



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 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 discussed implementing new fees for the temporary outdoor dining encroachments and approved a fee of \$1.50 per square foot per month.

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, including an updated encroachment fee schedule.

On June 13, 2023, Council approved Resolution 23-7379 (**Attachment 2**), which established encroachment fees for the 2023-24 fiscal year through the current 2025-26 fiscal year. Fees for fiscal year 2025-26 went into effect July 1, 2025 and remain in place. There are no additional rate increases scheduled for the encroachment areas beyond these approved by Council in 2023:

Encroachment Area Category	Approved Fee per square foot, per month for FY 23-24	Approved Fee per square foot, per month for FY 24-25	Approved Fee per square foot, per month for FY 25-26
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
October 28, 2025	Councilmember Keegan and Mayor Saemann requested an information item concerning commercial encroachment fees
January 13, 2026	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 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).

Overall, the number of encroachment permittees has remained essentially the same during this time, although a few on-street dining areas (dining decks) have been removed. Staff has not received notable amounts of comments or complaints about the current encroachment fees. The current fees are applied equally to each permittee and is not based on the revenue levels of the various business types using these encroachments.

On January 13, 2026, Council suggested creating a new category for commercial dining establishments outside of Pier Plaza that do not offer table service nor alcohol use in the encroachment areas. Council suggested the encroachment fee for these businesses be reduced from \$2.50 to \$2 per square foot. Per the current encroachment fee list, this

revised fee would apply to Mickey’s Deli and the Green Store as well as a number of other dining establishments off Pier Plaza such as: Brother’s Burritos, Java Man, Proudly Serving, and Tacos El Goloso. These six businesses occupy 1412 square feet of public right of way, cumulatively (**Attachment 3**). Additionally, Staff is investigating at least two businesses, Gitana and Granny’s Grocery, that are encroaching on public right-of-way but are not included in the encroachment permit process. Staff will work with these businesses to incorporate them into the program as appropriate.

Council also briefly discussed how the encroachment fees affect retail establishments. Currently there are only six non-food, retail businesses using public encroachments. Four are located on Pier Plaza and two use sidewalk areas on Pier Avenue. Per the abovementioned fee schedule, these businesses also pay encroachment fees of \$2.50 per square foot. Staff has received some community input suggesting a fee of \$1 per square foot for retail encroachment permits. These retail businesses are listed in the table below:

Business	Square Footage	Current Quarterly Encroachment Fee
Fundamental Coast	15	\$112.50
Heavenly Couture	150	\$1,125.00
Pier Surf	180	\$1,350.00
Spyder	200	\$1,500.00
Treasure Chest	156	\$1,170.00
Waves	247	\$1,852.50

For comparison, the City of Manhattan Beach charges \$4.00 per square foot for all commercial encroachments. The City of Redondo Beach charges \$2.00 for encroachments that serve alcohol and \$1.00 for those that do not.

Fiscal Impact:

The City collects approximately \$200,000 per quarter (approximately \$800,000 annually) in commercial encroachment fees. A number of fee adjustment options are listed below along with a table illustrating approximate fiscal impacts:

Option 1: Approve a new category of encroachment permit for off Pier Plaza businesses conducting retail food sales without table service and without alcohol service with an encroachment fee of \$2 per square foot. This includes six businesses at a total of 1412 square feet.

Option 2: Approve a new category of encroachment permit for off Pier Plaza businesses conducting retail food sales without table service and without alcohol service with an encroachment fee of \$1 per square foot. This includes six businesses at a total of 1412 square feet.

Option 3: Approve a new category of encroachment permit for all businesses conducting retail food sales without table service and without alcohol service with an encroachment fee of \$2 per square foot. This includes nine businesses at a total of 2201 square feet.

Option 4: Approve a new category of encroachment permit for all businesses conducting retail food sales without table service and without alcohol service with an encroachment fee of \$1 per square foot. This includes nine businesses at a total of 2201 square feet.

Option 5: Maintain the current category of encroachment: “Pier Plaza, closes encroachment before 11pm; off-Pier Plaza; on-street; sidewalk; retail,” and reduce the encroachment fee for all businesses in this category to \$2 per square foot. This includes thirty-five businesses at a total of 12,680 square feet.

Option 6: Maintain the current category of encroachment: “Pier Plaza, closes encroachment before 11pm; off-Pier Plaza; on-street; sidewalk; retail,” and reduce the encroachment fee for all businesses in this category to \$1 per square foot. This includes thirty-five businesses at a total of 12,680 square feet.

Option #	Current Annual Fee Revenue at \$2.50 / sq. ft.	Projected Annual Fee Revenue	Total Annual Revenue Reduction
1	\$42,360.00	\$33,888.00	\$8,472.00
2	\$42,360.00	\$16,944.00	\$25,416.00
3	\$66,030.00	\$52,824.00	\$13,206.00
4	\$66,030.00	\$26,412.00	\$39,618.00
5	\$380,400.00	\$304,320.00	\$76,080.00
6	\$380,400.00	\$152,160.00	\$228,240.00

Attachments:

1. Map of encroachment areas
2. Resolution 23-7379
3. Log of fees per business

Respectfully Submitted by: Douglas Krauss, Environmental programs Manager

Noted for Fiscal Impact: Henry Chao, Finance Manager

Reviewed by: Brandon Walker, Administrative Services Director

Approved: Steve Napolitano, City Manager