commodore & Hermosa Surf Condominiums combined have 174 units. Many residences have more than one resident, so there is already a good number of people living within a short walk. Per the housing element map on upper Pier, if every property built to their minimum allotment in the sites inventory, that would add ~10% increase in residential units.

However, just adding 2nd and 3rd story housing on upper Pier without addressing our downtown business mix and layout issues, will not ensure economic development growth. Over the past 30 years, our demographics have changed dramatically, and our downtown's ground floor storefront mix has declined in variety. We have seen a proliferation of office space and personal services. We have more hospitality businesses than ever before (except during the time of the long-gone Biltmore Hotel), and yet downtown weekday, daytime foot traffic continues to be light. (Side Note: foot traffic doesn't necessarily convert to increased revenue.)

Ten years ago, the Roma report recommended limiting ground floor commercial to pedestrian uses to increase vibrancy. Six years ago, this sentiment was codified in PLAN Hermosa: "Uses on the ground floor are reserved for retail, restaurant, and other sales-tax revenue generating uses, while offices and personal service uses are encouraged on upper floors. Mixed use developments (including residential uses) may be allowed."

RECOMMENDATION 5: As part of the Zoning Code Update, the city should do an analysis of the approved Housing Element's impact on our zoning code to understand the unintended consequences and formulate contingency plans.

I'm quite concerned that without a strong zoning plan, that the adding of residences on Upper Pier will be so lucrative, that the ground floor commercial will slowly erode into more office space, more personal services, or short-term rentals, which will not address state housing requirements as intended nor contribute to economic development in a meaningful way. This is happening now

at 60 Hermosa Ave in the C-1 Limited Business and Residential zone. See *APPENDIX A: Hermosa Ave Mixed Used Development – A Cautionary Tale.*

RECOMMENDATION 6: City Council to create a subcommittee working with community development and a few local developers to come up with an “incentive plan” to ensure that we don’t continue to lose sales-tax revenue ground floor businesses, or even better, reverse this trend over time.

This subcommittee should be given a due date, say no more than six months. Incentives should not have a monetary cost to taxpayers. This could be done in conjunction with the zoning code update.

Four years ago, Marlin Equity demoed a building with pedestrian-oriented retail/restaurant and replaced with a 2-story office building. This would be a good use case to “test” incentive policies against. The million-dollar question being: What could have incentivized Marlin Equity to change their office space project and build out the ground floor for sales-tax generating uses and use the 2nd and 3rd floors for their employees?

RECOMMENDATION 7: If no policies result from Recommendation 6, then I would like to see a ban on ground floor non-tax generating for new businesses that take over a space vacated by a sales tax generating business.

I do think a ban would be wildly unpopular with property owners, but if there is no movement on incentives, I think this should be seriously explored.

RECOMMENDATION 8: After the Zoning Code Update is done, explore waiving the LVR fee for upper Pier small with the obligation that they 1) lease the ground floor for sales tax generating uses 2) Do not allow the ground floor to remain vacant.

Since economic development is not a driver of HCD requirements, I don’t know if it’s even possible to put restrictions on the ground floor commercial in exchange the waiving of LVR. Losing LVR could still be problematic in this scenario.

Appendix A – Hermosa Ave Mixed Used Development – A Cautionary Tale

July 15, 2014 a commercial property was approved by the planning commission to allow for mixed use at 60 Hermosa Ave.

PC Meeting 7/15/2014 Item 9:

https://hermosabeach.granicus.com/player/clip/3182?view_id=6&meta_id=154838&redirect=true


Figure 1 shows the lot before the mixed-use development. Lot size 30'x80'= 2,400 SQF.

Concerns by a neighboring property owner:

- Long term viability of the commercial
- Concerns about the façade, all concrete and glass
- All 3 commercial sites south are empty, up for sale for months
- Putting commercial in to justify 2,800 sqf residence
- “Let’s not repeat mistakes”

Fast forward to now.

The residential unit is large with a very small commercial component. There is no activated ground floor commercial. I’m very concerned that this type of development will occur on Upper Pier if there is no zoning plan to prevent this.



Off market

\$1,446,870
60 Hermosa Ave, Hermosa Beach, CA 90254

0 beds 0 baths 2,178 Square Feet

Est. refi payment: \$9,503/mo [Refinance your loan](#)

VacantLand	Built in 2018	2,178 sqft lot
Zestimate®	\$404/sqft	\$283/mo HOA

Figure 1 60 Hermosa Ave Pre-Development

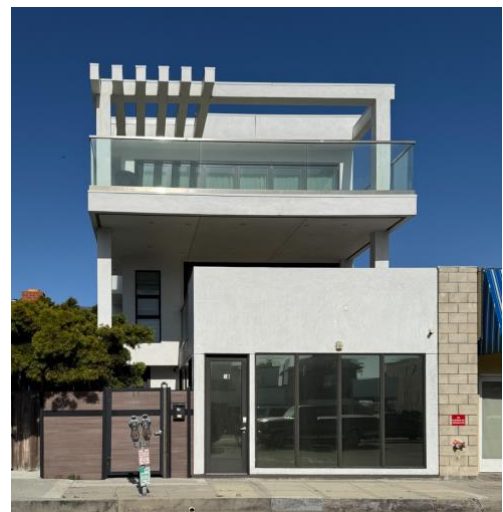


Figure 2 Post Development Hermosa Ave. Frontage

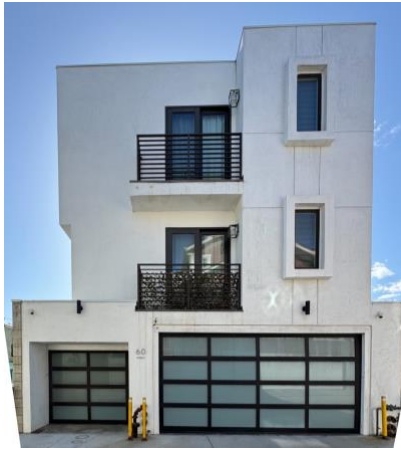


Figure 3 Post Development Back View

As of 6/24/2025 when I took the screenshot below from the AirBNB link, the downstairs commercial is not even office space. It's turned into a vacation rental at \$16K+/mo.

https://www.airbnb.com/rooms/34999162?check_in=2025-10-01&check_out=2025-10-31&location=Hermosa%20Beach%2C%20CA&search_mode=regular_search&source_impression_id=p3_17440502_03_P3oVKAXZUWRwBYf8&previous_page_section_name=1001&federated_search_id=cc75785e-7d3

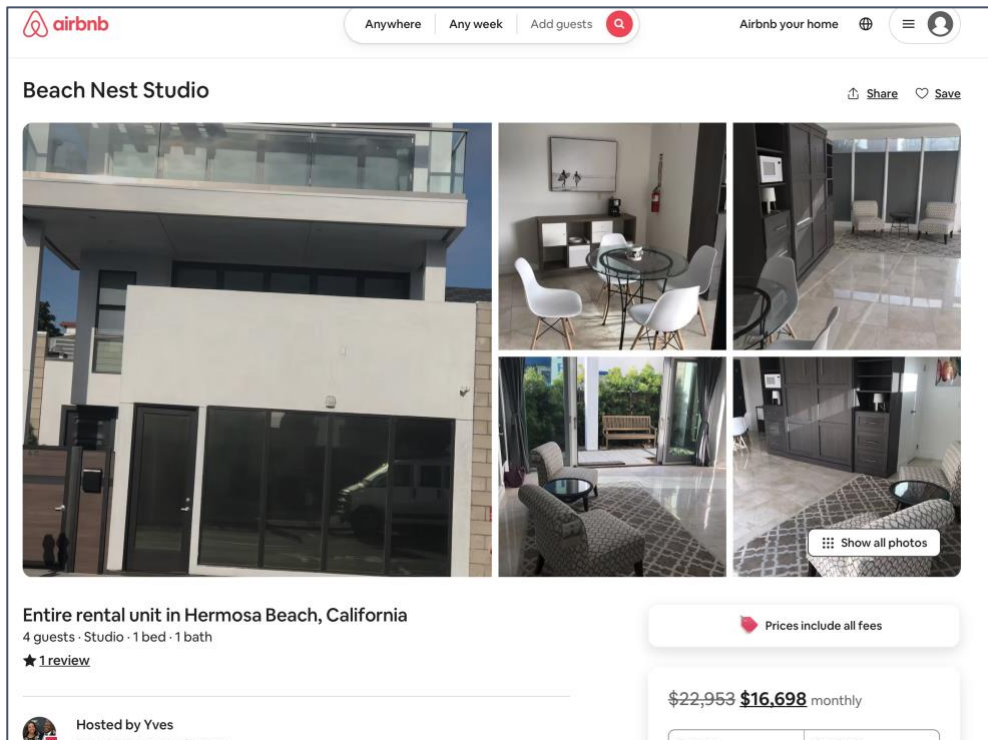


Figure 4 Ground Floor Vacation Rental

The residential unit is also furnished and is rented out part time when it is not occupied by the owner. Screenshot from Nestfully 6/24/2025. <https://www.nestfully.com/rentals/60-Hermosa-Avenue-Hermosa-Beach-CA-90254-344554482>

It would be heartbreaking to see this on Upper Pier. I also don't think this is what HCD intended to address housing needs.

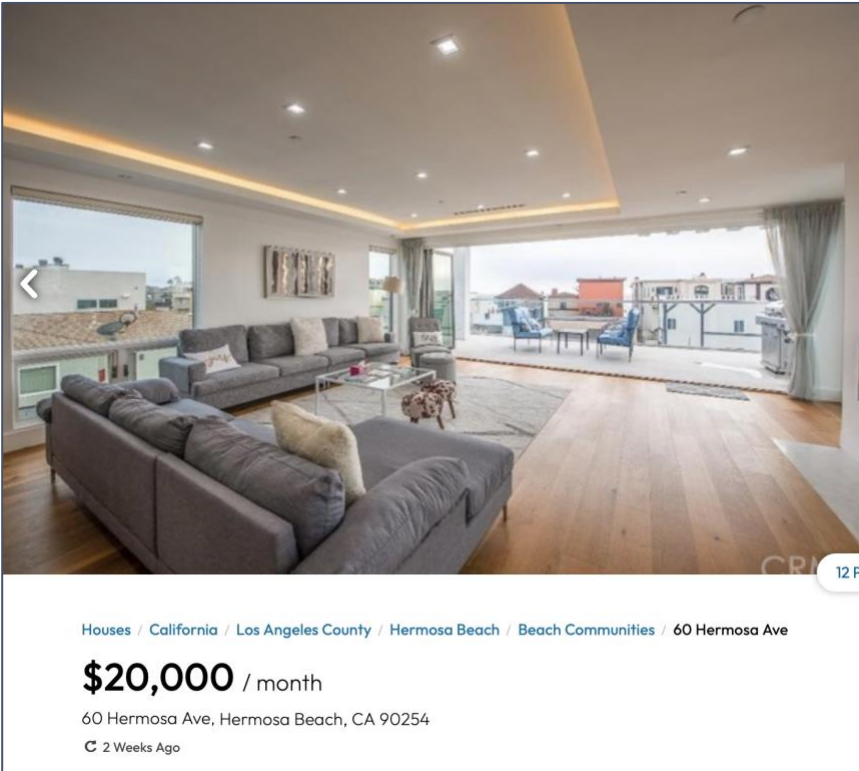


Figure 5 Main Residence