

DINING DECK & ENCROACHMENT REPORT

PREPARED BY THE
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CHAMBER *of* COMMERCE
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INTRO

The local economy is ill. Proof is in Hermosa rental rates. Space rental rates directly reflect the desirability and vibrancy of an area. The more desirable and vibrant an area is the more valuable the space is within it. Five years ago, Downtown Hermosa rents held a solid middle spot between Downtown Manhattan and Riviera Village. Now, our downtown has fallen behind Downtown Manhattan, Manhattan Village, Riviera Village, and Rosecrans Corridor and we are trending further behind. Typical Manhattan Village rents range between \$6.50-\$10/ft, with Manhattan Ave holding the highest due to foot traffic. Riviera Village spots are now scarce and rent for \$6/ft. By contrast, Pier Avenue and Hermosa Avenue rent for \$4-\$5/ft. The Plaza and strand range from \$6-8/ft.



BUSINESSES WITH DECKS

Pier Plaza

Cafe Bonaparte

Playa Hermosa

Brews Hall

Oakberry Acai

Silvios

Greenspot

Juiced

American Junkie

Baja Sharkeez

Watermans

Henneseys

Palmilla

Patrick Molloy's

The Lighthouse

Heavenly Couture

Pier Surf

Spyder

Treasure Chest

Waves

Tower 12

OFF Plaza

Bottle Inn

Barnacles

Good Stuff

Martha's

Mickey's

The Beach House

The Green Store

Java Man

Brothers Burritos

Chef Melba's

La Playita

Lobster & Beer

Japonica

Mobi Scooters

North End

Paisanos

Pedones

Tacos El Goloso

Zanes

Beach Bound

Creme de la Crepe

El Tarasco

Fundamental Coast

Hook & Plow

Rockefeller

Sosta Cucina

The Source Cafe

Uncorked

SURVEY RESULTS

Hermosa Chamber polled restaurants and cafe owners in Hermosa Beach with businesses located on Pier Plaza, along Hermosa Avenue, Upper Pier and throughout Hermosa. A total of 22 businesses responded. Below are the highlights of the survey results:

- Less than 20% of businesses are doing better than they were pre-COVID
- Higher sales tax revenues DO NOT indicate our restaurants are thriving. Sales tax revenues depend on sales, not profits. The increase in sales tax revenue is due to inflation and higher restaurant and bar prices, rather than an actual rise in profits. Heavily impacting profits is massive increase in cost of goods, state-mandated payroll increases, health care cost increases, rent increases, etc.
- Average PPSF rent paid by respondent is:
 - Plaza \$3 - \$6*
 - Off-Plaza \$1.50 - \$7.50*

**note many downtown Hermosa properties are under generational ownership and thus under market rate. Also, some of the Plaza business have 15+ year leases so also are under market value.*



SURVEY RESULTS

- Average cost these businesses polled have invested in building their decks ranges \$15-50k.
- 50% of rents have been raised since the pandemic.
- 59% of the respondents do not have resources to store their deck materials if seasonality were offered.
- When asked, the threshold for what a respondent would pay per square foot to keep their deck tops out at \$2. We would begin to see closures at amounts beyond that.



EXPERTS SAY



According to local real estate experts:

- 16% of pre-pandemic diners have not returned to eating out.
- Hermosa sales tax revenue over the last 20 years has not really budged. If you add inflation to it, it has been dropping.
- Hermosa Downtown has an unprecedented 3 restaurants on the market with 5 more that have expressed interest and want out. So we may have 8 restaurants leaving shortly. This is opposite of Riviera Village and Manhattan Beach where **there are no vacancies.**
- The average national revenue per square foot for restaurants is \$500/ft. Manhattan Beach does \$1500/ft. That is three times the national average. Many downtown Hermosa restaurants do not even reach the national average even though they are in a wealthy coastal community.

ASSUMPTIONS / PIER PLAZA

ASSUMPTION	RESPONSE
All decks should close at a certain time.	Studies have shown that vibrant public spaces with staggered closing times for businesses can enhance safety and reduce crime by keeping the area active and populated. Continuing staggered closing times in line with each business' hours, creates a safer and more vibrant social scene in the downtown district. This parallels Chief LeBaron's desire to have businesses with staggered closing times throughout the city. We are moving forward with the hopes of a BID formation that can contribute to the cost of the late night environment.
Encroachment should be granted only if the establishment agrees to close at a certain time.	In order to attract high-performing business (good operators) we need a regulatory environment that is flexible. Otherwise, we may fail to attract the businesses we need to help with economic development.

ASSUMPTIONS / PIER PLAZA

ASSUMPTION	RESPONSE
Encroachment rate should approximate indoor rental rate, which is as much as \$10/ft.	Based on the survey, \$10/ft can not be reasonably assumed. The respondents pay an average of \$4-6.
Decks should be priced so they are only up if well utilized thus under-utilized decks should be taken down.	Decks are important for economic development. If underutilized or if businesses can't afford them, they could be used for placemaking and available for the general public use.
A seasonal program where decks are installed and taken away based on season.	13 of the 22 respondents do not have the resources to store their decks.

ASSUMPTIONS / PIER PLAZA

ASSUMPTION	RESPONSE
Decks should line up with adjacent deck.	Decks are vital to keeping Hermosa competitive. The Plaza exists to attract locals and tourists. The ROMA study emphasized the importance of improving the public realm to enhance the image and identity of the Downtown Core. The study noted that widened sidewalks and public plazas that create space for cafes and outdoor dining can attract additional patrons, and that activities that spill out and populate public spaces communicate that the area is worth visiting. Requiring decks to “line up” does not allow the unique store frontages to embrace their individuality.
Decks should be open for a minimum of 8 hrs in order have the deck permit.	Considering our businesses are using public space, the decks could be available to the public during the daylight hours so utilization could be addressed.

ASSUMPTIONS / PIER PLAZA

ASSUMPTION	RESPONSE
<p>Decks can be easily taken up and down.</p>	<p>Investment in the decks can be significant. On-street decks cost anywhere from \$15k to \$50k. Also, 13 of the 22 respondents do not have the resources to store their decks. Portable decks are sometimes seen as an attractive solution for businesses looking to increase outdoor seating options during high demand seasons and not having the cost burden during the off-season. However, in our city, portable decks may not be a feasible option for most businesses due to limited storage space. As a tight and compact city, businesses do not have the luxury of large amounts of storage space to house giant modular barriers. While portable decks may seem like a great idea in theory, the practical realities of our city make it difficult to implement them on a wide scale. Consider alternative options for increasing flexible outdoor seating that are more practical and feasible for our city. Seasonal rates are one recommended solution. Businesses will be more inclined to support higher summer season rates if they know they'll save money on rates in the off-season, which allows the city to take advantage of the often nice winter days without completely losing the outdoor seating.</p>

ASSUMPTIONS / OFF PIER PLAZA

ASSUMPTION	RESPONSE
<p>Lane reduction isn't necessary for outdoor dining.</p>	<p>In order to ensure public safety there should be a sufficient buffer between decks and cars. Although we had some lanes next to decks during part of the pandemic, the patron experience is dramatically more alarming when a car drives by a seated patron. In addition, the lane reduction also allows for a designated bike lane that encourages other forms of mobility, thus creating a better environment for living streets.</p>
<p>Fees should be increased to ensure space is efficiently used. A vacant deck demonstrates a business should be paying more.</p>	<p>There are many costs involved when a business decides whether they can afford to open for lunch or an additional meal time. Thus, if they own a deck, it's possible they still may not be able to afford to open for lunch because of staffing, resources, etc. It's not always about business model. Thus we should all think outside the box on how to maximize use and possibly introduce public use during daytime hours.</p>

REGARDING:WORKING TOGETHER

We know generally that most people, including Council, love outdoor dining. It's important to ensure that the regulations are reasonable and strike a balance between promoting outdoor dining and protecting public safety. Studies have shown that outdoor dining can have a positive impact on local economies, increasing foot traffic and revenue for businesses. Outdoor dining can help to create a vibrant social scene and enhance the overall image and identity of the Downtown Core as a retail destination. We encourage the City to continue to work collaboratively with local businesses to create regulations that are supportive and reasonable. By doing so, we can create a win-win situation for both businesses and the community as a whole. We all want to build trust between Council, staff, and local business owners through communication and ideation which is a critical step towards establishing a Business Improvement District that is beneficial for all stakeholders involved.

ADDITIONAL INSIGHT

People come to be near the beach and to enjoy the collective social atmosphere of downtown Hermosa. We compete with other neighboring communities that offer dining near the ocean with a vibrant social scene, i.e. Redondo Beach's vibrant Riviera Village. We want to focus on investing in all business corridors the same way previous Councils created placemaking like Pier Plaza.

Studies have shown that improvements to the public realm, such as widened sidewalks and public plazas, can attract additional patrons and create a vibrant social scene that encourages people to stay and spend time in the area. The Roma Study, which is part of our General Plan, highlights the importance of creating a sense of place and enhancing the image and identity of the Downtown Core as a retail destination.

From the Roma Study, "The downtown district is the heart of Hermosa Beach and should be enhanced so that it becomes, to an even greater extent than today, the focus of social life in the city. The betterment of the downtown will reflect positively on the quality of life in the community as a whole.

Improvements to the public realm are key to the enhancement of the image and identity of the Downtown Core as a retail destination. Widened sidewalks and public plazas that create space for cafes and outdoor dining can also attract additional patrons. Activities that spill out and populate the public spaces communicate that this place is worth visiting - seeing people brings people."