

September 28, 2006

**Honorable Mayor and Members of the
Hermosa Beach City Council**

**Regular Meeting of
October 10, 2006**

**SUBJECT: REVIEW OF PROPOSED CODE AMENDMENT TO ADD RESIDENTIAL
(LIVE-WORK) AS A PERMITTED LAND USE IN THE M-1 (LIGHT
MANUFACTURING) ZONE**

Recommendation:

That the City Council direct staff as deemed appropriate.

Background:

This item was brought up by Councilman Sam Edgerton. Staff was directed by City Council to submit a report assessing the impacts of allowing residences as a permitted land use in the M-1 (Light Manufacturing) district by allowing "live-work" housing. This report examines the potential impacts of allowing such residential use in the M-1 Zone.

Analysis:

Section 17.28.020 of the Zoning Code sets out the purposes of the M-1 district. The subsections relevant to the present issue include the following purposes:

- "C. Create and maintain suitable environments for various types of manufacturing and compatible uses, and protect them from the adverse effects of inharmonious uses.
- "D. Minimize the impact of development in the M-1 zone on adjacent residential districts.
- "E. Ensure that the appearance and effects of manufacturing and commercial buildings in the M-1 zone are harmonious with the character of the area which they are located..."

The following highlights some of the impacts of adding residential as a permitted use in the M-1 zone as a mixed-use development (live-work) given the above purposes and the land use characteristics of the area:

PROS:

- The amendment will provide additional housing opportunities in the city.
- The amendment will reduce housing expenses by enabling M-1 property owners to absorb housing costs as part of their business rent or mortgage expenses.
- The amendment will create a virtual windfall for owners of property in the M-1 zone with land values increasing by as much as 7.5 times their current market value. (Average cost per foot for M-1 property is \$28.14 and average cost per foot for residential property is \$215.44).¹
- The increase in manufacturing property land value will create more property tax income for the City.
- There is little reinvestment in the M-1 zone because the smaller lot size and road width associated with most M-1 properties in the city may not support larger, traditional

manufacturing development and the addition of live-work may provide incentive to redevelop the area for alternate uses.

CONS:

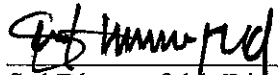
- The amendment will allow construction of residential use above or adjacent to existing industrial and heavy commercial uses such as manufacturing and auto repair that generate substantial noise, vibration and odors. This condition may create predestined code enforcement problems since it allows many incompatible abutting land uses. These impacts occur much less frequently among more compatible land use combinations, such as residential next to commercial or office uses.
- Existing M-1 uses may be forced to close or restrict certain business operations due to complaints from new residential neighbors in the zone. The kinds of business permitted in the M-1 zone that may be affected by increased complaints include auto repair, surfboard manufacturing, cabinet shops and other similar businesses that generate fumes, excessive noise and vibration. These complaints will likely increase with residential uses in the M-1 zone and the City will be caught in an on-going cycle of complaints and code enforcement.² (Please see attached land use survey).
- Housing developer outbid virtually any other land use. Thus the proposed amendment will cause a reduction or the eventual elimination of manufacturing uses in the City as industrial land is replaced by more profitable residential development. This reduction will exacerbate the existing imbalance noted in a recent appraisal report that shows, while 55% of land in the City is allocated to residential use, only 0.8% is allocated to industrial.³
- Traditional industrial uses that provide a source of jobs and are part of the City's tax base that will be lost.
- Live work arrangements are difficult to enforce and the uses may transition to exclusively residential use.
- Allowing residential land uses in the M-1 district may require more services (since residential uses consume more city services such as police and fire department service than industrial uses), eroding some of the tax benefit the proposed use brings to the City.

Existing Residential Uses in the M-1 Zone.

There are several properties originally zoned for manufacturing east of Ardmore Avenue that were designed residential in the General Plan. On a case-by-case basis these nonconforming properties have been rezoned to residential to conform with the General Plan designation and are distinguished from the remainder of the M-1 zone in that they are separated from the manufacturing zone by the greenbelt and abutting residential property to the east. (Please see attached map and land use survey.)

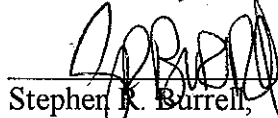
Conclusion:

Since residential land is many times more valuable than industrial land in Hermosa Beach, the allowance of new residential uses in the M-1 zone will open the door for the conversion of the remaining manufacturing land to residential use. This transition will likely further reduce the small amount of industrial property in the City. The present owners of the industrial land will benefit by the unusual windfall increase in land value, but at a cost to the future residents of the area and to the City because of the impacts described above. Staff believes that there is not a compelling reason then to add live-work to the manufacturing zone since the benefits to M-1 land owners and to the City from the inflated land values may not outweigh the disadvantages of eliminating industrial uses in the City.



Sol Blumenfeld, Director
Community Development

Concur:



Stephen R. Burrell,
City Manager

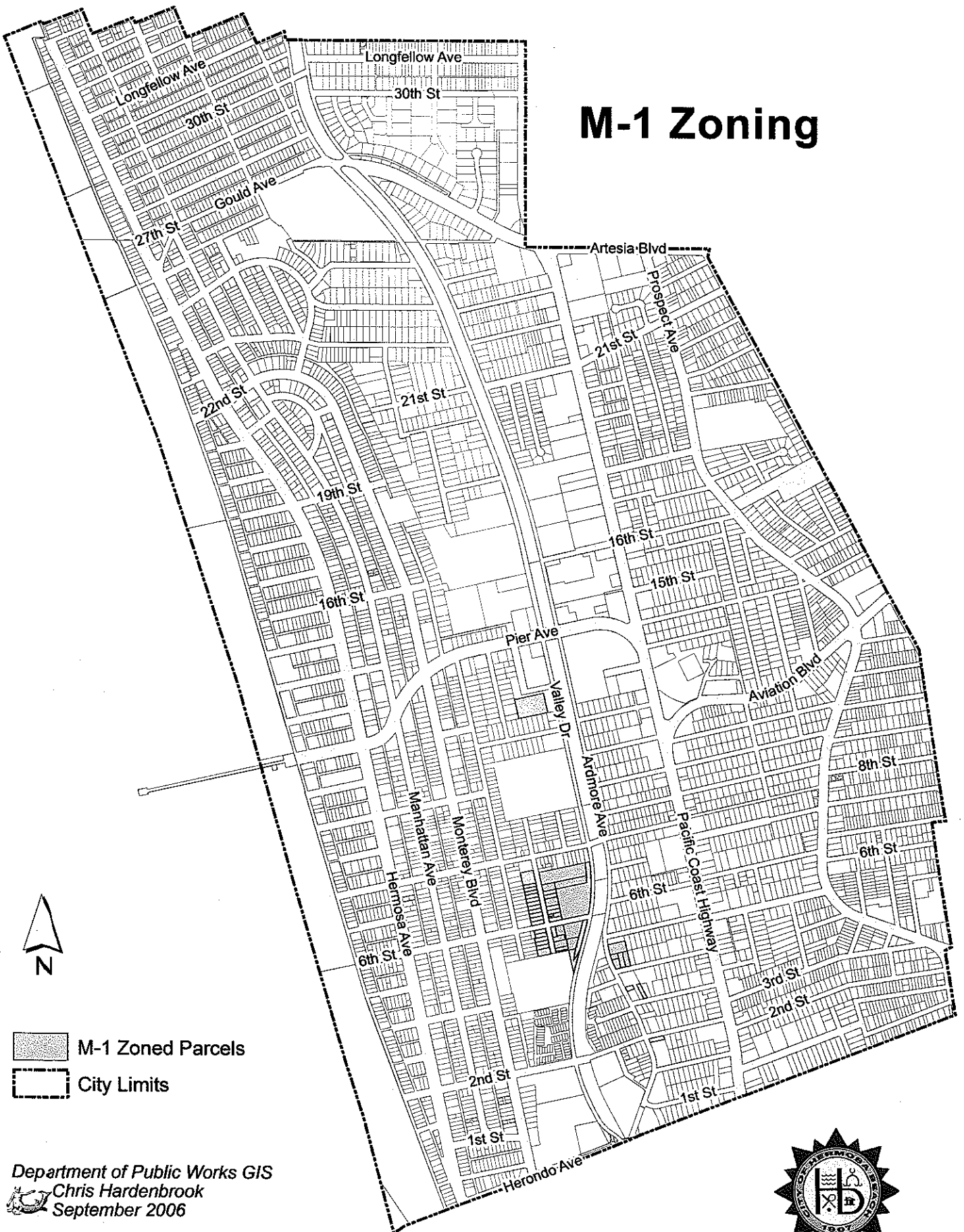
Notes:

1. Nagasaki Associates Park In-Lieu Fee Study, 2006, Pg. 6.
2. For example, nuisance complaints from residences immediately outside the M-1 zone have been directed at surfboard manufacturers located on Cypress Avenue and Valley Drive due to resin fumes and airborne debris from foam sanding used in the surfboard manufacturing process. Even in the C-3 zone the conflict between residential with abutting manufacturing-like or commercial uses has been observed with the location of a new housing development on 7th Street adjacent to Learned lumber yard. Soon after moving in, the new residents of 7th Street repeatedly complained to the city regarding operating hours, noise, dust and fumes relating to the long established business.
3. Nagasaki Associates Park In-Lieu Fee Study, 2006, Pg. 6

Attachments:

1. Land Use Survey
2. Excerpt – Nagasaki Associates Fee Study

M-1 Zoning

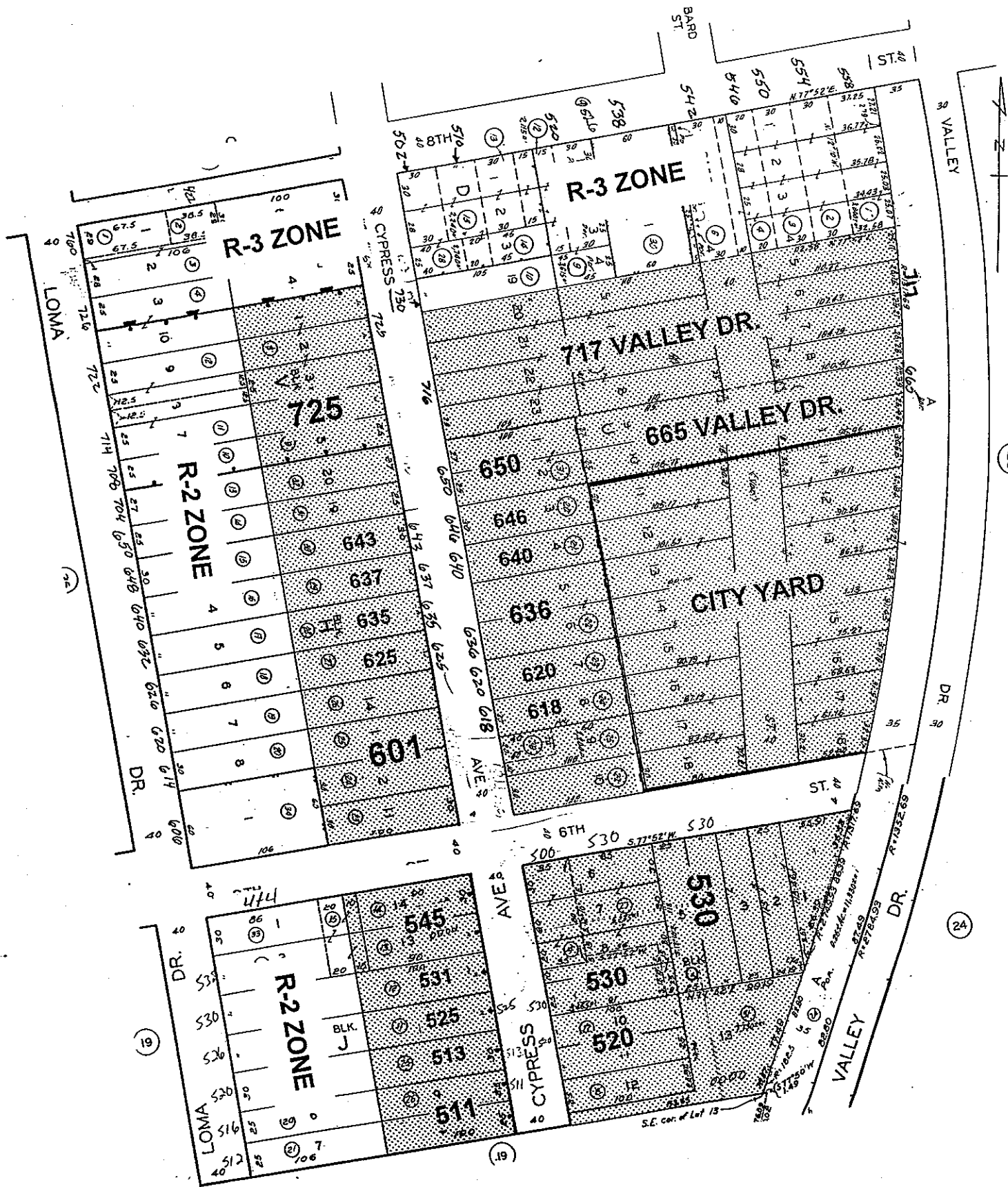


Department of Public Works GIS
Chris Hardenbrook
September 2006

0 500 1,000 2,000 3,000 4,000 Feet



M-1 Zoned Property
(Cypress Ave/6th Street/Valley Drive)



SOUTH PARK

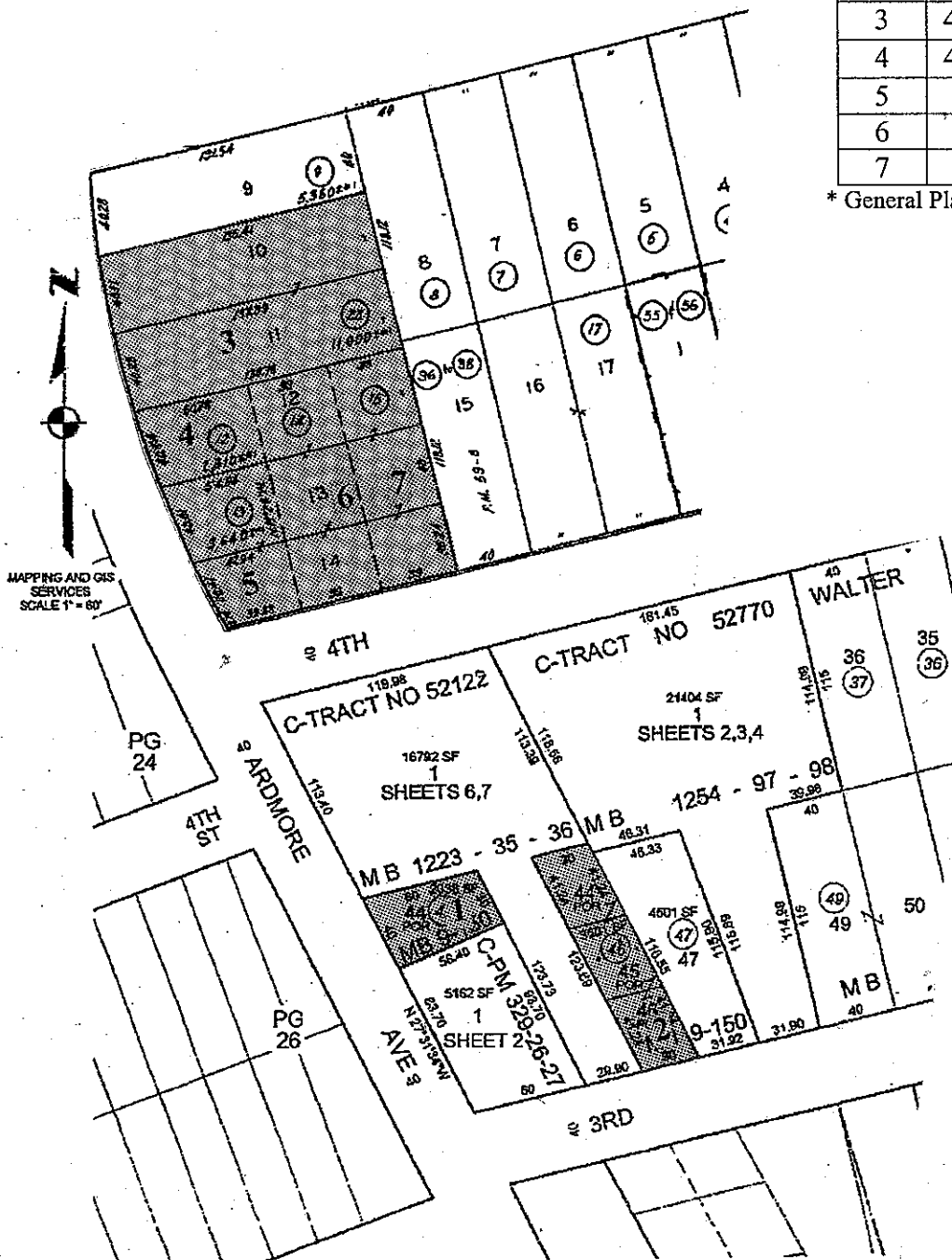
M1 Zone Land Use Survey
September 12, 2006

<u>ADDRESS</u>	<u>BUSINESS TYPE AND NAME</u>
511 Cypress	Ocean Drive Auto Body & Paint
513 Cypress	Custom Cabinets – Cabinet Shop
520 Cypress	Coast Signs & Graphics – Sign contractor
524 Cypress	Sun Aired Bag Co. – Bag mfgers
525 Cypress	Auto Parts Supply (No name on bldg)
530 Cypress	California Security Cans – can mfg
531 Cypress	Mechanical Equipment Design mfg
545 Cypress	Architect Office/Bug a boo Strollers
600 Cypress	Parking lot
601 Cypress	Dirt lot – proposed development
618 Cypress	Manhattan Oil – Racing oil Mfg
620 Cypress	J & B Plumbing
625 Cypress	Custom Auto mfg
635 Cypress	Storage
636 Cypress	A & B Air Conditioning Co. & Aesthetic Systems
637 Cypress	Acurak Steel truck rack mfg
640 Cypress	Mangiagli surf board mfg
643 Cypress	Surf Board mfg & warehouse
650 Cypress	The Magic Touch Auto Body Repair
725 Cypress	Rubies Exclusive Coachworks –Auto body
500 6 th St	Vacant building
Corner of 6 th & Valley	City Yard
530 6 th St	Self Storage rentals
665 Valley	Clothing and accessory mfg
669 Valley	Construction Co Office
671 Valley	Music Focus – Music Recording Studio
675 Valley	J D Manufacturing Co. – Jewelry mfg
677/679 Valley	Surf board shaping and storage
717 Valley #A1	Jol Design Inc – screen printing
717 Valley #A2	Blue Sky Tinting – window tinting
717 Valley #B1	Supreme Paint – contractor/supply
717 Valley #C1, C2	Michael Johnson Woodworking
717 Valley #D1, D2, D3	Mike Collins Surfboard mfg
717 Valley #E1	Precision Motor Sport – auto repair/mfg

**M-1 Zoned Property
(Ardmore Avenue)**

No.	Address	Usage
1	322 Ardmore	Miscellaneous Repair/ Auto Storage
2	623 3 rd St.	Residential*
3	436 Ardmore	Cabinet Shop
4	422 Ardmore	Residential*
5	611 4 th St.	Residential*
6	615 4 th St.	Residential*
7	635 4 th St.	Residential*

* General Plan designated Medium Density Residential



Key
M-1 Zoned Properties



120 transactions. We ultimately utilized sale transactions specifically within a five-mile radius of the city of Hermosa Beach which occurred from 2000 to the present. The sales ultimately utilized were segregated by land use of residential, commercial and industrial. The average price psf for residential, commercial and industrial sites were considered individually. We had a body of data consisting of around 220 sales transactions, which gave us a good sample to work with.

Next we considered the land use allocation within the city of Hermosa Beach. The Hermosa Beach General Plan Land Use Element was amended in 1994, and includes the following land use allocation. The city's land use is divided between residential, commercial and office, open space, and other land uses. We utilized the allocation for residential, commercial, industrial, open space, public facilities and as five separate categories. Based upon this, the total acreage for the city of Hermosa Beach is broken down as follows:

<u>Land Use</u>	<u>Acres</u>	<u>% of Total</u>
Residential	457	54.88 %
Commercial and office	86	10.29 %
Industrial	7	0.82 %
Open Space	225	27.08 %
Public	58	6.93 %
Total	832	100.00 %

We then utilized the average and median price for land in each land use to determine the weighted average price for land in the city of Hermosa Beach. This considers the impact of the variety of land uses within the city under the three primary development types. We recognize that the land use most often considered for the In-Lieu fee would likely be residential land. However, this is not exclusive to the use of only residential land for the possible conversion to park land use. An alternative would be to dedicate land to the park land use, and could alternatively be some other land use type (often at a lesser price). Therefore we have used the weighted average approach, to consider the land available (any type) within the city for purposes of this ordinance.

While the land values for the residential, commercial and industrial uses are obvious. We noted that open space and parkland values and public facilities considered to have a zero value in recognizing their non-economic use. The following tables show the allocation of land use, percentage of the total, average dollars and median dollars psf for land area by use and their resulting weighted dollars psf:

<u>WEIGHTED LAND SALES FIVE-MILE RADIUS 2000 TO CURRENT</u>						
<u>Land Use</u>	<u>Acres</u>	<u>% of Total</u>	<u>Average \$ Per Sf</u>	<u>Weighted \$ Per Sf</u>	<u>Median \$ Per Sf</u>	<u>Weighted \$ Per Sf</u>
Residential	457	54.88 %	\$215.44	\$118.24	\$124.14	\$68.13
Commercial and office	86	10.29 %	88.32	9.09	59.89	6.16
Industrial	7	0.82 %	28.14	0.23	21.46	0.18
Parks and Open Space	225	27.08 %	0.00	0.00	0.00	0.00
Public	58	6.93 %	0.00	0.00	0.00	0.00
Total	832	100.00 %		\$127.56		\$74.47
				Average	\$101.01	