



Honorable Mayor and Members of the Hermosa Beach City Council

INFORMATIONAL ITEM REGARDING FEES FOR COMMERCIAL ENCROACHMENT AREAS

(Environmental Programs Manager Douglas Krauss)

Recommended Action:

Staff recommends City Council receive and file this Informational Item regarding commercial encroachment fees.

Executive Summary:

At its October 28, 2025 meeting, Councilmember Keegan proposed a future agenda item to discuss commercial encroachment fees. The request was supported by Mayor Seamann.

Background:

The City has long supported and encouraged outdoor dining on private and public property to activate place-making strategies and supplement indoor operations. With the onset of the COVID-19 pandemic and related health orders, businesses were limited to conducting business outdoors. Recognizing this hardship, City Council approved a program to allow expanded outdoor dining and other commercial activity. The City also suspended zoning and parking requirements to allow outdoor dining on private property and established a temporary encroachment permit program to allow encroachments into sidewalks and public streets. The City further allowed existing permanent encroachments, such as those on Pier Plaza, to temporarily expand their encroachment areas.

The City has issued over 60 temporary outdoor dining permits in a variety of commercial locations. Though mostly on and around Pier Plaza, encroachments are spread throughout the City's main commercial areas (**Attachment 1**). Initially, City Council allowed these uses without consideration of any encroachment area rents or reimbursement of lost parking meter revenue. At its January 25, 2022 meeting, Council discussed implementing new fees for the temporary outdoor dining encroachments and approved a fee of \$1.50 per square foot per month.

At its February 8, 2022 meeting, Council approved reinstatement of the prior permanent encroachment fees. At its November 3, 2022 meeting, Council extended the temporary program with direction to staff to return with an item to consider a permanent version of the temporary outdoor dining program for Council's consideration.

At that same meeting, Council directed staff to return with an update on encroachment fees and on June 2023, Council approved Resolution 23-7379 with the encroachment fees shown below. There are no additional rate increases scheduled for the encroachment areas beyond these approved by Council in 2023. **(Attachment 2)**

| Encroachment Area Category | Proposed Fee per square foot, per month for 2023-24 | Proposed Fee per square foot, per month for 2024-25 | Proposed Fee per square foot, per month for 2025-26 |
|--|---|---|---|
| Pier Plaza, closes encroachment at 12:30am | \$4.00 | \$5.00 | \$6.00 |
| Pier Plaza, closes encroachment at 11pm | \$2.00 | \$3.00 | \$4.00 |
| Pier Plaza, closes encroachment before 11pm; off-Pier Plaza; on-street; sidewalk; retail | \$1.00 | \$2.00 | \$2.50 |

Past Council Actions

| Meeting Date | Description |
|-----------------------------------|---|
| June 9, 2020 | Approved Ordinance 20-1410U allowing temporary permit program for outdoor dining in response to pandemic. |
| July 14, 2020 | Directed staff to proceed with development of lane closure plans. |
| June 22, 2021 | Approved extension of the outdoor permit program through December 31, 2021. |
| July 13, 2021 | Approved Resolution authorizing extension of lane reconfigurations. |
| October 26, 2021 | Approved development and implementation of permanent versions of these programs. |
| December 21, 2021 | Approved development of permanent programs, and extension of temporary programs through May 2022 |
| January 25, 2022 | Discussion and approval of new fees for temporary encroachments |
| February 8, 2022 | Approved reinstatement of existing fees for permanent encroachment areas |
| May 24, 2022 | Approved extension of programs through January 2023 |
| June 14, 2022 | Approved additional refinements to the outdoor dining programs |
| November 3, 2022 | Approved extension of temporary programs through May 1, 2023 |

| Meeting Date | Description |
|----------------------------------|---|
| January 24, 2023 | Consideration market rate appraisal, temporary rooftop dining, and changes to Pier Plaza temporary encroachments |
| March 28, 2023 | Considered a draft ordinance related to permanent outdoor dining and retail |
| April 25, 2023 | Considered program elements, provided feedback for revisions, and approved a resolution establishing lane reconfigurations, bike lanes and street closures. |
| June 13, 2023 | Approved Ordinance and two Resolutions related to establishing a long-term outdoor dining program. |

Discussion:

At the time, City Council considered various factors to help inform these fees. These included location (with Pier Plaza being most desirable), amount of staff resources needed to administer (enforcement, inspection, maintenance, etc.) and complexity of the encroachment areas (e.g., constructed on-street dining deck versus sidewalk tables and chairs that are movable). The nature of the business was also considered (e.g., retail vs. fine dining) but was not the determining factor for the rate categories approved by Council.

Overall, the number of encroachment permittees has remained essentially the same during this time though a few on-street dining areas (dining decks) have been removed. Staff has not received notable amounts of comments or complaints about the fees though a few business are consistently late with their quarterly payments and at least one has asked for a rate reduction. Staff has no information on the revenue levels of the various business types using these encroachments. Anecdotally, all commercial encroachment areas appear to be highly used by customers during business hours and, in many cases, more so than indoor areas.

Fiscal Impact:

The City collects approximately \$200,000 per quarter in commercial encroachment fees.

Attachments:

1. Outdoor Encroachment Areas - October 2025 by Location Type
2. Fee Log

Respectfully Submitted by: Douglas Krauss, Environmental Programs Manager
Approved: Steve Napolitano, City Manager