

*The Economics of Land Use*



## Report

# Hermosa Beach Economic and Market Study Update

Prepared for:



City of Hermosa Beach

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# 1. INTRODUCTION

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Economic & Planning Systems (EPS) was retained by the City of Hermosa Beach (City) to update its previous Downtown Core Revitalization Strategy: Market and Economic Analysis Report dated January 15, 2014. This updated report is intended to inform the City's efforts in formulate a citywide economic development strategy. In addition to updating the data included in the last report, the update expands the analysis to incorporate the City as a whole. Economic and market data available through third party sources have been updated to reflect the most current information, and the updated data are incorporated in the tables and text of the full report. Some aspects of the prior report were based on onsite research and observations. These elements have not been updated, due to the limitations of the Covid-19 pandemic in terms of observing business operations and mix with so many businesses closed or operating at a reduced level.

For the most part, the recommendations of the last study are still valid, and useful as guides to economic development strategies. However, some conditions have changed since the original report was completed, and we have attempted to reflect these in the findings of the update. The most significant changes have to do with parking requirements and strategies; the trend toward working at home, which is likely to continue post COVID-19 and represents an opportunity the City can build upon; the evolution of the business mix and the reduction of externalities from bars on Pier Plaza; and the steps the City has taken to be more proactive in economic development and improving the business climate. EPS explored the ramifications of these changes through interviews with key stakeholders in the community, and have reflected what we have learned in the summary observations described in this executive summary.

Hermosa Beach still occupies a unique position within the triad of Beach Cities located in the South Bay area of the Los Angeles basin. Situated between the highly affluent Manhattan Beach to the north and the larger more urban Redondo Beach to the south, Hermosa is the smallest of the three cities. While also quite affluent, Hermosa Beach has a younger population, a greater proportion of renters, a smaller proportion of family households, and the smallest employment base. The City is known in particular for its laid-back beach lifestyle and nightlife entertainment offerings.

All three Beach Cities began as recreation and vacation destinations characterized by modest housing and commercial services catering primarily to vacationers, day visitors, and the small local population. As Los Angeles grew, the Beach Cities became very desirable places to live year-round, with clean air, excellent schools, the beach amenity, and an improving housing stock. Manhattan Beach in particular, with its superior proximity and transportation linkages to Los Angeles employment centers and LAX, has become very upscale with high home values and a very successful retail and commercial district. Hermosa Beach has benefited from similar trends, and as the city has matured, the Downtown District has evolved as well. Compared with Manhattan Beach, however, Hermosa Beach is in a more transitional stage as downtown commercial offerings offer less diversity in retail and fine dining than would be expected given the city's demographics and high-quality locational assets.

The findings in this Report are based on currently available data, interviews with industry professionals, site visits, and the authors' experience with similar projects. Actual future

development prospects and outcomes will depend on economic conditions, decisions by property owners and developers based on a range of individual financial and market conditions, and actions by local government that will influence development activity.

## 2. DEMOGRAPHIC AND MARKET DATA UPDATE SUMMARY

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### Population, Income and Housing

- The total Beach Cities population is approximately 121,000, with Redondo Beach the largest at 68,000, followed by Manhattan Beach at 36,000, and Hermosa Beach at 20,000.
- Hermosa Beach's population grew just 0.7 percent between 2010 and 2019, but its population growth still exceeded its residential unit growth of -2.5 percent. The number of households in the City declined by 4.4 percent over the same period.
- In 2020, Hermosa Beach had a median home value of \$1.7 million, reflecting a 72 percent increase from 2012. Meanwhile, the median value of a home sold in Manhattan Beach increased to over \$2.3 million, reflecting a price growth of 73 percent over the same period. The Redondo Beach median home value of just over \$1 million is significantly lower than its Beach City neighbors but still much higher than the City of Los Angeles median of \$694,000.
- Hermosa Beach's median household income in 2019 was \$137,000, nearly 40 percent higher than its figure in 2010. Manhattan Beach still possesses the highest median household income of the Beach Cities at \$150,000, while Redondo Beach's has now exceeded six figures, standing at \$112,000
- As in 2010, in 2019 Hermosa Beach's residential population is the youngest, the most transient, and the least family-oriented of the Beach Cities. The median age of Hermosa Beach residents is 39, compared with 44 in Manhattan Beach and 41 in Redondo Beach. The percentage of owner-occupied households in Hermosa Beach is 42 percent, compared with 62 percent in Manhattan Beach and 48 percent in Redondo Beach.
- Single-family homes make up 54 percent in Hermosa Beach. The number of single-family homes in Hermosa Beach has increased since 2010 as the number of multifamily homes has continued to fall. This trend, along with the dramatic increases in home values, reflects the replacement of older multi-family dwellings with larger, more expensive single-family homes, similar to the trend in Manhattan Beach.

### Employment

- Since 2011, job growth outpaced population growth in Hermosa Beach, with the 9 percent increase in jobs representing more than ten times the City's population growth.
- Much of the job growth in Hermosa Beach was in sectors associated with knowledge work. The combined finance, real estate, information, professional services, technical services, and executive management sectors now make up the second-largest segment in Hermosa Beach (19 percent).
- The importance of tourism, dining, and entertainment to the economies of all three Beach Cities is reflected in the job share for the accommodation and food services sectors, which contributed the largest category of Hermosa Beach jobs (24 percent). However, this category saw the largest drop in its share of total jobs since 2011, as knowledge-based jobs have grown at a faster rate. The Covid-19 Pandemic is also expected to have disproportionately impacted hospitality-related jobs.
- Despite the high growth of jobs relative to population in Hermosa Beach, the City maintained a strong bedroom community orientation with a jobs-to-household ratio of 0.71 in 2018. The U.S. Census Longitudinal Employment-Household Dynamic (LEHD) Survey reported that the City had a net commuter outflow of 2,475 that same year.

## Retail

- There is at least 3.7 million square feet of destination retail within nine miles of Hermosa Beach
- As of Q4 2020, Hermosa had a citywide average annual retail lease rate of \$3.54 per square foot, lower than Manhattan Beach (\$5.29 per square foot), but above Redondo Beach (\$2.98 per square foot). Retail vacancy in Hermosa Beach is the highest among the Beach Cities at 6.1 percent.
- Total taxable sales per capita in Hermosa Beach was \$12,202 in 2019, slightly higher than Redondo Beach (\$11,258), but significantly lower than Manhattan Beach (\$19,192). While Hermosa performed similar to Manhattan Beach in the Food Services and Drinking Places category, it lagged behind both Manhattan Beach and Redondo Beach in General Merchandise sales.

## Hotels

- Hermosa Beach has an estimated 480 hotel rooms as of 2021, approximately half the amount in Manhattan Beach and less than one third the amount in Redondo Beach.
- The most prominent hotel in downtown Hermosa is the Beach House Hotel, located on the Strand. It serves mainly leisure, business, and group travel, rather than a vacation destination clientele. It has continued to operate during the Covid-19 pandemic, but at lower occupancies. Early check-in and late check-out have allowed some rooms to be occupied by those who want to work outside the home, but in the community.
- The H2O is a new 30-room hotel on Hermosa Avenue that opened in Late 2020.

## Office

- Hermosa Beach's office inventory stands at approximately 367,000 square feet, and remains small compared to Manhattan Beach and Redondo Beach, which have about 1.6 million and 2.4 million square feet of office space, respectively. According to CoStar, all of Hermosa Beach's office inventory is classified as Class B or C space.
- Overall, the Hermosa Beach market for Class B and C office space occupies a viable segment priced below Manhattan Beach but above Redondo Beach. As of the fourth quarter of 2020, Class B and C rents in Hermosa Beach average \$3.75 per square foot and are trending up, compared with \$3.17 per square foot in Redondo Beach and \$4.25 per square foot in Manhattan Beach.
- Hermosa Beach office vacancy rate in Q4 2020 of 11.7 percent is nearly double that of Redondo Beach (5.7 percent) and triple that of Manhattan Beach (3.9 percent).
- Marlin Equities expanded its office presence in its buildings along Pier Avenue and it is further expanding its presence in its building at the intersection of Pier and Manhattan Avenues. Baker/Burton Lundy has also expanded and upgraded its office presence on Upper Pier Avenue.
- A remodeled office building on upper Pier Avenue (200 Pier) was originally intended to offer for-sale office condominiums. It has turned out to be leased space and houses numerous small businesses.
- There are a few co-working office spaces in Hermosa, including Unita on Hermosa Avenue. There are quite a few more in Manhattan Beach, and there is potential to



develop more in Hermosa as an extension of the work from home trend, offering flexibility between a home office and a more typical workplace.

### 3. KEY TRENDS: ISSUES AND OPPORTUNITIES

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#### Parking

- Many interviewees noted that restrictive parking requirements in Hermosa Beach often prove to be a major barrier to economic growth, smart urban design, and maintaining the vitality of the historic downtown area. Relaxing the City's parking standards in some cases would allow otherwise infeasible projects to be realized, facilitate rehabilitation and re-tenanting of historic buildings, and remove barriers to potential businesses wishing to locate in Downtown Hermosa.
- Restaurants in particular are less concerned about parking due to the growth in alternative transportation options, including ride sharing, carpooling, bicycling, and walking from nearby neighborhoods that have reduced car travel and the demand for customer parking.
- Employee parking takes up a lot of capacity that could serve patrons and visitors. Off-site employee parking could free up more customer parking and provide more parking for beach goers and visitors in the summer months.
- One of many suggestions for more strategically locating public parking is converting the tennis courts at the Community Center to structured parking. The City's in lieu parking fee could be used to help finance parking in the Civic Center/Community Center area instead of on Lot A, north of 11<sup>th</sup> Street between Hermosa Avenue and Beach Drive. Several interviewees stated that Lot A would be better used for mixed-use development and/or civic uses in light of its proximity to the Strand and frontage on Hermosa Avenue.
- Parking uphill from the downtown commercial district would facilitate foot traffic passing by businesses. This juxtaposition has contributed to the vitality of the retail district in Manhattan Beach.
- It is generally agreed that restrictive parking requirements likely contributed to making the "Pier/Strand" hotel proposed on the Mermaid site financially infeasible. On-site parking requirements were also often cited as a major impediment to the rehabilitation and re-tenanting of older buildings that were built without off-street parking.
- Alternative parking and TDM (Transportation Demand Management) strategies could alleviate the financial burden of on-site parking. TDM measures may include valet parking, shuttles, off-site employee parking, and the encouragement of bicycle and pedestrian access, for example.
- Some business owners commented that fewer parking spaces can be beneficial to their bottom line, as it sometimes translates to lower lease rates.
- Interviewees were mixed in their assessment of the existing garage. While some noted that it removed demand for street and surface lot parking in the Downtown, and praised the public art component, others noted that it remains largely empty during off-peak periods and occupies a valuable piece of real estate adjacent to the Strand.

#### Business and Land Use Mix

- As a means of identifying the appropriate tenanting strategy for Downtown, multiple interviewees suggested an organized means of obtaining residents' input on their desired category of establishments.

- It was overwhelmingly agreed that the public safety concerns associated with the late-night bar scene have subsided significantly in the past decade, though the problem remains to some degree, particularly late at night.
- While many hope for a continued trend away from Hermosa's image as a nightlife destination, a few interviewees noted that some restaurants/bars depend on the post dining hours drinking to make sufficient revenue to cover their costs.
- Among those hoping for a continued shift, a culinary-driven scene appears to be desired by many as a means of replicating the success of Downtown Manhattan Beach, and attracting a crowd that is less likely to cause police and EMT calls in the late hours.
- One resounding point of unison among interviewees is that outdoor dining which has increased as restaurants struggle to survive during the pandemic should be retained permanently and encouraged moving forward.
- While Hermosa Beach has historically not been a strong location for Class A office space, it is in a unique position to capitalize on certain office trends given its demographic characteristics and quality of life. It was noted that the desirable environment, ample food and business services, and the trend toward business decision-makers wanting to work closer to home are supportive of the demand for Class A office space.
- The likely ongoing trend of increased work from home could be augmented by coworking office space that offers an alternative to the home office some of the time.
- The PCH corridor offers a general business location in an accessible South Bay coastal community, and has attracted larger users recently, including the national headquarters of the shoe company, Skechers, and Lazy Acres Natural Market. Aviation Boulevard also has potential for market-driven revitalization.
- Many businesses are shut down or operating at reduced levels due to the restrictions of the Covid-19 pandemic. However, it appears that a number of apparently closed restaurants and entertainment venues are remodeling and planning to reopen with new offerings post COVID-19.
- The Comedy and Magic Club is an iconic destination in Hermosa Beach and a valuable asset for the downtown. It is recommended that the City work to retain this unique entertainment asset.
- The Lighthouse at Pier Plaza has recently changed ownership with plans to continue as a live jazz club. Saint Rocke on PCH has also recently changed ownership with plans to return with live music. These small venues for live music or other entertainment are a benefit for the City and offer alternatives to venues that are more focused on alcohol sales.
- Other than older residential uses on the second floor of some buildings, residential uses are largely absent from the downtown core. The development of mixed-use residential on infill sites downtown would add "rooftops" to support downtown restaurant and retail businesses, and activate the streets in the downtown core, as well as provide incentives for new investment and more ground floor commercial space.

## Work From Home

- Beach cities in the LA metro area are very desirable locations due to the clean air, access to the beach as an amenity, and the charm of historic downtowns that have become increasingly vital. This is likely to increase the value and attraction of these areas for residents, but also as business locations as entrepreneurs and executives seek to reduce commuting on congested roads and highways.

- More people are working from home as a result of the Covid-19 pandemic. As people have found that work from home is a viable option for many, this trend is likely to continue after the pandemic is over.
- Work from home increases the market support for local businesses and restaurants and should be encouraged by the City.
- Allowing and encouraging small scale coworking spaces, perhaps in mixed-use buildings could support work from home for those who need to be in an office part of the time, or prefer to have an option to work outside the home part of the time for other reasons.
- Small scale vertical mixed-use buildings with ground floor commercial and shared coworking office space above could be accommodated on small, infill sites downtown. Parking requirements could be reduced since many users would walk or bike to those locations from their homes.
- There is at least one coworking space in Hermosa, Unita, on Hermosa Avenue. Manhattan Beach has a number of them, and it is likely more could be supported in Hermosa as an adjunct to the work at home trend.
- Multiple interviewees noted the potential benefits of converting second floor office along Upper Pier into live-work lofts. They anticipate that this will both ease some pressure on the residential market and add to the vitality of the Upper Pier commercial district, which has traditionally seen less foot traffic than the area surrounding Pier Plaza.

## City Policy and Role of Civic Organizations

- Multiple interviewees noted that, in the past, Hermosa Beach's was not seen as a business-friendly city. Most clarified that this was no longer so, but that certain actions could be taken to further enhance the City's image as it interacts with existing and potential businesses.
- A common theme was Hermosa's use of conditional use permits (CUPs). Many understood that this tool was necessary to curb negative externalities of the City's bar scene in the 2000s, but felt that conditions were often over-prescriptive, complicated the transfer of ownership for certain businesses, and that the application process to amend CUPs can be extremely cumbersome.
- Some interviewees expressed that the City does not have a comprehensive commercial strategy. However, they were heartened to hear that the city has appointed a Business Liaison and created an Economic Development Committee and a stakeholder's group to address the business climate in the city.
- Those familiar with the Chamber of Commerce feel that the entity has a strong potential role, but has historically has not been as effective as it could be in providing guidance and advocacy for the City's business community. Recent changes in leadership, as well as a surge in new Chamber members may reinvigorate the Chamber and make it more effective.
- Another issue mentioned during the interviews was the perception that the City has focused on Downtown Hermosa at the expense of other commercial nodes within the City. However, recent policy changes have assisted the Cypress district in the southern part of the City, and the City is looking at the PCH corridor and Aviation Boulevard, as places for larger businesses and employers, and considering how the City can help nurture reinvestment and renewal in the corridor business areas.
- The City has recently made code amendments to reduce costs for new businesses, including adding a Minor Sign Review and added a Minor Conditional Use Permit process.

## 4. COMPETITIVE CONTEXT

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### Socio-Economic Trends

Hermosa Beach is one of three Beach Cities in the South Bay area of Los Angeles County. The northern-most Beach City, Manhattan Beach, is located south of El Segundo, followed by Hermosa Beach and Redondo Beach at the southern end. A sandy coastal strip forms the western boundary of Manhattan Beach, Hermosa Beach, and a portion of Redondo Beach, which also has a significant inland portion. See **Figure 1** for a map of the three Beach Cities.

Each of the three Beach Cities has benefited directly from the beach location to become a highly desired place to live, work, and play. With strong access afforded by the 105 and 405 Freeways and the nearby Los Angeles International Airport, the Beach Cities have developed a strong foundation of residential neighborhoods, employment nodes, and visitor attractions to become among the most affluent communities in the County.

And while the Beach Cities show distinctive economic and demographic characteristics, they are geographically conjoined so as to function as a closely inter-related market. The distance from the Sepulveda Shopping Center in northern Manhattan Beach to Riviera Village in South Redondo Beach is five-and-half miles along Pacific Coast Highway. Alternately, the walk or bike ride from northern Manhattan Beach to the King Harbor Marina in Redondo Beach is less than four miles along the beachfront Strand. The Hermosa Valley Greenbelt, a former rail corridor turned hiking and running trail that connects Manhattan Beach to King Harbor, is one of many alternative transportation and trails in the area. For Hermosa Beach, this high degree of interconnection has positive implications for future economic development.

Of the three Beach Cities, Manhattan Beach has the strongest demographic and economic profile, due to the City's relatively superior location. As the northern-most Beach City, Manhattan Beach is the closest to the West Side job centers in Santa Monica and Century City and to major transportation infrastructure. In addition, Manhattan Beach's top-rated school system is an attractive draw to young families, though Manhattan Beach's Mira Costa High School also serves Hermosa Beach. Just south of Manhattan Beach, Hermosa Beach benefits—to a slightly lesser degree—from the same geographical advantages and top-rated school system. Further south, Redondo Beach exhibits a hybrid nature, as South Redondo reflects the characteristics of a pricy beachfront community while North Redondo more closely resembles neighboring inland cities such as Torrance and Hawthorne.

As shown in **Table 1**, the total Beach Cities population is approximately 121,000, with Redondo Beach the largest at 68,000, followed by Manhattan Beach at 36,000 and Hermosa Beach at 20,000. Contrary to the previous decade, population in all three Beach Cities grew at a slower pace between 2010 and 2019 than the City of Los Angeles (which is used here as a baseline reference). While residential demand has slowed in recent years, the Beach Cities feature high population densities and are largely built out, which has impeded the construction of new housing units and kept pressure on the housing supply. For example, in Hermosa Beach population growth was just 0.7 percent, but it still exceeded its residential unit growth of -2.5 percent. Similarly, while Redondo Beach's population growth was a modest 1.4 percent, it too

had a negative residential unit growth of -0.9 percent. Manhattan Beach, the most expensive housing market of the three, was perhaps able to attract more residential development as its residential unit growth slightly outpaced population growth, 1.6 percent to 1.2 percent.

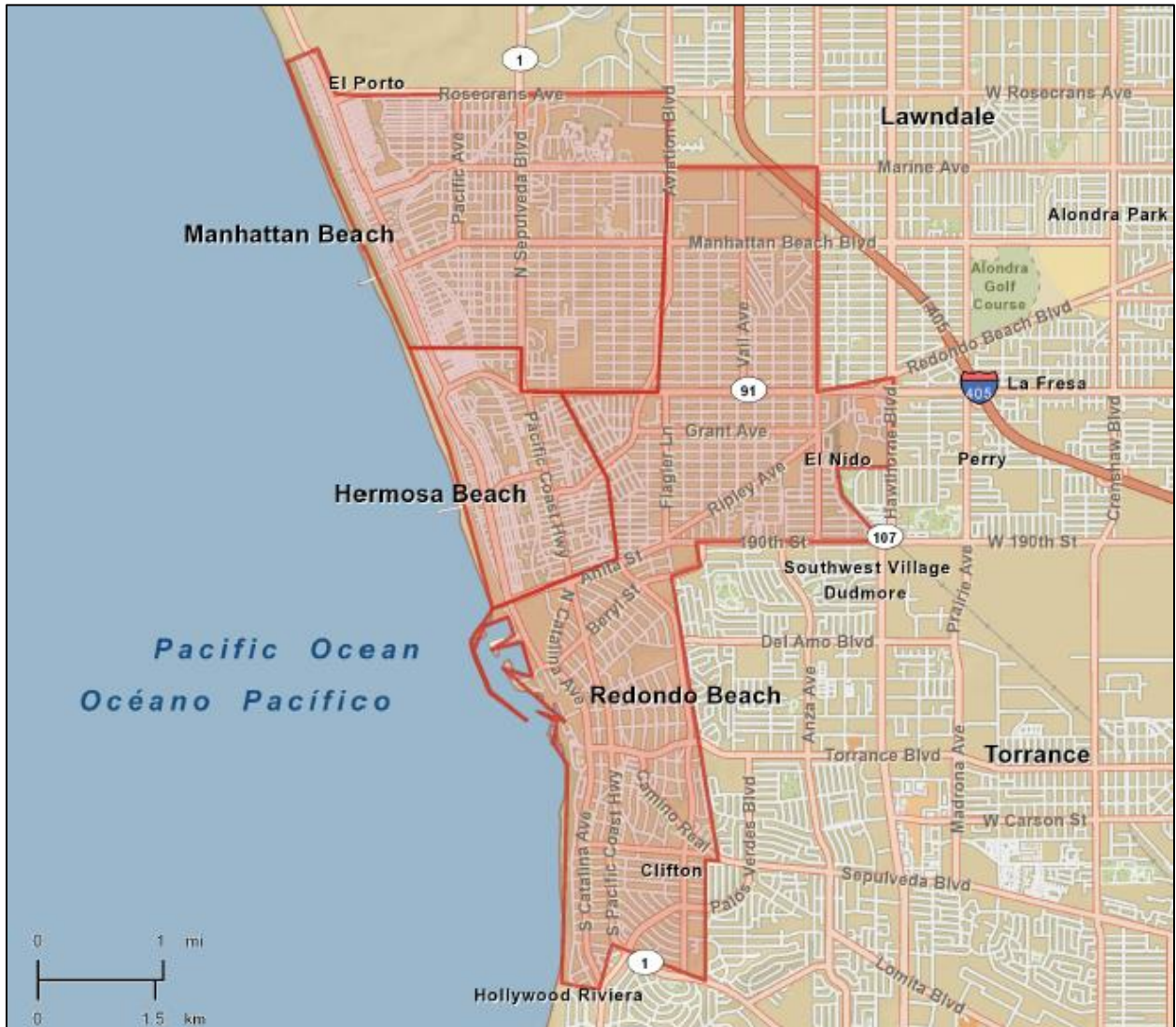
A continuing trend among all the Beach Cities, particularly in Manhattan Beach and Hermosa Beach, is the upward spiral of median home values as a result of the constrained residential supply and high demand for beach community living. In 2020, Hermosa Beach had a median home value of \$1.7 million, reflecting a 82 percent increase from 2012. Meanwhile, the median value of a home sold in Manhattan Beach increased to over \$2.3 million, reflecting a price growth of 73 percent over the same period. The Redondo Beach median home value of just over \$1 million is significantly lower than its Beach City neighbors but still much higher than the City of Los Angeles median of \$694,000.

However, the Beach Cities have seen continued growth in household incomes as well. Hermosa Beach's median household income in 2019 was \$137,000, nearly 40 percent higher than its figure in 2010. Manhattan Beach still possesses the highest median household income of the three at \$150,000, while Redondo Beach's has now exceeded six figures, standing at \$112,000. All Beach Cities median household incomes significantly exceed the \$58,000 median for Los Angeles. Levels of educational attainment in the Beach Cities have remained high as well, with over 34 percent of Manhattan Beach residents, 26 percent of Hermosa Beach residents, and 23 percent of Redondo Beach residents have graduate-level degrees, compared with 12 percent of Los Angeles residents.

While each Beach City retains a unique demographic profile, they have all seen similar trends in areas such as median age and families as a percentage of total households. As in 2010, in 2019 Hermosa Beach's residential population is the youngest, the most transient, and the least family-oriented of the three. The median age of Hermosa Beach residents is 39, compared with 44 in Manhattan Beach and 41 in Redondo Beach. The percentage of owner-occupied households in Hermosa Beach is 42 percent, compared with 62 percent in Manhattan Beach and 48 percent in Redondo Beach. Family households in Hermosa Beach make up 46 percent of all households (up from 41 percent in 2010) as compared to 71 percent in Manhattan Beach (from 64 percent in 2010), 61 percent in Redondo Beach (from 56 percent in 2010), and 60 percent in Los Angeles (down from 61 percent in 2010).

Despite distinctions between the residential communities of each of the Beach Cities, the variances appear to be narrowing as high housing costs in Manhattan Beach cause residential demand to spill over into Hermosa Beach. Some illustration of the underlying residential dynamics can be found in **Table 2**, showing residential mix in each of the Beach Cities. Single-family homes make up 81 percent of the housing stock in Manhattan Beach, compared with 54 percent in Hermosa Beach, 55 percent in Redondo Beach, and 44 percent in Los Angeles. Since 2010, the number of single-family homes in Hermosa Beach increased as the number of multifamily homes has continued to fall: 206 new single-family homes were constructed while 459 multifamily units were eliminated. Based on anecdotal information, this was due to construction of large single-family homes on lots formerly occupied by older multifamily stock. In this environment of escalating land values, Manhattan Beach has become increasingly unaffordable, leaving Hermosa Beach as the next-best option for aspiring Beach Cities residents.

**Figure 1 Beach Cities Map**



Source: ESRI

**Table 1 Beach Cities Demographic Comparison**

	Hermosa Beach			Manhattan Beach			Redondo Beach			City of Los Angeles		
	2010	2019	'10-'19 Change	2010	2019	'10-'19 Change	2010	2019	'10-'19 Change	2010	2019	'10-'19 Change
<b>General</b>												
Total Population	19,506	19,650	0.7%	35,135	35,573	1.2%	66,748	67,700	1.4%	3,792,621	3,959,657	4.4%
Total Households	9,389	8,979	-4.4%	13,732	13,520	-1.5%	28,540	27,621	-3.2%	1,312,002	1,373,864	4.7%
Total Housing Units	10,311	10,049	-2.5%	15,128	15,363	1.6%	30,243	29,979	-0.9%	1,415,592	1,474,043	4.1%
Median Household Income	\$99,976	\$137,188	37.2%	\$131,723	\$150,083	13.9%	\$91,737	\$112,271	22.4%	\$48,746	\$58,385	19.8%
Median Home Value <sup>(1)</sup>	\$957,000	\$1,740,000	81.8%	\$1,379,000	\$2,392,635	73.5%	\$640,000	\$1,073,000	67.7%	\$374,200	\$694,583	85.6%
Median Rent	\$1,795	\$2,181	21.5%	\$1,995	\$2,628	31.7%	\$1,575	\$2,072	31.6%	\$1,104	\$1,450	31.3%
Average Household Size	2.04	2.19	7.4%	2.50	2.63	5.2%	2.29	2.45	7.0%	2.81	2.82	0.4%
Average Family Size	2.80	2.87	2.5%	3.10	3.14	1.3%	2.94	3.07	4.4%	3.53	3.62	2.5%
Family/Total Households (%)	41%	46%		64%	71%		56%	61%		61%	60%	
Owner-Occupied/Total Units (%) <sup>(2)</sup>	42%	42%		64%	62%		49%	48%		36%	34%	
Labor Force Participation (%)	80%	77%		68%	64%		75%	72%		67%	66%	
In-City Jobs/Household	0.62	0.67		1.25	1.30		0.82	0.86		1.22	1.19	
<b>Age</b>												
Median Age	37.0	39.3	6.2%	40.9	44	7.6%	39.3	40.7	3.6%	34.1	35.6	4.4%
Age 18+ (% of total)	84%	82%		75%	73%		81%	78%		77%	79%	
Age 65+ (% of total)	9%	12%		13%	17%		10%	13%		10%	12%	
<b>Household Income</b>												
< \$15,000	5%	5%		4%	3%		7%	5%		15%	13%	
\$15,000 - \$49,999	18%	11%		12%	12%		19%	15%		36%	31%	
\$50,000 - \$99,999	27%	22%		21%	20%		28%	25%		27%	27%	
\$100,000 - \$149,999	21%	17%		18%	15%		21%	20%		11%	14%	
\$150,000+	29%	46%		45%	50%		26%	35%		11%	16%	
<b>Education (Age 25+)</b>												
No High School Diploma	2%	2%		1%	2%		4%	4%		26%	23%	
High School Graduate	6%	6%		7%	7%		13%	11%		19%	19%	
Some College, No Degree	17%	11%		13%	11%		19%	19%		18%	18%	
Associate Degree	6%	5%		5%	5%		7%	8%		6%	6%	
Bachelor's Degree	44%	49%		42%	40%		37%	36%		20%	22%	
Master's/Professional/Phd.	25%	26%		32%	34%		20%	23%		10%	12%	

(1) Median home values for 2012 and 2020

(2) Includes units for sale

Sources: US Census American Community Survey 5-year Estimate 2015-2019; Economics & Planning Systems



**Table 2 Beach Cities Residential Mix**

	Hermosa Beach			Manhattan Beach			Redondo Beach			City of Los Angeles		
	2010	2019	'10-'19 Change	2010	2019	'10-'19 Change	2010	2019	'10-'19 Change	2010	2019	'10-'19 Change
<b>Residential Mix</b>												
Total	10,311	10,058	(253)	15,128	15,020	(108)	30,243	30,024	(219)	1,415,592	1,493,108	77,516
Single-Family												
1, Detached	43%	43%	(74)	69%	72%	322	40%	41%	313	39%	38%	15,540
1, Attached	8%	11%	280	8%	9%	150	14%	14%	75	6%	6%	(948)
Multi-Family												
2	13%	12%	(155)	10%	7%	(379)	4%	2%	(435)	3%	3%	2,925
3 or 4	11%	7%	(369)	7%	5%	(232)	11%	11%	(159)	6%	6%	3,927
5 to 9	7%	10%	300	2%	2%	(14)	7%	8%	393	9%	9%	7,421
10 to 19	6%	3%	(313)	2%	2%	15	7%	7%	(7)	10%	10%	1,338
20+	11%	12%	59	2%	2%	(49)	17%	16%	(327)	27%	28%	46,175
Mobile Home	2%	1%	(67)	0%	1%	79	0%	1%	44	1%	1%	917
Other	0%	1%	86	0%	0%	0	0%	0%	(116)	0%	0%	221
<b>Owner-Occupied Units by Value</b>												
< \$50,000	1%	2%		1%	2%		1%	1%		2%	1%	
\$50,000 - \$499,999	7%	5%		4%	2%		9%	5%		49%	32%	
\$500,000 +	92%	93%		95%	96%		90%	95%		49%	67%	
<b>Residential Unit Age</b>												
Built since 1980	22%	29%		30%	36%		31%	34%		21%	25%	
Built 1940 to 1979	61%	59%		62%	57%		63%	62%		59%	55%	
Built 1939 or earlier	16%	12%		8%	7%		6%	4%		21%	20%	

(1) Median home values for 2019, and net growth from 2010 to 2019

Sources: American Community Survey 5-Year Estimates 2019; Economics & Planning Systems

## Employment Trends

Historically, the Beach Cities served primarily as a vacation destination before evolving into permanent small-town communities. The Southern California aerospace industry was largely based in and near the South Bay and provided a source of high-paying jobs until the end of the Cold War, when sudden cancellation of government contracts and research initiatives helped caused an exodus of aerospace firms and resulted in recession. (However, Northrop Grumman remains the largest employer in Redondo Beach, and a cluster of aerospace firms maintain a strong presence in El Segundo to the north.) More recently, the Beach Cities have benefited from the growth of high-income knowledge workers seeking work environments that are closer to home and that offer a high quality of life.

**Table 3** shows that, since 2011, job growth outpaced population growth in Hermosa Beach and Manhattan Beach: the 9 percent job growth in Hermosa Beach was more than ten times population growth, while 5 percent job growth in Manhattan Beach nearly quadrupled population growth. (Redondo Beach, with a large industrial sector, experienced continued job losses in keeping with larger structural declines in manufacturing.) Much of the job growth in Hermosa Beach and Manhattan Beach was in sectors associated with knowledge work. The combined finance, real estate, information, professional services, technical services, and executive management sectors make up the largest segment of Manhattan Beach employment (31 percent), and the second-largest segment in Hermosa Beach (19 percent). Since 2011, such knowledge workers represented the largest net gain of jobs in Manhattan Beach. The importance of tourism, dining, and entertainment to the economies of all three Beach Cities is reflected in the job share for the accommodation and food services sectors, which contributed the largest category of Hermosa Beach jobs (24 percent) the second-largest for Manhattan Beach (21 percent), and the third-largest for Redondo Beach (16 percent). However, in Hermosa Beach, this sector experienced the largest drop in employment since 2011.

Each of the Beach Cities has seen an increase in jobs per household as well as its daytime population since 2011. However, despite the high growth of jobs relative to population in Hermosa Beach, the City maintains a strong bedroom community orientation with a jobs-to-household ratio of 0.71 in 2018. This means that for every Hermosa Beach household, there were 0.71 jobs in the City. A normalized ratio, as reflected by the City of Los Angeles, is 1.16. A low jobs-to-household ratio typically means a daily net outflow of workers and a decline in the day population. As shown in **Table 4**, the population of Hermosa Beach falls 1,950 per day, or 10 percent. Redondo Beach, like Hermosa Beach, is also primarily a bedroom community and loses 10 percent of its population to out commuting daily. Manhattan Beach, by comparison, has a jobs-to-household ratio of 1.25, which results in a day population net inflow of 4,950, equivalent to a 14 percent expansion of the residential population. However, Hermosa Beach is expected to benefit from the work from home trend, which keeps more residents and increases the daytime customer base for Hermosa Beach businesses.

A large day population in an urban area often results in additional retail demand. Several retailers interviewed in Manhattan Beach and Hermosa Beach indicated that the difference in day population was a major reason why Hermosa Beach could not compete as effectively for retail tenants and restaurants.

**Table 3 Jobs by Industry, 2011-2018**

	Hermosa Beach			Manhattan Beach			Redondo Beach			L.A.
	2018	'11-'18 Change	Share	2018	'11-'18 Change	Share	2011	'11-'18 Change	Share	Share
All Jobs	6,409	547 9%	100%	17,579	160 1%	100%	25,851	(2,202) -9%	100%	100%
Accommodation and Food Services	1,535	(266)	24%	3,335	(513)	19%	3,155	817	17%	9%
FIRE (2), Infmtn, Prof./Tech., Exec.Mgmt.	1,236	210	19%	5,443	684	31%	3,602	76	16%	21%
Retail Trade	899	52	14%	2,781	(314)	16%	3,090	(98)	13%	8%
Health Care and Social Assistance	684	290	11%	1,889	558	11%	1,079	593	7%	16%
Admin. & Support, Waste Mgmt./Remed.	492	128	6%	874	335	5%	734	(19)	3%	4%
Other Services (excluding Public Admin.)	370	(20)	8%	930	(446)	5%	900	(110)	3%	6%
Production (1)	325	169	2%	307	(107)	3%	990	236	1%	7%
Wholesale Trade, Transport, Warehousing	294	88	4%	385	35	6%	8,300	(1,908)	6%	9%
Educational Services	249	33	5%	1,009	65	2%	1,242	146	27%	14%
Arts, Entertainment, and Recreation	171	(118)	5%	178	(107)	2%	485	72	5%	4%
Public Administration	154	(19)	3%	448	(30)	1%	386	(119)	2%	3%

(1) Production includes Agriculture, Forestry, Fishing, Hunting, Resource Extraction, Utilities, and Construction

(2) FIRE includes Finance, Insurance, and Real Estate

Source: LEHD Census, Economic & Planning Systems, Inc.

**Table 4 Daytime Population, 2018**

	Hermosa Beach	Manhattan Beach	Redondo Beach
Day Population (2018)			
Residential Population	19,650	35,573	67,700
Live in City, Employed Outside City	(8,042)	(12,101)	(27,841)
Employed in City, Living Outside City	5,567	16,478	21,371
Day Population	17,175	39,950	61,230
Daily Inflow/(Outflow)	(2,475)	4,377	(6,470)
Daily Inflow/(Outflow) as % of Residential Population	-13%	12%	-10%
Population Density/Square Mile			
Population	13,800	9,000	10,900
Day Population	12,000	10,100	9,900

Sources: US Census, Census LEHD, ESRI, Economic & Planning Systems Inc.

## 5. RETAIL TRENDS

The retail competitive landscape for Hermosa Beach, which includes all of the Beach Cities and parts of El Segundo and Torrance, offers a wide variety of shopping options, including large enclosed malls, open-air lifestyle centers, and downtown street retail. As shown in Table 5, there is at least 3.65 million square feet of destination retail within a 10-mile radius of Hermosa Beach.

**Table 5 Beach Cities Shopping Destinations**

Shopping Center	Type of Center	Miles from Hermosa Beach	Retail Sq.Ft.	Key Tenants	Address
South Bay Galleria	Enclosed Mall	3.5	955,000	Macy's; Nordstrom; Kohls	1815 Hawthorne Blvd.; Redondo Beach, CA, 90278
Manhattan Village Shopping Center	Enclosed Mall	3.4	572,837	Macy's; Williams-Sonoma; Coach	3200 Sepulveda blvd.; Manhattan Beach, CA 90266
Riviera Village	Downtown Street Retail	3.4	413,000	Local boutiques and services	
Plaza El Segundo	Open-Air Lifestyle/Big Box	3.8	400,000	Whole Foods; Anthropologie; H&M; Lululemon	760 South Sepulveda Blvd; El Segundo, CA 90245
Redondo Beach Pier	Downtown Street Retail	1.5	400,000	Shade Hotel, Theater	
Promenade on the Peninsula	Open-Air Lifestyle Center	9.0	374,000	Williams-Sonoma; Banana Republic; Gap	550 Deep Valley Drive; Rolling Hills Estates, CA 90274
Downtown Manhattan Beach	Downtown Street Retail	2.1	231,000	True Religion, Shade Hotel, boutiques	
the Point	Open-Air Lifestyle Center	3.8	115,000	Mendocino Farms, True Food Kitchen	850 South Sepulveda, El Segundo
Redondo Shores	Open-Air Lifestyle/Big Box	1.5	102,000	Whole Foods; Rite Aid; GNC	403-419 N Pacific Coast Hwy
Fisherman's Wharf	Downtown Street Retail	1.5	90,000	Local restaurants and souvenir shops	415 Diamond Street; Redondo, CA 90277
			<u>3,652,837</u>		

Source: L.A. County Assessor; CoStar; Economic & Planning Systems, Inc.

However, the most direct retail competition for Hermosa Beach is walkable retail districts in downtown Manhattan Beach and Riviera Village in Redondo Beach. As shown in **Table 6**, downtown retail commands the highest rents and lowest vacancies in each of these cities. Rents in the Hermosa Beach downtown are roughly equal to the city-wide. Conversely, Manhattan Beach downtown rents exceed city-wide rents by 30 percent, from \$5.29 to \$6.89, and Riviera Village rents surpass the Redondo Beach average by 65 percent, from \$2.98 to \$4.91. In all three cases, downtown vacancies are higher than the citywide average, from 7.5 percent in Hermosa Beach to 4.0 percent in Manhattan Beach to 5.5 percent in Riviera Village. These high vacancies can likely be attributed to the Covid-19 pandemic, as they increased markedly since the beginning of 2020. The generally strong performance of downtown Manhattan Beach and Redondo Beach, as well as other walkable retail districts has encouraged pipeline projects such as the Redondo Beach Pier redevelopment and the Point lifestyle center in El Segundo, both of which have been designed to provide streetscape character.

From a competitive perspective, as indicated by **Figure 2** and **Figure 3**, rents and vacancy rates in Manhattan Beach have consistently out-performed those in Hermosa Beach and Redondo Beach. According to brokers and local business people, this is due primarily to the more affluent demographic profile of Manhattan Beach residents, who can support higher-end retailers than neighboring cities, and to Manhattan Beach's vibrant daytime population. Another factor may be the relative lack of retail diversity in Hermosa Beach. On a total sales-per-capita basis, as shown in **Table 7**, Hermosa Beach is well exceeded by Manhattan Beach, and slightly higher than Redondo Beach. While Hermosa Beach performs strongly in food and beverage stores, restaurants and bars, it appears to have retail leakage in categories including apparel, general merchandise, and large-format retail segments like garden supplies, home furnishings, auto parts, and general wholesale items. Of these leakage categories, the street retail character and small floor plates in Downtown Hermosa Beach are best suited to supporting an expansion in the apparel (including women's fashion goods, general apparel for younger consumers, and sports

and fitness related clothing and accessories) and home furnishings categories. Larger format retail would be appropriate for larger commercial properties on Aviation Blvd. corridor. Ultimately, successful improvement in the retail mix will depend on a broad range of factors discussed further in **Section 7**.

**Table 6 Beach Cities Retail Rents, Vacancies, Inventory**

As of 4Q 2020	Hermosa Beach		Manhattan Beach		Redondo Beach	
	All Retail	Downtown Retail <sup>1</sup>	All Retail	Downtown Retail <sup>2</sup>	All Retail	Downtown Retail <sup>3</sup>
<b>Rents (/Sq.Ft.)</b>	\$3.54	\$3.53	\$5.29	\$6.87	\$2.98	\$4.91
<b>Vacancy</b>	6.1%	7.5%	1.8%	4.0%	4.1%	5.5%
<b>Inventory (Sq Ft.)</b>	1,032,661	263,336	1,893,104	267,684	3,799,996	325,159

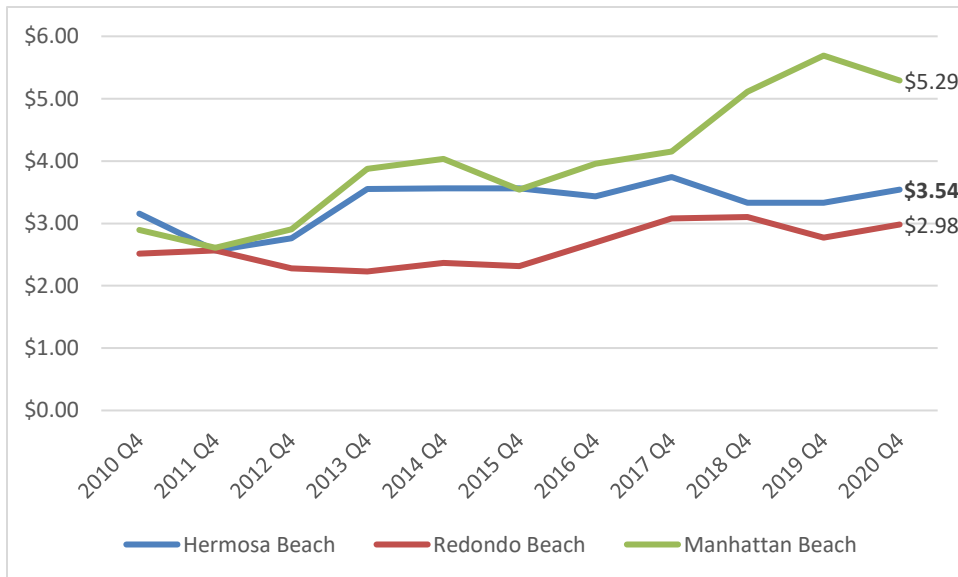
(1) "Downtown" includes Pier Avenue, Pier Plaza, and Hermosa Ave. between 9th and 15th Streets in Hermosa Beach

(2) "Downtown" includes the rectangle formed by the Strand, 10th, 13th, and Valley Blvd. in Manhattan Beach

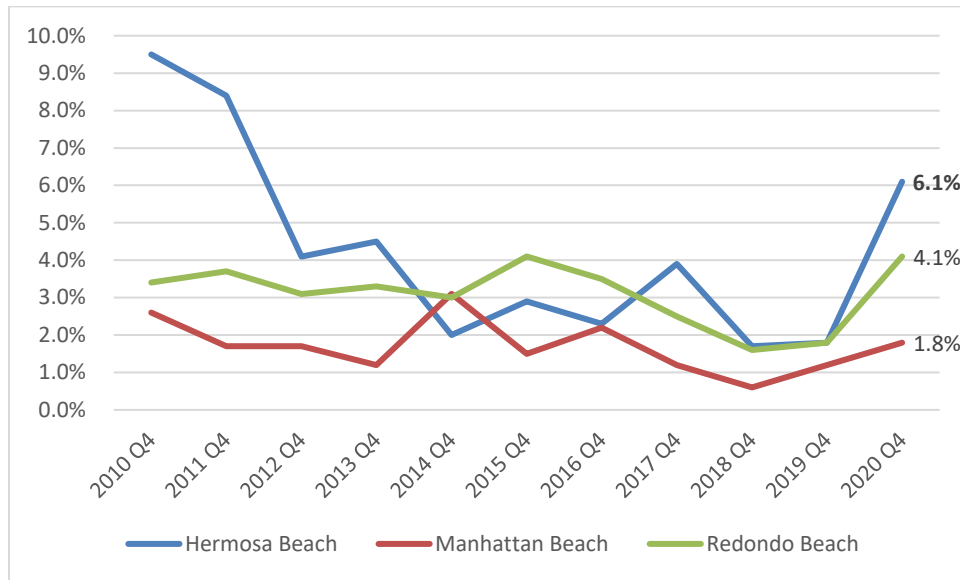
(3) "Downtown" includes Riviera Village in Redondo Beach

Source: CoStar; Economic and Planning Systems, Inc.

**Figure 2 Beach Cities Historical Retail Rents**



**Figure 3 Beach Cities Retail Vacancies**



**Table 7 Beach Cities 2019 Taxable Sales Per Capita**

	Hermosa Beach	Manhattan Beach	Redondo Beach	City of Los Angeles
<b>Population <sup>(1)</sup></b>	<b>19,650</b>	<b>35,573</b>	<b>67,700</b>	<b>3,959,657</b>
<b>Total Taxable Sales <sup>(2)</sup></b>	<b>\$263,669,054</b>	<b>\$809,970,962</b>	<b>\$902,091,369</b>	<b>\$50,174,450,540</b>
<b>Taxable Sales Per Capita</b>				
Motor Vehicle and Parts Dealers	\$723	\$2,326	\$819	\$1,243
Home Furnishings and Appliance Stores	\$696	\$802	\$747	\$475
Building Material and Garden Equipment	-	-	\$113	\$665
Food and Beverage Stores	\$1,539	\$1,816	\$1,393	\$758
Gasoline Stations	-	\$1,013	\$892	\$1,171
Clothing and Clothing Accessories Stores	\$590	\$1,946	\$1,392	\$857
General Merchandise Stores <sup>(3)</sup>	-	\$2,725	\$1,311	\$735
Food Services and Drinking Places	\$5,219	\$5,715	\$3,478	\$2,580
Other Retail Group <sup>(4)</sup>	\$3,435	\$2,847	\$1,213	\$1,184
<b>Total Taxable Sales Per Capita</b>	<b>\$12,202</b>	<b>\$19,192</b>	<b>\$11,358</b>	<b>\$9,666</b>

(1) U.S. Census Bureau; American Community Survey; Population, 2019

(2) California State Board of Equalization, 2019

(3) BOE catch-all category; includes florists, office supplies, gift/novelty/souvenirs, used merchandise, and other miscellaneous items

(4) BOE category; includes wholesale taxable sales categories including agriculture, mining, construction, manufacturing, etc.

Source: State of California Board of Equalization (BOE); Economic & Planning Systems, Inc.

## 6. HOTEL TRENDS

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Hermosa Beach has the potential to become a top hotel destination in Los Angeles County. Despite the attractiveness of the Beach Cities for visitors, there are few luxury hotels in the area. As shown in **Table 8**, only the Beach House in Hermosa Beach, the Portofino in Redondo Beach and the Shade in Manhattan Beach are considered upscale or luxury. What's more, neither the Portofino nor the Shade has beachfront exposure. In all of Los Angeles County, there are very few upscale beach-front hotels. Consequently, the opportunity in Hermosa Beach to develop an upscale beachfront hotel represents an extremely valuable option.

H2O, a 30-room "mid-range" boutique hotel located on Hermosa Beach at 15<sup>th</sup> Street, is the most recent hotel property developed in Hermosa Beach. The Beach House continues to perform well relative to its competitive set, and has room rates of approximately \$325-\$340 per night. Owned and operated as a fractional ownership, in which rooms unoccupied by the owners are rented as typical hotel rooms, the Beach House achieved high occupancy levels of near 85-90 percent prior to the pandemic. In the latter half of 2020, it reported occupancy levels of 65 percent, despite the effects of the Covid-19 pandemic. Because ground floor rooms front directly on the Strand, the Beach House has effectively privatized strand/beach frontage for hotel guests.

As shown by **Table 8**, Manhattan Beach has not seen a new hotel delivery since the Shade Hotel was completed in 2012. Another Shade Hotel was completed in Redondo Beach in 2016, along with a Hilton in 2014 and a Homewood Suites in 2017. These three hotels have added nearly 380 rooms to Redondo Beach's hotel inventory over the past seven years.

In Hermosa Beach, the envisioned Mermaid site hotel, on the other hand, had the potential to be strongly catalytic. The site on the corner of Pier Plaza and the Strand is arguably the best available commercial land between Redondo Beach and Manhattan Beach. If operated as an upscale or luxury hotel, it could become a landmark beachfront destination, generate significant economic and fiscal impacts, and provide residents and Beach City visitors with an upscale alternative to current Pier Plaza bars and restaurants. This, in turn, could influence tenanting decisions by Pier Plaza and greater downtown property owners and lead to a diversification of current uses.

**Table 8 Beach Cities Hotel Inventory: Existing and Pipeline**

Name	Year Built	Category	Rooms
<b>Hermosa Beach</b>			
<u>Current</u>			
Beach House	1998	Luxury	96
Grandview Inn	1973	Economy	17
H2O Hermosa	2020	Mid-Range	30
Hampton Inn	2002	Economy	70
Holiday Inn Express	2001	Economy	80
Hotel Hermosa	1990	Mid-Range	80
Quality Inn	1986	Economy	68
Sea Sprite Ocean Front Motel	1957	Economy	39
			480
<b>Manhattan Beach</b>			
<u>Current</u>			
Belamar Hotel	1961	Mid-Range	134
Crimson Hotel	1988	Economy	45
Hawthorn Suites	2003	Mid-Range	53
Hi View Inn and Suites	1952	Economy	22
Manhattan Beach Marriott	1986	Mid-Range	373
Manhattan Village Inn & Suites	1986	Economy	18
Residence Inn Manhattan Beach	1985	Mid-Range	176
Sea View Inn	1962	Mid-Range	37
Shade Hotel	2012	Luxury	38
Wave Hotel	1995	Economy	44
			940
<b>Redondo Beach</b>			
<u>Current</u>			
Best Western Plus	1979	Economy	108
Best Western Redondo Galleria	1984	Economy	51
Sonesta [1]	1986	Mid-Range	350
Hilton Garden Inn	2014	Mid-Range	147
Homewood Suites	2017	Mid-Range	184
Marriott Residence Inn	2014	Mid-Range	172
Moonlite Inn	1986	Economy	23
Pacific Coast Inn	1960	Economy	20
Portofino Hotel & Marina	1962	Upscale	161
Ramada Limited Redondo Beach	1990	Economy	40
Redondo Beach Hotel	1979	Mid-Range	112
Redondo Inn and Suites	1955	Economy	36
Redondo Pier Inn	1987	Economy	37
Seaside Motel	1962	Economy	27
Shade Redondo Beach	2016	Luxury	45
			1,513
<b>Current Total</b>			<b>2,933</b>

[1] Formerly the Crowne Plaza

Source: CoStar, Hotel Websites & Staff; Economic and Planning Systems, Inc.



## 7. OFFICE TRENDS

As shown in **Table 9**, Hermosa Beach’s office inventory stands at approximately 367,000 square feet, and remains small compared to Manhattan Beach and Redondo Beach, which have about 1.6 million and 2.4 million square feet of office space respectively. As of Q4 2020, Hermosa Beach’s office inventory is entirely Class B and C office space, though the construction of Skecher’s global headquarters will deliver about 75,000 square feet of Class A space in 2022. The City’s office market inventory has grown by 5 percent in the last 10 years, a growth rate higher than both Manhattan Beach and Redondo Beach, both of which saw negligible growth over that same period.

Overall, the Hermosa Beach market for Class B and C office space in Hermosa Beach occupies a viable segment priced below Manhattan Beach but above Redondo Beach. As of the fourth quarter of 2020, as shown in **Figure 4**, Class B and C rents in Hermosa Beach average \$3.75 per square foot and are trending up, compared with \$3.17 per square foot in Redondo Beach and \$4.25 per square foot in Manhattan Beach.

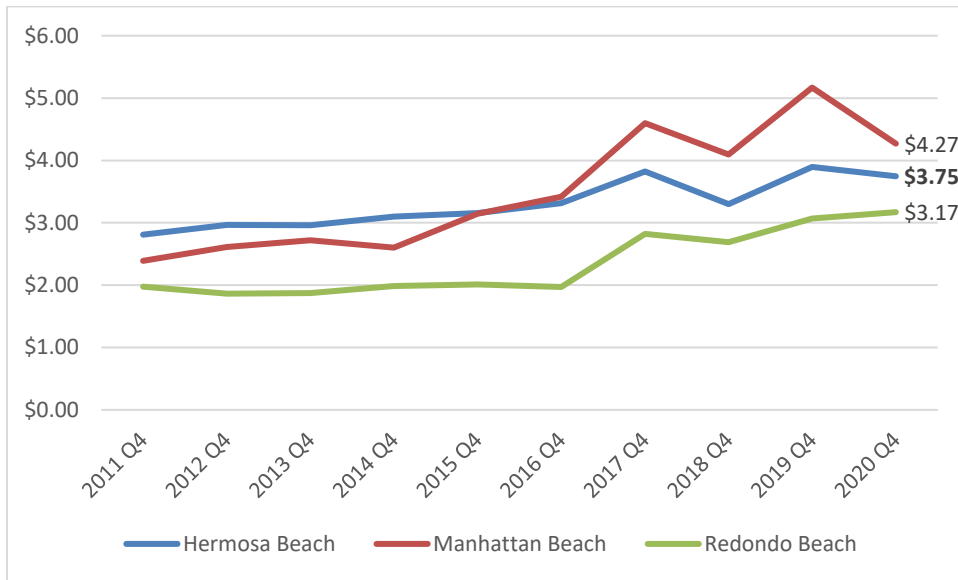
Historical office vacancies, as shown in **Figure 5**, indicate considerable volatility in the Hermosa Beach office market, compared with the other Beach Cities. As of the fourth quarter of 2020, the Hermosa Beach office vacancy rate of 11.7 percent is significantly higher than the 3.9 percent rate in Manhattan Beach and the 5.7 percent rate in Redondo Beach.

**Table 9 Beach Cities Class B and C Office Inventory**

As of 4Q 2020	Hermosa Beach	Manhattan Beach	Redondo Beach
Rents (/Sq.Ft.)	\$3.75	\$4.27	\$3.17
Vacancy	11.7%	3.9%	5.7%
Inventory (Sq Ft.)	366,990	984,158	2,053,563

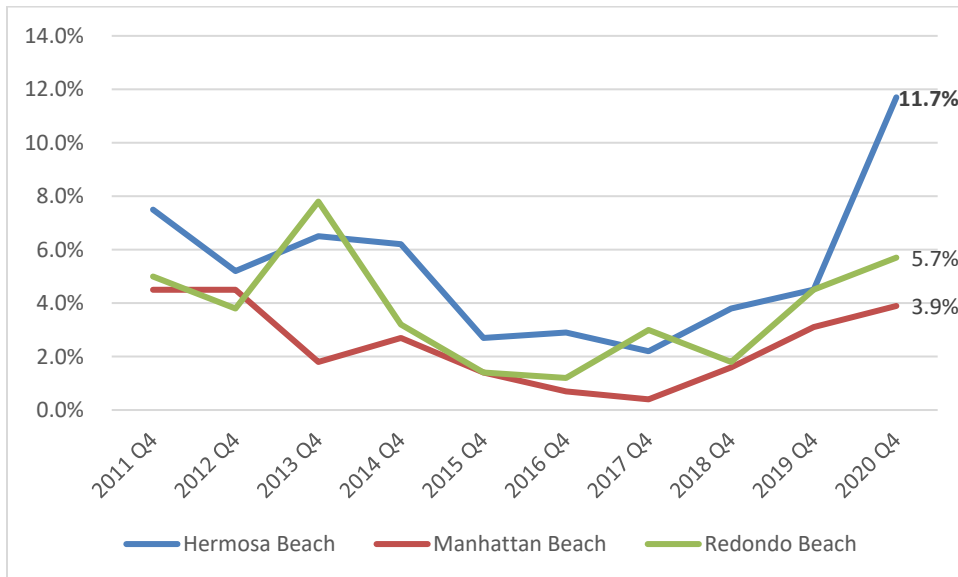
Sources: CoStar; EPS

**Figure 4 Beach Cities Historical Class B and C Office Rents**



Source: CoStar, Economic & Planning Systems, Inc.

**Figure 5 Beach Cities Historical Class B and C Office Vacancy**



Source: CoStar, Economic & Planning Systems, Inc.

## 8. HERMOSA BEACH ISSUES AND OPPORTUNITIES

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### Area Description

Hermosa Beach's Downtown District is the commercial heart of the City. With approximately 18.5 acres of commercially zoned land area, the Downtown District hosts a majority of the City's boutique retail outlets and a large proportion of its hotel and office uses. As recently as the 1980s, Downtown Hermosa Beach was marked by dilapidated and abandoned buildings, high levels of vagrancy, and recurring public safety issues associated with the area's rough-and-tumble bars. City investments in the 1990s and early 2000's in public infrastructure, most notably the redesign of Pier Plaza and Upper Pier Avenue, helped transform Downtown Hermosa Beach into a popular daytime and nightlife destination.

The Downtown District centers on the intersection of Pier and Hermosa Avenues and extends along Pier Avenue from the Strand through Pier Plaza to Valley Boulevard and along Hermosa Avenue from 15<sup>th</sup> Street to 8<sup>th</sup> Street. The western end of Pier Avenue terminates with Pier Plaza, a large pedestrian-only area that attracts visitors from throughout the County for its access to the Pier, great outdoor dining options, events, and nightlife. Most of Downtown's busiest restaurants and bars cluster on Pier Plaza and the Pier Avenue/Hermosa Avenue intersection, while the streets north, south, and east host a variety of retail, personal service and food serving business, and some lodging uses. The other significant retail clusters include a number of office uses on Pier Avenue and a concentration of health and beauty uses in upper Pier Avenue.

Several physical characteristics make Downtown Hermosa Beach unique. As Pier Avenue descends to the intersection with Hermosa Avenue, it follows a broad and dramatic sweep, which allows for a pleasing streetscape experience (enhanced greatly by the recently completed Pier Avenue Streetscape Project) that provides numerous focal points for commercial activity. Where Pier Avenue meets Hermosa Avenue, the grade ends, leaving a full flat block between Hermosa Avenue and The Strand, providing Pier Plaza with an unmediated connection to the beach.<sup>1</sup>

The PCH Corridor is the largest contributor to sales tax revenue in Hermosa Beach, generating nearly \$1 million for the City in FY2019-2020, as shown in Table 11, which is nearly half of the City's sales tax revenue. Downtown Hermosa Beach is also a significant contributor to the City's fiscal base, generating nearly \$648,000 for the City's General Fund, and accounting for a third of all sales tax revenue collected by the City. However, the Downtown has seen its volume of sales tax revenue drop by over 20 percent from the prior year, the largest amount of any area in the City. This decline is likely attributable largely to the impacts of the covid-19 pandemic. However, it should be noted that sales taxes represent a relatively small portion of the City's overall fiscal revenues, amounting to approximately 12 percent of all General Fund revenues in fiscal 2019-20. (See **Appendix C** for fiscal revenue breakdowns and historical detail.)

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<sup>1</sup> Other area beachfront commercial districts in LA County, such as in Santa Monica, Malibu, Manhattan Beach, and Redondo Beach, tend to be separated from the beach by steep grades or major roads.

**Table 10 Hermosa Beach Sales Tax Revenue, FY 2019-2020**

Geographic Area	FY19-20	1-Yr Change	Share
PCH	\$938,320	-7%	48.4%
Downtown	\$648,316	-22%	33.4%
Pier/Valley/Monterey	\$265,014	-8%	13.7%
Aviation	\$86,840	1%	4.5%

Source: HDL/City of Hermosa Beach, Economic & Planning Systems, Inc.

## Issues

Despite location advantages and fiscal contributions, Downtown Hermosa Beach has not—according to area land use professionals and residents—fulfilled its potential as a commercial district for residents and visitors. Over the course of this analysis, several issues regarding the current pattern of Downtown land uses and tenancing emerged.

A common concern is over Pier Plaza tenants and whether they represent the best fit for City residents. Conflict between late-night Pier Plaza revelers and neighborhood residents led to the Measure B “Quiet Nights” ballot initiative, which aimed to reduce late-night operating hours of Pier Plaza establishments. As shown in **Table 11**, establishments with CUPs granting late-night operating privileges make up nearly 48,000 square feet of area in the Downtown Core, more than half of all the restaurant and bar space there. While the loss of the initiative implies that residents do not believe a mandated reduction in late-night operating hours is the best way necessarily to manage the issue, many also believe the bar scene on Pier Plaza deters visitation from families and upscale tenants. At minimum, Pier Plaza lacks sufficient alternatives to the current slate of boisterous and young adult-oriented establishments.

As noted in the retail assessment, Hermosa Beach experiences leakage in several retail categories, most notably apparel and general merchandise. This corresponds with anecdotal findings from interviewees about the lack of boutiques and women’s apparel shops of the quality found in Downtown Manhattan Beach. Indeed, as shown in **Table 11**, apparel occupies just 20,000 square feet or 4 percent of Downtown District commercial space. Interviewees acknowledge that while Manhattan Beach retail tenancing has become very upscale, featuring tenants more typically associated with Beverly Hills and South Coast Plaza, there is a strong and unmet opportunity in Hermosa Beach for retailers to operate at a slightly lower price-point.

Conversely, the health and beauty category<sup>2</sup> (which includes services ranging from hair and nail salons to gyms and yoga studios) may be over-represented. With almost 52,000 square feet in the Downtown District making up 9 percent of the total commercial area, health and beauty is the largest single retail category. As shown on **Figure 8**, health and beauty establishments

<sup>2</sup> Health and Beauty in this analysis is considered a retail category subset.

cluster on upper Pier Avenue and along the eastern side of Hermosa Avenue. Health and beauty uses are typically found in neighborhood retail centers rather than shopping districts, so their concentration may be impeding development of a stronger specialty retail orientation for the Downtown District.

Downtown retail property and leasing management reflects a wide range of sophistication. While the average Downtown rent of \$3.53 per square foot, actual rents—according to brokers—vary widely, from below \$2 per square foot to above \$6. This results in an inconsistent tenant mix with many non-competitive operators. The inconsistencies are attributable to a number of nonresidents, non-professional, long-term custodial land owners who operate their properties without close regard to market rates. As shown on **Table 14**, private land owners who have owned since before 2003 control 34 percent of the Downtown land area. Furthermore, fragmented land ownership, resulting in a large number of land owners, makes coordinated action difficult. Fully 63 percent of the Downtown land area is held by owners who control less than three parcels, and parcels themselves are small in size.

The Pier Avenue Streetscape project made vast improvements to the livability and walkability of Pier Avenue, but according to interviewees, there are still too few places for pedestrians and shoppers to congregate, sit, and enjoy the surroundings. In general, there is a lack of outdoor seating in the area, and the design of Pier Plaza can feel barren at less crowded times. This detracts from Downtown's sense of place and ability to attract day-time visitors.

## Opportunities

Several strategies are available to the City to realize its goal of promoting economic development in Hermosa Beach, as well as commercial districts along PCH and Aviation Boulevard. Most of these are opportunistic in nature, as they ultimately rely on market-driven change led by the private sector.

Land ownership and usage patterns in Downtown Hermosa Beach have undergone a significant amount of transition in recent years. Since 2010, 24 percent of the Downtown land has changed hands, as shown in **Table 14**. This activity is attributable to several driving factors: the end of the recession; the continued in-migration of wealthy residents to Hermosa Beach and the Beach in general; growth of high-paying jobs to Hermosa Beach and the Beach Cities; and public investment into streetscape improvements on Pier Avenue.

The proposed Pier/Strand Hotel at the Mermaid site hotel represent a great opportunity to catalyze change in Pier Plaza, combining strong underlying market factors with a strategic location. The site is one of the best commercial locations on the entire Strand between Redondo Beach and Manhattan Beach due to its frontage on both Pier Plaza and the Strand. The costly land assembly reflects confidence in the market to support luxury hotel rates. The site dominates the northwestern corner of Pier Plaza, so new construction will strongly influence its look and feel going forward. With very few alternatives for upscale or luxury beachfront hotels in Los Angeles County, the proposed Mermaid site hotel could become—like Shutters and Casa del Mar in Santa Monica and Terranea in Palos Verdes—a landmark destination drawing visitors from all over the country. Inclusion of ground floor public space, such as a lobby bar, could provide an amenity for locals and day visitors as well as guests, providing an upscale alternative to current Pier Plaza bars and restaurants. This, in turn, could influence tenanting decisions by Pier Plaza land owners

and lead to a diversification of current uses. Finally, the economic impacts from spending by affluent guests and the fiscal impacts from new Transient Occupancy Tax (TOT) and sales tax could be very significant. City support for a top-quality hotel on the site thus presents a high-leverage opportunity to effect positive change. One proactive idea would be for the City to consider leveraging its ownership of the parking lot on 13<sup>th</sup> Street east of the hotel site to enhance hotel feasibility. Use of the parcel to expand the hotel footprint—rather than for a parking structure—could allow inclusion of more amenities, enhancing its appeal to guests and the community at large. The requirement for on-site, underground parking on this site, likely contributed to the project to be deemed infeasible and shelved. Finding alternatives to on-site parking may allow a similar project to go forward.

Similarly, the City should look to encourage and support other catalytic projects Citywide as they materialize. Likewise, projects on the strategically located eastern corners of Pier Plaza currently occupied by Bank of America and Citibank, could also have a catalytic effect (although retail banks are typically long-term land users).

The compact and walkable nature of Downtown Hermosa Beach lends itself to a district parking strategy that encourages visitors to park centrally and circulate on foot. Consequently, provision of centralized public and public-private parking solutions could increase pedestrian traffic and enhance retail vitality. In addition, the option for developers to provide parking through in-lieu fees, as is already offered by the City, can help some physically constrained sites become more viable for new development. However, the current in-lieu fee which is roughly equivalent to the per-stall development cost in a parking structure, and the requirement for some on-site parking, are considered restrictive by many local land use professionals, especially given high current parking requirements mandated by city code for commercial uses, restaurants in particular. The City can ease the burden on developers by lowering in-lieu fees, by removing requirements for providing a portion of the parking requirements on-site and by lowering parking requirements outright.<sup>3</sup> There is strong potential for the City to offset these costs with increases in sales tax, business license tax, TOT, and other taxes associated with new commercial activity.

Streetscape improvements on Hermosa Avenue and enhancements on Pier Plaza could help the area more fully realize the potential of its natural physical advantages to become a more attractive destination for day-time visitors, families, and tourists. Such improvements could enhance the sense of arrival, calm traffic, upgrade the pedestrian experience, facilitate bicycle transport, and refine the overall identity of the area. This could help create a “virtuous circle” that attracts more visitors, who increase the market potential for new tenants, who in turn draw more visitors. For example, focused improvements on the eastern side of Hermosa Avenue that encourage a more vibrant street life can help bring out the redevelopment potential represented by relatively large parcels and floorplates, frontage that defines (and extends) the edge of the Pier Plaza activity, and traffic counts consistent with the location at the nexus of the Downtown

District. Furthermore, such improvements can help improve circulation between Upper Pier Avenue and Pier Plaza and facilitate a stronger commercial flow between the two areas.<sup>4</sup>

In the commercial centers along Aviation Blvd. and PCH, there is also the opportunity to improve the streetscape and pedestrian infrastructure in order to enhance their respective retail environments. It was noted that Aviation Blvd. in particular would benefit from beautification and traffic-calming measures. These commercial centers present especially attractive opportunities for investment, given their location along main arterials. This lends them a higher degree of accessibility to those living inland in Hermosa Beach, as well as residents from surrounding communities. In terms of the potential for additional retail offerings in these areas, the retail leakage statistics discussed in Chapter 5 suggest that establishments offering apparel, general goods, and garden shops have the potential to capture a market that currently shops for these items outside of Hermosa Beach.

As previously discussed, Hermosa Beach is predominantly a bedroom community with a relatively small day population. In this regard, Hermosa is at a competitive disadvantage to Manhattan Beach, which has a much larger day population, especially for higher quality restaurants that depend in part on lunch business. Nonetheless, continued growth of office space for knowledge workers in the Downtown area, whether as part of single- or mixed-use developments, can create a greater workday buzz and stimulate restaurant and retail development directly. Additionally, the trend toward working from home spurred by the Covid-19 pandemic is likely to persist, and will improve spending and vitality downtown.

## Conclusions

Realization of any of these opportunities could yield economic growth and help positively transition the Downtown Core. However, it will take a combination of actions over time by both public and private sectors before a full retail transformation will take place, coupled with a refreshed perception of the Downtown Core as a great place to visit and hang out by day, by night, and for a broad range of users including tourists, locals, and families.

With regard to business districts elsewhere in the City, Aviation Blvd. and PCH are established as commercial nodes with robust retail environments. PCH in particular generates nearly half the City's sales tax. However, key stakeholders have noted that both corridors could benefit from visual and infrastructural improvements in order to attract higher numbers of potential customers. This is especially the case on Aviation Blvd., which is viewed as having a greater potential to cater to pedestrians but will require a higher amount of investment in the built environment. Furthermore, despite representing some of the City's most popular businesses, business owners in these districts feel there is a disproportionate amount of attention paid to Pier Ave. and the Downtown area.

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<sup>4</sup> For a full set of streetscape improvement recommendations, see "Hermosa Beach Downtown Economic Development Strategy," Prepared for the City of Hermosa Beach by ROMA Design Group and Economic & Planning Systems, 12/2013

Catalytic projects like new hotels, with or without the continued office development, will increase day population and demand for upscale retail and services. Public support through district parking strategies, reduced parking requirements, and possibly the provision of subsidized parking can help underwrite a desirable range of new development and rehab projects. Additional changes to the built environment through streetscape improvements can upgrade the “sense of place” and make the City’s commercial districts more desirable destinations for both residents and visitors. Under these improved conditions, retailers will seek to exploit the new market opportunity. And because retailers tend to follow other retailers, successful early movers will quickly be joined.

Certain categories of retail in particular could be a strong fit for a revitalized Downtown, and the PCH and Aviation Corridors. As discussed earlier, women’s apparel is an area of opportunity, along with athletic clothing and sports gear. Home furnishing stores are underrepresented in the city as well. Better restaurants as well as cafes that encourage gathering and lingering would broaden Hermosa Beach’s reputation as an entertainment destination and address residents’ stated desire for more options. Ultimately, once a certain critical mass of change has occurred, anchor retailers could be attracted to become a focal point for the City’s commercial districts.



**Table 11 Downtown District by Land Use**

	Downtown District		Core Downtown District <sup>(1)</sup>		Non-Core Downtown District <sup>(2)</sup>	
	Vertical Sq.Ft. <sup>(3)</sup>	Share	Vertical Sq.Ft. <sup>(3)</sup>	Share	Vertical Sq.Ft. <sup>(3)</sup>	Share
<b>Retail and Services</b>						
Eating and Drinking <sup>(4)</sup>						
Food/Spirits Extended Hours	51,191	9%	47,773	9%	3,419	1%
Food/Spirits Closes at Midnight	27,379	5%	17,236	3%	10,143	2%
Food/Beer & Wine	10,084	2%	4,872	1%	5,212	1%
Food/No Alcohol	<u>25,823</u>	<u>5%</u>	<u>19,248</u>	<u>3%</u>	<u>6,575</u>	<u>1%</u>
Subtotal Eating and Drinking	114,478	20%	89,128	16%	25,350	5%
Other Retail and Services						
Health & Beauty	51,624	9%	23,588	4%	28,035	5%
Sports	22,100	4%	10,797	2%	11,303	2%
Apparel	20,426	4%	12,326	2%	8,100	1%
Souvenirs & Gifts	19,897	4%	1,552	0%	18,345	3%
Bank	11,314	2%	11,314	2%	-	0%
Liquor	4,445	1%	2,820	1%	1,625	0%
Market	3,720	1%	2,560	0%	1,160	0%
Wine Shop	<u>2,763</u>	<u>0%</u>	<u>-</u>	<u>0%</u>	<u>2,763</u>	<u>0%</u>
Subtotal Other Retail and Services	136,290	24%	64,958	12%	71,332	13%
Total Retail and Services	250,767	45%	154,086	27%	96,681	17%
<b>Other Commercial</b>						
Professional Office	141,938	25%	29,514	5%	112,424	20%
Hotel	90,237	16%	81,269	14%	8,968	2%
Vacant	39,080	7%	29,767	5%	9,313	2%
Residential	36,351	6%	12,963	2%	23,388	4%
Industrial	<u>3,476</u>	<u>1%</u>	<u>-</u>	<u>0%</u>	<u>3,476</u>	<u>1%</u>
Subtotal Other Commercial	311,082	55%	153,514	27%	157,568	28%
<b>TOTAL</b>	<b>561,849</b>	<b>100%</b>	<b>307,599</b>	<b>55%</b>	<b>254,250</b>	<b>45%</b>

(1) Rectangle formed by the Strand, eastern Hermosa Avenue, 14th Street, and 10th Street

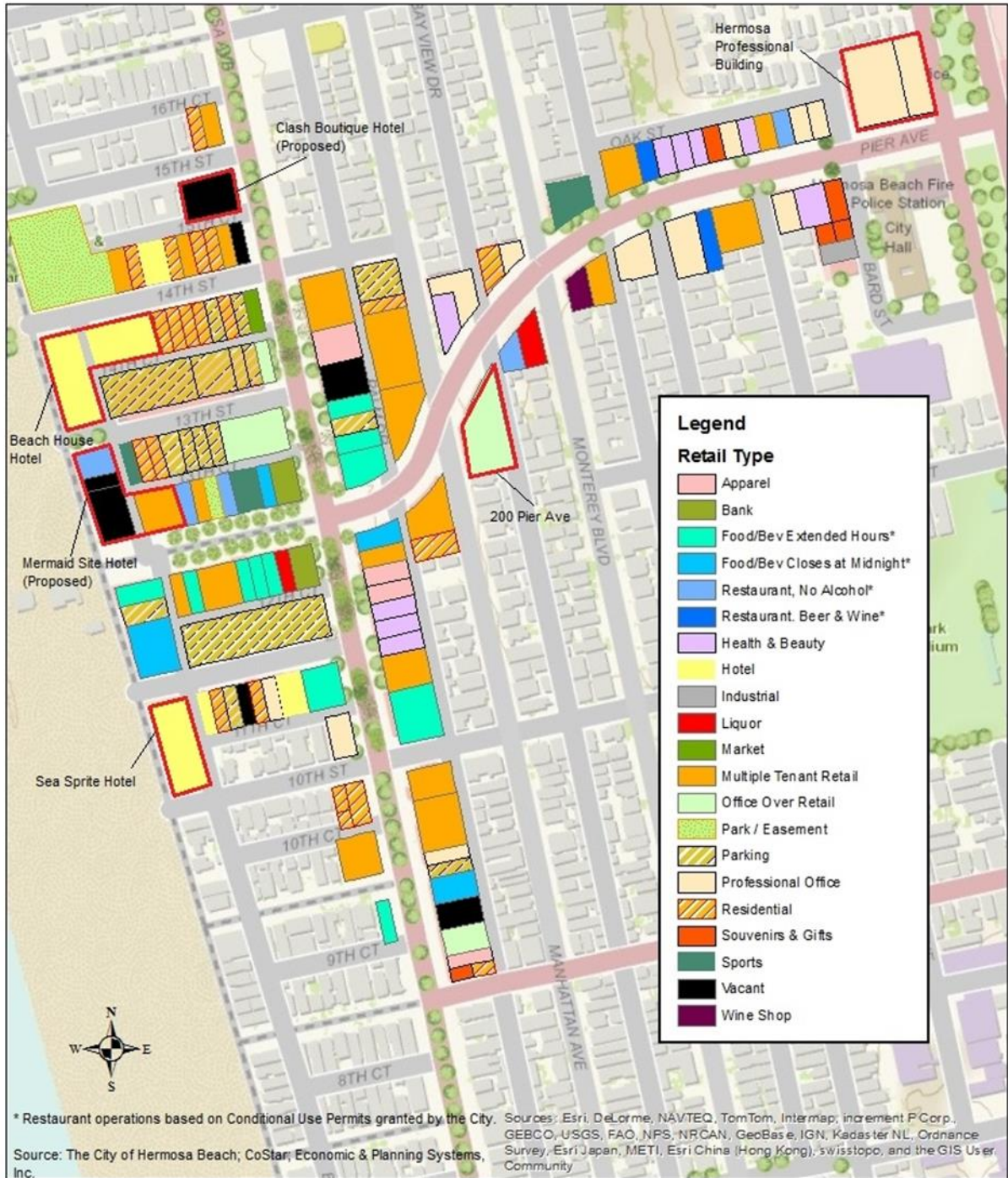
(2) Pier Avenue from Hermosa Ave. to Valley Dr.; Strand to Hermosa Ave. between 14th St. and 16th Ct., 10th St. and 8th

(3) Vertical Sq.Ft. from CoStar and EPS estimates, except as described in footnote (4)

(4) Eating and drinking sub-classifications based on City of Hermosa Beach CUPs

Sources: The City of Hermosa Beach, CoStar, Economic & Planning Systems

**Figure 6 Downtown Hermosa Beach by Land Use**



**Notes:**

- (1) Categories designated "Multiple Tenant Retail" include tenants from all eating and drinking categories as well as from the apparel, sports, souvenirs & gifts, health and beauty, and professional office categories
- (2) Categories designated "Office Over Retail" include professional office as well as uses in health and beauty, apparel, Food/no alcohol, and banking.

**Table 12 Downtown Hermosa Beach by Ownership Pattern**

Land Owner	Square Footage	Number of Parcels Owned	Share
MP Core 200	930,952	53	23.8%
City of Hermosa Beach	396,260	16	10.1%
Reg8 Plaza Hermosa LLC	246,712	7	6.3%
Melvin and Marie Kausen Trust	108,070	7	2.8%
Resort Sea View Hermosa LLC	96,148	6	2.5%
Daniel and Margaret Gruen Trust	74,379	5	1.9%
Iskandar Family Trust	62,458	5	1.6%
Frederic and Jean Taylor Trust	50,536	3	1.3%
Moise Hendeles Trust	48,074	3	1.2%
S and P Hermosa Parent LLC	33,947	7	0.9%
South Bay 4 LLC	17,028	6	0.4%
Damoder and Sumitri Reddy Trust	13,356	4	0.3%
John and Laura Warren Trust	12,023	3	0.3%
Refoua LLC	9,606	3	0.2%
Celina C Douglas Trust	8,486	3	0.2%
All Other Owners	1,802,463	177	46.1%
<b>Total</b>	<b>3,910,500</b>	<b>308</b>	<b>100%</b>

Sources: City of Hermosa Beach; Los Angeles County Assessor; EPS

**Table 13 Downtown Hermosa Beach by Acquisition and Construction Activity**

Category	Core Downtown <sup>(1)</sup>			Other Downtown <sup>(2)</sup>			Total Downtown		
	AC	Sq.Ft.	Share	AC	Sq.Ft.	Share	AC	Sq.Ft.	Share
<b>Recent Construction<sup>(3)</sup></b>	0.7	31,229	4%	0.9	40,024	5%	1.6	71,253	9%
<b>Acquired After 2010</b>	1.5	63,223	8%	2.5	107,341	13%	3.9	170,563	21%
<b>Acquired between 2004 and 2010</b>	2.7	117,792	15%	1.9	84,111	10%	4.6	201,903	25%
<b>Acquired between 1993 and 2003</b>	1.7	75,460	9%	1.8	77,511	10%	3.5	152,971	19%
<b>Acquired Before 1993</b>	0.9	38,407	5%	0.7	32,359	4%	1.6	70,766	9%
<b>City-Owned Land</b>	1.9	82,752	10%	1.1	48,353	6%	3.0	131,105	16%
<b>Transaction Data Not Available</b>	-	-	0%	0.1	5,876	1%	0.1	5,876	1%
<b>Total</b>	<b>9.4</b>	<b>408,863</b>	<b>51%</b>	<b>9.1</b>	<b>395,574</b>	<b>49%</b>	<b>18.5</b>	<b>804,438</b>	<b>100%</b>

(1) Rectangle formed by the Strand, Hermosa Avenue, 14th Street, and 10th Street

(2) Pier Avenue from Hermosa Ave. to Valley Dr.; the Strand to Hermosa Ave. between 14th St. and 16th Ct. and between 10th St. and 8th St.

(3) "Recent Construction" refers to projects with long remaining usable life; these date from 1998 (Beach House Hotel) to 2013 (205 Pier Ave.)

Sources: The City of Hermosa Beach; CoStar; Economic & Planning Systems, Inc.



**APPENDIX A:**  
**Business Community Input**



- **Business Community Interviewees:**
  - Jessica Accamando – Hermosa One / Creative Fish
  - Marje Bennetts – Beach House Hotel
  - Tony Cordi – The Innate Group
  - Jason Cortes – The Stanton
  - Jon David – Upper Pier Ave. Property Owner
  - Lori Ford – Gum Tree
  - Ed Hart – Maximus Salon
  - Bob Jones – Financial Consultant
  - Mike Lacey – Comedy and Magic Club
  - Jason Muller – Beach City Capital
  - Jon Starr - Starr Design
  
- **Review of Economic Development Stakeholders Advisory Group Notes July 2020 through March 2021**
  
- **Feedback received from Economic Development Committee Meeting held March 1, 2021**

## APPENDIX B

### 2014 Report Key Findings



**1. The Hermosa Beach Downtown District is the commercial heart of the City—at once the City’s primary shopping district, gathering area, and visitor attraction.**

With approximately 18.5 acres of commercially zoned land on either side of Pier Avenue between the Strand and Valley Boulevard and along Hermosa Avenue between 8<sup>th</sup> Street and 15<sup>th</sup> Street, the Hermosa Beach Downtown District hosts a majority of the City’s retail outlets and a large proportion of its hotel and office uses. Pier Plaza, with its large assortment of bars and restaurants, is a popular nightlife destination for visitors from throughout the County. Sales tax revenues from Downtown Hermosa Beach are significant, accounting for 29 percent of all sales tax revenue collected by the City.

**2. Hermosa Beach enjoys unique physical qualities that make it a highly desired destination for residents and visitors**

Clean air, the broad and sandy beach, and the ocean beyond provide Hermosa Beach with its defining amenity. But unlike Manhattan Beach, Redondo Beach, or most of the other beach cities in Los Angeles County, Hermosa Beach has commercially zoned parcels that directly abut the beach at grade. This gives Downtown Hermosa Beach, and Pier Plaza in particular, an intimate relationship with the beachfront that creates potential for highly differentiated hotel and retail offerings. Furthermore, Pier Avenue meets Pier Plaza after a dramatic sweeping quarter-mile descent from Pacific Coast Highway, providing a pleasing pedestrian experience and numerous focal points for commercial activity.

**3. The three Beach Cities of Hermosa Beach, Manhattan Beach, and Redondo Beach share geographical proximity and demographic characteristics to function as closely inter-related markets. Consequently, area economic trends, especially those originating from Manhattan Beach, are expected to continue to influence Hermosa Beach.**

Each of the three Beach Cities has benefited from the highly desired beach location to become an attractive place to live, work, and play. Compared to the city of Los Angeles, all are affluent, well-educated, and carry high property values—extremely high in the case of Manhattan Beach. Hermosa Beach is differentiated by being the smallest and most casual of the three, with the youngest residents, highest proportion of renters, lowest rate of family formation, and second-highest level of income. However, due to rapidly appreciating land costs in Manhattan Beach, Hermosa Beach has begun to absorb spill-over residential demand, which land use professionals believe will narrow the wealth gap with Manhattan Beach, reflect in increased home ownership levels, and lead to increased family representation.

**4. Despite its location and demographic advantages, the Downtown Core has not fulfilled its potential as a commercial district for residents and visitors, according to area land use professionals.**

Pier Plaza’s bars and restaurants host a boisterous nightlife scene that has increasingly generated conflict with neighborhood residents. According to local brokers and real estate professionals, the current Pier Plaza tenant mix has tended to discourage a broader range of retail and commercial activities. In turn, the lack of diversity in dining and shopping options has helped perpetuate the dominance of current uses. However, the decisive loss of the

proposed Measure B “Quiet Nights” ballot initiative implies that residents do not believe a mandated reduction in late-night operating hours is necessarily the best way to manage the issue. Other long-term impediments to the realization of Downtown Core potential include legacy property ownership, which has resulted in inconsistent property management and tenancing; restrictive requirements for the provision of new parking, which have encumbered new development; and a small day-time population (excluding summer weekend beachgoers), which limits potential day-time retail demand.

**5. Land ownership and usage patterns in the Hermosa Beach Downtown District have undergone a significant amount of organic, market-driven transition in recent years providing momentum for further public and private investment.**

For many years, land ownership in Downtown Hermosa Beach was dominated by long-term custodial land owners, which led to a generally slow pace of change. However, since 2010, 24 percent of the Downtown District land has changed hands, 18,000 square feet of new construction has occurred, and hotels proposing over 130 new rooms are in planning or under development. This activity is attributable to several driving factors: the end of the recession; the continued in-migration of wealthy residents to Hermosa Beach and the Beach Cities in general; growth in the number of high-paying jobs in Hermosa Beach and the Beach Cities; and public investment in streetscape improvements on Upper Pier Avenue. This primarily market-driven momentum for change provides a strong basis for successful revitalization strategies.

**6. New hotel development in Downtown Hermosa Beach, in particular the proposed hotel for the former Mermaid site, represents the biggest opportunity for near-term transformation of Pier Plaza.**

The proposed Mermaid site hotel represents a rare opportunity to catalyze change in Pier Plaza, combining strong market factors with a strategic location. The site is one of the best commercial locations on the entire Strand between Redondo Beach and Manhattan Beach, due to its frontage on both Pier Plaza and the Strand. The assembly of land, acquired in 2013 at very high cost, reflects confidence in the market to support luxury hotel rates. Because the site dominates the northwestern corner of Pier Plaza, new construction will strongly influence its look and feel going forward. With very few alternatives of upscale or luxury beachfront hotels in Los Angeles County, the proposed Mermaid site hotel could become—like Shutters and Casa del Mar in Santa Monica and Terranea in Palos Verdes—a landmark destination drawing visitors from all over the country. Inclusion of ground floor public space, such as a lobby bar, could provide an amenity for locals and day visitors as well as guests, providing an upscale alternative to current Pier Plaza bars and restaurants. This, in turn, could influence tenancing decisions by Pier Plaza land owners and lead to a diversification of current uses. Finally, the economic impacts from spending by affluent guests and the fiscal impacts from new Transient Occupancy Tax (TOT) and sales tax could be very significant. City support for a top-quality hotel on the site presents a high-leverage opportunity to effect positive change.



**7. Retail revitalization and diversification in the Hermosa Beach Downtown District will likely occur gradually as a result of improvements in several underlying conditions.**

Despite its high population density and affluence, Downtown Hermosa Beach has not fulfilled its potential due to factors discussed above. Consequently, the quality and diversity of many existing retail establishments is not on par with expectations of residents or potential visitors from other Beach Cities. For example, the current retail tenant mix along Pier Avenue and Hermosa Avenue appears to be over-represented in the health and beauty sector (uses more typical of a neighborhood center than a retail shopping district), and under-represented in the apparel sector, where the City exhibits significant retail leakage. Actions that increase the day-time population or create interest in the Downtown District as a day-time destination can create positive conditions that induce retail development over time. These actions may include hotel and office development, which increases the day-time population; streetscape improvements to create a better and more attractive sense of place; and public parking improvements that reduce impediments to visitation and offset the costs of new development.

**8. Development of office space catering to knowledge-work sectors such as finance, real estate, and professional services, represents a meaningful opportunity for Downtown District economic development.**

The office market in the City of Hermosa Beach is not as large as that in Manhattan Beach and Redondo Beach, but in the Downtown District, high rents, low vacancies, and a growing cluster of knowledge workers suggests market support for new office space there. Since 2000, over 60 percent of new office growth in the city has occurred in the Downtown District, specifically at 200 Pier Avenue, 205 Pier Avenue, 338 Pier Avenue, and 400 Pier Avenue, buildings that cater to tenants in knowledge work fields such as finance, real estate, and information. This reflects a larger trend in which knowledge workers, who can work anywhere with a network connection, are choosing workplaces closer to home in areas offering a high quality of life. Area brokers believe this trend represents a strong and continuing opportunity for the Beach Cities. One positive consequence of new Downtown office growth is increased day-time population, which generates additional demand for retail and services.

**9. Provision of public shared centralized parking may help encourage catalytic projects in the Downtown Core**

The compact and walkable nature of Downtown Hermosa Beach lends itself to a district parking strategy that encourages visitors to park centrally and circulate on foot. Consequently, provision of centralized public and public-private parking solutions could increase pedestrian traffic and enhance retail vitality. In addition, the option for developers to provide some required parking through in-lieu fees, as is already offered by the City, can help some physically constrained sites become more viable for new development. However, the current in-lieu fee, which is roughly equivalent to the per-stall development cost in a parking structure, is considered restrictive by many local land use professionals, especially given high current parking requirements mandated by city code for commercial uses, in particular restaurants. The City can ease the burden on developers by lowering in-lieu fees

and by lowering parking requirements outright.<sup>5</sup> There is strong potential for the City to offset the associated loss of revenue with increases in sales tax, business license tax, TOT, and other taxes associated with new commercial activity.

**10. Public investment in streetscape improvement is a strong tool for the City to encourage catalytic projects.**

Streetscape improvements on Hermosa Avenue and Pier Plaza could help the area more fully realize the potential of its natural physical advantages to become a more attractive destination for day-time visitors, families, and tourists. Such improvements could enhance the sense of arrival, calm traffic, upgrade the pedestrian experience, facilitate bicycle transport, and refresh and update the image of the area. This could help create a “virtuous circle” that attracts more visitors, who increase the market potential for new tenants, who in turn draw more visitors. For example, focused improvements on the eastern side of Hermosa Avenue that encourage a more vibrant street life can help bring out the redevelopment potential represented by relatively large parcels and floorplates, frontage that defines (and extends) the edge of the Pier Plaza activity, and traffic counts consistent with the location at the nexus of the Downtown District. Furthermore, such improvements can help improve circulation between Upper Pier Avenue and Pier Plaza and facilitate a stronger commercial flow between the two areas.<sup>6</sup>

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<sup>5</sup> For a full set of parking strategy recommendations, see “Hermosa Beach Downtown Economic Development Strategy,” Prepared for the City of Hermosa Beach by ROMA Design Group and Economic & Planning Systems, 12/2013

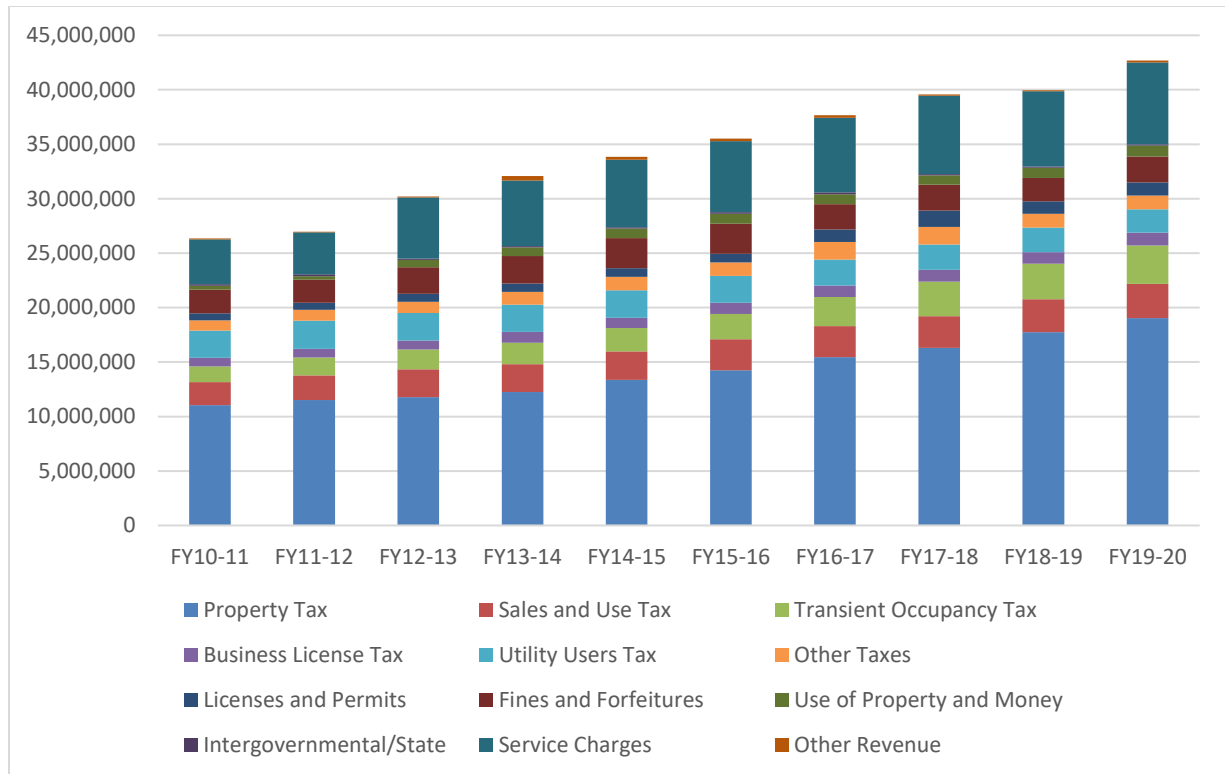
<sup>6</sup> For a full set of streetscape improvement recommendations, see “Hermosa Beach Downtown Economic Development Strategy,” Prepared for the City of Hermosa Beach by ROMA Design Group and Economic & Planning Systems, 12/2013

## APPENDIX C

### Supporting Data



**Appendix 1 Hermosa Beach Fiscal Revenues, FY10-11 to FY19-20**



**Appendix 2 Hermosa Beach Fiscal Revenues, FY19-20 Detail**

<b>Revenue Source Category</b>	<b>FY19-20</b>	<b>Share</b>
Property Tax	\$19,045,242	44.6%
Sales and Use Tax	\$3,146,342	7.4%
Transient Occupancy Tax	\$3,505,250	8.2%
Business License Tax	\$1,184,426	2.8%
Utility Users Tax	\$2,147,057	5.0%
Other Taxes	\$1,252,169	2.9%
Licenses and Permits	\$1,213,724	2.8%
Fines and Forfeitures	\$2,365,086	5.5%
Use of Property and Money	\$1,006,122	2.4%
Intergovernmental/State	\$127,256	0.3%
Service Charges	\$7,523,765	17.6%
Other Revenue	\$165,416	0.4%
<b>Total</b>	<b>\$42,681,855</b>	<b>100.0%</b>

Sources: City of Hermosa Beach; EPS