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September 27, 2022

Jeannie Naughton
Community Development Director
City of Hermosa Beach
1315 Valley Dr.
Hermosa Beach, CA 90254

RE: Proposed Condominium Development at 911 1st Street (GPA 20-1, ZC 20-1,
CON 20-5, PDP 20-10, TPM #83011)

Dear Director Naughton:

This letter is in connection with the pending application for residential development of the vacant parking lot at 911 1st Street. The applicant has requested approval to build 12 condominium units designed according to the City's R-3 (High-Density) development standards. Although the site currently is zoned for commercial use, the City's adopted 2021-2029 Housing Element includes this site in an inventory of 74 candidate sites (Site Inventory) for potential residential development that will satisfy the City's regional housing needs allocation (RHNA).¹ At a hearing on March 15, 2022, the Planning Commission considered the application but postponed its decision indefinitely, because the City has not received final approval of the Site Inventory from the State Department of Housing and Community Development (HCD).

We think it is highly likely that within the next 2 to 3 years, the City will rezone the subject site in order meet its RHNA, because most of the other sites in the Site Inventory will be disallowed by HCD. Sixty-nine of the 74 parcels in the Site Inventory are non-vacant, with existing uses. In its March 23, 2022 letter to the City, HCD noted that the City has not provided evidence that the existing uses on these sites will likely discontinue in the planning period. HCD further stated that, "Absent findings (e.g., adoption resolution) based on substantial evidence, the existing uses will be presumed to impede additional residential development and will not be utilized toward demonstrating adequate sites to accommodate the RHNA."²

Of the 69 nonvacant sites in the Site Inventory, 62 are likely ineligible, because they have existing uses that are unlikely to discontinue in the next 7 years. These include:

¹ City of Hermosa Beach Housing Element Technical Report at B-5.

² Letter from Paul McDougall, Senior Program Manager, Division of Housing Policy Development, HCD, to Suja Lowenthal, City Manager, City of Hermosa Beach, dated March 23, 2022, Appendix at 3.

- City Hall
- The City Community Center, tennis courts, and skate park
- The majority of the existing restaurants, salons, and retail stores on upper Pier Avenue
- Two shopping centers
- Auto sales and service businesses
- Offices of long-standing legal and financial firms,
- Self-storage facilities
- The Frontier Communications switching station
- A Spectrum Communications facility
- Sketchers property
- Enterprise Rental Car
- Learned Lumber Yard
- St. Cross Episcopal Church and School
- Two houses recently renovated by St. Cross Church

In contrast to these sites, 911 1st Street is vacant and has a pending application for residential development, making it the strongest candidate in the Site Inventory for rezoning. Given that 911 1st Street is one of the few sites that HCD will permit the City to use to accommodate its RHNA, the Planning Commission may wish to consider what could be developed on the site when it is rezoned.

State law establishes by-right development for housing projects that meet the requirements of the State Density Bonus Law.³ Projects that qualify for a density bonus are subject to approval of a non-discretionary precise development plan focusing on physical design and ensuring conformance with objective development standards, rather than examining the appropriateness of the use itself.⁴ In addition, such projects are not subject to the California Environmental Quality Act.⁵

The Density Bonus Law grants an increase in density equal to a percentage of the maximum density allowed on a site by the City's zoning code.⁶ When 911 1st Street is rezoned for high-density residential use (R-3), the maximum site density allowed by the City's zoning code will be 15.25 units. Under the Density Bonus Law, all fractions are rounded up.⁷ Therefore, the base density on which a bonus would be calculated is 16 units. If one of the 16 units (6%) were designated for very-low-income occupants, the project would be entitled to a 22.5% density bonus, or 3.6 units, which rounds to 4. Total units allowed would be 20. If two of the 16 units were designated very-low-income, the owner could build a total of 23 units.

³ See Cal. Gov. Code Sec. 65915.

⁴ Hermosa Beach Municipal Code (HBMC) Sec. 17.58.010.

⁵ HBMC Sec. 17.58.010.

⁶ See Cal. Gov. Code Sec. 65915(b)(1), (o)(4).

⁷ See Cal. Gov. Code Sec. 65915(f)(5).

The Density Bonus Law requires 1.5 parking spaces for a two- or three-bedroom unit.⁸ No guest parking spaces are required. Therefore, required parking would be 30 spaces for a 20-unit project, and 35 spaces for a 23-unit project.

In conjunction with the added density, the Density Bonus Law grants by-right “incentives” that provide relief from certain development standards, such as height, setbacks, lot coverage, and open space requirements.⁹ In addition, a project is entitled to an unlimited number of “waivers” of development standards if it is shown that compliance with a development standard would make the project physically impossible to build. If one of the 16 units were designated for very-low-income occupants, the developer would be entitled to one incentive.¹⁰ If two of the 16 units were designated very-low-income, the developer would be entitled to two incentives.¹¹ However, if the project were still physically impossible to build – even with the incentive(s) – other development standards would have to be waived until the project was buildable.¹² For instance, the HBMC establishes as an incentive that the developer may have a 20% increase in building height (6 feet) over what is allowed by the zoning code.¹³ However, if the developer can show that it is physically impossible to fit 20 or 23 units into a 36-foot-high, three-story building, the City must allow a further height increase to accommodate the number of units allowed by the Density Bonus Law.¹⁴ Or if the developer can show that the required parking cannot be provided unless all setbacks are eliminated, they must be eliminated.

The scenarios described above involve only one or two very-low-income units, but it is evident that an incremental addition of such units would have an exponential impact on the scope of development that is permitted by-right. As the City stated in its Housing Element, “the densities that would be allowed on rezoned sites (33 to 50 units/acre) would create a substantial financial incentive for redevelopment. Due to extremely high land values, developers are likely to maximize yields on these properties.”¹⁵

While we support the construction of affordable housing, our proposal for 911 1st Street is not such a project, and our proposal does not seek to maximize development. We believe our proposal of 12, 3-story units with 31 parking spaces is more in keeping with the surrounding community than a development of 20 or more units of up to 4 or 5 stories, with fewer than two parking spaces per unit and no guest parking.

Sincerely,

Brandon Straus
Brandon Straus

⁸ See Cal. Gov. Code Sec. 65915(p).

⁹ See Cal. Gov. Code Sec. 65915(b)(1).

¹⁰ See Cal. Gov. Code Sec. 65915(d)(2).

¹¹ See Cal. Gov. Code Sec. 65915(d)(2).

¹² See Cal. Gov. Code Sec. 65915(e)(2).

¹³ HBMC Sec. 17.42.100.D.3.a.v.

¹⁴ See Cal. Gov. Code Sec. 65915(e)(2).

¹⁵ City of Hermosa Beach Housing Element Technical Report at B-2.