

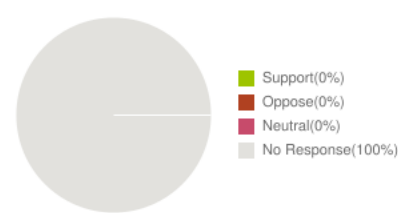
City Council Hybrid Meeting (Open Session - 6:00 PM)
10-10-23 18:00

Agenda Name	Comments	Support	Oppose	Neutral
a) REPORT 23-0583 DISCUSSION OF PROPOSED LAND VALUE RECAPTURE PROGRAM FOR DEVELOPMENT OF RESIDENTIAL UNITS ON CERTAIN NON-RESIDENTIALLY ZONED PROPERTIES (Community Development Director Carrie Tai)	6	0	0	0

Sentiments for All Agenda Items

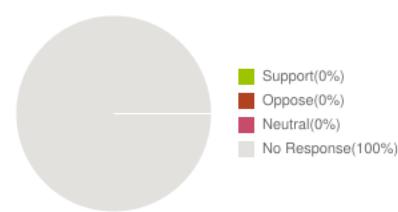
The following graphs display sentiments for comments that have location data. Only locations of users who have commented will be shown.

Overall Sentiment



Agenda Item: eComments for a) REPORT 23-0583 DISCUSSION OF PROPOSED LAND VALUE RECAPTURE PROGRAM FOR DEVELOPMENT OF RESIDENTIAL UNITS ON CERTAIN NON-RESIDENTIALLY ZONED PROPERTIES
(Community Development Director Carrie Tai)

Overall Sentiment



Jon David

Location:
Submitted At: 2:55pm 10-10-23

I am a small commercial property owner. I also have very long standing ties to the Hermosa that date back to the early 70's when my parents took me from Houston to the Hermosa Strand. I spent very important parts of my childhood in Hermosa. This shaped who I am today. I love Hermosa and it shows in the time I volunteer in community events and my input at local government meetings when I think I can add value and a unique perspective. I hope my input has resulted in maybe just a little better policy.

I am generally in support of our City's public servants and the policy they create. However, I am very disappointed by the proposed land value recapture program proposed at tonight's Council meeting because what started out as a nuanced, well-designed program envisioned by Staff, has been turned into a program that creates a barrier to mixed-use housing in our downtown.

Staff twice recommended that small sites of 1-2 units be exempt from the fee. That is common practice because application of Inclusionary Zoning is known to disincentivize investment and make small projects infeasible. This acts against the very reason we go through the housing element exercise.

Larger sites can easily produce affordable housing due to economies of scale and Density Bonus incentives which are not available for projects under 5 units. My property, on upper-pier as allocated as a SINGLE UNIT. HCD would not accept it as affordable housing because it lacks capacity to become so. The intention of the housing element is to address housing needs at ALL INCOME LEVELS. Requiring affordable housing (or a substitute LVR fee) for sites that can only accommodate 1-2 units creates unrealistic barriers on those small sites and is against common practice. How is asking a property owner to allocate 50%-100% to affordable housing even reasonable when larger lots are only asked 5%, 10% and 15%. This disincentivizes small development. It does!

I ran a small business from my property for years and have been in strong support of mixed-use in our downtown because it has the potential to add foot traffic and economic resilience and much needed housing.

The Kosmont report provided multi-family residential rental comps that indicate the same or lower rental rates than downtown office space. Also commercial tenants in our downtown typically pay all overhead. Our downtown small-lot property owners need incentives not disincentives. I am a typical downtown commercial property owner that plans to never sell my property. Look at the MLS and you will see maybe one upper-pier commercial property appears for sale each decade. So where is the "up-zoning"? Where is the added-value to "recapture"? There is NO increase in density. Only tightened building standards. Adding fees on lots where perhaps they serve a disincentive feels like bad policy.

Laura Pena

Location:

Submitted At: 1:53pm 10-10-23

Is a Land Value Recapture Program GOOD or BAD for Housing Development? YES.

As with most issues it depends on the framework, but with Land Value Recapture Programs or as some like to call it "Inclusionary Zoning" (IZ) policies, a good plan can have a negative effect, basically limiting housing production if policy leaders and planners do not consider the local market conditions in their design. It's important to carefully balance the interests of the property owner, the developer, and the City's unmet need for affordable housing. Several studies have weighed in on common traits that can result in high-producing results (i.e., policy age, geographic coverage, cost offsets/incentives to developers, and of course minimum project size exemptions, etc.). A poorly-tailored program may actually increase prices and decrease production of market-rate housing. Thus, communities should avoid a "one-size-fits-all" approach. Ignoring these factors can lead to the unintended consequences of blocking housing development and exacerbate the housing crisis.

In California, the majority of inclusionary housing programs include a threshold project size below which projects are exempt to the requirements. Our city's proposed Land Value Recapture (LVR) Program does NOT have such exemption. Instead, the recommendations unduly constrain development on small properties in our downtown like mentioned in the public comments from owners who have been in business for 70+ years.

Why Should We ALL Care About the DESIGN of this Land Value Recapture Program?

If we want to keep the small town character of our downtown then we need to value the input from the actual stakeholders who are affected. I support local control in our city, but we must ensure that the policies adopted don't overly and improperly burden our small commercial property owners who are NOT developers with substantial fees that will prohibit second story residential housing for our community. If we want mixed-use in our downtown then we need to provide a pathway that makes financial sense. Otherwise, there will be limited contributions to a Housing Trust and in five (5) years when we go through the Housing Element "exercise" again,

our city might be forced to increase the density in our overly dense residential neighborhoods because we didn't provide a financially balanced policy to build housing in our commercial districts.

Dino Capaldi

Location:

Submitted At: 10:12am 10-10-23

Dear City Council Members,

My name is Dino Capaldi and we own the building located at 423 and 425 Pier Ave. My wife's family has owned a small business in Hermosa Beach for 70 years. We have also owned and operated a small business in Hermosa Beach for going on 30 years. When the opportunity came up to purchase the property we were so excited to be able to own a piece of land in beautiful Hermosa. We purchased the property in 2006.

At the time we had a small restaurant located on the property which after several years we wanted to expand the restaurant, but declined to do so due to the high cost of in-lieu parking fees that the city wanted for the additional parking spots. We simple could not afford it. Now the city wants to impose a land value recapture fee, and although we were glad the city rezoned for mixed use we would again have to detour from development due to the high cost. We would love to develop the property to add to the beauty, charm and vitality of Hermosa Beach, but a large additional fee simply is not feasible for us.

I implore you to do the right thing and vote against adding the recapture fee to small commercial properties. Thank you for your time.

Ed Hart

Location: 90254, Hb

Submitted At: 8:54pm 10-09-23

The concept of Land Value Recapture (LVR) is often thought as a solution to address urban development challenges and fund affordable housing initiatives. So thank you for this discussion of proposed LVR program, as it is crucial to critically examine its potential drawbacks and consider whether it creates a lose/lose situation for property owners, the city (being on the hook for this housing cycle and the next) to create more housing opportunities and the community at large.

Unrealistic Assumptions About Property Owners' Intentions:

LVR proponents argue that property owners will eagerly embrace mixed-use development opportunities as soon as the city allows them to do so. However, this assumption overlooks the fact that not all property owners are willing or financially able to undertake such projects.

Consider the case of 301 Pier Avenue (the old Becker building property), where the property is available with no tenants and long leases. Despite these favorable conditions, the property owners expressed no interest to pursue a mixed-use project. Factors like insufficient parking, high construction costs, and income losses during extended construction periods are significant barriers to small property projects.

LVR's cornerstone argument fails to account for the diverse motivations and financial constraints of property owners, potentially leading to a situation where very few property owner will consider developing due to unrealistic expectations.

Over-reliance on LVR Funds for Affordable Housing:

LVR proponents often promise that the generated "recapture" funds will be channeled into affordable and low-income housing projects through the housing trust. While this sounds appealing, the reality is more complicated. The idea that LVR can provide a significant source of funding for affordable housing is questionable. It assumes that a substantial amount of value will be recaptured from property owners, which may not be the case.

In small property cases, LVR may be yet another cost and deterrent to build housing, especially when considering the constructions loans for smaller and independent projects often come with high-interest rates (right now at 13%), which on the top of land-value costs in this town can extremely limit actual mixed-use Housing projects or

any affordable housing project.

In conclusion, while Land Value Recapture may appear to be an enticing solution to urban development and affordable housing challenges, it's essential to approach it with caution specially on smaller projects. Unrealistic assumptions about property owners' intentions can create a lose/lose situation for all.

Footnotes:

~ On the topic of wrong housing assumptions please consider the latest research on first year of SB9! Whereas many feared that the law might lead to speculation and unchecked growth at the expense of community character and vulnerable residents... however, the latest research by Turner Center for housing innovation at UC Berkeley found that one year after SB9 passed activity is limited or non-existent even in state's largest cities! Please ask Director Carrie Tai about our own SB9 Numbers compared with the expectations.

Here's the link to the UC Berkeley article <https://turnercenter.berkeley.edu/research-and-policy/sb-9-turns-one-applications/>

Thank you for your patience and consideration.

Mike Daneshmand

Location:

Submitted At: 8:25pm 10-09-23

Dear Mayor and Council Members,

My name is Mike Daneshmand. We have owned our property on 405 Pier Avenue in Hermosa for over twenty-two years. My daughter and I purchased the property back in 2001 so we could expand our family business into Hermosa Beach. It was a challenging process to get here today. We are proud that we have run our family business on Pier Avenue for over twenty years. We have provided services and employment for Hermosa Beach residents and are an important part of this great community. We need your help to continue to grow and thrive and are writing to ask you to consider not applying the land value recapture fee to small commercial lots such as ours.

When we bought the property, the structure was very old, in poor shape, and required quite a bit of work. We are not developers, but we wanted to create a space worthy of our lovely beachside town and decided to rebuild the entire structure. The development process was difficult and very expensive. Our plans were originally to build a two-story building, but construction costs escalated more than anticipated and we were no longer able to pay the parking-in-lieu fees of over \$100,000 needed for second floor space. We halted construction on our second level and for the last 22 years it has only been a second story facade.

Our property is 3,328 feet which has been assigned as a single above-moderate housing unit in the Housing Element. We would like the opportunity to complete the second level as a residential unit as we had originally hoped over twenty years ago.

Rose and I have no plans to sell our property and would like to be a part of the Hermosa community for many more years. We would like to upgrade our building to a live-work unit that can provide housing for Rose, who is involved in the daily operations of the business. If we attempt to build a second story again, funding the development will be an issue for us if we are charged a parking-in-lieu fee or land value recapture fee. We are dissuaded by these fees. We had to stop development of our second floor 22 years ago because of such fees. We do not want to have to do it again.

We ask you to consider not applying these fees to small lots like mine.

Thank you very much for your time,

Randy Balik

Location:

Submitted At: 5:42pm 10-09-23

A Land Value Recapture (LVR) Program in the eyes of our Planning Commissioners must provide a "Tangible Community Public Benefit." To that end, incentivizing mixed-use development in our downtown area and removing barriers in our commercial districts is key, and this is counter to what our Planning Commission is actually proposing now. Mixed use in our downtown zone must be encouraged to not only solve some of our Housing Element issues but also to add a new and necessary vibrancy to our downtown and City as a whole.

Recommendations:

1) Demographics: I've lived here for 27 years. I ran for City Council. I understand our city. One of my platforms was embracing what small coastal towns throughout Europe do (and not just coastal), which is to encourage mixed-use so we can help our commercial districts become more vibrant like other European cities. If our city needs revenue to provide for a better quality experience for our residents and visitors, let's incentivize commercial property owners to build second story residential. I have concerns this LVR program will become an unnecessary barrier as we try to encourage investment.

2) One-Size-Fits-All Approach: In order for LVR Programs to be successful, it needs to be thoughtfully designed with enough NUANCE (key word) so the threshold to trigger the policy doesn't become a barrier to housing development in our commercial zones. Since we haven't had much development in our downtown, we need to be mindful of using a one-size-fits all approach.

3) Economic Barriers: On small lots in our downtown, staff had originally recommended the 1-2 unit sites should be exempt from the LVR fee as they didn't want it to become a barrier to housing development. What is the logic behind this reversal since the small downtown lots can only build 1-2 units? It would make sense that larger developments would be able to absorb the fees, but on smaller lots it would be more challenging and has the potential to block housing development. This must be reconsidered rationally.

4) Tangible Community Benefits. There are A LOT of benefits. We will see more investment into our downtown, improved economy, market-rate housing to ease supply issues, and businesses have more foot traffic during the off season since they live downtown.

Let's not use parking restrictions and other "old" reasons as excuses. Let's look to other cities and countries for the answer. Let's look forward and develop a nuanced approach that will work, will attract investment, and will add vibrancy to our city.