



## Staff Report

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### Honorable Mayor and Members of the Hermosa Beach City Council Regular Meeting of September 28, 2022

**INTRODUCTION OF AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH, CALIFORNIA AMENDING CHAPTER 17.40 (CONDITIONAL USE PERMIT AND OTHER PERMIT STANDARDS) TO ADD SECTION 17.40.230 (TIMESHARE USES) TO TITLE 17 (ZONING), AND AMENDING SECTION 17.26.030 TO PERMIT TIMESHARE USES IN SPECIFIED COMMERCIAL ZONES PURSUANT TO A CONDITIONAL USE PERMIT AND DETERMINING THAT THE PROJECT IS EXEMPT FROM THE CALIFORNIA ENVIRONMENTAL QUALITY ACT**  
(Community Development Director Jeannie Naughton)

#### **Recommended Action:**

Staff recommends City Council consider waiving full reading and introduce by title only an Ordinance of the City of Hermosa Beach, California, amending Chapter 17.40 (Conditional Use Permit and Other Permit Standards) to add Section 17.40.230 (Timeshare Uses) to Title 17 (Zoning) and amending Section 17.26.030 to permit timeshare uses in specified commercial zones pursuant to a Conditional Use Permit and determining that the project is exempt from the California Environmental Quality Act **(Attachment 1)**.

#### **Executive Summary:**

The City of Hermosa Beach Municipal Code (HBMC) does not currently include regulations governing the use of timeshares within the City, nor any regulations that would explicitly address these emerging businesses offering “fractional ownership” of a property in a way that operates like a timeshare. If left unregulated, these types of uses in the residential zones could limit the City’s existing housing stock for use as long-term residency and impair the overall character of the City’s residential areas.

The proposed draft ordinance **(Attachment 1)** would permit timeshare uses in [the](#) C-1 and C-2 commercial zones within the City pursuant to a Conditional Use Permit (CUP), and prohibit the use in all other zones within the City.

#### **Background:**

The City of Hermosa Beach is a popular tourist destination known for its scenic beachfront location, its many diverse restaurants, local retailers and popular commercial areas like its Downtown area and Pier Avenue. Maintaining the balance between the quality of life for residents, those who work in the City, and the visitors who help to sustain the City’s tourist economy is key to maintaining a

sustainable community and a stable economy.

Like most communities throughout California, one of the key means that the City utilizes to maintain this balance is through its Zoning Ordinance. The City has commercial zones, including the C-1 and C-2 commercial zones, that provide for uses that serve both visitors and the local community. These commercial uses include: restaurants; retail shops; and visitor-serving hotels and motels. The City also has residential zones, at varying densities, that provide a diversity of housing types for those who live in the community.

The City does not currently have regulations in place governing the use of timeshares within the City or other businesses/arrangements that are identical or similar to a timeshare use. At its April 18, 2022 meeting, the Planning Commission reviewed and recommended approval of the proposed ordinance to permit timeshare uses in specified commercial zones pursuant to a Conditional Use Permit by adopting Resolution P.C. 22-07 (**Attachment 2**).

***Past Planning Commission Actions***

Meeting Date	Description
April 18, 2022	Planning Commission reviewed the proposed ordinance and adopted Resolution P.C. 22-07

**City Housing**

The most recent U.S. Census data lists the median value of owner-occupied homes in Hermosa Beach as \$1,542,900 for the 2015-2019 period, while the Zillow Home Value Index estimates median home values in Hermosa Beach to be approximately \$2,174,879 as of January 31, 2022. According to the Zillow Home Value Index, home values in the City have gone up 10.1 percent over the past year. In contrast, the median household income in Hermosa Beach from 2015-2019 was \$136,702, and the median income for a four-person household in Los Angeles County for 2021 was approximately \$80,000. The cost of homes currently in Hermosa Beach are in excess of what median income residents of Hermosa Beach can afford, and certainly over the median income residents of Los Angeles County generally.

The conversion of homes in the City's residential neighborhoods to these timeshare-like uses would eliminate residential dwelling units that would otherwise be available for long-term residential use, thereby further exacerbating the lack of long-term available housing in the City. A home that is used for timeshare purposes would no longer be available for households to use as their long-term residence.

**Impacts to Character of the City's Residential Districts**

Timesharing projects have the same character as commercial hotels, motels, and other transient occupancy uses due to the multiple short-term occupancies by those participating in timesharing

projects. For this reason, the activity is better suited in commercial or quasi-commercial zones. The use is inappropriate in residential areas due to the increased traffic generation and multiple occupancies disturbing the peace and quiet of residential neighborhoods.

The intensity of the activity is a significant reason why these uses can change the character of a residential neighborhood. Long-term residents, whether owners or renters, occasionally have guests and parties, but timeshare homes are used exclusively by people who are coming to the City on a short-term basis-most likely for vacation or leisure, increasing the likelihood of frequent gatherings and parties generating noise in excess of what the neighborhood normally generates.

Timeshare owners and visitors will most likely stay out later, entertain more, and gather in larger numbers while on vacation. Timeshare uses can change the character of a residential neighborhood by having it serve not only as a residential area, but also a visitor lodging area and subjecting the neighborhood to the impacts that come with the more intense land use.

Further, the nature of the timeshare use itself can impact the residential character of the City's residential zones because they ensure that the timeshare users can only use their property for a limited amount of time each year. Each co-owner is in the unit on a short-term basis, so they do not have the time to participate in activities or build the relationships that create the fabric of a community. Given the City's desire to strike a balance between the demands of the City's visitor and tourist economy, and retaining its character and quality of life, the City has an interest in maintaining housing stock in its residential districts for long-term residents.

### Emerging Businesses

Recently, certain businesses have emerged which purport to sell "co-ownership" shares in residential property. These businesses, as staff understands the business model, start by purchasing homes or entering contracts to purchase homes in tourist destinations in desirable locations like Hermosa Beach. These businesses then form a limited liability company ("LLC"), which owns title to the residential home.

The "co-owners" each purchase a one-eighth share and are entitled to use the residential property for a certain number of days per year according to their share of ownership in the LLC. The one-eighth interest entitles the purchaser to stay at the property for up to 45 days per year in increments of 2-14 days, including one "special day" (Fourth of July, Thanksgiving, Christmas, etc.).

The stays are reserved on an app, and while each co-owner is prohibited from renting the home as a short-term rental, they are permitted to allow other guests to stay there during their allotted days.

Once shares in an LLC are sold, the business continues to manage the homes, including providing landscaping and pool maintenance, furnishing the homes, and paying all expenses, which are then passed through to the co-owners of the LLC.

### The Ordinance

The City does not currently have regulations in place governing the use of timeshares within the City or other businesses/arrangements that are identical or similar to a timeshare use. The purpose of any ordinance should be to ensure that the City is able to maintain its existing and limited housing stock for use in long-term residency, and to maintain the character of its residential zones.

Completely banning “fractional ownership,” joint tenancies, or ownership by business entities such as LLC is not advisable. There are numerous properties in the City’s residential zones currently owned by numerous owners or by LLCs. Thus, the ordinance is geared toward the specific impacts of the at-issue uses-timeshare-like uses organized and run by third parties for a fee. The proposed ordinance (**Attachment 1**) does not target or single out any business or ownership structure.

The proposed ordinance allows for these types of timeshare uses in the City’s C-1 and C-2 zones, subject to a Conditions Use Permit. Timeshare uses would be prohibited in all other zones. In order to avoid an over-inclusive ordinance that prohibits joint tenancies or other type of ownership structure that do not have the same deleterious impacts, the proposed ordinance focuses on the actual use of the property, as compared to the ownership structure, and in pertinent regulates this “timeshare use” subject to a “timeshare plan.” Timeshare plan is defined as:

*“Any arrangement, plan, scheme, or similar device, facilitated, offered, or organized by a third-party non-purchaser, whether by membership agreement, bylaws, shareholder agreement, partnership agreement, sale, lease, deed, license, right to use agreement, or by any other means, whereby purchasers, in exchange for consideration, receives the right to exclusive use of an accommodation or accommodations, whether through the granting of ownership rights, possessory rights or otherwise, for a period of time less than a full year during any given year, on a recurring basis for more than one year, but not necessarily for consecutive years.”*

At its April 18, 2022 meeting, the Planning Commission reviewed and recommended approval of the proposed ordinance by adopting Resolution P.C. 22-07 (**Attachment 2**).

### Environmental Determination:

The proposed ordinance is not subject to CEQA because the adoption of this ordinance is not a “project” pursuant to Sections 15060(c)(2) and 15060(c)(3) of Title 14 of the California Code of Regulations. Specifically, this ordinance permits timeshares in [the](#) C-1 and C-2 commercial zones within the City pursuant to a conditional use permit, and prohibits them in all other zones within the City, and authorizes administrative and implementation activities which will not result in a direct or reasonably foreseeable indirect physical change in the environment. Moreover, under Section 15061

(b)(3) of the State CEQA Guidelines, this ordinance is exempt from the requirements of CEQA because it can be seen with certainty that the provisions contained herein would not have the potential for causing a significant effect on the environment.

**General Plan Consistency:**

The proposed text amendment has been evaluated for consistency with the City's General Plan. Relevant Policies are listed below:

*Land Use and Design Element*

***Goal 1. Create a sustainable urban form and land use patterns that support a robust economy and high quality of life for residents.***

Policies:

- **1.5 Balance resident and visitor needs.** Ensure land uses and business provide for the needs of residents as well as visitors.
- **1.7 Compatibility of uses.** Ensure the placements of new uses does not create or exacerbate nuisances between different types of land uses.

***Goal 2. Neighborhoods provide for diverse needs of residents of all ages and abilities and are organized to support healthy and active lifestyles.***

Policies:

- **2.4 Single density neighborhoods.** Preserve and maintain the Hermosa Hills, Eastside, Valley, North End and Hermosa View neighborhoods as predominantly single-family residential neighborhoods
- **2.5 Neighborhood preservation.** Preserve and enhance the quality of residential neighborhoods by avoiding or abating the intrusion of disruptive, nonconforming buildings and uses.

**Fiscal Impact:**

There is no fiscal impact associated with the recommended action.

**Attachments:**

1. Draft Ordinance
2. Resolution P.C. 22-07
3. Link to April 19, 2022 Planning Commission Staff Report

**Respectfully Submitted by:** Patrick Donegan, Assistant City Attorney

**Concur:** Jeannie Naughton, Community Development Director

**Noted for Fiscal Impact:** Viki Copeland, Finance Director

**Legal Review:** Patrick Donegan, Assistant City Attorney

**Approved:** Suja Lowenthal, City Manager

[Staff Report Updated on 9/27/2022 - See Track Changes](#)