



**Honorable Mayor and Members of the Hermosa Beach City Council**

**PARKING IN-LIEU FEE REPORT**

(Administrative Services Director Brandon Walker)

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**Recommended Action:**

Staff recommend City Council (“Council”):

1. Receive and file a Parking In-Lieu Fee Report

**Executive Summary:**

This report provides an overview of the City of Hermosa Beach (“City”) parking in-lieu fee program including current fee levels, program constraints, and legal considerations related to enforcement and collection. While the program provides flexibility for development and supports shared parking infrastructure, it faces challenges related to fee adequacy and the practical deployment of collected funds.

**Background:**

The City’s in-lieu parking program is implemented as part of its certified Local Coastal Program and, in certain cases, through a Coastal Development Permit (“CDP”) issued pursuant to the California Coastal Act of 1976 (“Coastal Act”). The Hermosa Beach Municipal Code (“HBMC”) allows applicants to satisfy required off-street parking through the payment of parking in-lieu fees, subject to City approval. This program provides flexibility in development while supporting shared and public parking infrastructure.

HBMC Section 17.44.040, governing the Downtown District, states:

“When the city council provides for contributions to an improvement fund for a vehicle parking district in lieu of parking spaces so required, said in-lieu fee contributions shall be considered to satisfy the requirements of this chapter pursuant to a parking plan approved by the planning commission.”

In-lieu fees may be accepted when authorized by the City Council and implemented through a Planning Commission–approved parking plan. Fees are restricted to funding development, expansion, and maintenance of public off-street parking facilities. The current fee is \$28,900 per space, reflecting the City’s estimated cost to provide equivalent public parking. These fees allow the City to aggregate funding from new development to

support shared parking resources, supplementing—rather than replacing—municipal investment in public parking.

The in-lieu fee option is voluntary, not automatically granted, and is typically considered when:

- Physical constraints limit on-site parking feasibility;
- The project is within an area designated for shared/public parking; or
- Off-site improvements better support circulation and land use objectives.

The intent of the program is to offset parking shortfalls from individual developments while advancing coordinated, district-wide parking solutions that support economic activity and community access. In certain cases within the coastal zone, payment of in-lieu fees may be required as a binding condition of project approval and is therefore not discretionary.

### **Analysis:**

The City has collected approximately \$404,600 in in-lieu parking fees to date and expects to add to that amount given several recently approved projects that agreed to pay the in-lieu parking fee.

These funds are currently being banked, as the City works to identify ways to increase parking where feasible. In-lieu fees are collected incrementally, one development at a time, while the types of projects they are intended to fund require large, upfront capital investments. This creates somewhat of a challenge to deploy funding on feasible deliverable projects in a built-out coastal environment with limited available sites, high costs, and significant regulatory constraints.

### **Outdated Fee Level**

The City's current in-lieu parking fee of \$28,900 per space has not been updated in over 15 years and no longer reflects current market conditions. A 2022 appraisal concluded a market-supported fee of approximately \$35,000 per space and recommended indexing the fee over time to prevent further erosion. The existing fee therefore falls below conservative market benchmarks.

### **Does Not Reflect True Cost**

Even at \$35,000 per space, the fee does not capture the full cost of delivering a public parking space (including land acquisition, structured construction, financing, and operations). As a result, both the current fee and the appraised market rate effectively subsidize the true cost of creating new parking; requiring additional public funding to close the gap. Thus, a new study may be warranted to identify the actual cost of providing parking downtown on a per space basis.

## **Legal Authority and Enforcement**

While there are challenges with raising sufficient funding through the program to produce parking commiserate with development demands in a timely manner, recent legal analysis confirms that the City has strong authority to enforce and collect in-lieu parking fees under multiple independent legal bases. Where imposed through a CDP, payment of in-lieu parking fees is a mandatory permit condition required by the California Coastal Commission (“Coastal Commission”). Failure to pay constitutes a violation of the permit and the California Coastal Act, rather than solely a HBMC violation. The City also possesses independent authority to administer and collect in-lieu parking fees pursuant to its police powers and adopted zoning regulations (including Ordinance No. 04-1239). In addition, such fees constitute development exactions that must satisfy constitutional nexus and proportionality requirements and the Mitigation Fee Act (California Government Code sections 66000 through 66025).

## **Enforcement Mechanisms**

The City has multiple enforcement mechanisms available, including: (1) withholding final approvals or certificates of occupancy; (2) enforcing compliance with CDP conditions; (3) coordinating with the Coastal Commission regarding violations; and (4) pursuing judicial action to recover unpaid fees.

## **Limitations on Enforcement Tools**

1. Liens: The City should obtain a court judgment prior to recording a lien for unpaid in-lieu parking fees to avoid procedural due process concerns, as current HBMC provisions do not expressly authorize such liens.

2. Credit Reporting: The City may report unpaid fees to credit agencies. Direct reporting of unpaid fees to credit agencies is not recommended absent a final adjudicated judgment due to potential legal risks.

3. Deed Restrictions: Recorded deed restrictions associated with CDPs may cause obligations to run with the land, but do not independently create a monetary lien without further legal process.

## **Program Challenges**

The City’s in-lieu parking fee is generally too low to reflect current costs, and even the market-supported rate still subsidizes the true cost of parking delivery. In addition, the lack of readily available sites and regulatory hurdles further increase the time and money needed to create new parking opportunities. However, the City retains strong legal authority to require and enforce payment of in-lieu parking fees and may consider program updates alongside strengthened enforcement practices.

## **Opportunities**

While the City faces inherent challenges in deploying in-lieu parking funds, staff is exploring more economically viable and near-term solutions to improve parking conditions.

Staff is also evaluating the use of accumulated funds for potential parking improvements at the former public storage site adjacent to City Hall, as well as other public parking areas. In parallel, staff is assessing measures such as increasing parking turnover through time limits and enhanced enforcement, leveraging technology to provide real-time parking availability and streamlined payment options, and reallocating curb space to support flexible uses like loading, outdoor dining, and pickup/drop-off zones. Additional efforts include expanding multi-mobility infrastructure, such as bike racks, scooter parking, and micromobility hubs, to reduce vehicle demand, as well as restriping and reassessing existing parking layouts to maximize the number of usable spaces.

Together, these approaches may represent more feasible, cost-effective ways to incrementally add capacity and improve access, helping to address parking constraints in the near term while also evaluating longer-term solutions.

**Fiscal Impact:**

There is no fiscal impact associated with receiving and filing the Parking In-Lieu Fee Report.

Currently, the City has collected \$404,600 in unexpended parking in-lieu fees. An additional \$462,400 is pending collection. The current parking in-lieu fee is \$28,900 per space and has not been updated since July of 2006. Prior to the most recent update, the fee was set at \$12,500 per space in June of 1999.

As property values have increased, the current market supported fee of approximately \$35,000 per space is reasonable if City Council elects to update the in-lieu fee. However, the \$35,000 per space fee is based on a 2022 assessment that did not capture the full cost per space to building parking, and a new evaluation to determine a more appropriate in-lieu fee may be warranted. Council may authorize the use of these funds for capital improvements or alternative parking strategies, which would be considered as part of future Council action.

**Respectfully Submitted by:** Brandon Walker, Administrative Services Director

**Concur:** Alison Becker, Community Development Director

**Noted for Fiscal Impact:** Henry Chao, Finance Manager

**Legal Review:** Jason Baltimore, Interim City Attorney

**Approved:** Steve Napolitano, City Manager