



## Staff Report

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### Honorable Chairman and Members of the Hermosa Beach Planning Commission

#### Study Session Meeting of November 7, 2019

Study Session to receive public comments and discuss potential Municipal Code amendment to the M-1 Light Manufacturing Zone to consider allowing Cypress District businesses to host openings or events to showcase and offer products for sale on a limited basis.

#### **Study Session:**

The Planning Commission will be evaluating the existing conditions, and discussing possible modifications to the M-1 Light Manufacturing zoning standards. The Commission will be specifically exploring whether permitted uses and zoning standards in the M-1 zone should be modified to allow businesses to host special events and provide limited retail sales as accessory uses. The Commission will also discuss possible changes to how certain uses such as art studios and/or galleries are defined, as well as other ways to implement the vision in PLAN Hermosa for the Cypress District.

#### **Background:**

After extensive community discussion and study, the City Council adopted PLAN Hermosa on August 22, 2017. The Cypress Avenue district is located within the Creative Light Industrial (CI) General Plan land use area. The General Plan vision for the Cypress District industrial area is to foster new innovations and creative activity. Creative land uses, including in the Cypress District, are discussed throughout PLAN Hermosa in the following sections:

##### Creative Economy (p.69)

Artists, like many business sectors, *need space to create their art and venues or opportunities to sell their work* and can benefit from proximity to one another. To encourage increased artistic activity and support economic development objectives, Hermosa Beach can ensure the space needed to support this industry is provided in an accessible and affordable manner that allows higher levels of collaboration among artists - all essential ingredients to flourishing creative communities.

##### Land Use Designations - Creative (p.71)

Creative land use designations are intended to provide space for production, design, and manufacturing uses that support the local employment base and produce goods and services that enhance the brand of Hermosa Beach as a creative and innovative community. Uses that are considered light industrial are to be designed and sited in a manner that ensures their compatibility with surrounding uses.

##### Designation/Definition (p.73)

CI Light Industrial - Production uses for light manufacturing, creative art, or design services with professional office as an allowed accessory use.

##### Creative Light Industrial (CI) (p.77)

Purpose - The creative light industrial designation is intended to create a suitable environment for small businesses that

rely on manufacturing, warehousing, or production to operate successfully. This designation ensures uses are able to operate in a manner that contributes to local economic activity and diversifies the local employment base while minimizing impacts to adjacent residential uses. The designation fosters new innovations and creative economic activity by providing common gathering areas and meeting spaces to share and exchange ideas.

**Appropriate Land Uses** - This designation is reserved for the provision of production uses for light manufacturing, creative art, or design services. Flexible use spaces, co-working offices, and creative or “maker” industry incubator spaces are also permitted. *Professional office or specialty retail are allowed only as an accessory use to the primary production uses.* Residential uses are not allowed in this designation as its intent is to promote and protect industry and production uses that diversify the City’s tax base.

#### Cypress District Character Area (p. 94)

**Future Vision** - The intent is to transform both building design and orientation as well as the public realm and streetscape within the Cypress District. This area is the creative, production and light industrial center of Hermosa Beach where ideas, spaces, and creativity are easily shared. The Cypress District includes a variety of flexible use spaces, co-working offices, and creative or “maker” industries.

**Intended Distribution of Land Uses** - The Cypress District is exclusively designated for creative light industrial uses, with preference toward production uses aligned with green economy. *While the area should allow some retail uses, the focus is on specialty trade services and must be accessory to the design or production uses.* The Cypress District should support the development of new uses that will bring a wide range of high-quality jobs accessible to people with a variety of skill levels, including research and development and light industrial uses.

Relevant Goals and Policies the City’s General Plan are listed below:

**Governance Goal 6.** A broad-based and long-term economic development strategy for Hermosa Beach that supports existing businesses while attracting new business and tourism.

- Policy 6.5 Creative Economy.  
**Land Use Goal 1.** Create a sustainable urban form and land use patterns that support a robust economy and high quality of life for residents.
- Policies 1.1 Diverse and distributed land use pattern, 1.4 Diverse commercial areas, and 1.8 Respond to unique characteristics.  
**Land Use Goal 3.** A series of unique, destination-oriented districts throughout Hermosa Beach.
- Policies 3.1 Unique districts and 3.2 Compatibility of districts.  
**Land Use Goal 10.** A strong sense of cultural and architectural heritage.
- Policy 10.5 Adaptive reuse and sustainable development.

One of the priority implementation tasks for PLAN Hermosa is to update the Zoning Code to align with the General Plan.

At its meeting on July 9, 2019, the City Council reviewed a request letter and heard public comments from Mike Collins, business owner of ShockBoxx, requesting initiation of a Municipal Code amendment to the M-1 Light Manufacturing Zone in the Cypress District. The letter, which represented six businesses and property owners, asked for consideration to update the M-1 Zone to allow for “current and emerging, businesses, shop owners, and tenants, to conduct business in a more creative way,” particularly regarding special event limitations. At that meeting, the City Council directed staff to agendize this matter for consideration at a future City Council meeting.

At its meeting on July 23, 2019, the City Council considered initiation of a Municipal Code amendment to the M-1 Zone and the appropriate permitting process to allow Cypress District businesses to host openings or events with limited retail sales. After discussion, the City Council directed the Planning Commission to consider a Zoning Code Text Amendment for the M-1 Zone in the Cypress District and recommend changes to the City Council for potential adoption.

At its meeting on August 20, 2019, the Planning Commission discussed the M-1 Light Manufacturing Zone and the City Council direction to consider potential Municipal Code text amendments to allow businesses to host openings or events with limited retail sales. The Commission discussed the proposal, requested more information such as an inventory of existing uses, parking, and potential fiscal impacts and directed staff to bring back this matter at a future Planning Commission Study Session.

### **Analysis:**

The Cypress Avenue industrial area has a mix of older and newer buildings within which businesses operate; some are established businesses in operation for decades and others are more recently-opened businesses investing in the area and finding that the M-1 Light Manufacturing Zone is restrictive for their proposed business operations. The M-1 Zone states the specific purpose is to provide "for a range of light manufacturing and warehousing and distribution uses and certain appropriate service commercial uses." The M-1 Zone allows accessory administrative offices but generally does not allow uses that serve the public directly, such as retail sales or art galleries. For example, artist studios are permitted in the M-1 Zone, but not galleries. Area photos are provided as Attachment 4.

Some new businesses, including artist studios on Cypress Avenue, have regularly obtained permits for Temporary Minor Special Event Permits for art-oriented events. The popularity of these events has prompted businesses to request modification of the M-1 Zone to regularly allow events without seeking a Temporary Minor Special Event permit for each event, which are limited to 12 per year.

Similarly in 2018, in response to business requests for a simpler special event process in commercial zones, the City Council approved a Zoning Code amendment creating a new administrative permit process for qualifying events and definition for Limited Live Entertainment:

Entertainment, Limited Live. "Limited live entertainment" means the provision of live entertainment as defined herein, but only as accessory to an established on-site use during normal business hours for limited periods of time outside of late night hours, provided by a maximum of two (2) performers using amplification at any time, that does not typically generate off-site impacts or contribute to impacts within the commercial district or adjacent residential districts in accordance with operational standards in the commercial zoning districts.

This new Limited Live Entertainment permit process does not apply to the M-1 Light Manufacturing Zone nor does it seem appropriate for the types of events that are better described as openings for the purpose of showcasing art or other goods produced or manufactured in the studios. However, the simplified Administrative Permit process, which is obtained once for a two-year period, would be a simpler alternative to the Temporary Minor Special Event Permit, which requires a new application for each event and is limited to 12 per year. To implement a similar permit process, an amendment to the Zoning Code for the M-1 Zone would be required with conditions applicable to the types of special events now allowed through Temporary Minor Special Event Permits.

### **Special Events**

Expanded special event uses are not consistent with the existing code in the M-1 Light Industrial zone. As directed by the City Council, in order to permit host openings or events to showcase and offer products for sale, the requested Code amendment would be an interim measure until a more comprehensive update is completed for the Cypress District M-1 Zone consistent with the vision of the PLAN Hermosa General Plan.

Considerations brought up during the July 23, 2019 City Council discussion included:

1. If potential events should be within the building or allowed to expand onto property.
2. If gallery openings and similar activities should be considered as normal business operations or special events.
3. If gallery openings and similar activities should be subject to certain standards and limits such as frequency or hours.
4. Recognition that PLAN Hermosa anticipated some of these desired uses and that business demand has preceded the Zoning Code updates anticipated in the General Plan.

Considerations brought up during the August 20, 2019 Planning Commission discussion included:

1. Need to address noise impacts of special events.
2. Determine if existing parking adequate for special events.
3. Need to address alcohol for special events.
4. Concerns and consequences of allowing retail.
5. Galleries are retail.
6. Provide summary of existing uses and property owners.

7. Concern of raising rents or creating financial barriers to artists and fiscal impacts of potential changes.
8. Pilot program could be considered with combination special event/live entertainment.
9. 1-2 year administrative permit, simple, inexpensive.
10. Director interpretation of similar uses, which uses should be regulated.

Examples: architectural uses/design use, art studio/gallery

#### Existing Conditions - Temporary Special Event Permits

Zoning Code Section 17.42.150 regulates Temporary Special Event Permits, which are administrative permits, and is included in this report as Attachment 11. In the case of indoor events, one permit will apply to up to 12 dates. The application requires event details for each date, including hours (10:00 AM - 9:00 PM in M-1 Zone), alcoholic beverages, entertainment, designated parking, pedestrian access, and occupancy limits. Applicable conditions of approval are determined for each event.

In 2019, two Temporary Special Event Permits were issued in the Cypress District M-1 Zone; for Resin at 618 Cypress Avenue and for Shockboxx at 636 Cypress Avenue. Each permit was issued for up to 12 events in the calendar year. There were no Temporary Special Event Permits issued in the Cypress District in 2018.

Alcohol sales are regulated by the California Business and Professions Code and the California Department of Alcohol Beverage Control (ABC) enforces the laws. Generally, for special events, if there is no sale of alcohol and the event is by invitation only and not open to the public, then no ABC license is required. If alcohol is to be sold at the event, an event permit is required from ABC, unless a caterer with appropriate Type 58 license (caterers permit under an on-sale general license, such as a restaurant). A copy of the ABC permit is required prior to approval of the Temporary Special Event Permits.

#### Property Analysis

The Cypress District is comprised of approximately 35 lots and approximately 50 businesses. There are 20 property owners within the district, including the City of Hermosa Beach City Yard site

One of the largest properties is the City of Hermosa Beach Public Works Facility, also known as the City Yard, located at 555 6<sup>th</sup> Street is 1.92 acres in size. The City is in process of re-constructing the City Yard at the high-visibility corner of Valley Drive and 6<sup>th</sup> Street. The new City Yard, surrounding fences, and landscaping will be a substantial improvement to the area. The project will provide 16 parking spaces available to the public, with 6 perpendicular spaces facing 6<sup>th</sup> Street and 10 spaces in a lot adjacent to 6<sup>th</sup> Street, which is similar to the current parking configuration.

#### Parking Analysis

During its discussion at the August 20, 2019 meeting, the Planning Commission requested additional information be provided regarding Cypress District parking in the area to help determine whether additional parking demands can be met for potential events. Staff has reviewed existing conditions for public parking and private parking in the Cypress District.

Public parking is limited on the streets within the Cypress District: Cypress Avenue allows parking on both sides, but many west-facing buildings have drive-in perpendicular parking which does not allow curb-face parking; 6<sup>th</sup> Street allows parking on the south side of street only, though along the north side of 6<sup>th</sup> Street the City Yard provides 8 spaces adjacent to the street; and Valley Drive is narrow along this area and does not allow parking on either side of the street.

#### **Cypress District Street Parking**

Cypress Avenue	16 spaces
6 <sup>th</sup> Street	11 spaces + 8 spaces facing City Yard
Valley Drive	0 spaces

Nearby parking includes 84 spaces of perpendicular parking provided one block to the north, across 8<sup>th</sup> Street, on the on the west side of Valley Drive across from Clark Stadium; 16 spaces on the east side of Valley Drive adjacent to Clark Stadium; 36 spaces are located at South Park, immediately

south of the Cypress District, and 7 spaces are located on the east side of Valley Drive spaces in front of South Park.

### **Nearby Cypress District Public Parking**

Valley Drive across from Clark Stadium	84 spaces
Valley Drive adjacent to Clark Stadium	16 spaces
South Park	36 spaces
Valley Drive in front of South Park	7 spaces

Private parking is generally provided on site for each business. Some multi-tenant buildings provide shared parking for several businesses, such as the industrial building at 601 Cypress Avenue and the industrial complex at 675-717 Valley Drive.

An August 2019 preliminary Parking Management Study was conducted as part of the recent Coastal Zone parking analysis. The study included analysis of Cypress District parking, considering land use, code-required parking and existing private off-street parking. The table below shows that there is inadequate on-site parking for existing uses in the Cypress District.

### **Cypress District Parking Spaces Required by City Code**

<b>Land Use</b>	<b>Square Feet by Use Type</b>	<b>Existing Minimum Parking Required</b>	<b>Spaces Required by Code</b>	<b>Existing Private Off- Street Parking Spaces</b>
Office/Professional	8,933	1 sp p/250 sf	36	13
Light Manufacturing	87,900	1 sp p/300 sf	292	169
Warehousing/Storage	14,519	1 sp p/1000sf	15	1
Service/Repair	9,057	1 sp p/1000sf	9	13
Total	120,409		1,915	764

### Existing Cypress District Businesses:

There is a wide range of business types represented, including audio recording and producing studios, surfboard shaping, woodworking, automotive repairs, interior design, architects, artist studios, and contractors. As requested, the types of current uses in the Cypress District is summarized as follows:

### **Cypress District Current Business Uses**

Media (Movie Production, Video, Photography)	5
Surfboard Production, Repairs	4
Music Recording/Production/Streaming	4
Distribution Imports/Exports	4
Auto Body, Auto Glass, Auto Glass Tint	4
Contractors	4
Vacant	3
Artist Studio/Gallery	2
Architecture/Design Studio	2
Woodwork/Finish Carpentry	2
Warehouse	2
Skechers Support	2
Interior Design	1
Dental Lab	1

Music Lessons	1
Apparel Screenprinting, Embroidery	1
Buddhist Center	1
Metalsmith, Jewelry Manufacturing	1
Baja Sharkeez Support, Warehouse	1
Self-Storage	1
City Yard	1

A comprehensive list of businesses is included in this report as Attachment 5.

#### Other Industrial Examples

As requested by the Planning Commission, staff has reviewed other examples of arts-oriented cities responding to changing demands on the industrially zoned areas, particularly for retail, gallery, or special event use.

#### El Segundo Smoky Hallow Specific Plan

The City of El Segundo has adopted a comprehensive Specific Plan, including the following:

- Retail allowed as accessory use only; includes incidental direct sale to consumers of only those goods produced on-site of another permitted or conditionally permitted use.
- Artist Studio (light industrial) allowed; Art Gallery (retail) not allowed.
- Offices allowed.

#### Santa Barbara Funk Zone

- Breweries allowed; several in area.
- Art manufacturing including: pottery, wood products, leather products, paper products.
- Retail as accessory use only.
- Restaurants upon approval of a Conditional Use Permit.

#### Pomona

- Pomona has an M-1 Light Industrial Zone which allows limited retail, offices, banks, bakeries, and restaurants.

#### Claremont

- Art Galleries with up to 15% of floor space dedicated to retail with a Special Use and Development Permit.
- Limited retail in conjunction with permitted manufacturing/industrial use; Retail less than 20% of total floor area and less than 20% of gross sales revenues.
- Restaurants and offices are permitted.

#### Costa Mesa

- Art Galleries are not permitted in industrial zones.
- Incidental retail sales. Incidental retail sales may be allowed in conjunction with an industrial use provided that the retail sales floor area does not exceed twenty (20) percent of the gross floor area or one thousand (1,000) square feet, whichever is less and the retail products are related to the primary industrial use. Incidental retail sales that do not meet the floor area limitation shall be subject to review and approval of a minor conditional use permit.

#### **Code Options to Consider**

Municipal Code text amendments to the M-1 Light Manufacturing Zone in the Cypress District include consideration for Events and Openings and Retail sales on a limited basis.

#### Events and Openings

Events and Openings options for consideration (from lenient to restrictive):

1. Allow Openings and Events- Amend the M-1 Zone to allow host openings or events as an allowable use with appropriate limits and operational standards during normal business hours, and activities to be contained within the building with all doors and windows closed during events.

This may not be appropriate for the entire M-1 Zone in the Cypress District, but could be applied on street-facing buildings, for example.

2. New Administrative Permit - Amend the M-1 Zone to allow an Administrative Permit similar to the Limited Live Entertainment Permit with one permit for a two-year period in a manner customized for the M-1 Zone with appropriate operational standards such as limits to frequency, hours, and the requirement that all activities conform to Noise standards.
3. Require Conditional Use Permit - Amend the M-1 Zone to allow to host openings or events to showcase and offer products for sale on a limited case-by-case basis with approval of a CUP, which could also address related requests not consistent with existing M-1 zone such as to allow classes or accessory retail of up to 25% area or alcohol during openings and events. A CUP would be a one-time permit process to respond to a specific request with conditions applied to mitigate potential impacts.
4. No Change - The continued use of annual administrative Minor Temporary Special Event permits for requested events on a case-by-case basis with applicable conditions of approval, including event hours, noise, proof of parking, and maximum occupancy.
5. Disallow - Determine that the special event uses are not consistent with the Zoning Code and disallow future Minor Temporary Special Event permits in the M-1 Zone.

#### Retail

Retail is not currently permitted in the M-1 Zone, even as an accessory use. Art galleries are generally considered a retail use, but have been interpreted as incidental to Artist Studios, as provided in Code Section 17.28.025 subject to approval of the Community Development Director. The code does not currently have definitions for Artist Studios or Art Galleries.

Industrial buildings are not designed to be retail space. Retail space tends to be more expensive, which is one reason why industrial zones experience pressure to be used for retail. In general, if industrial space is made available as retail then it could result in increased rental rates, which could put rent pressure on the existing light industrial businesses in the M-1 Zone.

It should be noted that the General Plan addresses the issue and states that specialty retail should be allowed as an accessory use to support the primary production use.

Retail options for consideration (from lenient to restrictive):

1. Allow Limited Retail - Amend the M-1 Zone to allow specialty retail as an accessory use to support the primary production use up to 25% of floor area. This is consistent with PLAN Hermosa.
2. No Change/Disallow - Determine that retail use is not appropriate for the M-1 Zone and not consistent with the Zoning Code.

#### Potential Code Amendments

For clarification, it may be appropriate to add definitions of Artist Studio and Art Gallery.

Definitions:

“Art studio” means a workshop for one or more artists.

“Art gallery” means a place of business in which objects of fine art, such as painting and sculpture, are displayed and offered for sale.

If an art gallery is permitted in M-1 Zone, it may be appropriate to include conditions such as subject to approval of the Community Development Director or limited to a street-facing tenant space. Some existing building conditions in the Cypress District are not designed for frequent customers and may not be appropriate for an art gallery.

#### **Summary**

The intention for a potential M-1 Light Industrial Zone Text Amendment in the Cypress District is to serve as an interim measure to bring the Zoning Code closer to the PLAN Hermosa General Plan vision and in anticipation of a more comprehensive update in the future.

#### **Environmental Analysis:**

Environmental analysis will be determined based on the recommended action pursuant to the California Environmental Quality Act (CEQA) and California Public Resources Code. Once a course of action is determined, appropriate Environmental Analysis will be conducted at that time.

#### **Attachments:**

1. Link to 7-23-19 City Council Meeting
2. Link to 8-20-19 Planning Commission Meeting
3. Public Notice Sent to Businesses and Property Owners
4. Walking Tour Map
5. Cypress District Photos
6. Cypress District List of Existing Businesses
7. Cypress District M-1 Zone Boundary Map
8. California Alcohol Beverage Control Regulations for Special Events



9. Excerpt of Zoning Code Chapter 17.28: M-1 Light Manufacturing Zone
10. Excerpt of Zoning Code Chapter 17.42.150: Temporary Minor Special Event Permit
11. Supplemental Information: Lee Hudspeth Email 11-1-2019
12. Supplemental Information: Mike Collins Email 11-5-2019

Respectfully Submitted by: Christy Teague, Senior Planner

Approved: Ken Robertson, Community Development Director