

City Council

LAND VALUE RECAPTURE FEES



February 3, 2026

BACKGROUND

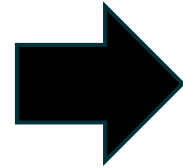
- **January 2024** - Land Value Recapture (LVR) Ordinance adopted
- **August 2024** - HCD certified Housing Element and LVR Ordinance went into effect
 - HCD established LVR program to be reevaluated every 2 years.
- **March 2025** - City Council directed the Planning Commission review of LVR Ordinance as it pertain to “small lots”
- **October 2025** – Planning Commission Reviewed LVR Ord. and Fees



What is Land Value Recapture?

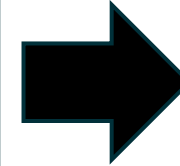
GOVERNMENT ACTION

- Infrastructure Improvements
- Rezoning



LAND VALUE INCREASE

\$\$ → \$\$\$



VALUE CAPTURE

- Community Benefit

BACKGROUND

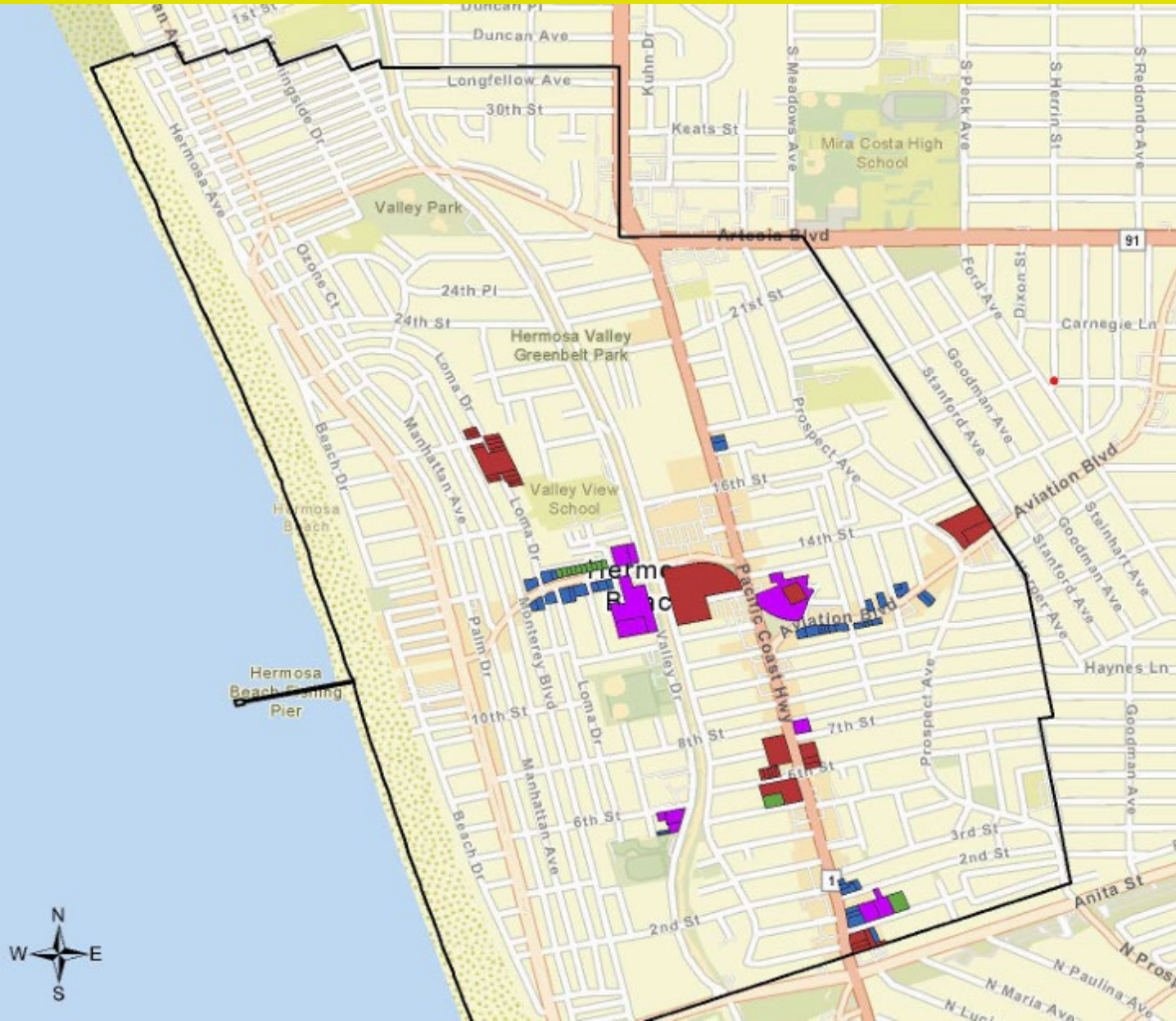
HOUSING ELEMENT

Program 7: Land Value Recapture

PROGRAM DESCRIPTION: value recapture policy requires a portion of increase value caused by rezoning be dedicated to a public benefit, such as affordable housing.



BACKGROUND



- HE Overlay added residential capacity to properties on the Housing Element Sites Inventory

LVR ORDINANCE

Applicability: HE Overlay Zoned properties when developing residential uses.

- Exempt if developed with non-residential uses only
- Exempt if affordable housing is developed on site

Minimum Capacity	Very-Low	Low -	Moderate-
5 or more units	15%	15%	25%
4 or fewer units	1 unit		

CURRENT LVR FEE

Applicability: when only market rate residential units are constructed or only a portion of the affordable unit(s) required

LVR TIERS	FEE
Tier 1 – Minimum Density 4 or fewer residential units (“Small Lots”)	\$76 per square foot
Tier 2 – Minimum Density 5 or more residential units	\$114 per square foot

- LVR Fee equivalent cost of developing affordable unit
- Fees collected would be used to fund development of affordable housing locally
 - DEVELOPMENT SUBSIDIES
 - FUNDING FOR CONVERSION OF EXISTING MARKET RATE UNITS
 - HOUSING TRUST



PC RECOMMENDATION

LVR Fee Amendment

LVR TIERS		FEE
Tier 1 – ("Small Lots")	Density 1-2 Units	No Fee
	Density 3-4 Units	24 mo. reduction from \$76 to \$40
Tier 2 – Minimum Density 5 or more residential units		\$114 per square foot (no change)

Zoning Amendments

- Direct staff to explore zoning incentives that encourage development on "small lots" on the HE inventory list.



CEQA & Public Notice

- **CEQA**

Exempt from California Environmental Quality Act “Commons Sense Exemption” (Section 15061 (b)(3) of State CEQA Guidelines)

- **Public Notice**

- Legal ad published in Easy Reader
- Notice on website
- Posted in 3 locations



Recommendation

1. Determine the action is **exempt** from review under the California Environmental Quality Act (“CEQA”);
2. Adopt a Resolution **amending the fee schedule**, amending LVR fees for small lots; and
3. Direct staff to explore zoning regulations that encourage development of residential units on “small lots”

THANK YOU!

Contact us.

Alexis Oropeza, Planning Manager

310-318-0242

aoropeza@hermosabeach.gov

LAND VALUE RECAPTURE

RHNA and LVR TIER I					
	Affordability				
	Very Low	Low	Moderate	Above Moderate	Total
RHNA (2021-2029)	232	127	106	93	558
Tier 1 – Minimum Density 4 or fewer units	16	27	84	10	137

- Small lots comprise a little under a quarter of the housing inventory sites.

