



Honorable Mayor and Members of the Hermosa Beach City Council

ADJUSTMENT OF FEES FOR COMMERCIAL ENCROACHMENT AREAS
(Environmental Programs Manager Douglas Krauss)

Recommended Action:

Staff recommends City Council consider adjusting certain commercial encroachment fees.

Executive Summary:

At its January 13, 2026 meeting, Council requested staff bring back an action item to consider adjusting fees for certain commercial encroachment areas.

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 adopted new fees for the temporary outdoor dining encroachments at a rate 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. On June 2023, Council approved Resolution 23-7379 approving the following encroachment fees in the table below, with automatic increases until 2026. There are no additional rate increases scheduled for the encroachment areas beyond those approved by Council in 2023:

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

Council Actions

Meeting Date	Description
<u>October 28, 2025</u>	Councilmember Keegan and Mayor Saemann requested an information item concerning commercial encroachment fees
<u>January 13, 2026</u>	Councilmember Keegan, Mayor Saemann, and Councilmember Francois requested an action item to consider adjusting certain encroachment fees

Discussion:

In 2023, City Council considered various factors as a basis for 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). Additionally, an appraisal of real property was performed in December 2022 for the purpose of determining the market rental rate for various restaurant encroachment areas. The appraisal was shared with Council at the time.

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. 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.

At the January 13, 2026 meeting, council suggested creating a new category for commercial dining establishments that do not offer table service nor alcohol use in the encroachment areas. Council suggested the encroachment fee for these businesses be reduced to two dollars per square foot. Per the current encroachment fee list, this revised fee would apply only to two businesses: Mickey's Deli and the Green Store. These businesses occupy 384 and 312 square feet of public right of way, respectively. For comparison, a typical public parking space is 144 square feet and, in the downtown area, generates approximately \$6,000 annually. Council also stated that these encroachment areas do not generate much revenue for these specific businesses, and may consider converting these to public parking spaces or other beneficial public uses such as benches, bike parking areas, etc. Should Council approve the fee adjustment, it will be included in an upcoming update of the Master Fee list and put into effect immediately thereafter.

Fiscal Impact:

The City collects approximately \$200,000 per quarter in commercial encroachment fees. Reducing fees for Green Store and Mickeys will result in a revenue reduction of approximately \$4,000 annually.

Attachments:

1. Map of encroachment areas
2. Log of fees per business

Respectfully Submitted by: Douglas Krauss, Environmental Programs Manager

Noted for Fiscal Impact: Brandon Walker, Administrative Services Director

Approved: Steve Napolitano, City Manager