

CALIFORNIA COASTAL COMMISSION

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Th14e

5-20-0485 (Lopez)

May 13, 2021

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May 7, 2021

ORIGINAL VIA U.S. MAIL

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California Coastal Commission
c/o South Coast District
301 E. Ocean Blvd., Suite 300
Long Beach, CA 90802

TH14e

Re: 2654 and 2666 The Strand, Hermosa Beach
Meeting Date: May 13, 2021; Agenda Item No. Th14e
Project Support

Dear Honorable Commissioners:

This office represents Johnny and Elizabeth Lopez, Trustees of The Lopez Trust ("Lopez" or "Applicant"), the owners of property located at 2654 and 2666 The Strand in Hermosa Beach (the "Property"). Our clients seek a coastal development permit from the California Coastal Commission (the "Commission") that would authorize the demolition of an existing single-family residence at 2654 The Strand, the merger of two single-family zoned lots (2654 and 2666 The Strand), the addition to an existing single-family residence at 2666 The Strand across the two merged lots, and an accessory dwelling unit (the "Project"). The Project would allow the Lopez family to continue their cultural tradition, accommodating multiple generations under one roof. The Project meets every single standard set forth in the City's certified Land Use Plan and the Chapter 3 Policies of the Coastal Act. The State's Housing Crisis Act and "no net loss" density rules do not apply here. For the reasons contained in this correspondence and to be presented at the Commission's May 13, 2021 hearing, Lopez urges the Commission to follow the laws that are in effect today and to approve Coastal Development Permit Application No. 5-20-0485.

A. PROJECT BACKGROUND

The Property is situated at two adjacent beachfront lots, 2654 and 2666 The Strand, located in the City's R-1 (Single-Family Residential) Zone. Together, the two lots equal 6,977 square feet¹ and are separated from the almost 500' wide sandy beach by a pedestrian walkway. (Please see project

¹ 2666 The Strand is 4,380 square feet and 2654 The Strand is 2,597 square feet. The current minimum R-1 parcel size is 4,000 square feet, although the smaller lot at 2654 The Strand is considered legally non-conforming. (Hermosa Beach Zoning Code, Section 17.52 *et seq.*)

location photo, attached as Exhibit 1 to the April 22, 2021 Staff Report (the “Staff Report”).) The areas to the north and south of the Property along The Strand are developed with a preponderance of single-family homes, all zoned R-1. To the east of the Property, across Hermosa Avenue, is a mix of single-family and multi-family residences.

Lopez purchased 2666 The Strand in 2013 as a newly constructed 7,008 square foot single-family residence², and lives there with his wife, four children, and extended family. When Lopez’s elderly neighbor at 2654 The Strand passed away in 2017, the Lopez family was presented with the opportunity to purchase that home which was originally constructed in 1932. They did so, at a price of \$9,200,000. Lopez purchased with the intent to demolish the 3,180 square foot residence on 2654 The Strand³, merge the lot with 2666 The Strand, and remodel and expand the 2666 single-family residence across the two contiguous lots in order to better accommodate their large family. The decision was also made to add a new accessory dwelling unit (“ADU”).

Lopez hired reputed South Bay architect Louie Tomaro, the same architect who designed the home at 2666 The Strand, to draw up plans for the expanded residence. The City reviewed the plans and confirmed that they conformed to the City’s zoning and development standards. Lopez filed an application with the Coastal Commission for the demolition of 2654 The Strand and the renovation of and addition to 2666 The Strand. The proposed new construction would result in an expanded, two-story over basement, 11,328 square foot single-family residence over two contiguous lots that incorporates a 798 square foot ADU, as well as two enclosed parking spaces and three driveway parking spaces.

The single-family residence was designed to comply with all laws, policies, and guidelines that are in effect today. As detailed below, present laws allow by-right a single-family residence in the R-1 zone, and do not prevent a lot merger to accommodate a larger single-family residence so long as all development standards are met. Furthermore, there are no laws that require an applicant to maintain single-family residential density with separate single-family homes, one per legal lot. In this case, there are no laws that even require the replacement of a demolished single-family home with another housing unit such as an ADU, even though there is one proposed in this case. And finally, there are no applicable laws that require an applicant to *increase* the housing stock. Here, the subject Project objectively complies with the City Land Use Plan (“LUP”) and Chapter 3 Policies.

The Commission first scheduled the Project for its March 2021 meeting, however, the matter was continued and rescheduled for the Commission’s May 2021 meeting following a 90-day extension agreement between Commission Staff and the Applicant.

² The residence at 2666 The Strand was constructed in or around 2012 pursuant to Coastal Development Permit No. 5-11-233. That CDP, approved on consent at the Commission’s December 2011 meeting, authorized the demolition of an existing duplex and construction of a new, 25 foot high, 7,393 square foot two-story over basement single-family residence.

³ “The 89-year old residence has surpassed the expected lifespan for residences.” (Staff Report, p. 19.)

B. THE DENSITY ARGUMENT DOES NOT APPLY TO THE DEMOLITION OF A MULTI-MILLION DOLLAR SINGLE-FAMILY HOME IN THE R-1 ZONE

1. THE R-1 ZONE’S PURPOSE IS TO “PROVIDE THE LOWEST LEVEL OF DENSITY”

The Property is zoned R-1, Single-Family Residential. The Single-Family Residential zone is to provide development standards for single-family dwellings. (Hermosa Beach Zoning Code Section 17.08.010.) Pursuant to Sections 17.08.020(K) and (L) “Permitted uses,” single-family dwellings are the primary permitted use. Accessory dwelling units are also permitted. The City’s corresponding land use for the Property is designated on the General Plan Land Use Map as Low Density residential. (Please see the City’s General Plan Land Use Map, attached hereto as Exhibit A.) According to Plan Hermosa, the City’s Integrated General Plan and Coastal Land Use Plan, this designation “provides for the retention, maintenance, and investment in single-family residential neighborhoods and protects residential uses from potential nuisances of nonresidential uses. *This low density designation is intended to provide the lowest levels of density*, offer a high quality environment for family life, and ensure the preservation of residential property values.” [Emphasis added.] In short, the R-1 zone is the lowest density residential zone in the City and intended for single-family homes.

2. LAWS INTENDED TO ADDRESS THE HOUSING CRISIS DO NOT APPLY TO THE DEMOLITION OF A SINGLE-FAMILY RESIDENCE

Unlike other projects recently before the Commission that involve the demolition of two or more units, the Housing Crisis Act (or SB 330) does not apply to the remodel of an existing single-family home and the construction of an ADU. The Commission’s recent “we must maintain density” mantra is not applicable to this Project. Here, the Property is within the R-1 zone and only involves the demolition of one single-family home constructed in 1932. This is important because the State’s housing laws, including SB 330, do not apply to the demolition of a single-family home. Staff suggests that Lopez replace the 2654 single-family residence with a standalone single-family residence. That argument, which dismisses an ADU as not an equivalent replacement for the demolition of a single-family home, is unsupported by the law.⁴

SB 330 defines a “housing development project” as the construction of two or more housing units. A “housing development project” means a use consisting of residential units only, mixed use developments consisting of residential and non-residential uses with at least two-thirds of the square footage designated for residential use, or transitional or supportive housing. Because the term “units” is plural, a development has to consist of more than one unit to qualify under the Housing Accountability Act (Gov. Code, § 65589.5, subd. (h)(2).) (Please see the September 15, 2020 Memorandum from the Department of Housing and Community Development, attached hereto as Exhibit B.) SB 330 does not apply to the demolition of a single-family residence, nor does it apply to the new construction of one residential unit. (Id.) *In fact, Lopez is not required to*

⁴ Staff admits on page 10 of the Staff Report that SB 330 is not the standard of review for the Project.

provide any replacement dwelling unit for the demolition of the single-family home, but has voluntarily done so here.

Staff's "no density loss" argument as applied to the subject Project would be the most extreme overextension of this unwritten "policy" to date. While the density argument might be more tenable for a project located in any of the City's higher density residential zones⁵, or for a project that involved the demolition of more than one dwelling unit, it is not legal or appropriate here. The Staff Report cites to no local or State law, including Chapter 3 policies, that prohibit the Project. The practical effect of the Staff Recommendation is to frustrate the Lopez plans in order to maintain one additional house in the price range of \$10,000,000 - \$12,000,000. No law or policy in the Coastal Act or elsewhere extends protection to the most expensive houses in the State. The laws in place today clearly allow for the merger of two R-1 zoned lots and the expansion of a single-family home across the two lots, so long as development standards are met. This is demonstrated by the Commission's own prior actions approving similar projects in the past⁶ and, until there is a change to those laws and regulations, the Project should be afforded the same treatment.

Finally, the Coastal Act is clear that the Commission may not deny or condition a CDP in order to implement housing policies or programs. That role has been and remains a local government function in the Coastal Zone under the detailed requirements of Government Code § 65590.

3. CLAIMS THAT THE PROJECT MIGHT INCREASE VEHICLE MILES TRAVELED ARE COMPLETELY FABRICATED

Staff asserts that it is important to maintain density in order to, somehow, reduce vehicle miles traveled (VMTs) and, consequently, greenhouse gases. The Staff Report states that Project approval would impact roads and increase VMTs because it would, somehow, reduce the housing stock that is "located closer to employment and recreational opportunities..." (Staff Report, p. 7.) With zero evidentiary support, Staff also claims that the replacement of a single-family home with an ADU would increase reliance on automobiles, greenhouse gases, and pressure to develop housing in areas that do not have adequate transit or public services. (Staff Report, p. 8.) These assertions are baseless and are not supported with any expert reports, studies, or facts. It is perplexing how any aspect of the Project (renovating an existing single-family home and replacing a single-family home with an ADU), would increase VMTs and/or greenhouse gases. If Staff were legitimately concerned about VMTs traveled, they would support, rather than object, to the Project because one expanded single-family home, rather than two single-family homes, would likely decrease, rather than increase, VMTs.

⁵ There are three residential zones along The Strand – low density, medium density, and high density.

⁶ See CDP No. 5-11-243 for 2408 The Strand approving the demolition of an existing duplex and construction of a new, 25 foot high, 10,517 sq. ft. single-family residence over two lots. (Exhibit C) See Permit Exemption No. 5-115-0349-X for 2909 The Strand approving the remodel of an existing 9,666 square foot residence over two lots. (Exhibit D.)

C. THE PROJECT IS CONSISTENT WITH COMMUNITY CHARACTER

The proposed Project is compatible with the character of The (R-1) Strand neighborhood, as required by Section 30251. Section 17.08.030 of the City’s Zoning Code contains the development standards for the R-1 zone. These development standards ensure that projects are consistent with community character and the corresponding land use designation which, in this case, is the City’s lowest level of residential density.

The subject Project complies with all of the City’s objective development standards and is entirely consistent with The Strand’s community character: it is below the maximum 25’ height permitted, it meets the front, side, and rear yard setback requirements, it achieves the minimum 4,000 square foot lot area, and it is under the maximum 65% lot coverage allowed.

R-1 DEVELOPMENT STANDARDS

Maximum Height (Feet)	
Allowed	Proposed
25’	25’ ⁷
Maximum Lot Coverage (Percentage)	
Allowed	Proposed
65%	64.94%
Minimum Usable Open Space (Square Feet)	
Required	Proposed
400	931

Post-merger, the resulting lot size would be 6,977 square feet. It should be noted that 2654 The Strand is a legal nonconforming lot at 2,597 square feet, which is consistent with the certified LUP. (Section 17.52 *et seq.*) The new expanded single-family home, including the new ADU, would rearrange the above and below-grade square footage, resulting in a net decrease of above-grade square footage and a net increase in below-grade square footage.

ABOVE GRADE VS BELOW GRADE

	Existing	Proposed
Above Grade	7,605 sq. ft.	6,927 sq. ft. (-678 sq. ft.)
Below Grade	2,583 sq. ft.	4,401 sq. ft. (+1,818 sq. ft.)

As such, the Project’s above-grade square footage would only be 6,927 square feet, which is less than the existing 7,605 square feet, in keeping with the community character and consistent with the Commission’s previous approvals of similar homes along The Strand. (*See* Page 4 n. 6 and “Homes in the R-1 Zone on The Strand” table, attached hereto as Exhibit E.)

⁷ However, as measured from the centerline of frontage road, the Project is only 23’.

Finally, the community character the Commission has historically found acceptable along The (R-1) Strand includes generally equivalent ratios between house and parcel size.

RATIO OF HOUSE TO PARCEL SIZE

Address	House Size	Parcel Size	Ratio
2666 The Strand	7,393	4,380	1.68
2634 The Strand	4,341	2,777	1.56
2826 The Strand	8,212	4,635	1.77
3001 The Strand	5,931	3,861	1.54
3035 The Strand	5,178	2,936	1.76
3124 The Strand	6,162	2,724	2.26
3222 The Strand	4,334	2,443	1.77
3320 The Strand	3,670	2,144	1.71
3411 The Strand	3,850	1,948	1.98
3485 The Strand	2,849	1,779	1.60

As illustrated, the Project's house to parcel size ratio is 1.62, squarely within the range of 1.54 – 2.26 for single-family residences approved by the Commission and clearly consistent with bulk and massing aspects of the community character analysis. (Please also see “Homes in the R-1 Zone on The Strand” table, attached hereto as Exhibit E.)

D. THE PROJECT MINIMIZES COASTAL HAZARDS

Section D of the subject Staff Report suggests the use of 6.8 feet of sea level rise (“SLR”) for the Project is appropriate. Not only is this statement incorrect and inconsistent with the Coastal Commission's very own SLR Guidance, but it does not impact Staff's conclusion that the Project is in conformance with Section 30253 of the Coastal Act. The proposed Project has a “design life” of 75 years, which at the time of an August 5, 2020 GeoSoils Coastal Hazard & Wave Runup Study (the “Study”) was the year 2095. (Please see the August 5, 2020 Study, attached hereto as Exhibit E.) The low probability (0.5%) SLR high emissions for the year 2090 is 5.5 feet and for the year 2100 is 6.8 feet. Using linear interpolation, the 0.5%, high emissions, SLR for the year 2095 is 6.15 feet. This is the maximum SLR value used in the GeoSoils Study, in conformance with the Commission's SLR Guidance. As further explained in a GeoSoils April 29, 2021 letter from David Skelly, the Staff Report is incorrect in implying that the design SLR should be 6.8 feet. (Please see the April 29, 2021 letter from David Skelly, attached hereto as Exhibit G.)

Even if Staff's SLR suggestions were accurate (and they are not), the Staff Report concludes that *“the project site does not appear susceptible to coastal flooding, wave uprush, or coastal erosion...”* and admits that *“this is consistent with the hazards analysis provided by the applicant's coastal engineering consultant...”* (Staff Report, p. 16) In sum, the proposed Project will neither create nor contribute significantly to erosion, geologic instability, or destruction of the site, or adjacent area. The Project will have no impact on public resources such

as the beach or public boardwalk. There are no recommendations necessary for wave runup protection and, in fact, the proposed Project minimizes risks from ocean flooding.⁸

E. MARINE RESOURCES AND WATER QUALITY

Section E of the Staff Report acknowledges the Applicant's drainage and runoff control plan that "minimizes impacts to water quality." (Staff Report, p. 18) It also notes that the landscape plan will "consist of low water use and non-invasive plants." (*Id.*) In all, Staff does not identify any deficiencies of the Project with respect to marine resources and water quality.

The Applicant would agree to the Commission's standard conditions ensuring the Project's consistency with Section 30230, 30231, and 30232 of the Coastal Act.

F. APPROVAL OF THE PROJECT DOES NOT PREJUDICE A FUTURE LCP

As detailed herein, the Project is consistent with the certified LUP, R-1 development standards, and Chapter 3 policies. The primary argument asserted by Staff, that Project approval would somehow contribute to the State's housing crisis, is factually and legally unsubstantiated and in no way would prejudice the City's ability to prepare a certifiable LCP.

G. THE ALTERNATIVES DO NOT ADVANCE ANY COASTAL ACT POLICY

Staff states that the new housing law "seeks to address the statewide housing crisis by encouraging the maintenance of existing multi-family residential density (SB 330)..." and that SB 330 prohibits "approving residential projects that would demolish more dwelling units than are created by the project." (Staff Report, p. 10.) With the exception of the "No Project" alternative, Staff suggests that Lopez maintain two separate single-family residences. None of the alternatives advance any LCP or statewide policies.⁹

Although Section 30604 of the Coastal Act does provide that the Commission should encourage the protection of existing and new affordable housing opportunities, that policy is not advanced by Lopez revising the Project to provide two multi-million dollar single-family homes. In CDP No. 5-11-243, the Commission approved the construction of a new 10,517 square foot residence across two merged lots at 2408 The Strand. (Please see CDP No. 5-11-243 and photo of 2408 The Strand, attached hereto as Exhibit C.) With home prices around \$2,525 square foot¹⁰, maintaining or constructing a new residence at 2654 The Strand would be valued well over \$10M. (Please see an August 2017 appraisal of 2654 The Strand at \$9.2M, attached hereto as Exhibit H.)

⁸ Such a conclusion is consistent with a long line of Commission decisions approving single-family homes with basements along The Strand. (Please see "Homes in the R-1 Zone on The Strand" table, attached hereto as Exhibit E.)

⁹ As explained in Section B, SB 330 does not apply to the Project because this law does not apply to the demolition of one single-family home, nor does it apply to the construction of one housing unit.

¹⁰ A 5,642 square foot home at 3001 The Strand sold in November 2020 for \$14.25M.

1. THE SUGGESTED ALTERNATIVES DO NOTHING TO ADDRESS THE HOUSING CRISIS

Staff suggests that, in lieu of the Project, the Applicant should maintain two separate single-family homes on two separate lots. In fact, Staff advances only one argument for this proposition – it would maintain “equivalent” density. As detailed herein, this argument is flawed for a variety of reasons that range from the inapplicability of the Housing Crisis Act to Staff’s turning a blind eye to the purpose of the City’s R-1 zone. Here, the replacement of one dwelling unit with one dwelling unit does maintain density and, even with the merging of two lots, the Project is by-right.

If the Commission was concerned about diversifying housing opportunities, then the Project’s provision of an ADU should be celebrated. The purported “alternative,” that Lopez should maintain two separate single family homes in lieu of one single family home and an ADU is irrelevant to the “housing crisis” given an estimated price tag on The Strand over \$12M for a single-family home. Such a result would do nothing to increase the supply of housing for the average person or to protect coastal resources. Staff’s quest to maintain density in this case equates to a push to maintain a multi-million dollar single-family home, rather than allow an 800 square foot ADU which could lease around \$2,500 a month.¹¹ This farfetched result is not what the Legislature intended by SB 330.

H. MULTI-GENERATIONAL FAMILY CAREGIVING DURING COVID-19

Approval of the proposed Project will accommodate the Applicant’s family cultural heritage and multigenerational living tradition. Here, Lopez’s intention is to create a larger home that can accommodate both aging grandparents and small children.

“The proposed project would result in a home that could support multigenerational living, a lifestyle concept that is commonplace and an honored tradition in my culture. The importance of this caregiving lifestyle has been particularly evident during the ongoing pandemic...”

...2666 The Strand, designed by Louie Tomaro - Architect, was purchased in 2013. With its tasteful design and Strand water feature, our home is complimented by visitors and local residents on a daily basis. When we bought our home, we did not originally set out with the intent to acquire an adjacent property. Nevertheless, our

¹¹ Comps for a Hermosa Beach/Hermosa Beach adjacent 800 square foot beach front ADU include:

- 870 The Strand #109, Hermosa Beach – Studio, 280 sqft listed at \$1,900 per month
[870 The Strand #V109, Hermosa Beach, CA 90254 | Zillow](#)
- 840 The Strand #206, Hermosa Beach – 1 bdrm, 750 sqft listed at \$2,900 per month
[840 The Strand APT 206, Hermosa Beach, CA 90254 | Zillow](#)
- 60 15th St #A, Hermosa Beach – 2 bdrm, 950 sqft listed at \$5,400 per month
[60 15th St APT A, Hermosa Beach, CA 90254 | Zillow](#)
- 211 Yacht Club Way, Redondo Beach- 1 bdrm, 650 sqft listed at \$2,395 per month
[211 Yacht Club Way #QSQ4ZG4YT, Redondo Beach, CA 90277 | Zillow](#)

neighbors were elderly and widowed, and we were aware of examples of larger homes built on more than one lot along The Strand that had been approved by the Coastal Commission within the last ten years. One example of such a home, 10,517 square feet on two lots, is just 1,000 feet to the south of us at 2408 The Strand.

In 2017, our neighbor to the south passed away. Consequently, her children looked to us to provide them with a friendly and straightforward transaction and offered us the opportunity to purchase 2654 The Strand. Given this circumstance, a new and more appropriate direction for our family was established. To secure our expansion objectives, we paid a premium for the property. Consequently, we began to work with Louie Tomaro in 2017 to preserve the aesthetics and intent of the original design, as he had elegantly completed one of the most attractive new homes along the Strand. The Hermosa Beach community has become our home and is a loving retreat for our family.

The history and background provided above are relevant examples of how our families have risen to the challenge of providing for family members in need. More than ever before, our family will look to Lisa and me to provide pragmatic solutions to our families' requirements. With my father's passing in late February, without doubt, we will be called upon to step in and care for my mother. Our being in a position to continue to accommodate any myriad of family situations is unequivocally dependent upon the merging of 2654 and 2666 The Strand...

...While many families have been faced with this same dilemma, during the Covid-19 pandemic, they may have had the choice of possibly buying a more significant home or remodeling their current home to accommodate their needs. We, as a result of the sizable investment we have in both 2666 and 2654 The Strand, do not have those options. Our only alternative to address parents living with their children, quarantine, restaurant, theatre, and fitness center closures is to bring these two homes together as presented to the Coastal Commission."

The importance of the Lopez cultural custom became even more apparent during COVID-19 and is detailed by the Applicant in a letter to the Commission. (Please see the attached letter from Mr. Lopez to the Commission, attached hereto Exhibit I.)

I. CONCLUSION

There is no basis, legal or factual, for denying the Project because it will allegedly contribute to the State's housing crisis. Suggesting that the Commission is somehow helping to alleviate that crisis by maintaining a multi-million dollar beachfront home is ludicrous. The Property is zoned for the lowest level of residential density in the City's certified LUP and demolishing one single-family residence does not "trigger" the applicability of SB 330. The Project objectively meets all development standards and is permitted by-right in the City's R-1 zone. There are other examples of similarly sized homes along The Strand, approved by the Commission, for which findings for approval were made. There is no legitimate reason to treat this Project any differently.

California Coastal Commission

May 7, 2021

Page 10

The Commission is legally obligated to follow the laws, disregard Staff's recommendation, and to approve Coastal Development Permit No. No. 5-20-0485.

Sincerely,

GAINES & STACEY LLP

By *Sherman L. Stacey*

SHERMAN L. STACEY

Enclosures

Exhibit A

Figure 2.3 Land Use Designations Map



Exhibit B

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT**

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September 15, 2020

MEMORANDUM FOR: Planning Directors and Interested Parties

FROM: Megan Kirkeby, Deputy Director
Division of Housing Policy Development

SUBJECT: **Housing Accountability Act Technical Assistance
Advisory (Government Code Section 65589.5)**

The Housing Accountability Act (HAA), Government Code section 65589.5, establishes limitations to a local government's ability to deny, reduce the density of, or make infeasible housing development projects, emergency shelters, or farmworker housing that are consistent with objective local development standards and contribute to meeting housing need. The Legislature first enacted the HAA in 1982 and recently amended the HAA to expand and strengthen its provisions as part of the overall recognition of the critically low volumes of housing stock in California. In amending the HAA, the Legislature made repeated findings that the lack of housing and the lack of affordable housing, is a critical problem that threatens the economic, environmental, and social quality of life in California. This Technical Assistance Advisory provides guidance on implementation of the HAA, including the following amendments.

Chapter 368, Statutes of 2017 (Senate Bill 167), Chapter 373, Statutes of 2017 (Assembly Bill 678) - Strengthens the HAA by increasing the documentation necessary and the standard of proof required for a local agency to legally defend its denial of low-to-moderate-income housing development projects, and requiring courts to impose a fine of \$10,000 or more per unit on local agencies that fail to legally defend their rejection of an affordable housing development project.

Chapter 378, Statutes of 2017 (Assembly Bill 1515) – Establishes a reasonable person standard for determining conformance with local land use requirements.

Chapter 243, Statutes of 2018 (Assembly Bill 3194) -Expands the meaning of zoning consistency to include projects that are consistent with general plan designations but not zoning designation on a site if that zone is inconsistent with the general plan.

Chapter 654, Statutes of 2019 (Senate Bill 330) - Defined previously undefined terms such as objective standards and complete application and set forth vesting rights for projects that use a new pre-application process. Most of these provisions sunset on January 1, 2025, unless extended by the Legislature and Governor.

If you have any questions, or would like additional information or technical assistance, please contact the Division of Housing Policy Development at (916) 263-2911.

Table of Contents

Table of Contents

What is the Housing Accountability Act?	1
Why Do We Need the Housing Accountability Act?	2
Housing Accountability Act Decision Matrix	4
Key Provisions of the Housing Accountability Act	5
Housing Development Project Qualifications	5
Housing Development Project Definition	6
Housing for Very Low, Low-, or Moderate-Income Households	6
Housing Developments Applying for the Streamlined Ministerial Approval Process Pursuant to Government Code Section 65913.4.	6
Applicability of Local Standards	7
Objective Development Standards, Conditions, Policies, Fees, and Exactions	7
Determination of Application Completeness	8
Triggers for a Disapproval of a Housing Development Project	9
Imposition of Development Conditions	10
Housing Accountability Act Provisions That Apply to All Housing Projects	11
Determination of Consistency with Applicable Plans, Standards, or Other Similar Provision Based on the Reasonable Person Standard	11
Applicability of Density Bonus Law	11
General Plan and Zoning Consistency Standard	11
Written Notification of Inconsistency	12
Denial of a Housing Project that is Consistent with Applicable Plans, Standards, or Other Similar Provisions Based on the Preponderance of the Evidence Standard	13
Provisions Related to Housing Affordable to Very Low-, Low-, or Moderate-Income Household, Emergency Shelters, and Farmworker Housing	14
Denial or Conditioning of Housing Affordable to Very Low-, Low- or Moderate-Income Households, Including Farmworker Housing, or Emergency Shelters	14
Violations of Housing Accountability Act	15
Eligible Plaintiffs and Petitioners	16
"Housing organizations"	16
Remedies	16

Table of Contents

Appeals.....	16
Failure to Comply with Court Order.....	17
APPENDIX A: Frequently Asked Questions	18
What types of housing development project applications are subject to the Housing Accountability Act (HAA)?	18
Does the Housing Accountability Act apply to charter cities?	18
Does the Housing Accountability Act apply to housing development projects in coastal zones?.....	18
Are housing developments still subject to the California Environmental Quality Act (CEQA) if they qualify for the protections under the Housing Accountability Act?	18
Does the California Department of Housing and Community Development have enforcement authority for the Housing Accountability Act?	18
If approval of a housing development project triggers the No-Net Loss Law, may a local government disapprove the project?	18
Does the Housing Accountability Act apply to a residential development project on an historic property?.....	18
Under the Housing Accountability Act, is the retail/commercial component of a mixed-use project subject to review when the housing component must be approved?.....	19
Does the Housing Accountability Act apply to subdivision maps and other discretionary land use applications?.....	19
Does the Housing Accountability Act apply to applications for individual single-family residences or individual Accessory Dwelling Units (ADUs)?	19
Does the Housing Accountability Act apply to an application that includes both a single-family residence and an Accessory Dwelling Unit?	19
Does the Housing Accountability Act apply to an application for a duplex?	19
Does the Housing Accountability Act apply to market-rate housing developments?	19
Under the Housing Accountability Act, if a housing development project is consistent with local planning rules, can it be denied or conditioned on a density reduction?	20
Under the Housing Accountability Act, can a housing development project affordable to very low-, low-, or moderate-income households (including farmworker housing) or emergency shelter that is inconsistent with local planning requirements be denied or conditioned in a manner that renders it infeasible for the use proposed?	20
Is there a definition for “specific, adverse impact” upon public health and safety?	20
APPENDIX B: Definitions	21
Appendix C: Preliminary Application (Senate Bill 330, Statutes of 2019).....	23

Table of Contents

Benefits of a Preliminary Application 23

Contents of a Preliminary Application..... 24

Timing Provisions from Filing of a Preliminary Application to Determination of Consistency
with Applicable Standards under the Housing Accountability Act..... 26

 Step 1: Preliminary Application Submittal GC 65941.1 26

 Step 2: Full Application Submittal 26

 Step 3: Determination of Application Completeness GC 65943..... 26

 Step 4: Application Consistency with Standards (HAA) GC 65589.5 26

 Step 5: Other Entitlement Process Requirements Pursuant to SB 330..... 27

Appendix D: Housing Accountability Act Statute (2020)28

What is the Housing Accountability Act?

The Housing Accountability Act (HAA) (Government Code Section 65589.5), establishes the state's overarching policy that a local government may not deny, reduce the density of, or make infeasible housing development projects, emergency shelters, or farmworker housing that are consistent with objective local development standards. Before doing any of those things, local governments must make specified written findings based upon a preponderance of the evidence that a specific, adverse health or safety impact exists. Legislative intent language indicates that the conditions that would give rise to such a specific, adverse impact upon the public health and safety would occur infrequently.

Subdivision (d) of the HAA describes requirements applicable to housing development projects that include units affordable to very- low, low- and moderate-income households (including transitional and supportive housing) as well as emergency shelters and farmworker housing. Subdivision (j) describes requirements applicable to all housing development projects, including both market-rate and affordable housing developments. Subdivisions (k), (l), and (m) expand the potential consequences for violations of the HAA. In 2017, the Legislature also granted the California Department of Housing and Community Development (HCD) authority to refer HAA violations to the Office of the Attorney General in Government Code section 65585.

The HAA was originally enacted in 1982 to address local opposition to growth and change. Communities resisted new housing, especially affordable housing, and, consequently, multiple levels of discretionary review often prevented or delayed development. As a result, developers had difficulty ascertaining the type, quantity, and location where development would be approved. The HAA was intended to overcome the lack of certainty developers experienced by limiting local governments' ability to deny, make infeasible, or reduce the density of housing development projects.

Recognizing that the HAA was falling short of its intended goal, in 2017, 2018, and again in 2019, the Legislature amended the HAA no less than seven times to expand and strengthen its provisions. Key restrictions on local governments' ability to take action against housing development projects are set out in Government Code section 65589.5, subdivisions (d) and (j). The law was amended by Chapter 368 Statutes of 2017 (Senate Bill 167), Chapter 373 Statutes of 2017 (Assembly Bill 678) and Chapter 378 Statutes of 2017 (Assembly Bill 1515), as part of the California 2017 Housing Package. The law was further amended by Chapter 243, Statutes of 2018 (Assembly Bill 3194) and Chapter 654, Statutes of 2019 (Senate Bill 330).

Why Do We Need the Housing Accountability Act?

The Housing Accountability Act has been in effect since 1982. Since that time, California's housing supply has not kept up with population and job growth, and the affordability crisis has grown significantly due to an undersupply of housing, which compounds inequality and limits economic and social mobility. Housing is a fundamental component of a healthy, equitable community. Lack of adequate housing hurts millions of Californians, stifles economic opportunities for workers and businesses, worsens poverty and homelessness, and undermines the state's environmental and climate goals and compounds the racial equity gaps faced by many communities across the state.

The legislative intent of the HAA was to limit local governments' ability to deny, make infeasible, or reduce the density of housing development projects. After determining that implementation of the HAA was not meeting the intent of the statute, the Legislature has amended the HAA to expand its provisions, strengthening the law to meaningfully and effectively curb the capacity of local governments to deny, reduce the density or render housing development projects infeasible.

Legislative Housing Accountability Act Interpretation Guidance

"It is the policy of the state that this section (HAA) should be interpreted and implemented in a manner to afford the fullest possible weight to the interest of, and the approval and provision of, housing." Government Code Section 65589.5 (a)(2)(L)

The following are findings and declarations found in the HAA pursuant to Government Code sections 65589.5(a):

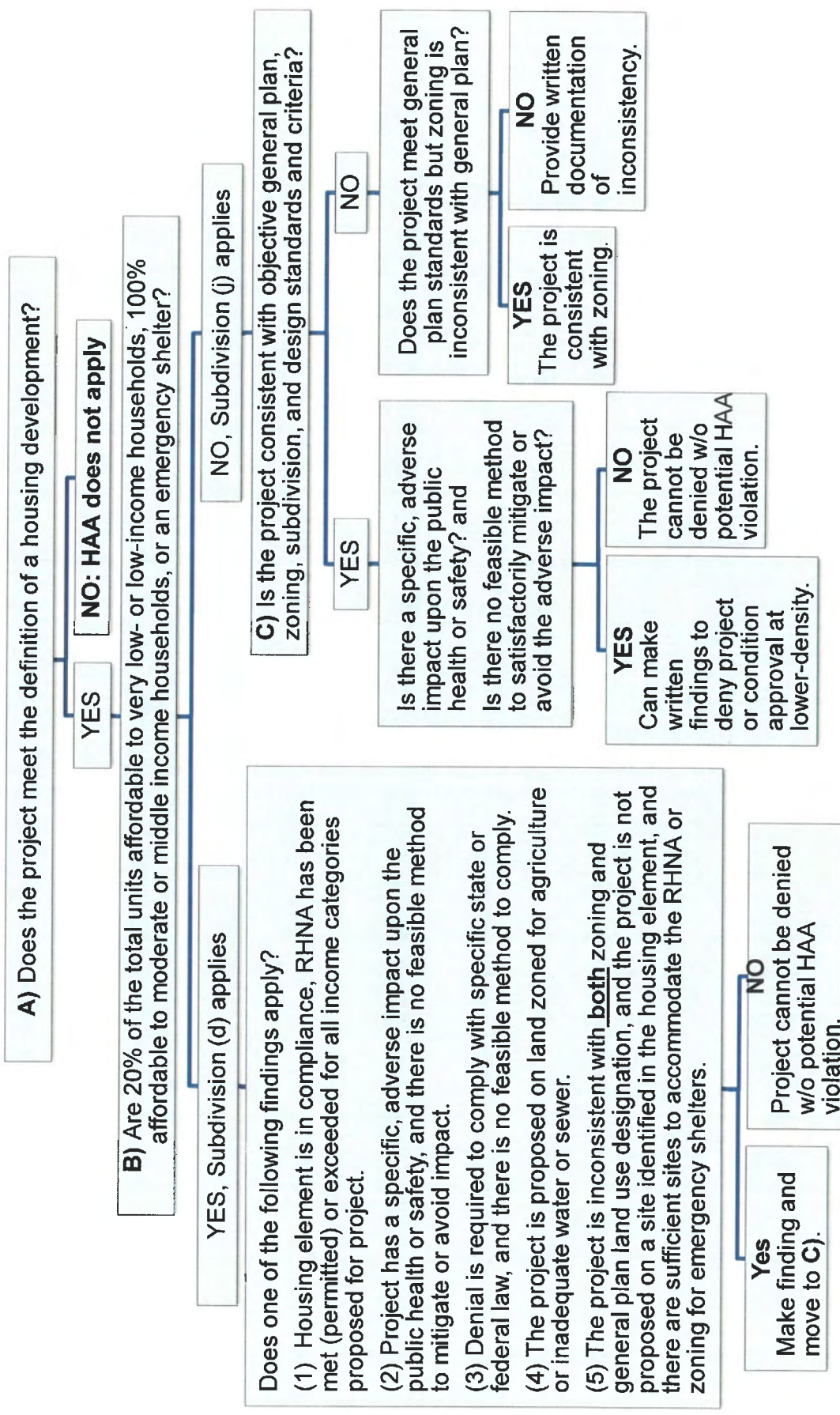
- The lack of housing, including emergency shelters, is a critical problem that threatens the economic, environmental, and social quality of life in California.
- California housing has become the most expensive in the nation. The excessive cost of the state's housing supply is partially caused by activities and policies of many local governments that limit the approval of housing, increase the cost of land for housing, and require that high fees and exactions be paid by producers of housing.
- Among the consequences of those actions are discrimination against low-income and minority households, lack of housing to support employment growth, imbalance in jobs and housing, reduced mobility, urban sprawl, excessive commuting, and air quality deterioration.
- Many local governments do not give adequate attention to the economic, environmental, and social costs of decisions that result in disapproval of housing development projects, reduction in density of housing projects, and excessive standards for housing development projects.
- California has a housing supply and affordability crisis of historic proportions. The consequences of failing to effectively and aggressively confront this crisis are hurting millions of Californians, robbing future generations of the chance to call California home, stifling economic opportunities for workers and businesses, worsening poverty and homelessness, and undermining the state's environmental and climate objectives.

Why Do We Need the Housing Accountability Act?

- While the causes of this crisis are multiple and complex, the absence of meaningful and effective policy reforms to significantly enhance the approval and supply of housing affordable to Californians of all income levels is a key factor.
- The crisis has grown so acute in California that supply, demand, and affordability fundamentals are characterized in the negative: underserved demands, constrained supply, and protracted unaffordability.
- According to reports and data, California has accumulated an unmet housing backlog of nearly 2,000,000 units and must provide for at least 180,000 new units annually to keep pace with growth through 2025.
- California's overall homeownership rate is at its lowest level since the 1940s. The state ranks 49th out of the 50 states in homeownership rates as well as in the supply of housing per capita. Only one-half of California's households are able to afford the cost of housing in their local regions.
- Lack of supply and rising costs are compounding inequality and limiting advancement opportunities for many Californians.
- The majority of California renters, more than 3,000,000 households, pay more than 30 percent of their income toward rent and nearly one-third, more than 1,500,000 households, pay more than 50 percent of their income toward rent.
- When Californians have access to safe and affordable housing, they have more money for food and health care; they are less likely to become homeless and in need of government-subsidized services; their children do better in school; and businesses have an easier time recruiting and retaining employees.
- An additional consequence of the state's cumulative housing shortage is a significant increase in greenhouse gas emissions caused by the displacement and redirection of populations to states with greater housing opportunities, particularly working- and middle-class households. California's cumulative housing shortfall therefore has not only national but international environmental consequences.
- California's housing picture has reached a crisis of historic proportions despite the fact that, for decades, the Legislature has enacted numerous statutes intended to significantly increase the approval, development, and affordability of housing for all income levels, including this section.

Housing Accountability Act Decision Matrix

This decision tree generally describes the components of the HAA. Both affordable and market-rate developments are protected by components of the HAA. The statute contains detailed requirements that affect the applicability of the HAA to a specific housing project based on its characteristics.



Key Provisions of the Housing Accountability Act

The HAA sets out restrictions on local governments' ability to take action against housing development projects in Government Code section 65589.5, subdivisions (d) and (j). Subdivision (d) describes requirements applicable to housing development projects that include units affordable to very-low, low-, and moderate-income households (including transitional and supportive housing) as well as emergency shelters and farmworker housing. Subdivision (j) describes requirements applicable to all housing development projects, including both market-rate and affordable housing developments¹. In sum, the HAA significantly limits the ability of a local government to deny an affordable or market-rate housing project that is consistent with planning and zoning requirements. This table describes the various component parts of the HAA for ease of reference.

Topic	Subdivisions of Government Code Section 65589.5
Declarations and legislative intent	(a), (b), (c)
Provisions for housing affordable to very low, low-, or moderate-income households, or an emergency shelter	(d), (i)
Applicability of the statute to coastal zones, local laws, and charter cities	(e), (f), (g)
Definitions	(h)
Provisions relating to all housing developments	(j)
Consequences for violation	(k), (l), (m), (n)
Vesting rights for pre-applications (SB 330)	(o)

The following is an overview of key provisions of the HAA focusing on project qualifications, applicability of local standards, provisions that relate to all housing projects, provisions that relate just to housing affordable to lower- and moderate-income households and emergency shelters, and consequences for violation of the HAA. Appendix A includes a list of definitions of terms referenced throughout the HAA and Appendix B includes information related to the Preliminary Application Process pursuant to Senate Bill 330.

Housing Development Project Qualifications

In order for a development to qualify for the protections under the HAA it must meet the definition of a "housing development project". Furthermore, for a project to qualify for the affordable housing protections, it must also meet the definition of "Housing for very low-, low-, or moderate-income households".

¹ *Honchariw v. County of Stanislaus* (2011) 200 Cal.App.4th 1066, 1072-1073

Housing Development Project Definition

Government Code, § 65589.5, subdivision (h)(2).

A “housing development project” means a use consisting of residential units only, mixed use developments consisting of residential and non-residential uses with at least two-thirds of the square footage designated for residential use, or transitional or supportive housing. Because the term “units” is plural, a development must consist of more than one unit to qualify under the HAA. The development can consist of attached or detached units and may occupy more than one parcel, so long as the development is included in the same development application.

Housing for Very Low, Low-, or Moderate-Income Households

Government Code, § 65589.5, subdivision (h)(3).

In order to qualify as a housing development affordable to lower- or moderate- income households, the project must meet one of the following two criteria:

- At least 20 percent of the total units shall be sold or rented to lower income households. Lower-income households are those persons and families whose income does not exceed that specified by Health and Safety Code, § 50079.5, 80 percent of area median income.
- 100 percent of the units shall be sold or rented to persons and families of moderate income, or persons and families of middle income. Moderate-income households are those persons and families whose incomes are 80 percent to 120 percent of area median income (Health and Safety Code, § 50093.) Middle-income households are those persons and families whose income does not exceed 150 percent of area median income (Gov. Code, § 65008 subd. (c).)

In addition, the rental or sales prices of that housing cannot exceed the following standards:

- Housing units targeted for lower income households shall be made available at a monthly housing cost that does not exceed 30 percent of 60 percent of area median income with adjustments for household size made in accordance with the adjustment factors on which the lower income eligibility limits are based.
- Housing units targeted for persons and families of moderate income shall be made available at a monthly housing cost that does not exceed 30 percent of 100 percent of area median income with adjustments for household size made in accordance with the adjustment factors on which the moderate-income eligibility limits are based.

Housing Developments Applying for the Streamlined Ministerial Approval Process Pursuant to Government Code Section 65913.4.

To facilitate and expedite the construction of housing, Chapter 366, Statutes of 2017 (SB 35, Wiener) established the availability of a Streamlined Ministerial Approval Process for developments in localities that have not yet made sufficient progress towards their allocation of the regional housing need (RHNA). Recent amendments to the law clarified that projects utilizing the Streamlined Ministerial Approval Process qualify for the protections under the HAA (Gov. Code, § 65913.4, subd. (g)(2).)

Applicability of Local Standards

In addition to limiting the conditions for which a housing development project can be denied, the HAA also sets parameters around aspects of the approval process. Specifically, it defines:

- The type of development standards, conditions, and policies with which a housing development or emergency shelter can be required to comply
- Parameters for fees and exactions that can be imposed
- Standards that can be applied once an application is deemed complete
- Actions by a local government that would constitute a denial of a project or impose development conditions

These requirements are intended to provide developers with greater transparency and clarity in the entitlement process.

Objective Development Standards, Conditions, Policies, Fees, and Exactions

Government Code, § 65589.5, subdivision (f)

Local governments are not prohibited from requiring a housing development project or emergency shelter to comply with objective, quantifiable, written development standards, conditions, and policies (subject to the vesting provisions of the HAA and other applicable laws). However, those standards, conditions, and policies must meet the following criteria:

- Be appropriate to, and consistent with, meeting the local government's share of the RHNA or meeting the local government's need for emergency shelters as identified in the housing element of the general plan.
- Be applied to facilitate and accommodate development at the density permitted on the site and proposed by the development or to facilitate and accommodate the development of the emergency shelter project.
- Meet the definition of "objective". Objective standards are those that involve no personal or subjective judgment by a public official and being uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official.

The intent of these provisions of the HAA is that developers are given certainty in what standards, conditions, and policies apply to their project and how those standards can be met. Local governments that deny a project due to a failure to meet subjective standards (those standards that are not objective as defined) could be in violation of the HAA. In addition, objective standards that do apply should make it feasible for a developer to build to the density allowed by the zoning and not constrain a local government's ability to achieve its RHNA housing targets.

Nothing in the statute generally prohibits a local government from imposing fees and other exactions otherwise authorized by law that are essential to provide necessary public services and facilities to the housing development project or emergency shelter. However, the HAA does impose limitations on the fees and exactions that can be imposed on a specific housing development project once a preliminary application is submitted (see Appendix C).

Determination of Application Completeness

Government Code, § 65589.5, subdivisions (d)(5), (h)(5) and (9), and (j)(1).

The process of submitting an application for a housing development project can be iterative. For example, applications that are missing information cannot be fully evaluated by a local government for compliance with local objective standards. Therefore, an application is not typically processed until it is “determined to be complete”. The HAA currently uses two terms related to completeness, “deemed complete” and “determined to be complete.”

Deemed Complete: For the purposes of the HAA, until January 1, 2025, “deemed complete” means the date on which a preliminary application was submitted under the provisions of Government Code section 65941.1. Submittal of a preliminary application allows a developer to provide a specific subset of information on the proposed housing development before providing the full information required by the local government for a housing development application. Submittal of this information allows a housing developer to “freeze” the applicable standards for their project while they assemble the rest of the material necessary for a full application submittal. This ensures development requirements do not change during this time, potentially adding costs to a project. No affirmative determination by a local government regarding the completeness of a preliminary application is required. (See Appendix C).

The term “deemed complete” triggers the “freeze date” for applicable development standards, criteria, or condition that can be applied to a project. Changes to the zoning ordinance, general plan land use designation, standards, and criteria, subdivision ordinance, and design review standards, made subsequent to the date the housing development project preliminary application was “deemed complete”, cannot be applied to a housing development project or used to disapprove or condition approval of the project.

However, if the developer does not submit a preliminary application, the standards that must be applied are those that are in effect when the project is determined to be complete under the Permit Streamlining Act (Gov. Code § 65943).

Determined to be complete: Until January 1, 2025, the full application is “determined to be complete” when it is found to be complete under the Permit Streamlining Act (Gov. Code § 65943). This phrase triggers the timing provisions for the local government to provide written documentation of inconsistency with any applicable plan, program, policy, ordinance, standard, requirement, or other similar provision (see page 10 below for inconsistency determinations).

Completeness Determination of Development Application

Government Code section 65943 states that local governments have 30 days after an application for a housing development project is submitted to inform the applicant whether or not the application is complete. If the local government does not inform the applicant of any deficiencies within that 30-day period, the application will be “deemed complete”, even if it is deficient.

If the application is determined to be incomplete, the local government shall provide the applicant with an exhaustive list of items that were not complete pursuant to the local government’s submittal requirement checklist. Information not included in the initial list of deficiencies in the application cannot be requested in subsequent reviews of the application.

A development applicant who submitted a preliminary application has 90 days to complete the application after receiving notice that the application is incomplete, or the preliminary application will expire. Each time an applicant resubmits new information, a local government has 30 calendar days to review the submittal materials and to identify deficiencies in the application.

Please note, Government Code section 65943 is triggered by an application submitted with all of the requirements on lists compiled by the local government and available when the application was submitted that specifies in detail the information that will be required from any applicant for a development project pursuant to Government Code section 65940. This is not the “preliminary application” referenced in Government Code section 65941.1.

Triggers for a Disapproval of a Housing Development Project

Government Code, § 65589.5, subdivisions (h)(6)

The HAA does not prohibit a local government from exercising its authority to disapprove a housing development project, but rather provides limitations and conditions for exercising that authority. The HAA defines disapproval as when the local government takes one of the following actions:

- Votes on a proposed housing development project application and the application is disapproved. This includes denial of other required land use approvals or entitlements necessary for the issuance of a building permit. Examples include, but are not limited to, denial of the development application, tentative or final maps, use permits, or design review. If the project is using the Streamlined Ministerial Approval Process, disapproval of the application would trigger the provisions of the HAA.
- Fails to comply with decision time periods for approval or disapproval of a development application². Until 2025, the following timeframes apply:
 - 90 days after certification of an environmental impact report (prepared pursuant to the California Environmental Quality Act) by the lead agency for a housing development project.
 - 60 days after certification of an environmental impact report (prepared pursuant to the California Environmental Quality Act) by the lead agency for a housing development project where at least 49 percent of the units in the development project are affordable to very low or low-income households³, and where rents for the lower income units are set at an affordable rent⁴ for at least 30 years and owner-occupied units are available at an affordable housing cost⁵, among other conditions (see Gov Code § 65950).
 - 60 days from the date of adoption by the lead agency of a negative declaration.
 - 60 days from the determination by the lead agency that the project is exempt from the California Environmental Quality Act.

² Timeframes are pursuant to Government Code section 65950

³ As defined by Health and Safety Code sections 50105 and 50079.5

⁴ Pursuant to Section 50053 of the Health and Safety Code

⁵ Pursuant to Section 50052.5 of the Health and Safety Code

Imposition of Development Conditions

Government Code, § 65589.5, subdivisions. (d), (h)(7), and (i)

Like the ability to deny a project, the HAA does not prohibit a local government from exercising its authority to condition the approval of a project, but rather provides limitations and conditions for the application of certain conditions. Specifically, the HAA limits the application of conditions that lower the residential density of the project, and, for housing affordable to lower- and moderate-income households and emergency shelters, conditions that would have a substantial adverse impact on the viability or affordability of providing those units unless specific findings are made and supported by a preponderance of the evidence in the record⁶.

For purposes of the HAA, “lower density” includes any conditions that have the same effect or impact on the ability of the project to provide housing. This could include a condition that directly lowers the overall number of units proposed (e.g., the development proposes 50 units, but the local government approves only 45 units). It could also include indirect conditions that result in a lower density (e.g., a development proposes 50 units at 800 square feet per unit but the local government conditions the approval on the provision of 850 square feet per unit, resulting in the project having to provide fewer units to accommodate the increase in square footage). Another example would be a reduction in building height that would result in the project being able to provide fewer units than originally proposed.

Local governments must also consider if imposed conditions of approval would have an adverse effect on a project’s ability to provide housing for very low-, low-, or moderate-income households at the affordability levels proposed in the housing development project. This includes provisions that would render the project for very low-, low-, or moderate-income households infeasible or would have a substantial adverse effect on the viability or affordability of the proposed housing. For example, project approval for an affordable housing development might be conditioned on the need to use specific materials that significantly increase the cost of the project. This additional cost could either render the project financially infeasible altogether or require substantial changes to the affordability mix of the units where fewer very low-income units could be provided. In these cases, it is possible that the conditions would violate the HAA.

Conditions that should be analyzed for their effect on density and project feasibility (for affordable projects) include, but are not limited to, the following:

- Design changes
- Conditions that directly or indirectly lower density
- Reduction of the percentage of a lot that may be occupied by a building or structure under the applicable planning and zoning.

⁶ See Page13 for more information on the preponderance of the evidence standard.

Housing Accountability Act Provisions That Apply to All Housing Projects

The following provisions apply to all housing development projects regardless of affordability.

Determination of Consistency with Applicable Plans, Standards, or Other Similar Provision Based on the Reasonable Person Standard

Government Code, § 65589.5, subdivision (f)(4)

A key component of the HAA is the determination as to whether or not the proposed housing development project is consistent, compliant and in conformity with all applicable plans, programs, policies, ordinances, standards, requirements, and other similar provisions.

Traditionally, this determination is made by local government, which is given significant deference to interpret its own plans, programs, policies, ordinances, standards, requirements, and other similar provisions. In most planning and zoning matters, courts traditionally uphold an agency's determination if there is "substantial evidence" to support that determination. If substantial evidence supports the agency's decision, an agency can reach a conclusion that a development project is inconsistent with applicable provisions, even if there is evidence to the contrary.

Departing from these traditional rules, the HAA sets forth its own standard for determining consistency with local government rules for housing development projects and emergency shelters. A housing development project or emergency shelter is deemed consistent, compliant, and in conformity with an applicable plan, program, policy, ordinance, standard, requirement, or other similar provision if there is substantial evidence that could allow *a reasonable person* to conclude that the housing development project or emergency shelter is consistent, compliant, or in conformity with applicable standards and requirements. The intent of this provision is to provide an objective standard and increase the likelihood of housing development projects being found consistent, compliant and in conformity.

Applicability of Density Bonus Law

Government Code, § 65589.5, subdivision (j)(3)

The receipt of a density bonus pursuant to Density Bonus Law (Government Code § 65915) does not constitute a valid basis on which to find a proposed housing development project is inconsistent, not in compliance, or not in conformity, with an applicable plan, program, policy, ordinance, standard, requirement, or other similar provision. Receipt of a density bonus can include a bonus in number of units, incentives, concessions, or waivers to development standards allowed under Density Bonus Law.⁷

General Plan and Zoning Consistency Standard

Government Code, § 65589.5, subdivision (j)(4)

For various reasons, there is at times inconsistency between standards in a general plan and zoning standards. For example, a local government may have amended the general plan, but

⁷ Please note pursuant to Government Code § 65915, subd. (f) a receipt of a density bonus does not require an increase in density. An applicant can elect to ask for just the concessions, incentives, and waivers that the project qualifies for under State Density Bonus Law.

has not yet amended all of its municipal ordinances to assure vertical consistency⁸.

Recognizing this, the HAA clarifies that if the zoning standards and criteria are inconsistent with applicable, objective general plan standards, but the development project is consistent with the applicable objective general plan standards for the site, then the housing development project cannot be found inconsistent with the standards and criteria of the zoning. Further, if such an inconsistency exists, the local agency may not require rezoning prior to housing development project approval.

However, the local agency may require the proposed housing development project to comply with the objective standards and criteria contained elsewhere in the zoning code that are consistent with the general plan designation. For example, if a site has a general plan land use designation of high density residential, but the site is zoned industrial, then a local government can require the project to comply with objective development standards in zoning districts that are consistent with the high density residential designation, such as a multifamily high density residential zone.

However, under the HAA, the standards and criteria determined to apply to the project must facilitate and accommodate development at the density allowed the general plan on the project site and as proposed by the housing development project.

Written Notification of Inconsistency

Government Code, § 65589.5, subdivision (j)(2)

If a local government considers a proposed housing development project to be inconsistent, non-compliant, or not in conformity with any applicable plan, program, policy, ordinance, standard, requirement, or other similar provision, the local government must provide written notification and documentation of the inconsistency, noncompliance, or inconformity. This requirement applies to all housing development projects, regardless of affordability level. The documentation must:

- Identify the specific provision or provisions and provide an explanation of the reason or reasons why the local agency considers the housing development to be inconsistent, non-compliant, or non-conformant with identified provisions.
- Be provided to the applicant within 30 days of a project application being deemed complete for projects containing 150 or fewer housing units.
- Be provided to the applicant within 60 days of a project application being deemed complete for projects containing over 150 units.

Consequence for Failure to Provide Written Documentation

If the local government fails to provide the written documentation within the required timeframe, the housing development project is deemed consistent, compliant and in conformity with applicable plans, programs, policies, ordinances, standards, requirements, or other similar provisions.

⁸ Pursuant to Government Code § 65860, city and county, including a charter city, zoning ordinances must be consistent with the adopted general plan. This is known as vertical consistency.

Denial of a Housing Project that is Consistent with Applicable Plans, Standards, or Other Similar Provisions Based on the Preponderance of the Evidence Standard

Government Code, § 65589.5, subdivision (j)(1)

When a proposed housing development project complies with applicable, objective general plan, zoning, and subdivision standards and criteria, including design review standards, in effect at the time that the application was deemed complete, but the local agency proposes to disapprove the project or to impose a condition that the project be developed at a lower density, the local agency shall base its decision regarding the proposed housing development project upon written findings supported by a preponderance of the evidence on the record that both of the following conditions exist:

- The housing development project would have a specific, adverse impact upon the public health or safety unless the project is disapproved or approved upon the condition that the project be developed at a lower density.

A “**specific, adverse impact**” means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete. Pursuant to Government Code section 65589.5 (a)(3) it is the intent of the Legislature that the conditions that would have a specific, adverse impact upon the public health and safety arise infrequently.

An example of a condition that does not constitute a specific, adverse impact would be criteria that requires a project to conform with “neighborhood character”. Such a standard is not quantifiable and therefore would not meet the conditions set forth under the HAA.

- There is no feasible method to satisfactorily mitigate or avoid the adverse impact, other than the disapproval of the housing development project or the approval of the project upon the condition that it be developed at a lower density. Feasible means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors.

Preponderance of the Evidence Standard

In most actions, a local government is tasked with making findings or determinations based on “substantial evidence.” Under the substantial evidence standard, local government is merely required to find reasonable, adequate evidence in support of their findings, even if the same or *even more* evidence supports a finding to the contrary.

Findings or determinations based on a “preponderance of the evidence” standard require that local governments weigh the evidence and conclude that the evidence on one side outweighs, preponderates over, is more than the evidence on the other side, not necessarily in the number or quantity, but in its convincing force upon those to whom it is addressed⁹. Evidence that is substantial, but not a preponderance of the evidence, does not meet this standard.

⁹ People v. Miller (1916) 171 Cal. 649, 652. Harris v. Oaks Shopping Center (1999) 70 Cal.App.4th 206, 209 (“‘Preponderance of the evidence’ means evidence that has more convincing force than that opposed to it.”).

Provisions Related to Housing Affordable to Very Low-, Low-, or Moderate-Income Household, Emergency Shelters, and Farmworker Housing

State Policy on Housing Project Approval

“It is the policy of the state that a local government not reject or make infeasible housing development projects, including emergency shelters, that contribute to meeting the need determined pursuant to this article (RHNA) without a thorough analysis of the economic, social, and environmental effects of the action and without complying with subdivision (d)” Government Code, § 65589.5, subdivision (b).

The HAA provides additional protections for projects that contain housing affordable to very low-, low- or moderate-income households, including farmworker housing, or emergency shelters. State policy prohibits local governments from rejecting or otherwise making infeasible these types of housing development projects, including emergency shelters, without making specific findings.

Denial or Conditioning of Housing Affordable to Very Low-, Low- or Moderate-Income Households, Including Farmworker Housing, or Emergency Shelters

Government Code, § 65589.5, subdivision (d) and (i)

The HAA specifies findings that local governments must make, in addition to those in the previous section, if they wish to deny a housing development affordable to very low-, low-, or moderate-income housing (including farmworker housing) or emergency shelters. These requirements also apply when a local government wishes to condition such a project in a way that it would that render it infeasible or would have a substantial adverse effect on the viability or affordability of a housing development project for very low-, low-, or moderate-income households. In addition to the findings, described above, that apply to all housing development projects, a local government must also make specific findings based upon the preponderance of the evidence of one of the following:

- (1) The local government has an adopted housing element in substantial compliance with California’s Housing Element Law, contained in Article 10.6 of Government Code, *and* has met or exceeded development of its share of the RHNA in all income categories proposed in the housing development project. In the case of an emergency shelter, the local government shall have met or exceeded the need for emergency shelters as identified in the housing element. This requirement to meet or exceed its RHNA is in relationship to units built in the local government, not zoning. A local government’s housing element Annual Progress Report pursuant to Government Code section 65400 can be used to demonstrate progress towards RHNA goals.
- (2) The housing development project would have a specific, adverse impact upon public health or safety and there is no feasible method to mitigate or avoid the impact without rendering the housing development project unaffordable or financially infeasible. Specific to housing development projects affordable to very low-, low-, or moderate-income housing (including farmworker housing) or emergency shelters, specific, adverse impacts do not include inconsistency with the zoning ordinance or general plan land use designation or eligibility to claim a welfare exemption under subdivision (g) of Section 214 of the Revenue and Taxation Code.
- (3) Denial of the housing development project or the imposition of conditions is required to comply with specific state or federal law, *and* there is no feasible method to comply without

rendering the development unaffordable to low- and moderate-income households or rendering the development of the emergency shelter financially infeasible.

(4) The housing development project is proposed on land zoned for agriculture or resource preservation that is either: (a) surrounded on two sides by land being used for agriculture or resource preservation; or (b) does not have adequate water or wastewater facilities to serve the housing development project.

(5) The housing development project meets both the following conditions:

- Is inconsistent with both the local government's zoning ordinance and the general plan land use designation as specified in any element of the general plan as it existed on the date the application was deemed complete. This means this finding cannot be used in situations where the project is inconsistent with one (e.g., the general plan designation), but is consistent with the other (e.g., zoning ordinance).
- The local government has an adopted housing element in substantial compliance with housing element Law.

Finding (5) *cannot* be used when any of the following occur:

- The housing development project is proposed for a site identified as suitable or available for very low-, low-, or moderate-income households within a housing element and the project is consistent with the specified density identified in the housing element.
- The local government has failed to identify sufficient adequate sites in its inventory of available sites to accommodate its RNHA, and the housing development project is proposed on a site identified in any element of its general plan for residential use or in a commercial zone where residential uses are permitted or conditionally permitted.
- The local government has failed to identify a zone(s) where emergency shelters are allowed without a conditional use or other discretionary permit, or has identified such zone(s) but has failed to demonstrate that they have sufficient capacity to accommodate the need for emergency shelter(s), and the proposed emergency shelter is for a site designated in any element of the general plan for industrial, commercial, or multifamily residential uses.

Any of these findings must be based on a preponderance of the evidence. For details, see "Preponderance of the evidence standard" on page 12 for further information.

Violations of Housing Accountability Act

The courts are the primary authority that enforces the HAA. Actions can be brought by eligible plaintiffs and petitioners to the court for potential violations of the law. Similarly, HCD under Government Code section 65585 (j), can find that a local government has taken an action in violation of the HAA. In that case, after notifying a local government of the violation, HCD would refer the violation to the Office of the Attorney General who could file a petition against a local government in the Superior Court.

Eligible Plaintiffs and Petitioners

Government Code, § 65589.5, subdivision (k)(1)(A) and (k)(2)

The applicant, a person eligible to apply for residency in the housing development project or emergency shelter, or a housing organization may bring action to enforce the HAA. A housing organization, however, may only file an action to challenge the disapproval of the housing development project and must have filed written or oral comments with the local government prior to its action on the housing development project.

“Housing organizations” means a trade or industry group engaged in the construction or management of housing units or a nonprofit organization whose mission includes providing or advocating for increased access to housing for low-income households. A housing organization is entitled to reasonable attorney fees and costs when prevailing in an action. Labor unions, building associations, multifamily apartment management companies, and legal aid societies are examples of housing organizations.

Remedies

Government Code, § 65589.5, subdivision (k)(1)(A)

If the plaintiff or petitioner prevails, the court must issue an order compelling compliance with the HAA within 60 days. The court’s order would at a minimum require the local agency to take action on the housing development project or emergency shelter during that time period. The court is further empowered to issue an order or judgment that actually directs the local government to approve the housing development project or emergency shelter if the court finds that the local agency acted in bad faith when it disapproved or conditionally approved the housing development or emergency shelter in violation of the HAA. “Bad faith” includes, but is not limited to, an action that is frivolous or otherwise entirely without merit.

If the plaintiff or petitioner prevails, the court shall award reasonable attorney fees and costs of the suit to the plaintiff or petitioner for both affordable and market-rate housing development projects,¹⁰ except in the “extraordinary circumstances” in which the court finds that awarding fees would not further the purposes of the HAA.

Local Agency Appeal Bond

Government Code, § 65589.5, subdivision (m)

If the local agency appeals the judgment of the trial court, the local agency shall post a bond, in an amount to be determined by the court, to the benefit of the plaintiff if the plaintiff is the project applicant. In this provision, the Legislature has waived, to some degree, the immunity from damages that normally extends to local agencies, recognizing that the project applicant incurs costs due to the delay of its project when a local agency appeals. (Contrast Gov. Code, § 65589.5, subd. (m), with Code Civ. Proc., § 995.220, subd. (b) [local public entities do not have to post bonds].)

¹⁰ / *Honchariw v. County of Stanislaus* (2013) 218 Cal.App.4th 1019, 1023–1024, which ruled to the contrary, was superseded by statutory changes in Senate Bill 167 (Stats. 2017, ch. 368, § 1), Assembly Bill 678 (Stats. 2017, ch. 373, § 1), and Senate Bill 330 (Stats. 2019, ch. 654, § 3).

Failure to Comply with Court Order

Government Code, § 65589.5, subdivision (k)(1)(B)(i), (k)(1)(C), and (l)

If the local government fails to comply with the order or judgment within 60 days of issuance, the court must impose a fine on the local government. The *minimum* fine that may be imposed is \$10,000 per housing unit in the housing development project as proposed on the date the application was deemed complete. Please note, the use of the term “deemed complete” in this instance has the same meaning as “determined to be complete” as referenced on page 7. The monies are to be deposited into the State’s Building Homes and Jobs fund or the Housing Rehabilitation Loan fund. In calculating the amount of the fine in excess of the minimum, the court is directed to consider the following factors:

- The local government’s progress in meeting its RHNA and any previous violations of the HAA.
- Whether the local government acted in bad faith when it disapproved or conditionally approved the housing development or emergency shelter in violation of the HAA. If the court finds that the local government acted in bad faith, the total amount of the fine must be multiplied by five.

The court may issue further orders as provided by law to ensure that the purposes and policies of this section are fulfilled, including, but not limited to, an order to vacate the decision of the local agency and an order to approve the housing development project.

Court-Imposed Fines

Court-imposed fines begin at \$10,000 per housing unit and could be much higher. If the court determines the local government acted in bad faith, the fine is multiplied by five. This equates to a minimum fine of \$50,000 per unit.

Bad faith includes, but is not limited to, an action that is frivolous or otherwise entirely without merit. For example, in a recent Los Altos Superior Court order, the court issued an order directing the local agency to approve the housing development project and found that the local agency acted in bad faith when it disapproved the housing development because its denial was entirely without merit. The city’s denial letter did not reflect that the city made a benign error in the course of attempting, in good faith, to follow the law by explaining to the developer how the project conflicted with objective standards that existed at the time of application; instead, the city denied the application with a facially deficient letter, employed strained interpretations of statute and local standards, and adopted a resolution enumerating insufficient reasons for its denial¹¹. Bad faith can be demonstrated through both substantive decisions and procedural actions. In the Los Altos case, the court found that demanding an administrative appeal with less than a days’ notice revealed bad faith. Repeated, undue delay may likewise reveal bad faith.

¹¹ Order Granting Consolidated Petitions for Writ of Mandate, 40 Main Street Offices, LLC v. City of Los Altos et al. (Santa Clara Superior Court Case No. 19CV349845, April 27, 2020), p. 38

APPENDIX A: Frequently Asked Questions

What types of housing development project applications are subject to the Housing Accountability Act (HAA)?

The HAA applies to both market rate and affordable housing development projects. (*Honchariw v. County of Stanislaus* (2011) 200 Cal.App.4th 1066, 1073.) It applies to housing development projects that consist of residential units and mixed-use developments when two-thirds or more of the square footage is designated for residential use. It also applies to transitional housing, supportive housing, farmworker housing, and emergency shelters. (Gov. Code, § 65589.5, subds. (d) and (h)(2).)

Does the Housing Accountability Act apply to charter cities?

Yes, the HAA applies to charter cities (Gov. Code, § 65589.5, subd. (g).)

Does the Housing Accountability Act apply to housing development projects in coastal zones?

Yes. However, local governments must still comply with the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code) (Gov. Code, § 65589.5, subd. (e).)

Are housing developments still subject to the California Environmental Quality Act (CEQA) if they qualify for the protections under the Housing Accountability Act?

Yes. Jurisdictions are still required to comply with CEQA (Division 13 (commencing with Section 21000) of the Public Resources Code) as applicable to the project. (Gov. Code, § 65589.5, subd. (e).)

Does the California Department of Housing and Community Development have enforcement authority for the Housing Accountability Act?

Yes. HCD has authority to find that a local government's actions do not substantially comply with the HAA (Gov. Code, § 65585, subd. (j)(1).) In such a case, HCD may notify the California State Attorney General's Office that a local government has taken action in violation of the HAA.

If approval of a housing development project triggers the No-Net Loss Law, may a local government disapprove the project?

No. Triggering a required action under the No-Net Loss Law is not a valid basis to disapprove a housing development project. (Gov. Code, § 65863, subd. (c)(2).) The only valid reasons for disapproving a housing development project are defined in the HAA under subdivisions (d) and (j). Subdivision (j) contains requirements that apply to all housing development projects; subdivision (d) contains additional requirements for housing development projects for very low-, low- or moderate-income households or emergency shelters.

Does the Housing Accountability Act apply to a residential development project on an historic property?

Yes. The HAA does not limit the applicability of its provisions based on individual site characteristics or criteria. The local government may apply objective, quantifiable, written development standards, conditions, and policies related to historic preservation to the housing development project, so long as they were in effect when the application was deemed

complete¹². The standards should be appropriate to, and consistent with, meeting the local government's regional housing need and facilitate development at the permitted density. (Gov. Code, § 65589.5, subd. (f)(1).) However, it should be noted that compliance with historic preservation laws may otherwise constrain the approval of a housing development.

Under the Housing Accountability Act, is the retail/commercial component of a mixed-use project subject to review when the housing component must be approved?

Yes. The local government may apply objective, quantifiable, written development standards, conditions and policies to the entirety of the mixed-use project, so long as they were in effect when the application was deemed complete. (Gov. Code, § 65589.5, subd. (f)(1).)

Does the Housing Accountability Act apply to subdivision maps and other discretionary land use applications?

Yes. The HAA applies to denials of subdivision maps and other discretionary land use approvals or entitlements necessary for the issuance of a building permit (Gov. Code, § 65589.5, subd. (h)(6).)

Does the Housing Accountability Act apply to applications for individual single-family residences or individual Accessory Dwelling Units (ADUs)?

No. A "housing development project" means a use consisting of residential units only, mixed use developments consisting of residential and non-residential uses with at least two-thirds of the square footage designated for residential use, or transitional or supportive housing. Because the term "units" is plural, a development has to consist of more than one unit to qualify under the HAA (Gov. Code, § 65589.5, subd. (h)(2).).

Does the Housing Accountability Act apply to an application that includes both a single-family residence and an Accessory Dwelling Unit?

Yes. Since an application for both a single-family residence and an ADU includes more than one residential unit, the HAA applies (Gov. Code, § 65589.5, subd. (h)(2).)

Does the Housing Accountability Act apply to an application for a duplex?

Yes. Since an application for a duplex includes more than one residential unit, the HAA applies. (Gov. Code, § 65589.5, subd. (h)(2).)

Does the Housing Accountability Act apply to market-rate housing developments?

Yes. Market-rate housing developments are subject to the HAA (Gov. Code, § 65589.5, subd. (h)(2).) In *Honchariw v. County of Stanislaus* (2011) 200 Cal.App.4th 1066, the court found the definition of "housing development project" was not limited to projects involving affordable housing and extended to market-rate projects. Market-rate housing development projects are subject to the requirements of paragraph (j) (Gov. Code, § 65589.5, subd. (j).)

¹² For purposes of determination of whether a site is historic, "deemed complete" is used with reference to Government Code §65940. See Government Code § 65913.10.

Under the Housing Accountability Act, if a housing development project is consistent with local planning rules, can it be denied or conditioned on a density reduction?

Yes. However, a local government may deny a housing development that is consistent with local planning rules, or condition it on reduction in density, only under very specific circumstances. (Gov. Code, § 65589.5, subds. (j)(1)(A), (B).) The local government must make written findings based on a preponderance of the evidence that both:

- (1) The housing development project would have a specific, adverse impact upon public health or safety unless disapproved or approved at a lower density; and
- (2) There is no feasible method to satisfactorily mitigate or avoid the impact.

(See definition of and specific requirements for finding of “specific, adverse impact” discussed below.)

Under the Housing Accountability Act, can a housing development project affordable to very low-, low-, or moderate-income households (including farmworker housing) or emergency shelter that is inconsistent with local planning requirements be denied or conditioned in a manner that renders it infeasible for the use proposed?

Yes, but only under specific circumstances. The local government must make written findings based on a preponderance of the evidence as to specific criteria. However, inconsistency with zoning does not justify denial or conditioning if the project is consistent with the general plan. (See Page 11 for more details). See also Gov. Code, § 65589.5, subds. (d)(1)-(5).)

Is there a definition for “specific, adverse impact” upon public health and safety?

Yes. The HAA provides that a “specific, adverse impact” means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete. Inconsistency with the zoning ordinance or general plan land use designation is not such a specific, adverse impact upon the public health or safety. (Gov. Code, § 65589.5, subds. (d)(2) and (j)(1)(A).)

The HAA considers that such impacts would be rare: “It is the intent of the Legislature that the conditions that would have a specific, adverse impact upon the public health and safety, as described in paragraph (2) of subdivision (d) and paragraph (1) of subdivision (j), arise infrequently.” (Gov. Code, § 65589.5, subd. (a)(3).)

Appendix B: Definitions

Area median income means area median income as periodically established by the HCD pursuant to Section 50093 of the Health and Safety Code. The developer shall provide sufficient legal commitments to ensure continued availability of units for very low or low-income households in accordance with the provisions of this subdivision for 30 years. (Gov. Code, § 65589.5, subd. (h)(4).)

Bad faith includes, but is not limited to, an action that is frivolous or otherwise entirely without merit. (Gov. Code, § 65589.5, subd. (l).) This definition arises in the context of the action a local government takes when it disapproved or conditionally approved the housing development or emergency shelter in violation of the HAA.

Deemed complete means that the applicant has submitted a preliminary application pursuant to Government Code section 65941.1 (Gov. Code, § 65589.5, subd. (h)(5).) However, in Government Code section 65589.5(k)(1)(B)(i) deemed complete has the same meaning as “Determined to be Complete”.

Determined to be complete means that the applicant has submitted a complete application pursuant to Government Code section 65943 (Gov. Code, § 65589.5, subd. (h)(9).)

Disapprove the housing development project means a local government either votes on a proposed housing development project application and the application is disapproved, including any required land use approvals or entitlements necessary for the issuance of a building permit, or fails to comply with specified timeframes in the Permit Streamlining Act. (Gov. Code, § 65589.5, subd. (h)(5).)

Farmworker housing means housing in which at least 50 percent of the units are available to, and occupied by, farmworkers and their households.

Feasible means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors. (Gov. Code, § 65589.5, subd. (h)(1).)

Housing development project means a use consisting of any of the following: (1) development projects with only residential units, (2) mixed-use developments consisting of residential and non-residential uses with at least two-thirds of the square footage designated for residential use, (3) transitional or supportive housing.

Housing organization means a trade or industry group whose local members are primarily engaged in the construction or management of housing units or a nonprofit organization whose mission includes providing or advocating for increased access to housing for low-income households and have filed written or oral comments with the local agency prior to action on the housing development project. (Gov. Code, § 65589.5, subd. (k)(2).) This definition is relevant to the individuals or entities that have standing to bring an HAA enforcement action against a local agency.

Housing for very low-, low-, or moderate-income households means that either:

- At least 20 percent of the total units shall be sold or rented to lower income households, as defined in Section 50079.5 of the Health and Safety Code, or

Appendix B: Definitions

- One hundred (100) percent of the units shall be sold or rented to persons and families of moderate income as defined in Section 50093 of the Health and Safety Code, or persons and families of middle income, as defined in Section 65008 of this code.

Housing units targeted for lower income households shall be made available at a monthly housing cost that does not exceed 30 percent of 60 percent of area median income with adjustments for household size made in accordance with the adjustment factors on which the lower income eligibility limits are based. Housing units targeted for persons and families of moderate income shall be made available at a monthly housing cost that does not exceed 30 percent of 100 percent of area median income with adjustments for household size made in accordance with the adjustment factors on which the moderate-income eligibility limits are based. (Gov. Code, § 65589.5, subd. (h)(3).)

Lower density (as used in the sense of “to lower density”) means a reduction in the units built per acre. It includes conditions that directly lower density and conditions that effectively do so via indirect means. (Gov. Code, § 65589.5, subd. (h)(7).)

Mixed use means a development consisting of residential and non-residential uses with at least two-thirds of the square footage designated for residential use. (Gov. Code, § 65589.5, subd. (h)(2)(B).)

Objective means involving no personal or subjective judgment by a public official and being uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official. (Gov. Code, § 65589.5, subd. (h)(2)(B).)

Regional housing needs allocation (RHNA) means the share of the regional housing needs assigned to each jurisdiction by income category pursuant to Government Code section 65584 through 65584.6.

Specific adverse impact means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete. Inconsistency with the zoning ordinance or general plan land use designation shall not constitute a specific, adverse impact upon the public health or safety. (Gov. Code, § 65589.5, subds. (d)(2), (j)(1)(A).) This definition is relevant to the written findings that a local agency must make when it disapproves or imposes conditions on a housing development project or an emergency shelter that conforms with all objective standards. It is the express intent of the Legislature that the conditions that would give rise to a specific, adverse impact upon the public health and safety occur infrequently. (Gov. Code, § 65589.5, subd. (a)(3).)

Appendix C: Preliminary Application (Senate Bill 330, Statutes of 2019)

The Housing Crisis Act of 2019 (Chapter 654, Statutes of 2019 (SB 330)) strengthens protections for housing development projects under the Housing Accountability Act (HAA), Planning and Zoning Law, and the Permit Streamlining Act. The provisions set forth under SB 330 sunset in 2025.

Among other provisions, to increase transparency and certainty early in the development application process, SB 330 allows a housing developer the option of submitting a “preliminary application” for any housing development project. Submittal of a preliminary application allows a developer to provide a specific subset of information on the proposed housing development before providing the complete information required by the local government. Upon submittal of an application and a payment of the permit processing fee, a housing developer is allowed to “freeze” the applicable standards to their project early while they assemble the rest of the material necessary for a full application submittal. This ensures development requirements do not change during this time, adding costs to a project due to potential redesigns due to changing local standards.

Benefits of a Preliminary Application

Government Code, § 65589.5, subdivision (o)

The primary benefit of a preliminary application is that a housing development project is subject only to the ordinances, policies, standard, or any other measure (standards) adopted and in effect when a preliminary application was submitted. “Ordinances, policies, and standards” includes general plan, community plan, specific plan, zoning, design review standards and criteria, subdivision standards and criteria, and any other rules, regulations, requirements, and policies of a local agency, as defined in Section 66000, including those relating to development impact fees, capacity or connection fees or charges, permit or processing fees, and other exactions.

However, there are some circumstances where the housing development project can be subjected to a standard beyond those in effect when a preliminary application is filed:

- In the case of a fee, charge, or other monetary exaction, an increase resulting from an automatic annual adjustment based on an independently published cost index that is referenced in the ordinance or resolution establishing the fee or other monetary exaction.
- A preponderance of the evidence in the record establishes that the standard is necessary to mitigate or avoid a specific, adverse impact upon the public health or safety, and there is no feasible alternative method to satisfactorily mitigate or avoid the adverse impact.
- The standard is necessary to avoid or substantially lessen an impact of the project under the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).
- The housing development project has not commenced construction within two and a-half years following the date that the project received final approval. “Final approval” means that the housing development project has received all necessary approvals to be eligible to apply for, and obtain, a building permit or permits and either of the following is met:
 - The expiration of all applicable appeal periods, petition periods, reconsideration periods, or statute of limitations for challenging that final approval without an appeal, petition,

request for reconsideration, or legal challenge have been filed. If a challenge is filed, that challenge is fully resolved or settled in favor of the housing development project.

- The housing development project is revised following submittal of a preliminary application pursuant to Section 65941.1 such that the number of residential units or square footage of construction changes by 20 percent or more, exclusive of any increase resulting from the receipt of a density bonus, incentive, concession, waiver, or similar provision. "Square footage of construction" means the building area, as defined by the California Building Standards Code (Title 24 of the California Code of Regulations). However, a local government is not prevented from applying the standards in effect at the time of the preliminary application submittal.
- Once a residential project is complete and a certificate of occupancy has been issued, local governments are not limited in the application of later enacted ordinances, policies, and standards that regulate the use and occupancy of those residential units, such as ordinances relating to rental housing inspection, rent stabilization, restrictions on short-term renting, and business licensing requirements for owners of rental housing.

Contents of a Preliminary Application

Government Code, § 65941.1

Each local government shall compile a checklist and application form that applicants for housing development projects may use for submittal of a preliminary application. However, HCD has adopted a standardized form that may be used to submit a preliminary application if a local agency has not developed its own application form. The preliminary application form can be found on HCD's [website](#).

The following are the items that are contained in the application form. Local government checklists or forms cannot require or request any information beyond these 17 items.

1. The specific location, including parcel numbers, a legal description, and site address, if applicable.
2. The existing uses on the project site and identification of major physical alterations to the property on which the project is to be located.
3. A site plan showing the location on the property, elevations showing design, color, and material, and the massing, height, and approximate square footage, of each building that is to be occupied.
4. The proposed land uses by number of units and square feet of residential and nonresidential development using the categories in the applicable zoning ordinance.
5. The proposed number of parking spaces.
6. Any proposed point sources of air or water pollutants.
7. Any species of special concern known to occur on the property.
8. Whether a portion of the property is located within any of the following:
 - A very high fire hazard severity zone, as determined by the Department of Forestry and Fire Protection pursuant to Section 51178.
 - Wetlands, as defined in the United States Fish and Wildlife Service Manual, Part 660 FW 2 (June 21, 1993).

- A hazardous waste site that is listed pursuant to Section 65962.5 or a hazardous waste site designated by the Department of Toxic Substances Control pursuant to Section 25356 of the Health and Safety Code.
 - A special flood hazard area subject to inundation by the 1 percent annual chance flood (100-year flood) as determined by the Federal Emergency Management Agency in any official maps published by the Federal Emergency Management Agency.
 - A delineated earthquake fault zone as determined by the State Geologist in any official maps published by the State Geologist, unless the development complies with applicable seismic protection building code standards adopted by the California Building Standards Commission under the California Building Standards Law (Part 2.5 (commencing with Section 18901) of Division 13 of the Health and Safety Code), and by any local building department under Chapter 12.2 (commencing with Section 8875) of Division 1 of Title 2.
 - A stream or other resource that may be subject to a streambed alteration agreement pursuant to Chapter 6 (commencing with Section 1600) of Division 2 of the Fish and Game Code.
9. Any historic or cultural resources known to exist on the property.
10. The number of proposed below market rate units and their affordability levels.
11. The number of bonus units and any incentives, concessions, waivers, or parking reductions requested pursuant to Section 65915.
12. Whether any approvals under the Subdivision Map Act, including, but not limited to, a parcel map, a tentative map, or a condominium map, are being requested.
13. The applicant's contact information and, if the applicant does not own the property, consent from the property owner to submit the application.
14. For a housing development project proposed to be located within the coastal zone, whether any portion of the property contains any of the following:
- Wetlands, as defined in subdivision (b) of Section 13577 of Title 14 of the California Code of Regulations.
 - Environmentally sensitive habitat areas, as defined in Section 30240 of the Public Resources Code.
 - A tsunami run-up zone.
 - Use of the site for public access to or along the coast.
15. The number of existing residential units on the project site that will be demolished and whether each existing unit is occupied or unoccupied.
16. A site map showing a stream or other resource that may be subject to a streambed alteration agreement pursuant to Chapter 6 (commencing with Section 1600) of Division 2 of the Fish and Game Code and an aerial site photograph showing existing site conditions of environmental site features that would be subject to regulations by a public agency, including creeks and wetlands.
17. The location of any recorded public easement, such as easements for storm drains, water lines, and other public rights of way.

Timing Provisions from Filing of a Preliminary Application to Determination of Consistency with Applicable Standards under the Housing Accountability Act

Step 1: Preliminary Application Submittal GC 65941.1

- Applicant submits preliminary application form.
- Applicant pays permit processing fees.
- No affirmative determination by local government regarding the completeness of a preliminary application is required.

Step 2: Full Application Submittal

- Applicant submits full application within 180 days of preliminary application submittal.
- Application contains all information required by the local government application checklist pursuant to Government Code Sections 65940, 65941, and 65941.5¹³.

Step 3: Determination of Application Completeness GC 65943

- Local government has 30 days to determine application completeness and provide in writing both the determination of whether the application is complete and, when applicable, a list of items that were not complete. This list is based on the agency's submittal requirement checklist. If written notice is not provided within 30 days, the application is deemed complete.
- An applicant that has submitted a preliminary application has 90 days to correct deficiencies and submit the material needed to complete the application¹⁴.
- Upon resubmittal, local government has 30 days to evaluate. Evaluation is based on previous stated items and the supplemented or amended materials. If still not correct, the local agency must specify those parts of the application that were incomplete and indicate the specific information needed to complete the application.
- Upon a third determination of an incomplete application, an appeals process must be provided.

Step 4: Application Consistency with Standards (HAA) GC 65589.5

- Identify the specific provision or provisions and provide an explanation of the reason or reasons why the local agency considers the housing development to be inconsistent, non-compliant, or non-conformant with identified provisions.

¹³ Government Codes § 65940, 65941, and 65941.5 require, among other things, a local government to compile one or more lists that shall specify in detail the information that will be required from any applicant for a development project. Copies of the information shall be made available to all applicants for development projects and to any person who requests the information.

¹⁴ The statute is silent on applications that did not use the preliminary application process. There is no statutory timeline for resubmittal in those instances.

- 30 days of a project application being deemed complete for projects containing 150 or fewer housing units.
- 60 days of a project application being deemed complete for projects containing over 150 units.

Step 5: Other Entitlement Process Requirements Pursuant to SB 330

- Pursuant to Government Code section 65905.5, if a proposed housing development project complies with the applicable, objective general plan and zoning standards, the local government can conduct a maximum of five hearings, including hearing continuances, in connection with the approval of the project. Compliance with applicable, objective general plan and zoning standards has the same meaning and provisions as in the HAA, including circumstances when there is inconsistency between the general plan and zoning.

A “hearing” includes any public hearing, workshop, or similar meeting conducted by the local government with respect to the housing development project, whether by the legislative body of the city or county, the planning agency, or any other agency, department, board, commission, or any other designated hearing officer or body of the city or county, or any committee or subcommittee thereof. A “hearing” does not include a hearing to review a legislative approval required for a proposed housing development project, including, but not limited to, a general plan amendment, a specific plan adoption or amendment, or a zoning amendment, or any hearing arising from a timely appeal of the approval or disapproval of a legislative approval.

However, it should be noted nothing in this requirement supersedes, limits, or otherwise modifies the requirements of, or the standards of review pursuant to CEQA.

- Pursuant to Government Code section 65950, a local government must make a final decision on a residential project within 90 days after certification of an environmental impact report (or 60 days after adoption of a mitigated negative declaration or an environment report for an affordable housing project).

Appendix D: Housing Accountability Act Statute (2020)

GOVERNMENT CODE - GOV

TITLE 7. PLANNING AND LAND USE [65000 - 66499.58]

DIVISION 1. PLANNING AND ZONING [65000 - 66301]

CHAPTER 3. Local Planning [65100 - 65763]

ARTICLE 10.6. Housing Elements [65580 - 65589.11]

65589.5.

(a) (1) The Legislature finds and declares all of the following:

(A) The lack of housing, including emergency shelters, is a critical problem that threatens the economic, environmental, and social quality of life in California.

(B) California housing has become the most expensive in the nation. The excessive cost of the state's housing supply is partially caused by activities and policies of many local governments that limit the approval of housing, increase the cost of land for housing, and require that high fees and exactions be paid by producers of housing.

(C) Among the consequences of those actions are discrimination against low-income and minority households, lack of housing to support employment growth, imbalance in jobs and housing, reduced mobility, urban sprawl, excessive commuting, and air quality deterioration.

(D) Many local governments do not give adequate attention to the economic, environmental, and social costs of decisions that result in disapproval of housing development projects, reduction in density of housing projects, and excessive standards for housing development projects.

(2) In enacting the amendments made to this section by the act adding this paragraph, the Legislature further finds and declares the following:

(A) California has a housing supply and affordability crisis of historic proportions. The consequences of failing to effectively and aggressively confront this crisis are hurting millions of Californians, robbing future generations of the chance to call California home, stifling economic opportunities for workers and businesses, worsening poverty and homelessness, and undermining the state's environmental and climate objectives.

(B) While the causes of this crisis are multiple and complex, the absence of meaningful and effective policy reforms to significantly enhance the approval and supply of housing affordable to Californians of all income levels is a key factor.

(C) The crisis has grown so acute in California that supply, demand, and affordability fundamentals are characterized in the negative: underserved demands, constrained supply, and protracted unaffordability.

(D) According to reports and data, California has accumulated an unmet housing backlog of nearly 2,000,000 units and must provide for at least 180,000 new units annually to keep pace with growth through 2025.

(E) California's overall homeownership rate is at its lowest level since the 1940s. The state ranks 49th out of the 50 states in homeownership rates as well as in the supply of housing per

capita. Only one-half of California's households are able to afford the cost of housing in their local regions.

(F) Lack of supply and rising costs are compounding inequality and limiting advancement opportunities for many Californians.

(G) The majority of California renters, more than 3,000,000 households, pay more than 30 percent of their income toward rent and nearly one-third, more than 1,500,000 households, pay more than 50 percent of their income toward rent.

(H) When Californians have access to safe and affordable housing, they have more money for food and health care; they are less likely to become homeless and in need of government-subsidized services; their children do better in school; and businesses have an easier time recruiting and retaining employees.

(I) An additional consequence of the state's cumulative housing shortage is a significant increase in greenhouse gas emissions caused by the displacement and redirection of populations to states with greater housing opportunities, particularly working- and middle-class households. California's cumulative housing shortfall therefore has not only national but international environmental consequences.

(J) California's housing picture has reached a crisis of historic proportions despite the fact that, for decades, the Legislature has enacted numerous statutes intended to significantly increase the approval, development, and affordability of housing for all income levels, including this section.

(K) The Legislature's intent in enacting this section in 1982 and in expanding its provisions since then was to significantly increase the approval and construction of new housing for all economic segments of California's communities by meaningfully and effectively curbing the capability of local governments to deny, reduce the density for, or render infeasible housing development projects and emergency shelters. That intent has not been fulfilled.

(L) It is the policy of the state that this section be interpreted and implemented in a manner to afford the fullest possible weight to the interest of, and the approval and provision of, housing.

(3) It is the intent of the Legislature that the conditions that would have a specific, adverse impact upon the public health and safety, as described in paragraph (2) of subdivision (d) and paragraph (1) of subdivision (j), arise infrequently.

(b) It is the policy of the state that a local government not reject or make infeasible housing development projects, including emergency shelters, that contribute to meeting the need determined pursuant to this article without a thorough analysis of the economic, social, and environmental effects of the action and without complying with subdivision (d).

(c) The Legislature also recognizes that premature and unnecessary development of agricultural lands for urban uses continues to have adverse effects on the availability of those lands for food and fiber production and on the economy of the state. Furthermore, it is the policy of the state that development should be guided away from prime agricultural lands; therefore, in implementing this section, local governments should encourage, to the maximum extent practicable, in filling existing urban areas.

(d) A local agency shall not disapprove a housing development project, including farmworker housing as defined in subdivision (h) of Section 50199.7 of the Health and Safety Code, for very low, low-, or moderate-income households, or an emergency shelter, or condition approval in a manner that renders the housing development project infeasible for development for the use of very low, low-, or moderate-income households, or an emergency shelter, including through the use of design review standards, unless it makes written findings, based upon a preponderance of the evidence in the record, as to one of the following:

(1) The local government has adopted a housing element pursuant to this article that has been revised in accordance with Section 65588, is in substantial compliance with this article, and the local government has met or exceeded its share of the regional housing need allocation pursuant to Section 65584 for the planning period for the income category proposed for the housing development project, provided that any disapproval or conditional approval shall not be based on any of the reasons prohibited by Section 65008. If the housing development project includes a mix of income categories, and the local government has not met or exceeded its share of the regional housing need for one or more of those categories, then this paragraph shall not be used to disapprove or conditionally approve the housing development project. The share of the regional housing need met by the local government shall be calculated consistently with the forms and definitions that may be adopted by HCD pursuant to Section 65400. In the case of an emergency shelter, the local government shall have met or exceeded the need for emergency shelter, as identified pursuant to paragraph (7) of subdivision (a) of Section 65583. Any disapproval or conditional approval pursuant to this paragraph shall be in accordance with applicable law, rule, or standards.

(2) The housing development project or emergency shelter as proposed would have a specific, adverse impact upon the public health or safety, and there is no feasible method to satisfactorily mitigate or avoid the specific adverse impact without rendering the development unaffordable to low- and moderate-income households or rendering the development of the emergency shelter financially infeasible. As used in this paragraph, a "specific, adverse impact" means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete. The following shall not constitute a specific, adverse impact upon the public health or safety:

(A) Inconsistency with the zoning ordinance or general plan land use designation.

(B) The eligibility to claim a welfare exemption under subdivision (g) of Section 214 of the Revenue and Taxation Code.

(3) The denial of the housing development project or imposition of conditions is required in order to comply with specific state or federal law, and there is no feasible method to comply without rendering the development unaffordable to low- and moderate-income households or rendering the development of the emergency shelter financially infeasible.

(4) The housing development project or emergency shelter is proposed on land zoned for agriculture or resource preservation that is surrounded on at least two sides by land being used for agricultural or resource preservation purposes, or which does not have adequate water or wastewater facilities to serve the project.

(5) The housing development project or emergency shelter is inconsistent with both the local government's zoning ordinance and general plan land use designation as specified in any element of the general plan as it existed on the date the application was deemed complete, and the local government has adopted a revised housing element in accordance with Section 65588 that is in substantial compliance with this article. For purposes of this section, a change to the zoning ordinance or general plan land use designation subsequent to the date the application was deemed complete shall not constitute a valid basis to disapprove or condition approval of the housing development project or emergency shelter.

(A) This paragraph cannot be utilized to disapprove or conditionally approve a housing development project if the housing development project is proposed on a site that is identified as suitable or available for very low, low-, or moderate-income households in the local government's housing element, and consistent with the density specified in the housing element, even though it is inconsistent with both the local government's zoning ordinance and general plan land use designation.

(B) If the local agency has failed to identify in the inventory of land in its housing element sites that can be developed for housing within the planning period and are sufficient to provide for the local government's share of the regional housing need for all income levels pursuant to Section 65584, then this paragraph shall not be utilized to disapprove or conditionally approve a housing development project proposed for a site designated in any element of the general plan for residential uses or designated in any element of the general plan for commercial uses if residential uses are permitted or conditionally permitted within commercial designations. In any action in court, the burden of proof shall be on the local agency to show that its housing element does identify adequate sites with appropriate zoning and development standards and with services and facilities to accommodate the local agency's share of the regional housing need for the very low, low-, and moderate-income categories.

(C) If the local agency has failed to identify a zone or zones where emergency shelters are allowed as a permitted use without a conditional use or other discretionary permit, has failed to demonstrate that the identified zone or zones include sufficient capacity to accommodate the need for emergency shelter identified in paragraph (7) of subdivision (a) of Section 65583, or has failed to demonstrate that the identified zone or zones can accommodate at least one emergency shelter, as required by paragraph (4) of subdivision (a) of Section 65583, then this paragraph shall not be utilized to disapprove or conditionally approve an emergency shelter proposed for a site designated in any element of the general plan for industrial, commercial, or multifamily residential uses. In any action in court, the burden of proof shall be on the local agency to show that its housing element does satisfy the requirements of paragraph (4) of subdivision (a) of Section 65583.

(e) Nothing in this section shall be construed to relieve the local agency from complying with the congestion management program required by Chapter 2.6 (commencing with Section 65088) of Division 1 of Title 7 or the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code). Neither shall anything in this section be construed to relieve the local agency from making one or more of the findings required pursuant to Section 21081 of the Public Resources Code or otherwise complying with the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(f) (1) Except as provided in subdivision (o), nothing in shall be construed to prohibit a local agency from requiring the housing development project to comply with objective, quantifiable, written development standards, conditions, and policies appropriate to, and consistent with, meeting the local government's share of the regional housing need pursuant to Section 65584. However, the development standards, conditions, and policies shall be applied to facilitate and accommodate development at the density permitted on the site and proposed by the development.

(2) Except as provided in subdivision (o), nothing in shall be construed to prohibit a local agency from requiring an emergency shelter project to comply with objective, quantifiable, written development standards, conditions, and policies that are consistent with paragraph (4) of subdivision (a) of Section 65583 and appropriate to, and consistent with, meeting the local government's need for emergency shelter, as identified pursuant to paragraph (7) of subdivision (a) of Section 65583. However, the development standards, conditions, and policies shall be applied by the local agency to facilitate and accommodate the development of the emergency shelter project.

(3) Except as provided in subdivision (o), nothing in this section shall be construed to prohibit a local agency from imposing fees and other exactions otherwise authorized by law that are essential to provide necessary public services and facilities to the housing development project or emergency shelter.

(4) For purposes of this section, a housing development project or emergency shelter shall be deemed consistent, compliant, and in conformity with an applicable plan, program, policy, ordinance, standard, requirement, or other similar provision if there is substantial evidence that would allow a reasonable person to conclude that the housing development project or emergency shelter is consistent, compliant, or in conformity.

(g) This section shall be applicable to charter cities because the Legislature finds that the lack of housing, including emergency shelter, is a critical statewide problem.

(h) The following definitions apply for the purposes of this section:

(1) "Feasible" means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technological factors.

(2) "Housing development project" means a use consisting of any of the following:

(A) Residential units only.

(B) Mixed-use developments consisting of residential and nonresidential uses with at least two-thirds of the square footage designated for residential use.

(C) Transitional housing or supportive housing.

(3) "Housing for very low, low-, or moderate-income households" means that either (A) at least 20 percent of the total units shall be sold or rented to lower income households, as defined in Section 50079.5 of the Health and Safety Code, or (B) 100 percent of the units shall be sold or rented to persons and families of moderate income as defined in Section 50093 of the Health and Safety Code, or persons and families of middle income, as defined in Section 65008 of this

code. Housing units targeted for lower income households shall be made available at a monthly housing cost that does not exceed 30 percent of 60 percent of area median income with adjustments for household size made in accordance with the adjustment factors on which the lower income eligibility limits are based. Housing units targeted for persons and families of moderate income shall be made available at a monthly housing cost that does not exceed 30 percent of 100 percent of area median income with adjustments for household size made in accordance with the adjustment factors on which the moderate-income eligibility limits are based.

(4) "Area median income" means area median income as periodically established by the HCD pursuant to Section 50093 of the Health and Safety Code. The developer shall provide sufficient legal commitments to ensure continued availability of units for very low or low-income households in accordance with the provisions of this subdivision for 30 years.

(5) Notwithstanding any other law, until January 1, 2025, "deemed complete" means that the applicant has submitted a preliminary application pursuant to Section 65941.1.

(6) "Disapprove the housing development project" includes any instance in which a local agency does either of the following:

(A) Votes on a proposed housing development project application and the application is disapproved, including any required land use approvals or entitlements necessary for the issuance of a building permit.

(B) Fails to comply with the time periods specified in subdivision (a) of Section 65950. An extension of time pursuant to Article 5 (commencing with Section 65950) shall be deemed to be an extension of time pursuant to this paragraph.

(7) "Lower density" includes any conditions that have the same effect or impact on the ability of the project to provide housing.

(8) Until January 1, 2025, "objective" means involving no personal or subjective judgment by a public official and being uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official.

(9) Notwithstanding any other law, until January 1, 2025, "determined to be complete" means that the applicant has submitted a complete application pursuant to Section 65943.

(i) If any city, county, or city and county denies approval or imposes conditions, including design changes, lower density, or a reduction of the percentage of a lot that may be occupied by a building or structure under the applicable planning and zoning in force at the time housing development project's the application is complete, that have a substantial adverse effect on the viability or affordability of a housing development for very low, low-, or moderate-income households, and the denial of the development or the imposition of conditions on the development is the subject of a court action which challenges the denial or the imposition of conditions, then the burden of proof shall be on the local legislative body to show that its decision is consistent with the findings as described in subdivision (d), and that the findings are supported by a preponderance of the evidence in the record, and with the requirements of subdivision (o).

(j) (1) When a proposed housing development project complies with applicable, objective general plan, zoning, and subdivision standards and criteria, including design review standards, in effect at the time that the application was deemed complete, but the local agency proposes to disapprove the project or to impose a condition that the project be developed at a lower density, the local agency shall base its decision regarding the proposed housing development project upon written findings supported by a preponderance of the evidence on the record that both of the following conditions exist:

(A) The housing development project would have a specific, adverse impact upon the public health or safety unless the project is disapproved or approved upon the condition that the project be developed at a lower density. As used in this paragraph, a “specific, adverse impact” means a significant, quantifiable, direct, and unavoidable impact, based on objective, identified written public health or safety standards, policies, or conditions as they existed on the date the application was deemed complete.

(B) There is no feasible method to satisfactorily mitigate or avoid the adverse impact identified pursuant to paragraph (1), other than the disapproval of the housing development project or the approval of the project upon the condition that it be developed at a lower density.

(2) (A) If the local agency considers a proposed housing development project to be inconsistent, not in compliance, or not in conformity with an applicable plan, program, policy, ordinance, standard, requirement, or other similar provision as specified in this subdivision, it shall provide the applicant with written documentation identifying the provision or provisions, and an explanation of the reason or reasons it considers the housing development to be inconsistent, not in compliance, or not in conformity as follows:

(i) Within 30 days of the date that the application for the housing development project is determined to be complete, if the housing development project contains 150 or fewer housing units.

(ii) Within 60 days of the date that the application for the housing development project is determined to be complete, if the housing development project contains more than 150 units.

(B) If the local agency fails to provide the required documentation pursuant to subparagraph (A), the housing development project shall be deemed consistent, compliant, and in conformity with the applicable plan, program, policy, ordinance, standard, requirement, or other similar provision.

(3) For purposes of this section, the receipt of a density bonus pursuant to Section 65915 shall not constitute a valid basis on which to find a proposed housing development project is inconsistent, not in compliance, or not in conformity, with an applicable plan, program, policy, ordinance, standard, requirement, or other similar provision specified in this subdivision.

(4) For purposes of this section, a proposed housing development project is not inconsistent with the applicable zoning standards and criteria, and shall not require a rezoning, if the housing development project is consistent with the objective general plan standards and criteria but the zoning for the project site is inconsistent with the general plan. If the local agency has complied with paragraph (2), the local agency may require the proposed housing development project to comply with the objective standards and criteria of the zoning which is consistent with the general plan, however, the standards and criteria shall be applied to facilitate and

accommodate development at the density allowed on the site by the general plan and proposed by the proposed housing development project.

(k) (1) (A) (i) The applicant, a person who would be eligible to apply for residency in the housing development project or emergency shelter, or a housing organization may bring an action to enforce this section. If, in any action brought to enforce this section, a court finds that any of the following are met, the court shall issue an order pursuant to clause (ii):

(I) The local agency, in violation of subdivision (d), disapproved a housing development project or conditioned its approval in a manner rendering it infeasible for the development of an emergency shelter, or housing for very low, low-, or moderate-income households, including farmworker housing, without making the findings required by this section or without making findings supported by a preponderance of the evidence.

(II) The local agency, in violation of subdivision (j), disapproved a housing development project complying with applicable, objective general plan and zoning standards and criteria, or imposed a condition that the project be developed at a lower density, without making the findings required by this section or without making findings supported by a preponderance of the evidence.

(III) (ia) Subject to sub-subclause (ib), the local agency, in violation of subdivision (o), required or attempted to require a housing development project to comply with an ordinance, policy, or standard not adopted and in effect when a preliminary application was submitted.

(ib) This subclause shall become inoperative on January 1, 2025.

(ii) If the court finds that one of the conditions in clause(i) is met, the court shall issue an order or judgment compelling compliance with this section within 60 days, including, but not limited to, an order that the local agency take action on the housing development project or emergency shelter. The court may issue an order or judgment directing the local agency to approve the housing development project or emergency shelter if the court finds that the local agency acted in bad faith when it disapproved or conditionally approved the housing development or emergency shelter in violation of this section. The court shall retain jurisdiction to ensure that its order or judgment is carried out and shall award reasonable attorney's fees and costs of suit to the plaintiff or petitioner, except under extraordinary circumstances in which the court finds that awarding fees would not further the purposes of this section.

(B) (i) Upon a determination that the local agency has failed to comply with the order or judgment compelling compliance with this section within 60 days issued pursuant to subparagraph (A), the court shall impose fines on a local agency that has violated this section and require the local agency to deposit any fine levied pursuant to this subdivision into a local housing trust fund. The local agency may elect to instead deposit the fine into the Building Homes and Jobs Fund, if Senate Bill 2 of the 2017–18 Regular Session is enacted, or otherwise in the Housing Rehabilitation Loan Fund. The fine shall be in a minimum amount of ten thousand dollars (\$10,000) per housing unit in the housing development project on the date the application was deemed complete pursuant to Section 65943. In determining the amount of fine to impose, the court shall consider the local agency's progress in attaining its target allocation of the regional housing need pursuant to Section 65584 and any prior violations of this section. Fines shall not be paid out of funds already dedicated to affordable housing, including, but not limited to, Low and Moderate Income Housing Asset Funds, funds dedicated

to housing for very low, low-, and moderate-income households, and federal HOME Investment Partnerships Program and Community Development Block Grant Program funds. The local agency shall commit and expend the money in the local housing trust fund within five years for the sole purpose of financing newly constructed housing units affordable to extremely low, very low, or low-income households. After five years, if the funds have not been expended, the money shall revert to the state and be deposited in the Building Homes and Jobs Fund, if Senate Bill 2 of the 2017–18 Regular Session is enacted, or otherwise in the Housing Rehabilitation Loan Fund, for the sole purpose of financing newly constructed housing units affordable to extremely low, very low, or low-income households.

(ii) If any money derived from a fine imposed pursuant to this subparagraph is deposited in the Housing Rehabilitation Loan Fund, then, notwithstanding Section 50661 of the Health and Safety Code, that money shall be available only upon appropriation by the Legislature.

(C) If the court determines that its order or judgment has not been carried out within 60 days, the court may issue further orders as provided by law to ensure that the purposes and policies of this section are fulfilled, including, but not limited to, an order to vacate the decision of the local agency and to approve the housing development project, in which case the application for the housing development project, as proposed by the applicant at the time the local agency took the initial action determined to be in violation of this section, along with any standard conditions determined by the court to be generally imposed by the local agency on similar projects, shall be deemed to be approved unless the applicant consents to a different decision or action by the local agency.

(2) For purposes of this subdivision, “housing organization” means a trade or industry group whose local members are primarily engaged in the construction or management of housing units or a nonprofit organization whose mission includes providing or advocating for increased access to housing for low-income households and have filed written or oral comments with the local agency prior to action on the housing development project. A housing organization may only file an action pursuant to this section to challenge the disapproval of a housing development by a local agency. A housing organization shall be entitled to reasonable attorney’s fees and costs if it is the prevailing party in an action to enforce this section.

(l) If the court finds that the local agency (1) acted in bad faith when it disapproved or conditionally approved the housing development or emergency shelter in violation of this section and (2) failed to carry out the court’s order or judgment within 60 days as described in subdivision (k), the court, in addition to any other remedies provided by this section, shall multiply the fine determined pursuant to subparagraph (B) of paragraph (1) of subdivision (k) by a factor of five. For purposes of this section, “bad faith” includes, but is not limited to, an action that is frivolous or otherwise entirely without merit.

(m) Any action brought to enforce the provisions of this section shall be brought pursuant to Section 1094.5 of the Code of Civil Procedure, and the local agency shall prepare and certify the record of proceedings in accordance with subdivision (c) of Section 1094.6 of the Code of Civil Procedure no later than 30 days after the petition is served, provided that the cost of preparation of the record shall be borne by the local agency, unless the petitioner elects to prepare the record as provided in subdivision (n) of this section. A petition to enforce the provisions of this section shall be filed and served no later than 90 days from the later of (1) the effective date of a decision of the local agency imposing conditions on, disapproving, or any

other final action on a housing development project or (2) the expiration of the time periods specified in subparagraph (B) of paragraph (5) of subdivision (h). Upon entry of the trial court's order, a party may, in order to obtain appellate review of the order, file a petition within 20 days after service upon it of a written notice of the entry of the order, or within such further time not exceeding an additional 20 days as the trial court may for good cause allow, or may appeal the judgment or order of the trial court under Section 904.1 of the Code of Civil Procedure. If the local agency appeals the judgment of the trial court, the local agency shall post a bond, in an amount to be determined by the court, to the benefit of the plaintiff if the plaintiff is the project applicant.

(n) In any action, the record of the proceedings before the local agency shall be filed as expeditiously as possible and, notwithstanding Section 1094.6 of the Code of Civil Procedure or subdivision (m) of this section, all or part of the record may be prepared (1) by the petitioner with the petition or petitioner's points and authorities, (2) by the respondent with respondent's points and authorities, (3) after payment of costs by the petitioner, or (4) as otherwise directed by the court. If the expense of preparing the record has been borne by the petitioner and the petitioner is the prevailing party, the expense shall be taxable as costs.

(o) (1) Subject to paragraphs (2), (6), and (7), and subdivision (d) of Section 65941.1, a housing development project shall be subject only to the ordinances, policies, and standards adopted and in effect when a preliminary application including all of the information required by subdivision (a) of Section 65941.1 was submitted.

(2) Paragraph (1) shall not prohibit a housing development project from being subject to ordinances, policies, and standards adopted after the preliminary application was submitted pursuant to Section 65941.1 in the following circumstances:

(A) In the case of a fee, charge, or other monetary exaction, to an increase resulting from an automatic annual adjustment based on an independently published cost index that is referenced in the ordinance or resolution establishing the fee or other monetary exaction.

(B) A preponderance of the evidence in the record establishes that subjecting the housing development project to an ordinance, policy, or standard beyond those in effect when a preliminary application was submitted is necessary to mitigate or avoid a specific, adverse impact upon the public health or safety, as defined in subparagraph (A) of paragraph (1) of subdivision (j), and there is no feasible alternative method to satisfactorily mitigate or avoid the adverse impact.

(C) Subjecting the housing development project to an ordinance, policy, standard, or any other measure, beyond those in effect when a preliminary application was submitted is necessary to avoid or substantially lessen an impact of the project under the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(D) The housing development project has not commenced construction within two and one-half years following the date that the project received final approval. For purposes of this subparagraph, "final approval" means that the housing development project has received all necessary approvals to be eligible to apply for, and obtain, a building permit or permits and either of the following is met:

(i) The expiration of all applicable appeal periods, petition periods, reconsideration periods, or statute of limitations for challenging that final approval without an appeal, petition, request for reconsideration, or legal challenge having been filed.

(ii) If a challenge is filed, that challenge is fully resolved or settled in favor of the housing development project.

(E) The housing development project is revised following submittal of a preliminary application pursuant to Section 65941.1 such that the number of residential units or square footage of construction changes by 20 percent or more, exclusive of any increase resulting from the receipt of a density bonus, incentive, concession, waiver, or similar provision. For purposes of this subdivision, "square footage of construction" means the building area, as defined by the California Building Standards Code (Title 24 of the California Code of Regulations).

(3) This subdivision does not prevent a local agency from subjecting the additional units or square footage of construction that result from project revisions occurring after a preliminary application is submitted pursuant to Section 65941.1 to the ordinances, policies, and standards adopted and in effect when the preliminary application was submitted.

(4) For purposes of this subdivision, "ordinances, policies, and standards" includes general plan, community plan, specific plan, zoning, design review standards and criteria, subdivision standards and criteria, and any other rules, regulations, requirements, and policies of a local agency, as defined in Section 66000, including those relating to development impact fees, capacity or connection fees or charges, permit or processing fees, and other exactions.

(5) This subdivision shall not be construed in a manner that would lessen the restrictions imposed on a local agency, or lessen the protections afforded to a housing development project, that are established by any other law, including any other part of this section.

(6) This subdivision shall not restrict the authority of a public agency or local agency to require mitigation measures to lessen the impacts of a housing development project under the California Environmental Quality Act (Division 13 (commencing with Section 21000) of the Public Resources Code).

(7) With respect to completed residential units for which the project approval process is complete and a certificate of occupancy has been issued, nothing in this subdivision shall limit the application of later enacted ordinances, policies, and standards that regulate the use and occupancy of those residential units, such as ordinances relating to rental housing inspection, rent stabilization, restrictions on short-term renting, and business licensing requirements for owners of rental housing.

(8) This subdivision shall become inoperative on January 1, 2025.

(p) This section shall be known, and may be cited, as the Housing Accountability Act.

Exhibit C

CALIFORNIA COASTAL COMMISSION

South Coast Area Office
200 OceanGate, Suite 1000
Long Beach, CA 90802-4302
(562) 590-5071

Page 1 of 4

Date: May 10, 2012

Permit No: 5-11-243

**COASTAL DEVELOPMENT PERMIT**

On April 11, 2012, the California Coastal Commission granted to South Bay LLC Coastal Development Permit 5-11-243, subject to the attached Standard and Special Conditions, for development consisting of: Demolition of existing duplex and construction of a new, 25 foot high 10,517 sq.ft. single family residence. More specifically described in the application file in the Commission offices.

The development is within the coastal zone in Los Angeles County at 2408 The Strand, Hermosa Beach.

Issued on behalf of the California Coastal Commission on May 10, 2012.

CHARLES LESTER
Executive Director

By: 
Title: Coastal Program Analyst

ACKNOWLEDGMENT

The undersigned permittee acknowledges receipt of this permit and agrees to abide by all terms and conditions thereof.

The undersigned permittee acknowledges that Government Code Section 818.4 which states in pertinent part, that: "A public entity is not liable for injury caused by the issuance . . . of any permit . . ." applies to the issuance of this permit.

IMPORTANT: THIS PERMIT IS NOT VALID UNLESS AND UNTIL A COPY OF THE PERMIT WITH THE SIGNED ACKNOWLEDGMENT HAS BEEN RETURNED TO THE COMMISSION OFFICE. 14 CAL. ADMIN. CODE SECTION 13158(a).

5/10/2012
Date


Signature of Permittee

Please sign and return one copy of this form to the Commission office at the above address.

COASTAL DEVELOPMENT PERMIT

No. 5-11-243

Page 2 of 4

STANDARD CONDITIONS

1. **Notice of Receipt and Acknowledgment.** The permit is not valid and development shall not commence until a copy of the permit, signed by the permittee or authorized agent, acknowledging receipt of the permit and acceptance of the terms and conditions, is returned to the Commission office.
2. **Expiration.** If development has not commenced, the permit will expire two years from the date on which the Commission voted on the application. Development shall be pursued in a diligent manner and completed in a reasonable period of time. Application for extension of the permit must be made prior to the expiration date.
3. **Interpretation.** Any questions of intent or interpretation of any condition will be resolved by the Executive Director or the Commission.
4. **Assignment.** The permit may be assigned to any qualified person, provided assignee files with the Commission an affidavit accepting all terms and conditions of the permit.
5. **Terms and Conditions Run with the Land.** These terms and conditions shall be perpetual, and it is the intention of the Commission and the permittee to bind all future owners and possessors of the subject property to the terms and conditions.

SPECIAL CONDITIONS:

1. Water Quality, Drainage and Landscaping Plans

A. The applicant shall conform to the drainage and run-off control plan received on March 12, 2012 showing roof drainage and runoff from all impervious areas directed to landscaped areas or infiltration tanks wherever possible. Vegetated landscaped areas shall only consist of native plants or non-native drought tolerant plants, which are non-invasive. No plant species listed as problematic and/or invasive by the California Native Plant Society, the California Exotic Pest Plant Council, or as may be identified from time to time by the State of California shall be employed or allowed to naturalize or persist on the site. No plant species listed as a 'noxious weed' by the State of California or the U.S. Federal Government shall be utilized within the property. The applicant shall incorporate Best Management Practices (BMPs) into the construction and post-construction phases of the subject development.

B. The permittee shall undertake development in accordance with the approved final landscaping and drainage plans. Any proposed changes to the approved plan shall be reported to the Executive Director. No changes to the approved

COASTAL DEVELOPMENT PERMIT

No. 5-11-243

Page 3 of 4

plan shall occur without a Commission amendment to this coastal development permit unless the Executive Director determines that no amendment is required.

2. Assumption of Risk, Waiver of Liability and Indemnity

By acceptance of this permit, the applicant acknowledges and agrees (i) that the site may be subject to hazards from flooding, sea level rise, erosion and wave uprush; (ii) to assume the risks to the applicant and the property that is the subject of this permit of injury and damage from such hazards in connection with this permitted development; (iii) to unconditionally waive any claim of damage or liability against the Commission, its officers, agents, and employees for injury or damage from such hazards; and (iv) to indemnify and hold harmless the Commission, its officers, agents, and employees with respect to the Commission's approval of the project against any and all liability, claims, demands, damages, costs (including costs and fees incurred in defense of such claims), expenses, and amounts paid in settlement arising from any injury or damage due to such hazards.

3. Future Development

A. This permit is only for the development described in Coastal Development Permit No. 5-11-243. Pursuant to Title 14 California Code of Regulations section 13250(b)(6), the exemptions otherwise provided in Public Resources Code section 30610(b) shall not apply to the development governed by the coastal development permit No. 5-11-243. Accordingly, any future improvements to the structure authorized by this permit shall require an amendment to Permit No. 5-11-243 from the Commission or shall require an additional coastal development permit from the Commission or from the applicable certified local government.

4. No Future Shoreline Protective Device

A. By acceptance of this permit, the applicant agrees, on behalf of himself and all other successors and assigns, that no shoreline protective device(s) shall ever be constructed to protect the development approved pursuant to Coastal Development Permit No. 5-11-243 including, but not limited to, the residence, garage, foundations, and patio, and any future improvements, in the event that the development is threatened with damage or destruction from waves, erosion, sea level rise, storm conditions or other natural hazards in the future. By acceptance of this permit, the applicant hereby waives, on behalf of himself and all successors and assigns, any rights to construct such devices that may exist under Public Resources Code Section 30235.

B. By acceptance of this permit, the applicant further agrees, on behalf of himself and all successors and assigns, that the landowner(s) shall remove the development authorized by this permit, including the residence, garage, foundations, and patio if any government agency has ordered that the structure is not to be occupied due to any of the hazards identified above. In the event that

COASTAL DEVELOPMENT PERMIT

No. 5-11-243

Page 4 of 4

portions of the development fall to the beach before they are removed, the landowner(s) shall remove all recoverable debris associated with the development from the beach and ocean and lawfully dispose of the material in an approved disposal site. Such removal shall require a coastal development permit.

5. Deed Restriction

PRIOR TO ISSUANCE OF THIS COASTAL DEVELOPMENT PERMIT (5-11-243), the applicant shall submit to the Executive Director for review and approval documentation demonstrating that the applicant has executed and recorded against the parcel(s) governed by this permit a deed restriction, in a form and content acceptable to the Executive Director: (1) indicating that, pursuant to this permit, the California Coastal Commission has authorized development on the subject property, subject to terms and conditions that restrict the use and enjoyment of that property; and (2) imposing the Special Conditions of this permit, as covenants, conditions and restrictions on the use and enjoyment of the Property. The deed restriction shall include a legal description of the entire parcel or parcels governed by this permit. The deed restriction shall also indicate that, in the event of an extinguishment or termination of the deed restriction for any reason, the terms and conditions of this permit, shall continue to restrict the use and enjoyment of the subject property so long as either this permit or the development it authorizes, or any part, modification, or amendment thereof, remains in existence on or with respect to the subject property.









Exhibit D

CALIFORNIA COASTAL COMMISSION

SOUTH COAST DISTRICT OFFICE
200 OCEANGATE, 10TH FLOOR
LONG BEACH, CALIFORNIA 90802-4416
PH (562) 590-5071 FAX (562) 590-5084
WWW.COASTAL.CA.GOV

**PERMIT EXEMPTION / NO PERMIT REQUIRED**

November 19, 2015

Commission Reference Number: 5-15-0349-X

Applicant Name: Blake Holdings II, LLC

Project Location: 2909 The Strand, Hermosa Beach, Los Angeles County (APN: 4181036002)

Project Description: Remodel of existing 9,666 square foot two story over basement single family residence on two lots. Removal of eaves and expansion of outdoor decks will result in reduction of 119 square feet of indoor floor area. Improved on-site drainage system and low water use non-invasive landscaping. No increase in height; no change in parking; no change in intensity of use.

This is to certify that this location and/or proposed project has been reviewed by the staff of the Coastal Commission. A Coastal Development Permit is NOT necessary for the reasons checked below:

- ☒ The proposed development is an improvement to an existing single family residence and is located in the area between the sea and the first public road or within 300 feet of the inland extent of any beach (whichever is greater), but is not (a) an increase of 10% or more of internal floor area; (b) an increase in height over 10%; or (c) a significant non-attached structure (Coastal Act Section 30610(a) and Section 13250(b)(4) of the Administrative Regulations).

Please be advised that only the project described above is exempt from the permit requirements of the Coastal Act. Any change in the project may cause it to lose its exempt status. This certification is based on information provided by the recipient of this letter. If, at a later date, this information is found to be incorrect or incomplete, this letter will become invalid, and any development occurring at that time must cease until a Coastal Development Permit is obtained.

Sincerely,

Charles Lester
Executive Director


Zach Rehm
Coastal Program Analyst

cc: File







Exhibit E

	ADDRESS	CDP NO.	OWNER/APPLICANT	YR BLT	# OF UNITS	BLDG SIZE / LOT SIZE	APPROVED
1	3435 Hermosa (The Strand)	5-19-0955	David M Lesman Trust	2021	Duplex to SFR	2849 / 1779 2 story w/basement	Yes
2	3423 Hermosa (The Strand)	5-00-448	Wendy Greenberg	2002	SFR to SFR	3900 / 2737 3 story w/semi-subterranean first floor – w/Skelly wave runup study	Yes
3	3411 The Strand	5-19-1244	TSNH Investments, LLC	2021	Duplex to SFR + JADU	3850 / 1948 2 story w/partial basement (1,068 sq. ft.)	Yes
4	3409 The Stand	5-04-485	Versailles 2212 LLC	2006	SFR to SFR	2298 / 1662 2 story w/basement	Yes
5	3320 The Strand	5-01-488	Strand 3320 LLC	1990	Triplex to SFR	3670 / 2144 2 story w/basement and retaining walls for support – w/Skelly wave runup study	Yes
6	3301 Hermosa (The Strand)	5-02-201	McSorley	2005	SFR to SFR	2417 / 4603 5,778 sq. ft. 2 story w/basement – w/Skelly wave runup study	Yes
7	3231 The Strand	File # not yet identified by CCC	Jacobson Trust	1998	1 unit	2633 / 2404	File # not yet identified by CCC
8	3222 The Strand	5-13-077	Shannon Family Trust	2013	SFR to SFR	4334 / 2443 2 story w/basement	Yes

HOMES IN THE R-1 ZONE ON THE STRAND, HERMOSA BEACH APPROVED BY CALIFORNIA COASTAL COMMISSION

	ADDRESS	CDP NO.	OWNER/APPLICANT	YR BLT	# OF UNITS	BLDG SIZE / LOT SIZE	APPROVED
9	3220 The Strand	5-01-488	Biche	2002	Triplex to SFR	3752 / 2495 2 story w/basement and retaining walls for support (Skelly wave runup study)	Yes
10	3129 The Strand	File # not yet identified by CCC	Rothman Trust	1991	1 Unit	3884 / 2683	File # not yet identified by CCC
11	3124 The Strand	5-11-183	Feld	2014	SFR to SFR	5102 / 2724 6,162 sq. ft. 3 story w/basement, including semi-subterranean 1 st floor (Skelly wave runup study)	Yes
12	3116 The Strand	5-00-451	Brad Scott	2006	1 Unit	3955 / 2776	Yes
13	3035 The Strand	5-15-0970	Riboli Trust	2019	SFR to SFR	5178 / 2936 2 story w/basement and sub-basement	Yes
14	3003 The Strand (*Same as #32.)	5-05-336	Shannon Quinn Trust	1997	Duplex to SFR	9713 / 6595 6,000 sq. ft. per CDP	Yes *Requested b/c existing bldg., size does not match CDP

HOMES IN THE R-1 ZONE ON THE STRAND, HERMOSA BEACH APPROVED BY CALIFORNIA COASTAL COMMISSION

	ADDRESS	CDP NO.	OWNER/APPLICANT	YR BLT	# OF UNITS	BLDG SIZE / LOT SIZE	APPROVED
15	3001 The Strand (*Same as #31.)	5-05-336	Squires	2007	Duplex to SFR	5931 / 3861	Yes
16	2930 The Strand	5-05-492	Fouce Trust	1997	1 Unit	4312 / 4900 1,292 sq. ft. addition, 2 story w/basement	Yes
17	2909 The Strand	5-15-0349-X	Blake Holdings II, LLC	1997	1 Unit	9713 / 6595 2 story w/basement, remodel of existing home	Yes
18	2838 (2837) The Strand	5-05-466	Carroll	2010	Duplex to SFR	3506 / 3536 2 story w/basement	Yes
19	2826 The Strand	5-08-121	Boris, LLC	2010	SFR to SFR	8212 / 4635 2 story w/basement	Yes
20	2806 The Strand	5-06-191	HLTT Trust	2012	SFR to SFR	8884 / 5324 2 story w/basement	Yes
21	2728 The Strand	5-13-0652	Kahl Trust	2015	SFR to SFR	6767 / 5452	Yes
22	2666 The Strand	5-11-233	Lopez Trust	2012	Duplex to SFR	7393 / 4380	Yes

HOMES IN THE R-1 ZONE ON THE STRAND, HERMOSA BEACH APPROVED BY CALIFORNIA COASTAL COMMISSION

	ADDRESS	CDP NO.	OWNER/APPLICANT	YR BLT	# OF UNITS	BLDG SIZE / LOT SIZE	APPROVED
23	2634 The Strand	5-07-123	Blue Ocean View, LLC	2007	6 Units to SFR	4341 / 2777 2 story w/basement	Yes
24	2621 Hermosa (The Strand)	5-15-0231-W	2624 The Strand Investors, LLC	1962	1 Unit	3758 / 2871	Yes
25	2541 Hermosa (The Strand)	File # not yet identified by CCC	Saemann	1991	1 Unit	5831 / 8124	File # not yet identified by CCC
26	2530 The Strand	File # not yet identified by CCC	Kaplan Trust	1999	1 Unit	2707 / 5429	File # not yet identified by CCC
27	2515 Hermosa (The Strand)	File # not yet identified by CCC	Kaplan Trust	1994	1 Unit	4384 / 5004	File # not yet identified by CCC
28	2510 The Strand	File # not yet identified by CCC	McDowell Trust	1980	1 Unit	4739 / 3404	File # not yet identified by CCC
29	2428 The Strand	5-18-0234	Marriott Family Trust	2018	SFR to SFR	5216 / 2 story w/basement	Yes
30	2426 The Strand	5-16-0341	Buxton Family Trust	1925	2 Unit	2669 / 3662 Add 493 sq. ft. of area to basement (excavate and underpin)	Yes

HOMES IN THE R-1 ZONE ON THE STRAND, HERMOSA BEACH APPROVED BY CALIFORNIA COASTAL COMMISSION

	ADDRESS	CDP NO.	OWNER/APPLICANT	YR BLT	# OF UNITS	BLDG SIZE / LOT SIZE	APPROVED
31	2408 The Strand	5-11-243	South Bay III, LLC	2013	Duplex to SFR	10517 / 7623	Yes
32	2340 The Strand	5-03-487	Chen	2007	1 Unit	3615 / 4223	Yes
33	2334 The Strand	5-00-086114	Heuer Family Trust	2002	1 Unit	3877 / 2400 w/Skelly wave runup study	Yes
34	2330 The Strand	5-03-203	Norling Trust	2004	SFR to SFR	3914 / 2388 2 story w/basement	Yes
35	2326 The Strand	5-03-204	Graham	2004	SFR to SFR	3900 / 2383 2 story w/basement	Yes
36	2314 The Strand	5-03-334	Devine	2003	SFR to SFR	5242 / 3573 2 story w/basement	Yes

HOMES IN THE R-1 ZONE ON THE STRAND, HERMOSA BEACH APPROVED BY CALIFORNIA COASTAL COMMISSION

Exhibit F

GeoSoils Inc.

August 5, 2020

Mr. & Mrs. Lopez
c/o Srour & Associates LLC
1001 6th Street Suite 110
Manhattan Beach, CA 90266

SUBJECT: Coastal Hazard & Wave Runup Study, 2654-66 The Strand, Hermosa Beach.

Dear Mr. & Mrs. Lopez:

At your request, GeoSoils, Inc. (GSI) is pleased to provide the following Coastal Hazard and Wave Runup Study for the proposed remodel and addition to the residence(s) at 2654-66 The Strand in Hermosa Beach. This analysis is based upon site elevations, existing published reports concerning the local coastal processes, our site inspection, and knowledge of local coastal conditions. This report constitutes an investigation of the wave and water level conditions expected at the site in consequence of extreme storm and wave action in the next 75 years. It is intended to provide the City of Hermosa Beach and the California Coastal Commission (CCC) the required coastal hazard information, including use of the most recent California Coastal Commission (CCC) Sea-Level Rise Policy Guidance document (November, 2018). Finally, this report also provides conclusions and recommendations regarding the susceptibility of the property and proposed new development to wave attack. The analysis uses design storm conditions typical of the January 18-19, 1988 and the winter of 1982-83 type storm waves and beach conditions (as required by the CCC), and includes future sea level rise consideration.

INTRODUCTION

The subject site, 2654-66 The Strand in Hermosa Beach, is a trapezoidal shaped parcel (2 parcels) with approximately 100 feet of beach frontage. The proposed project is a remodel and addition to the existing structures. The site is fronted by The Strand, a coastal boardwalk, which is adjacent to a wide sandy beach (approximately 500 feet wide), and the Pacific Ocean. Photograph 1 is an 2018 aerial photograph downloaded, with permission, from the internet. The photo shows the very wide beach fronting the subject site in March, 2018. This shoreline is located in the southern half of the Santa Monica Littoral Cell, just to the south of the Manhattan Beach Pier. A littoral cell is a coastal compartment that contains a complete cycle of littoral sedimentation including sources, transport pathways, and sediment sinks. The Santa Monica Littoral Cell extends from Point Dume to Palos Verdes Point, a distance of 40 miles. Most of the shoreline in this littoral cell has been essentially stabilized by man. The local beaches were primarily made

by man through nourishment as a result of major shoreline civil works projects (Hyperion Treatment Plant, Marina Del Rey, King Harbor, etc.). The up-coast and down-coast movement of sand along the shoreline is generally to the south. A major sink for the beach sands is the Redondo Submarine Canyon, located at the entrance to King Harbor.



Photograph 1. Subject site, The Strand, and wide beach in March 2018.

The USACOE Reconnaissance Report (USACOE, 1994) identified the subject site to be in "Reach 18." Reach 18 is described as being stable. Despite efforts to control the movement of sand along the shoreline, the shoreline is subject to short-term erosion events and possibly a small long-term erosion trend. This long-term erosion rate is estimated to be less than 0.5 ft/yr. The wide sandy beach in front of The Strand and this site is normally over 450 feet wide and provides more than adequate protection for the property. Over the vast majority of time, wave runup does not reach The Strand nor the site. However, the beach in this area is subject to seasonal erosion due to extreme storm events, which can erode the beach back to near The Strand. This report constitutes an investigation and analysis of wave runup and overtopping of the beach in front of the property under extreme oceanographic conditions that can be anticipated over the next 75 years, including sea level rise.

DATUM & INFORMATION

The datum used in this report is North American Vertical Datum 1988 (NAVD88), which is about -2.59 feet Mean Sea Level (MSL), and is +0.18 feet Mean Lower Low Water (MLLW). In the open ocean waters of the Santa Monica Bay, Mean High Water (MHW) is 4.48 feet above NAVD88. The units of measurement in this report are feet (ft), pounds force (lbs), and seconds (sec). The offshore slope was taken from Google Earth bathymetry data. Site elevations relative to an arbitrary datum and development plans were provide by Tomaro Architecture, the project designer/architect. The elevation of The Strand fronting the site is about +16 feet NAVD88. The project is in FEMA Unshaded Zone X (outside the 1% annual chance of sheet flow flooding). The National Oceanographic and Atmospheric (NOAA) National Ocean Survey tidal data station closest to the site is the Santa Monica Station (NOAA, 2013). The approximate elevations are as follows:

Highest Water November 30, 1982	8.3 feet
Mean Higher High Water	5.23 feet
Mean High Water	4.48 feet
Mean Sea Level (MSL)	2.59 feet
Mean Low Water	0.74 feet
NAVD88	0.0 feet
Mean Lower Low Water	-0.18 feet

WAVE RUNUP AND OVERTOPPING

As waves encounter the beach in front of the site, water rushes up, and sometimes over, the beach berm. Often, wave runup and overtopping strongly influence the design and the cost of coastal projects. Wave runup is defined as the vertical height above the still water level to which a wave will rise on a structure (beach slope) of infinite height. Overtopping is the flow rate of water over the top of a finite height structure (the steep beach berm) as a result of wave runup. Wave runup and overtopping is calculated using the US Army Corps of Engineers Automated Coastal Engineering System (ACES). ACES is an interactive computer based design and analysis system in the field of coastal engineering. The methods to calculate runup and overtopping implemented within this ACES application are discussed in greater detail in Chapter 7 of the Shore Protection Manual (1984) and the Coastal Engineering Manual (2004). The overtopping estimates calculated herein are corrected for the effect of onshore winds, which tend to slightly increase overtopping rates. Figure 1 is a diagram showing the analysis terms.

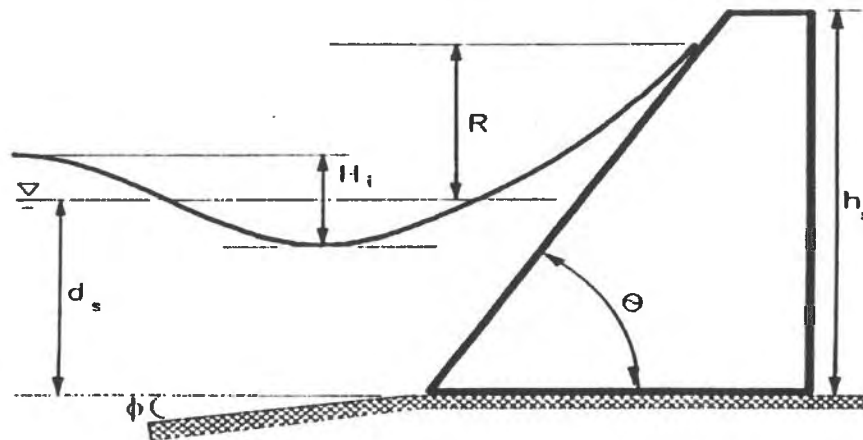


Figure 1. Wave runup terms from ACES manual.

- d_s is the depth of the water at the toe of the beach slope
- H_i is the breaking wave height at the toe not to be confused with the deep water wave height H_0
- R is the height of the wave runup above the still water elevation
- h_s is the height of the beach above the toe (elevation to the ~ berm elevation)
- Θ is the slope of the beach
- ϕ is the nearshore slope or slope from the shoreline to beyond the breakers

The wave, wind, and water level data used as input to the ACES runup and overtopping application was taken from the historical data reported in two USACOE reports on coastal southern California (1986 and 1994). This data has been updated through 2018. The shoreline fronting this property has experienced many storms over the years. These events have impacted coastal property and beaches depending upon the severity of the storm, the direction of wave approach, and the local shoreline orientation. The ACES analysis was performed on an extreme wave condition when the beach is in a severely eroded condition. The El Niño waves during the 1982-83 winter eroded beaches throughout southern California. However, the subject property and adjacent properties were not subject to wave runup attack during that winter. The wave and water level conditions on January 18, 1988 have been described by Dr. Richard Seymour, of the Scripps Institution of Oceanography, as a "400-year recurrence" event. While the property still was not subject to wave overtopping attack during this event, the beach was eroded along this section of shoreline and portions of the King Harbor breakwater/jetty were damaged. The wave runup conditions considered for the analysis use the maximum unbroken wave at the shoreline when the shoreline is in an eroded condition, similar to January 19, 1988.

There have been a number of studies that provide a wide range of predictions as to the amount of future sea level rise (SLR). The first CCC Sea-Level Rise Policy Guidance document was approved in August 2015 and now updated in November 2018. The Ocean Protection Council (OPC) adopted an update to the State's Sea-Level Rise Guidance in March 2018. These new estimates are based upon a 2014 report entitled "Probabilistic 21st and 22nd century sea-level projections at a global network of tide-gauge sites" (Kopp et al, 2014). This OPC update included SLR estimates and probabilities for Santa Monica Bay and are the estimates used in the CCC November 2018 SLR Guidance Update. These SLR likelihood estimates are provided below in Figure 2 taken directly from the OPC report (Table 25) (a.k.a. the "best available science") for the closest tidal station in Santa Monica Bay.

TABLE 25: Projected Sea-Level Rise (in feet) for Santa Monica

Probabilistic projections for the height of sea-level rise shown below, along with the H++ scenario (depicted in blue in the far right column), as seen in the Rising Seas Report. The H++ projection is a single scenario and does not have an associated likelihood of occurrence as do the probabilistic projections. Probabilistic projections are with respect to a baseline of the year 2000, or more specifically the average relative sea level over 1991 - 2009. High emissions represents RCP 8.5; low emissions represents RCP 2.6. Recommended projections for use in low, medium-high and extreme risk aversion decisions are outlined in blue boxes below.

		Probabilistic Projections (in feet) (based on Kopp et al, 2014)				H++ scenario (Sweet et al, 2017) *single scenario
		MEDIAN 50% probability sea-level rise meets or exceeds...	LIKELY RANGE 66% probability sea-level rise is between...	1-IN-20 CHANCE 5% probability sea-level rise meets or exceeds...	1-IN-200 CHANCE 0.5% probability sea-level rise meets or exceeds...	
			Low Risk Aversion		Medium - High Risk Aversion	Extreme Risk Aversion
High emissions	2030	0.4	0.3 - 0.5	0.6	0.8	1
	2040	0.6	0.4 - 0.8	0.9	1.2	1.7
Low emissions	2050	0.8	0.6 - 1.1	1.3	1.9	2.6
	2060	0.9	0.6 - 1.2	1.5	2.3	
High emissions	2060	1.1	0.8 - 1.4	1.8	2.6	3.8
Low emissions	2070	1.0	0.7 - 1.4	1.9	3.0	
High emissions	2070	1.3	1.0 - 1.8	2.3	3.4	5.1
Low emissions	2080	1.2	0.8 - 1.7	2.3	3.8	
High emissions	2080	1.7	1.1 - 2.3	2.9	4.4	6.5
Low emissions	2090	1.3	0.8 - 2.0	2.7	4.6	
High emissions	2090	2.0	1.3 - 2.8	3.5	5.5	8.1
Low emissions	2100	1.5	0.9 - 2.3	3.1	5.5	
High emissions	2100	2.3	1.5 - 3.3	4.3	6.8	10.0

Figure 2. Sea level rise probabilistic projections for closet tidal station to the site in Hermosa Beach.

If you average the low and high emissions for the year 2090, the average is 5.05, $((4.6 + 5.5) / 2)$. If you average the high emissions for the years 2090 and 2100 the average is 6.15, $((5.5 + 6.8) / 2)$. So for the year 2095 the 0.5% SLR high emissions is 6.15 feet. The 2018 CCC SLR guidance suggests that a relatively high probability SLR and a relatively low probability SLR be used. Clearly the 85% likely and the 0.5% likely SLR estimates are in conformance with the guidance. It is also very important to point out that the SLR estimate is coupled with the highest historical water elevation (1% water elevation), the largest wave

for runup, and eroded beach conditions. The probability of the co-occurrence of a particular SLR, the 1% water elevation, the largest runup wave, and eroded beach conditions is the product of all of the probabilities of the individual events. In other words, the probability of the oceanographic conditions considered in this wave runup analysis will be less than 0.001%. The proposed residential project has a "design life" of 75 years. **Using the CCC SLR estimate from the SLR Guidance document, the range in the year ~2095 (at the end of the project's 75-year design life) is between 1.25 feet and 6.15 feet. This is the sea level rise range that the project could experience.** The highest recorded water elevation on record in the vicinity of the site is 8.3 feet NAVD88. If 1.25 and 6.15 feet are added to this 8.3 feet NAVD88 elevation, then future design maximum water levels of ~9.5 feet NAVD88 and ~14.5 feet NAVD88 are determined.

The ACES analysis was performed on oceanographic conditions that represent a typical 75- to 100-year recurrence storm with a SLR range. The wave that has the greatest runup is the wave that has not yet broken when it reaches the toe of the beach. The larger waves break offshore of the beach and lose most of their energy before reaching the shoreline. If the total water depth is 8 feet, based upon a maximum scour depth at the toe of the beach slope of 1.5 feet NAVD88 and a water elevation of +9.5 feet NAVD88, then the design wave height will be about 6.2 feet. If the total water depth is 12.8 feet, based upon a maximum scour depth at the toe of the beach slope of 1.5 feet NAVD88 and a water elevation of +14.5 feet NAVD88, then the design wave height will be about 1.1 feet. The average height of the beach berm is about +14 feet NAVD88. In the future with SLR, the beach berm will rise in elevation. The slope of the beach is about 1/11 (V to H) and the near-shore slope was measured to be 1/60. **TABLE I** and **TABLE II** are the ACES output for these two SLR design conditions.

TABLE I

ACES	Mode: Single Case	Functional Area: Wave - Structure Interaction				
Application: Wave Runup and Overtopping on Impermeable Structures						
Item		Unit	Value	Smooth Slope Runup and Overtopping		
Incident Wave Height	Hi:	ft	6.200	2654-66 Strand Hermosa Beach Overtopping		
Wave Period	T:	sec	18.000			
COTAN of Nearshore Slope	COT(φ):		60.000			
Water Depth at Structure Toe	ds:	ft	8.000			
COTAN of Structure Slope	COT(θ):		11.000			
Structure Height Above Toe	hs:	ft	12.500	1.25 FT SLR		
Wave Runup	R:	ft	9.238			
Onshore Wind Velocity	U:	ft/sec	16.878			
Deepwater Wave Height	H0:	ft	3.631			
Relative Height	ds/H0:		2.204			
Wave Steepness	H0/(gT^2):		0.000348			
Overtopping Coefficient	α:		0.070000			
Overtopping Coefficient	Qstar0:		0.070000			
Overtopping Rate	Q:	ft^3/s-ft	2.001			

TABLE II

ACES	Mode: Single Case	Functional Area: Wave - Structure Interaction		
Application: Wave Runup and Overtopping on Impermeable Structures				
Item		Unit	Value	Smooth Slope Runup and Overtopping
Incident Wave Height	H _i :	ft	19.100	
Wave Period	T:	sec	18.000	
COTAN of Nearshore Slope	COT(θ):		60.000	
Water Depth at Structure Toe	ds:	ft	11.600	
COTAN of Structure Slope	COT(θ):		11.000	2654-66 Strand Hermosa Beach Overtopping 6.15 FT SLR
Structure Height Above Toe	hs:	ft	12.400	
Wave Runup	R:	ft	11.791	
Onshore Wind Velocity	U:	ft/sec	8.439	
Deepwater Wave Height	H ₀ :	ft	6.468	
Relative Height	ds/H ₀ :		1.793	
Wave Steepness	H ₀ /(gT ²):		0.00621	
Overtopping Coefficient	κ:		0.070000	
Overtopping Coefficient	Qstarθ:		0.070000	
Overtopping Rate	Q:	ft ³ /s-ft	20.001	

The calculated overtopping rates for the eroded beach conditions are 2.0 ft³/s-ft for 1.25 feet SLR, and 20.0 ft³/s-ft for 6.15 feet SLR. For the calculated overtopping rate, the height of water and the velocity of this water can be calculated using the following empirical formulas provided by the USACOE (Protection Alternatives for Levees and Floodwalls in Southeast Louisiana, May 2006, equations 3.1 and 3.6) based upon the calculated overtopping rate Q for each SLR case.

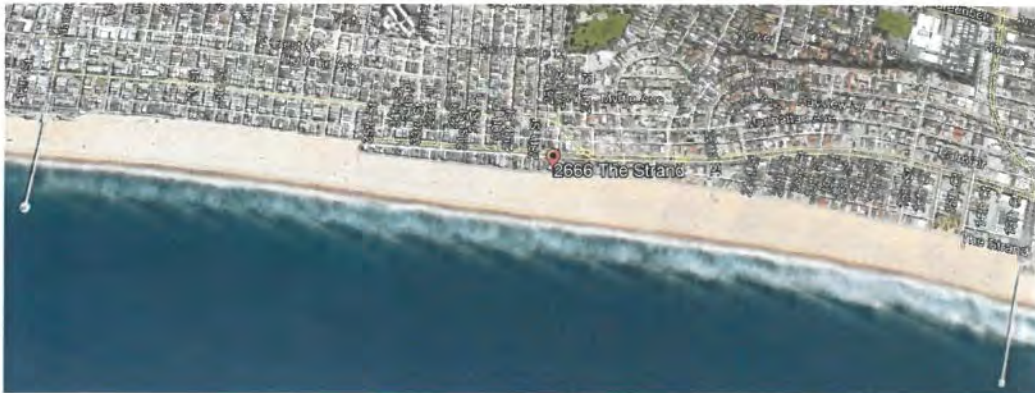
$$q = 0.5443 \sqrt{g} h_1^{3/2}$$

$$v_c = \sqrt{\frac{2}{3} g h_1}$$

Therefore, for SLR of 1.25 feet with an overtopping rate of 2.0 ft³/s-ft, the water height h_1 = 0.75 feet and the velocity, v_c = 4.0 ft/sec. For SLR of 6.5 feet with an overtopping rate of 20.0 ft³/s-ft, the water height h_1 = 3.5 feet and the velocity, v_c = 8.6 ft/sec. The USACOE Coastal Engineering Manual (2002) states that overtopping waters are reduced about 1 foot in elevation for every ~25 feet of horizontal travel across the beach. Currently, the site is over 450 feet from the shoreline. The Strand is at about elevation +16 feet NAVD88, with a ~36-inch wall on the seaward side of The Strand. Therefore, overtopping waters will not reach the seaward side of The Strand under the extreme design conditions. Photograph 2, taken on January 19, 1988, the day after the "400-year" wave event, shows the eroded beach in front of the property. However, the beach did not erode back to The Strand and no water reached the site. Photograph 3, taken March 14, 2018, shows what could be described as the normal beach width (over 450 feet).



Photograph 2. Subject site and shoreline one day after the “400-year” wave event.



Photograph 3. Subject site and adjacent shoreline in March 2018 with typical winter beach conditions.

TSUNAMI

Tsunamis are waves generated by submarine earthquakes, landslides, or volcanic action. Lander, et al. (1993) discusses the frequency and magnitude of recorded or observed tsunami in the southern California area. James Houston (1980) predicts a tsunami of less than 5 feet for a 500-year recurrence interval for this area. Legg, et al. (2002) examined the potential tsunami wave runup in southern California. While this study is not specific to The Strand site, it provides a first order analysis for the area. Figure 3 shows the tsunami runup in the southern California bight. The maximum tsunami runup in the Hermosa Beach area is less than 2 meters in height. The Legg, et al. (2002) report determined a maximum

GeoSoils Inc.

open ocean tsunami height of less than 2 meters. The wave runup analysis performed herein is similar to the expected runup due to a tsunami about 2 meters in height. Because of the wide beach and The Strand wall, it is unlikely that a 2-meter tsunami will significantly impact the site.

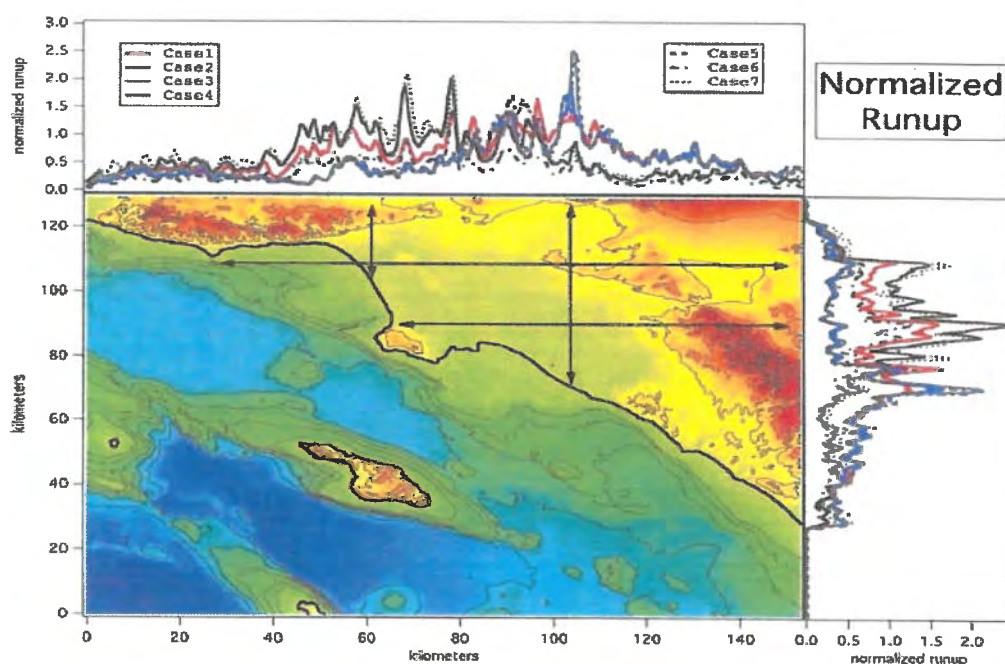


Figure 10. Map showing maximum runup normalized to the maximum seafloor/island uplift for each of the seven Catalina Fault tsunamigenic earthquake scenarios modeled in this study (fault parameters in Table 4).

Figure 3. Taken from Legg, et al. (2002). Note the maximum wave runup in the Hermosa Beach area is less than 2 meters.

It should be noted that the site is mapped at the landward of the limit of the California Office of Emergency Services (CalOES) tsunami inundation map, Redondo Beach Quadrangle. It should be noted that The Strand is not within the CalOES tsunami limits. The tsunami inundation maps are very specific as to their use. Their use is for evacuation planning only. The limitation on the use of the maps is clearly stated in the **PURPOSE OF THIS MAP** on every quadrangle of California coastline. In addition, the following two paragraphs were taken from the CalOES Local Planning Guidance on Tsunami Response concerning the use of the tsunami inundation maps.

In order to avoid the conflict over tsunami origin, inundation projections are based on worst-case scenarios. Since the inundation projections are intended for emergency and evacuation

planning, flooding is based on the highest projection of inundation regardless of the tsunami origin. As such, projections are not an assessment of the probability of reaching the projected height (probabilistic hazard assessment) but only a planning tool.

Inundation projections and resulting planning maps are to be used for emergency planning purposes only. They are not based on a specific earthquake and tsunami. Areas actually inundated by a specific tsunami can vary from those predicted. The inundation maps are not a prediction of the performance, in an earthquake or tsunami, of any structure within or outside of the projected inundation area.

The City of Hermosa Beach and the County of Los Angeles have developed a tsunami alert and evacuation plan. This plan recommends that coastal communities within the potential areas of inundation upgrade their tsunami education programs. The City and County have posted signs throughout the community showing tsunami evacuation routes, tsunami evacuation center locations, and the limits of the tsunami hazard zones. The limit of the tsunami inundation zone at the site is at the landward limit of the proposed development.

GROUNDWATER & SLR

In general, ocean tides impact groundwater elevations when the site is very near the ocean. The further away the site is from the ocean, the driving of the groundwater by the tide is typically attenuated. A scientific paper in the Journal of Hydrology: Regional Studies (Hoover, et al., 2015) provides a study on the impact of sea level rise on groundwater for three California coastal sites: Arcata, Stinson Beach, and Malibu Lagoon. The paper, available online, concludes that “additional groundwater emergence/shoaling due to tidal forcing seems unlikely to be a major factor.” The study at the Malibu Lagoon included data on well (groundwater) tidal response that suggest only modest response. The report states that significant damping of tidal response with distance from the shoreline, with about 15% of the tidal signal visible in a well 60 meters (200 feet) from the shore and about 1% of the tidal signal visible in a well 115 meters (380 feet) from the shore.

The report concludes that direct marine inundation will be the dominant mechanism of inundation of low lying areas of the California Coast. This would be in areas where the level of the ocean is above the ground surface elevation and there is a path for ocean waters to travel into the area. The study also points out that in many low lying coastal areas transient events will produce more severe conditions than SLR impacts. Heavy rain can cause short-lived increase in groundwater levels from direct infiltration and up gradient areas. The project site is about 450 feet from the ocean. At this distance, the groundwater is not significantly impacted by the tides. Based upon a nearby geotechnical report, the maximum measured groundwater level in this area is at about 11 feet below grade, where grade is about +16.0 feet NAVD88. Therefore, maximum groundwater at the site is about +5 feet NAVD88.

If there is up to 6.15 feet of SLR in 75 years, the future maximum groundwater elevation at the site would be the typical groundwater elevation plus at most 1.5 feet or about elevation +6.5 feet NAVD88. The lowest finished floor is at elevation ~+9.5 feet NAVD88 (basement, rec room, and laundry) with foundation elements down to about elevation +7.5 feet NAVD88. To mitigate future groundwater issues due to SLR, we recommend that all below grade foundations be waterproofed. The lowest finished floor is at about ~+9.5 feet NAVD88 and with 6 feet of SLR in 75 years from today, the natural transient groundwater will not be above that elevation on the site.

FUTURE EROSION HAZARD

Analysis of historical aerial photographs contained in the California Coastal Records Project web site and from the Aerial Fotobank, show a very wide beach over the last five decades. There is no photographic evidence of long-term shoreline erosion in front of the site. As stated in the CCC Sea-Level Rise Policy Guidance document (Appendix B, page 237), "predictions of future beach, bluff, and dune erosion are complicated by the uncertainty associated with future waves, storms and sediment supply. As a result, there is no accepted method for predicting future beach erosion." If we assume a very high, long-term, erosion rate (not a seasonal rate) of 1.0 ft/yr, the shoreline may narrow about 75 feet over the 75-year life of the development. This is still over 425 feet (presently about 500 feet) from the project and sufficient beach width to prevent wave attack from reaching the site. The beach can migrate about 200 feet landward/inland in the future and still NOT result in inundation of the site. Because of the beach width, the site is reasonably safe from erosion hazards over the project's 75-year life.

HAZARD ANALYSIS VERIFICATION

The USGS has also developed a model called the Coastal Storm Modeling System (CoSMoS) for assessment of the vulnerability of coastal areas to SLR and the 100-year storm, http://walrus.wr.usgs.gov/coastal_processes/cosmos/. The CCC has used the CoSMoS modeling to determine potential hazards for project staff reports. The modeling assumes that the shoreline can move (no shore protection device). Using the most current refined modeling program, the vulnerability of the site to different SLR scenarios and the 100-year storm can be assessed. The model output includes wave runup flooding, and shoreline erosion. The output of the CoSMoS provides a site specific validation of the conclusions in this report. Figure 4 is the CoSMoS output for the 200 cm SLR and the 100-year storm event and shoreline erosion. The figure shows that under 200 cm (6.6 feet) of SLR the area, the existing and proposed development, are NOT in a "flood prone area." The existing and proposed development is landward of and above the 100-year storm wave runup including 6.6 feet of SLR and shoreline erosion.



Figure 4. Output graphic from USGS CoSMoS analysis for 6.6 feet SLR.

In summary, the proposed development is reasonably safe from coastal hazards including shoreline erosion, wave runup, and flooding without shore protection. This statement is verified by not only the GSI analysis, but also by the USGS CoSMoS analysis.

CALIFORNIA COASTAL COMMISSION SLR POLICY GUIDANCE INFORMATION

Step 1. Establish the projected sea level rise range for the proposed project's planning horizon using the best available science.

Using the CCC SLR estimate over the 75-year design life of the proposed project, the sea level rise range for the year ~2095 is estimated to be between 1.25 feet and 6.15 feet. This is the sea level rise range for the proposed project

Step 2. Determine how physical impacts from sea level rise may constrain the project site, including erosion, structural and geologic stability, flooding, and inundation.

This report provides data demonstrating that the project site is reasonably safe to SLR related coastal hazards.

Step 3. Determine how the project may impact coastal resources, considering the influence of future sea level rise upon the landscape as well as potential impacts of sea level rise adaptation strategies that may be used over the lifetime of the project.

If the sea level rises as predicted, the beach may get narrower; however, the beach is sufficiently wide that even if a very high, long-term erosion rate were applied over the next 75 years, the beach width will not likely be less than 200 feet.

Step 4. Identify alternatives to avoid resource impacts and minimize risks throughout the expected life of the development.

Any impact of SLR on the narrowing beach cannot be mitigated at this site alone. With this in mind, it seems reasonable that the applicant agree to participate in whatever County wide plan is developed and approved to mitigate future SLR impacts.

Step 5. Finalize project design and submit CDP application.

The applicant will be responsible for completing this step.

CONCLUSIONS AND RECOMMENDATIONS

Prediction of runup and overtopping, coupled with sea level rise predictions, on a beach during extreme storm events requires a complex calculation and analysis. The flow rates presented here represent what is defined as flow, which is sustained by continuous volume flow, even though it will actually occur with the cycle of the waves. The calculations made herein use standard of practice methods, yet they are based on several simplifying assumptions (see Coastal Engineering Manual). There are several facts that indicate that wave runup and overtopping should not adversely impact the property over the life of the structure.

- There is a very wide (>450 feet) sandy beach in front of the property 99.9% of the time, and for the 0.1% of the time where the beach might be narrowed due to seasonal or extreme event conditions, the width of the beach will remain sufficiently wide to avoid wave runup from affecting the project site.
- A review of aerial photographs over the last five decades shows little overall shoreline retreat in general and a wide sand beach even at times when the beach is seasonally at its narrowest.
- The long-term shoreline erosion rate is small, if any long-term erosion occurs at all. If a conservative retreat rate of 1 ft/yr is used, it would account for about 75 feet of retreat over the life of the structure. This conservative retreat rate will not reduce the beach to less than 425 feet in nominal width (200 feet width of beach is recognized by coastal engineers as a sufficiently wide enough beach to provide back-shore protection).

- The property has not been subject to wave runup attack in the past and will likely not be subject to wave runup in the future.

In conclusion, wave runup and overtopping will not significantly impact this site over the life of the proposed improvements. The proposed development will neither create nor contribute significantly to erosion, geologic instability, or destruction of the site, or adjacent area. There are no recommendations necessary for wave runup protection. The proposed project minimizes risks from ocean flooding.

Respectfully Submitted,



GeoSoils Inc.
David W. Skelly, MS,
RCE #47857



REFERENCES

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Daniel Hoover, Kingsley Odigie, Peter Swarzenski, and Patrick Barnard, 2017, "Sea-level rise and coastal groundwater inundation and shoaling at select site in California, USA," by, Journal of Hydrology: Regional Studies, published 2017.

Kopp, Robert E., Radley M. Horton Christopher M. Little Jerry X. Mitrovica Michael Oppenheimer D. J. Rasmussen Benjamin H. Strauss Claudia Tebaldi Radley M. Horton Christopher M. Little Jerry X. Mitrovica Michael Oppenheimer D. J. Rasmussen Benjamin H. Strauss Claudia Tebaldi "Probabilistic 21st and 22nd century sea-level projections at a global network of tide-gauge sites" First published: 13 June 2014

Legg, Mark R., Borrero, Jose C., and Synolakis, Costas E., Evaluation of tsunami risk to southern California coastal cities, in The 2002 NEHRP Professional Fellowship Report.

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USACOE (US Army Corps Of Engineers), 1986, "Southern California Coastal Processes Data Summary" Ref # CCSTW 86-1.

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Exhibit G



Geotechnical • Geologic • Coastal • Environmental

5741 Palmer Way • Carlsbad, California 92010 • (760) 438-3155 • FAX (760) 931-0915 • www.geosoilsinc.com

April 29, 2021

Mr. & Mrs. Lopez
c/o Srour & Associates LLC
1001 6th Street Suite 110
Manhattan Beach, CA 90266

SUBJECT: Response to California Coastal Commission (CCC) Staff Report for CDP 5-20-0485 Concerning Coastal Hazards and Sea Level Rise (SLR), 2654-66 The Strand, Hermosa Beach.

Dear Mr. & Mrs. Lopez:

At your request, GeoSoils Inc. (GSI) is pleased to provide response to comments in Section D of the subject CCC staff report for the subject development. The CCC staff report suggests the use of 6.8 feet of SLR for the project, which is the 0.5% probable SLR in the year 2100. The proposed project has a "design life" of 75 years, which at the time of the hazard analysis was the year 2095. The low probability (0.5%) SLR high emissions for the year 2090 is 5.5 feet and for the year 2100 is 6.8. Using linear interpolation, the 0.5%, high emissions, SLR for the year 2095 is 6.15 feet. This is the maximum SLR value used in the GSI hazard analysis. The GSI analysis is in conformance with the CCC SLR Guidance (CCC SLRG). The CCC staff report is incorrect in implying that the design SLR should be 6.8 feet.

The GSI hazard report used the conservative USGS CoSMoS program to verify the actual site specific hazard analysis. The GSI analysis showed that the site was safe from shoreline erosion, wave runup, and flooding over the design life of the development and that the proposed development would not need shore protection over its life. The CCC staff report even states that the CoSMoS hazard modeling with 6.6 feet of SLR "the project site is not anticipated to be subject to coastal erosion or wave uprush." It is clear that the proposed project is reasonably safe from coastal hazards over the design life based upon the independent GSI hazard analysis and the USGS CoSMoS analysis.

The staff report provides an extensive discussion about SLR throughout the rest of this century. The amount of SLR in the future is predicted by various models, which over time, diverge to SLR estimates from 6 inches to 8 feet in the year 2100. The CCC SLR Guidance (CCC SLRG) is based upon the California Ocean Protection Council (COPC) update to the State's Sea-Level Rise Guidance in March 2018. These new COPC estimates are based upon a 2014 report entitled "Probabilistic 21st and 22nd century sea-level projections at a global network of tide-gauge sites" by Kopp, et al., 2014. The Kopp et al. paper used 2009 to 2012 SLR modeling by climate scientists for the probability analysis, which means the "best available science" used by the CCC is almost 10 years old. The SLR models used as the basis for the COPC and CCC SLRG have been in place

for a decade. The accuracy of any model can be determined by comparing the measured SLR (real data) to the model predicted SLR (model prediction). If the model cannot predict, with any accuracy, what will happen in over the approximate last 11 years, it is very unlikely that the model will increase in accuracy when predicting SLR over the next 100 years. Simply put, if the model is not accurate now, it will be even less accurate in the future.

The National Oceanic and Atmospheric Administration (NOAA) has been measuring SLR globally and in Santa Monica Bay. Figure 1 is the NOAA global SLR which shows a current SLR rate of 3 mm/yr. The rate can be used to calculate a sea level rise of 33.75 mm (0.111 ft) over the last 11.25 years (2010 to March 2021). Figure 2 is the NOAA Santa Monica SLR rate of 1.54 mm/yr. The rate can be used to calculate a sea level rise of 17.325 mm (0.057 ft) over the last 11.25 years (2010 to March 2021). What is clear is that SLR in Santa Monica is currently about ½ of the global SLR. What is also interesting is that the NOAA website shows that SLR is not occurring in several locations and the ocean is actually getting lower in elevation in these areas. Clearly “one size fits all” is not the best available science.

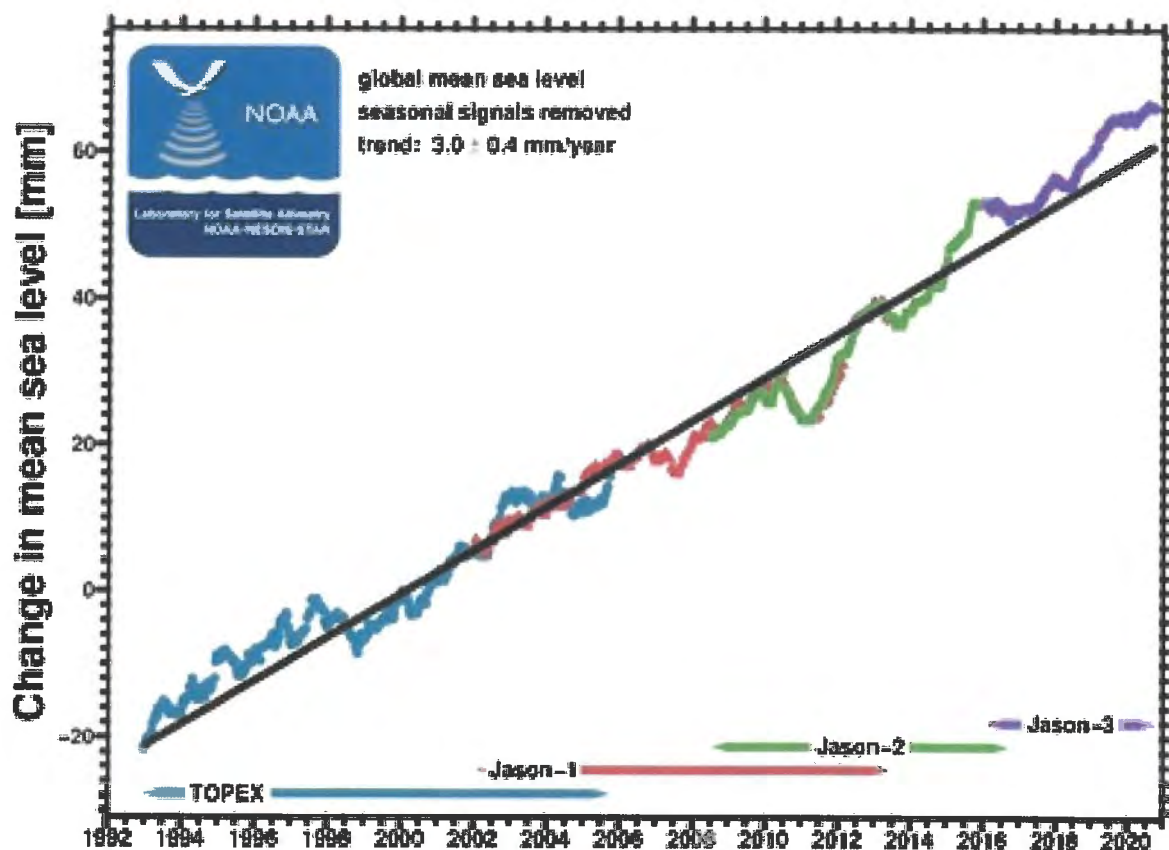


Figure 1. NOAA global SLR through March 2021 from NOAA Website.

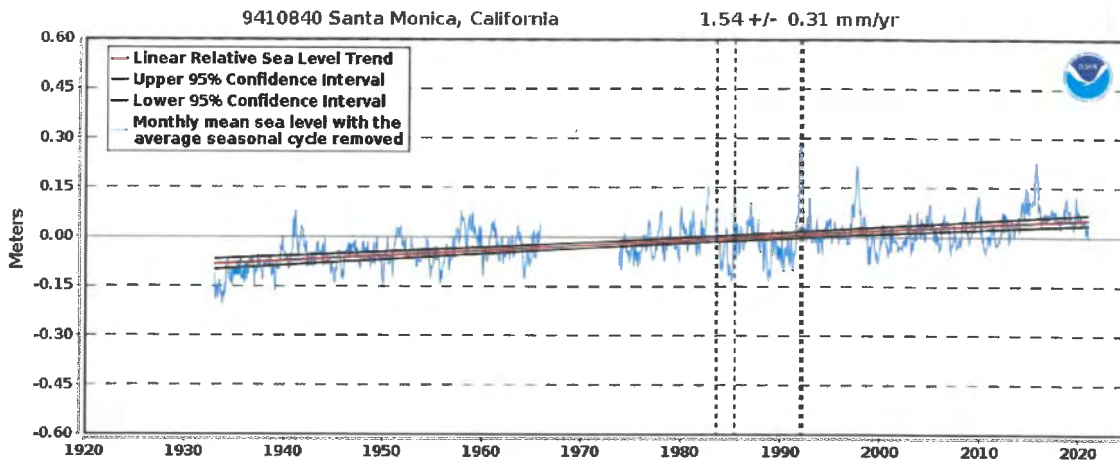


Figure 2. NOAA Santa Monica SLR.

The COPC provided plots of the various SLR model projections over time starting in the year 2010. Figure 3 is the model projections taken directly from the COPC. To see which model is more accurately predicting SLR, the global data and the data for Santa Monica can be plotted onto the curves. Figure 4, next page, is an enlargement of a portion of Figure 3 to show the results. As stated before, the SLR in Santa Monica is $\frac{1}{2}$ of the global SLR over the same time period. The CCC Guidance SLR is almost 4 times the measured SLR in Santa Monica. More importantly the current global SLR trend matches the USACE "Intermediate" SLR, which predict about 1.5 feet of SLR by the year 2100. The SLR for Santa Monica matches the USACE "Low" SLR, which predicts about 0.5 feet of SLR in the year 2100, an order of magnitude lower than the CCCSLRG.

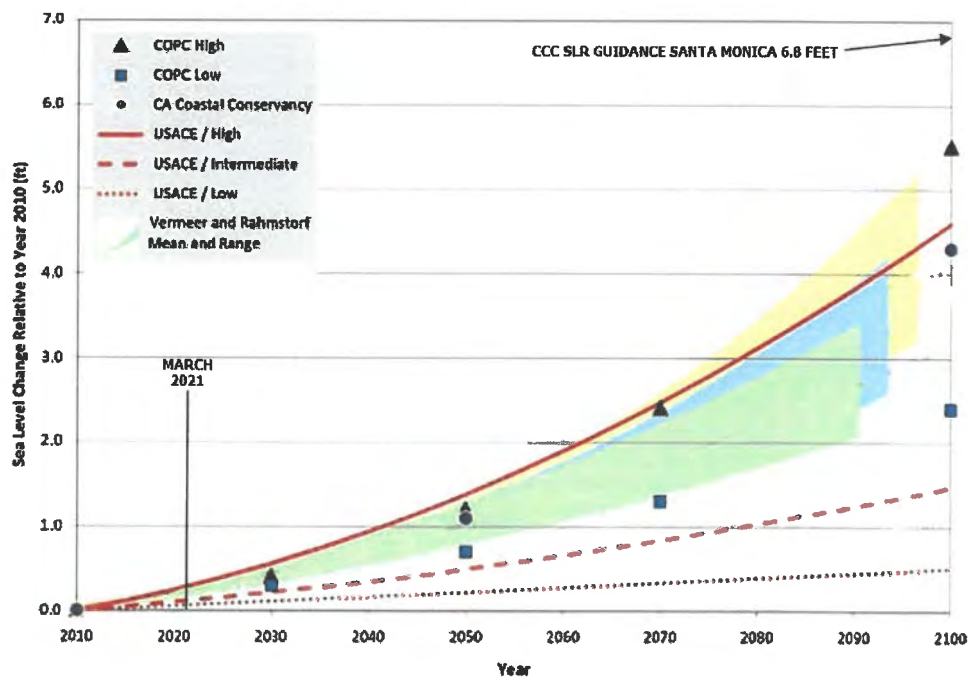


Figure 3. COPC SLR modeling graphic.

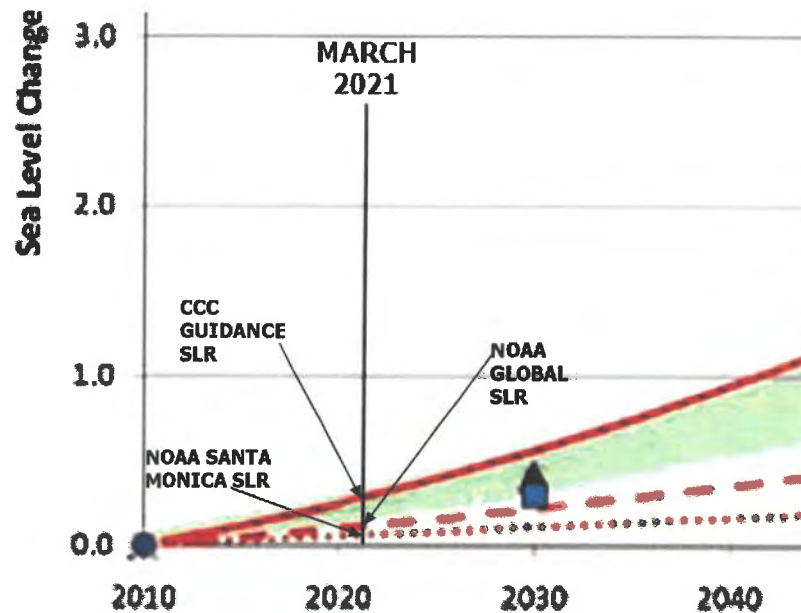


Figure 4. NOAA data points projected onto the COPC modeling curves.

The CCCSLRG document recommends that a project designer determine the range of SLR using the “best available science.” First, GSI respectfully points out that the CCCSLRG is “advisory and not a regulatory document or legal standard for review” (see page 5 of the Guidance). The CCCSLRG clearly states that it is “not a checklist.” The information provided above is more current than the CCC SLR Guidance. The checking of the models is the “best available science” for SLR prediction and is required to be used. Currently, the SLR model that the CCC is “requiring” to be used for development is incorrect by almost a factor of 4 as to the amount of the SLR in Santa Monica, and has been demonstrated to reasonably result in an error of magnitude in the year 2100.

It is GSI’s professional opinion that the proposed development is safe from coastal hazards over the next 75 years or more. The proposed development will neither create nor contribute significantly to erosion, geologic instability, or destruction of the site, or adjacent area. The project will have no impact on public resources such as the beach or public boardwalk. There are no recommendations necessary for wave runup protection. The proposed project minimizes risks from ocean flooding.

Respectfully Submitted,

GeoSoils Inc.
David W. Skelly, MS,
RCE #47857



Exhibit H

APPRAISAL OF



LOCATED AT:

2654 The Strand
Hermosa Beach, CA 90254

FOR:

Comerica Bank
c/o PHH Mortgage, 1 Mortgage Way
Mount Laurel, NJ 08054

BORROWER:

AOL Investments LLC

AS OF:

August 18, 2017

BY:

Jacqueline Peltier

SPEEDY TITLE & APPRAISAL REVIEW SERVICES, LLC
Comerica Bank
c/o PHH Mortgage, 1 Mortgage Way
Mount Laurel, NJ 08054

File Number: 3702427

In accordance with your request, I have appraised the real property at:

2654 The Strand
Hermosa Beach, CA 90254

The purpose of this appraisal is to develop an opinion of the market value of the subject property, as improved.

In my opinion, the market value of the property as of August 18, 2017 is:

\$9,200,000
Nine Million Two Hundred Thousand Dollars

The attached report contains the description, analysis and supportive data for the conclusions, final opinion of value, descriptive photographs, limiting conditions and appropriate certifications.



Jacqueline Peltier

Uniform Residential Appraisal Report

7166673538
File No. 3702427

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address 2654 The Strand City Hermosa Beach State CA Zip Code 90254
Borrower AOL Investments LLC Owner of Public Record Roney, John H County Los Angeles
Legal Description Hermosa Beach Lot 10
Assessor's Parcel # 4181-037-009 Tax Year 2017 R.E. Taxes \$ 4,206
Neighborhood Name Sand Section Map Reference 732-F7 Census Tract 6210.04
Occupant ☐ Owner ☒ Tenant ☐ Vacant Special Assessments \$ 0.00 ☐ PUD HOA \$ 0.00 ☐ per year ☐ per month
Property Rights Appraised ☒ Fee Simple ☐ Leasehold ☐ Other (describe)
Assignment Type ☒ Purchase Transaction ☐ Refinance Transaction ☐ Other (describe)
Lender/Client Comerica Bank Address c/o PHH Mortgage, 1 Mortgage Way, Mount Laurel, NJ 08054
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? ☒ Yes ☐ No
Report data source(s) used, offering price(s), and date(s). DOM Unk; TheMLS #0000. Listed on 00/00/0000 for \$9,200,000. It is currently in escrow for \$9,200,000.

I ☒ did ☐ did not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.
Arms length sale; Purchase contract reviewed. Purchase price verified at \$9,200,000.

Contract Price \$ 9,200,000 Date of Contract 06/13/2017 Is the property seller the owner of public record? ☒ Yes ☐ No Data Source(s) Request/Title
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? ☐ Yes ☒ No
If Yes, report the total dollar amount and describe the items to be paid. \$0; No financial assistance provided.

Note: Race and the racial composition of the neighborhood are not appraisal factors.

Neighborhood Characteristics				One-Unit Housing Trends				One-Unit Housing		Present Land Use %	
Location	<input type="checkbox"/> Urban	<input checked="" type="checkbox"/> Suburban	<input type="checkbox"/> Rural	Property Values	<input type="checkbox"/> Increasing	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Declining	PRICE	AGE	One-Unit	70 %
Built-Up	<input checked="" type="checkbox"/> Over 75%	<input type="checkbox"/> 25-75%	<input type="checkbox"/> Under 25%	Demand/Supply	<input type="checkbox"/> Shortage	<input checked="" type="checkbox"/> In Balance	<input type="checkbox"/> Over Supply	\$ (000)	(yrs)	2-4 Unit	20 %
Growth	<input type="checkbox"/> Rapid	<input checked="" type="checkbox"/> Stable	<input type="checkbox"/> Slow	Marketing Time	<input checked="" type="checkbox"/> Under 3 mths	<input type="checkbox"/> 3-6 mths	<input type="checkbox"/> Over 6 mths	1,350	Low	0	Multi-Family
Neighborhood Boundaries Manhattan Beach and Hermosa Beach beachfront properties north, south, east, and west.								14,150	High	105	Commercial
Neighborhood Description Subject is situated in a residential community consisting of conforming homes that vary in age, size, design & styles. Schools and local supporting centers are within close proximity. The subject property is located in beach community where homes command high values due to their proximity to the ocean and ocean views.								2,700	Pred.	55	Other
Market Conditions (including support for the above conclusions) refer to addendum											

Dimensions 30.05 x 87.07 x 30 x 85.48 Area 2588 sf Shape Rectangular View B:Wtr;
Specific Zoning Classification HBR1YY Zoning Description Single Family
Zoning Compliance ☒ Legal ☐ Legal Nonconforming (Grandfathered Use) ☐ No Zoning ☐ Illegal (describe)
Is the highest and best use of the subject property as improved (or as proposed per plans and specifications) the present use? ☒ Yes ☐ No If No, describe.
Utilities Public Other (describe) Public Other (describe)
Electricity ☒ Water ☒ Street Concrete ☒ Private
Gas ☒ Sanitary Sewer ☒ Alley Concrete ☒
FEMA Special Flood Hazard Area ☐ Yes ☒ No FEMA Flood Zone X FEMA Map # 06037C1907F FEMA Map Date 09/26/2008
Are the utilities and off-site improvements typical for the market area? ☒ Yes ☐ No If No, describe.
Are there any adverse site conditions or external factors (easements, encroachments, environmental conditions, land uses, etc.)? ☐ Yes ☒ No If Yes, describe. The subject is located on a beachfront lot with unobstructed ocean views. This is a positive location and there is no adverse effect on value.

GENERAL DESCRIPTION		FOUNDATION		EXTERIOR DESCRIPTION		INTERIOR	
Units <input checked="" type="checkbox"/> One <input type="checkbox"/> One with Accessory Unit	Concrete Slab <input checked="" type="checkbox"/> Crawl Space	Foundation Walls Concrete/Avg	Floors Hdwd/Avg	Exterior Walls Stucco/Avg	Walls Plaster/Avg	Trim/Finish Various/Avg	Bath Floor Tile/Avg
# of Stories 2	Full Basement <input type="checkbox"/> Partial Basement	Roof Surface Tile/Avg	Bath Wainscot Tile/Avg	Gutters & Downspouts Front/Rear	Bath Floor Tile/Avg	Car Storage <input type="checkbox"/> None	Driveway # of Cars 0
Type <input checked="" type="checkbox"/> Det. <input type="checkbox"/> Alt. <input type="checkbox"/> S-Det/End Unit	Basement Area 0 sq. ft.	Window Type Standard/Avg	Car Storage <input type="checkbox"/> None	Storm Sash/Insulated No	Car Storage <input type="checkbox"/> None	Driveway Surface Concrete	Garage # of Cars 2
<input checked="" type="checkbox"/> Existing <input type="checkbox"/> Proposed <input type="checkbox"/> Under Const.	Basement Finish 0 %	Screening Yes	Carport # of Cars 0	Outside Entry/Exit <input type="checkbox"/> Sump Pump	Carport # of Cars 0	Att. <input type="checkbox"/> Det. <input checked="" type="checkbox"/> Built-in	
Design (Style) Spanish	Evidence of <input type="checkbox"/> Infestation	Amenities <input type="checkbox"/> Wood Stove(s) # 0		Heating <input type="checkbox"/> FWA <input type="checkbox"/> HWB <input type="checkbox"/> Radiant			
Year Built 1932	Dampness <input type="checkbox"/> Settlement	Fireplace(s) # 2		Other Wall <input checked="" type="checkbox"/> Fuel Gas			
Effective Age (Yrs) 25	Settlement <input type="checkbox"/> Screens	Patio/Deck Tile		Cooling <input type="checkbox"/> Central Air Conditioning			
Attic <input type="checkbox"/> Drop Stair <input type="checkbox"/> Stairs	Other None <input checked="" type="checkbox"/>	Porch Tile		Finished <input type="checkbox"/> Heated <input type="checkbox"/>			
Floor <input type="checkbox"/> Scuttle	Individual <input type="checkbox"/>	Other None		Appliances <input checked="" type="checkbox"/> Refrigerator <input checked="" type="checkbox"/> Range/Oven <input checked="" type="checkbox"/> Dishwasher <input checked="" type="checkbox"/> Disposal <input checked="" type="checkbox"/> Microwave <input type="checkbox"/> Washer/Dryer <input type="checkbox"/> Other (describe)			
Finished area above grade contains:	8 Rooms	4 Bedrooms	4.1 Bath(s)	3,133 Square Feet of Gross Living Area Above Grade			
Additional features (special energy efficient items, etc.) Refer to addendum							

Describe the condition of the property (including needed repairs, deterioration, renovations, remodeling, etc.) C4; No updates in the prior 15 years; Subject appears to be in generally sound state. No physical or functional inadequacies were noted. Good floor plan and utility. No major repairs were indicated. The subject is a two level Spanish style home that has been maintained and has many architectural details, but no major remodeling.

Are there any physical deficiencies or adverse conditions that affect the livability, soundness, or structural integrity of the property? ☐ Yes ☒ No If Yes, describe. There was wall heat, smoke detectors, CO detector, and water heater. The water heater does not appear to be double strapped.

Does the property generally conform to the neighborhood (functional utility, style, condition, use, construction, etc.)? ☒ Yes ☐ No If No, describe.

Uniform Residential Appraisal Report

7166673538

File No. 3702427

There are 17 comparable properties currently offered for sale in the subject neighborhood ranging in price from \$ 2,199,000 to \$ 12,900,000.	
There are 62 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$ 1,350,000 to \$ 14,150,000.	
FEATURE	SUBJECT
2654 The Strand	2400 The Strand
Address Hermosa Beach, CA 90254	Manhattan Beach, CA 90266
Proximity to Subject	1.49 miles NW
Sale Price	\$ 9,200,000
Sale Price/Gross Liv. Area	\$ 2,936.48 sq. ft.
Data Source(s)	TheMLS #16-180944;DOM 197
Verification Source(s)	Realquest/Title/Doc#Not Yet Rec
VALUE ADJUSTMENTS	DESCRIPTION
Sale or Financing	ArmLth
Concessions	Conv;0
Date of Sale/Time	s08/17:c06/17
Location	B;WtrFr;
Leasehold/Fee Simple	Fee Simple
Site	2588 sf
View	B;Wtr;
Design (Style)	DT2;Spanish
Quality of Construction	Q3
Actual Age	85
Condition	C4
Above Grade	Total Bdrms Baths
Room Count	8 4 4.1
Gross Living Area 725	3,133 sq. ft.
Basement & Finished	0sf
Rooms Below Grade	0sf
Functional Utility	SFR
Heating/Cooling	Wall/None
Energy Efficient Items	Insulation
Garage/Carport	2gbi
Porch/Patio/Deck	Patio/Deck
Guest Unit	None
Beach City Locate	Hermosa Bch N
Net Adjustment (Total)	\$ 2,706,000
Adjusted Sale Price	\$ 9,194,000
of Comparables	

SALES COMPARISON APPROACH

I ☒ did ☐ did not research the sale or transfer history of the subject property and comparable sales. If not, explain

My research ☐ did ☒ did not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.

Data source(s) Realquest/Title

My research ☐ did ☒ did not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.

Data source(s) Realquest/Title

Report the results of the research and analysis of the prior sale or transfer history of the subject property and comparable sales (report additional prior sales on page 3).

ITEM	SUBJECT	COMPARABLE SALE NO. 1	COMPARABLE SALE NO. 2	COMPARABLE SALE NO. 3
Date of Prior Sale/Transfer	08/04/1975	07/01/1980	11/01/2007	
Price of Prior Sale/Transfer	\$180,000	\$579,500	\$8,500,000	
Data Source(s)	Realquest	Realquest	Realquest	Realquest
Effective Date of Data Source(s)	08/18/2017	08/18/2017	08/18/2017	08/18/2017

Analysis of prior sale or transfer history of the subject property and comparable sales The subject property has not transferred in the past 36 months. The sales comparables have not transferred ownership within the past 12 months.

Summary of Sales Comparison Approach. See addendum

Indicated Value by Sales Comparison Approach \$ 9,200,000

Indicated Value by: Sales Comparison Approach \$ 9,200,000 Cost Approach (if developed) \$ 0 Income Approach (if developed) \$ 0

The direct sales approach to value is the most reliable indicator of value since it best simulates the actions of buyers and sellers in the marketplace. The cost approach to value further support the final value estimate. Refer to addendum.

This appraisal is made ☒ "as is," ☐ subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed, ☐ subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or ☐ subject to the following required inspection based on the extraordinary assumption that the condition or deficiency does not require alteration or repair:

Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the real property that is the subject of this report is \$ 9,200,000 as of 08/18/2017, which is the date of inspection and the effective date of this appraisal.

Uniform Residential Appraisal Report

7166673538
File No. 3702427

See Attached Addendum

ADDITIONAL COMMENTS

COST APPROACH TO VALUE (not required by Fannie Mae)

Provide adequate information for the lender/client to replicate the below cost figures and calculations.

Support for the opinion of site value (summary of comparable land sales or other methods for estimating site value)

COST APPROACH

ESTIMATED	<input type="checkbox"/> REPRODUCTION OR	<input type="checkbox"/> REPLACEMENT COST NEW	OPINION OF SITE VALUE	= \$	1
Source of cost data			Dwelling	3,133 Sq. Ft. @ \$	0
Quality rating from cost service		Effective date of cost data		Sq. Ft. @ \$	0
Comments on Cost Approach (gross living area calculations, depreciation, etc.)					
			Garage/Carport	520 Sq. Ft. @ \$	0
			Total Estimate of Cost-New		0
			Less	Physical Functional External	
			Depreciation		0
			Depreciated Cost of Improvements		0
			"As-is" Value of Site Improvements		
Estimated Remaining Economic Life (HUD and VA only)	25 Years		INDICATED VALUE BY COST APPROACH		0

INCOME APPROACH TO VALUE (not required by Fannie Mae)

Estimated Monthly Market Rent \$ X Gross Rent Multiplier = \$ Indicated Value by Income Approach

Summary of Income Approach (including support for market rent and GRM)

INCOME

PROJECT INFORMATION FOR PUDs (if applicable)

Is the developer/builder in control of the Homeowners' Association (HOA)? ☐ Yes ☐ No Unit type(s) ☐ Detached ☐ Attached

Provide the following information for PUDs ONLY if the developer/builder is in control of the HOA and the subject property is an attached dwelling unit.

Legal name of project

Total number of phases Total number of units Total number of units sold

Total number of units rented Total number of units for sale Data source(s)

Was the project created by the conversion of an existing building(s) into a PUD? ☐ Yes ☐ No If Yes, date of conversion.

Does the project contain any multi-dwelling units? ☐ Yes ☐ No Data source(s)

Are the units, common elements, and recreation facilities complete? ☐ Yes ☐ No If No, describe the status of completion.

Are the common elements leased to or by the Homeowners' Association? ☐ Yes ☐ No If Yes, describe the rental terms and options.

Describe common elements and recreational facilities.

PUD INFORMATION

Uniform Residential Appraisal Report

7166673538
File No. 3702427

This report form is designed to report an appraisal of a one-unit property or a one-unit property with an accessory unit; including a unit in a planned unit development (PUD). This report form is not designed to report an appraisal of a manufactured home or a unit in a condominium or cooperative project.

This appraisal report is subject to the following scope of work, intended use, intended user, definition of market value, statement of assumptions and limiting conditions, and certifications. Modifications, additions, or deletions to the intended use, intended user, definition of market value, or assumptions and limiting conditions are not permitted. The appraiser may expand the scope of work to include any additional research or analysis necessary based on the complexity of this appraisal assignment. Modifications or deletions to the certifications are also not permitted. However, additional certifications that do not constitute material alterations to this appraisal report, such as those required by law or those related to the appraiser's continuing education or membership in an appraisal organization, are permitted.

SCOPE OF WORK: The scope of work for this appraisal is defined by the complexity of this appraisal assignment and the reporting requirements of this appraisal report form, including the following definition of market value, statement of assumptions and limiting conditions, and certifications. The appraiser must, at a minimum: (1) perform a complete visual inspection of the interior and exterior areas of the subject property, (2) inspect the neighborhood, (3) inspect each of the comparable sales from at least the street, (4) research, verify, and analyze data from reliable public and/or private sources, and (5) report his or her analysis, opinions, and conclusions in this appraisal report.

INTENDED USE: The intended use of this appraisal report is for the lender/client to evaluate the property that is the subject of this appraisal for a mortgage finance transaction.

INTENDED USER: The intended user of this appraisal report is the lender/client.

DEFINITION OF MARKET VALUE: The most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller, each acting prudently, knowledgeably and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby: (1) buyer and seller are typically motivated; (2) both parties are well informed or well advised, and each acting in what he or she considers his or her own best interest; (3) a reasonable time is allowed for exposure in the open market; (4) payment is made in terms of cash in U. S. dollars or in terms of financial arrangements comparable thereto; and (5) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions* granted by anyone associated with the sale.

*Adjustments to the comparables must be made for special or creative financing or sales concessions. No adjustments are necessary for those costs which are normally paid by sellers as a result of tradition or law in a market area; these costs are readily identifiable since the seller pays these costs in virtually all sales transactions. Special or creative financing adjustments can be made to the comparable property by comparisons to financing terms offered by a third party institutional lender that is not already involved in the property or transaction. Any adjustment should not be calculated on a mechanical dollar for dollar cost of the financing or concession but the dollar amount of any adjustment should approximate the market's reaction to the financing or concessions based on the appraiser's judgment.

STATEMENT OF ASSUMPTIONS AND LIMITING CONDITIONS: The appraiser's certification in this report is subject to the following assumptions and limiting conditions:

1. The appraiser will not be responsible for matters of a legal nature that affect either the property being appraised or the title to it, except for information that he or she became aware of during the research involved in performing this appraisal. The appraiser assumes that the title is good and marketable and will not render any opinions about the title.
2. The appraiser has provided a sketch in this appraisal report to show the approximate dimensions of the improvements. The sketch is included only to assist the reader in visualizing the property and understanding the appraiser's determination of its size.
3. The appraiser has examined the available flood maps that are provided by the Federal Emergency Management Agency (or other data sources) and has noted in this appraisal report whether any portion of the subject site is located in an identified Special Flood Hazard Area. Because the appraiser is not a surveyor, he or she makes no guarantees, express or implied, regarding this determination.
4. The appraiser will not give testimony or appear in court because he or she made an appraisal of the property in question, unless specific arrangements to do so have been made beforehand, or as otherwise required by law.
5. The appraiser has noted in this appraisal report any adverse conditions (such as needed repairs, deterioration, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the research involved in performing this appraisal. Unless otherwise stated in this appraisal report, the appraiser has no knowledge of any hidden or unapparent physical deficiencies or adverse conditions of the property (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) that would make the property less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, this appraisal report must not be considered as an environmental assessment of the property.
6. The appraiser has based his or her appraisal report and valuation conclusion for an appraisal that is subject to satisfactory completion, repairs, or alterations on the assumption that the completion, repairs, or alterations of the subject property will be performed in a professional manner.

Uniform Residential Appraisal Report

7166673538
File No. 3702427

APPRAISER'S CERTIFICATION: The Appraiser certifies and agrees that:

1. I have, at a minimum, developed and reported this appraisal in accordance with the scope of work requirements stated in this appraisal report.
2. I performed a complete visual inspection of the interior and exterior areas of the subject property. I reported the condition of the improvements in factual, specific terms. I identified and reported the physical deficiencies that could affect the livability, soundness, or structural integrity of the property.
3. I performed this appraisal in accordance with the requirements of the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
4. I developed my opinion of the market value of the real property that is the subject of this report based on the sales comparison approach to value. I have adequate comparable market data to develop a reliable sales comparison approach for this appraisal assignment. I further certify that I considered the cost and income approaches to value but did not develop them, unless otherwise indicated in this report.
5. I researched, verified, analyzed, and reported on any current agreement for sale for the subject property, any offering for sale of the subject property in the twelve months prior to the effective date of this appraisal, and the prior sales of the subject property for a minimum of three years prior to the effective date of this appraisal, unless otherwise indicated in this report.
6. I researched, verified, analyzed, and reported on the prior sales of the comparable sales for a minimum of one year prior to the date of sale of the comparable sale, unless otherwise indicated in this report.
7. I selected and used comparable sales that are locationally, physically, and functionally the most similar to the subject property.
8. I have not used comparable sales that were the result of combining a land sale with the contract purchase price of a home that has been built or will be built on the land.
9. I have reported adjustments to the comparable sales that reflect the market's reaction to the differences between the subject property and the comparable sales.
10. I verified, from a disinterested source, all information in this report that was provided by parties who have a financial interest in the sale or financing of the subject property.
11. I have knowledge and experience in appraising this type of property in this market area.
12. I am aware of, and have access to, the necessary and appropriate public and private data sources, such as multiple listing services, tax assessment records, public land records and other such data sources for the area in which the property is located.
13. I obtained the information, estimates, and opinions furnished by other parties and expressed in this appraisal report from reliable sources that I believe to be true and correct.
14. I have taken into consideration the factors that have an impact on value with respect to the subject neighborhood, subject property, and the proximity of the subject property to adverse influences in the development of my opinion of market value. I have noted in this appraisal report any adverse conditions (such as, but not limited to, needed repairs, deterioration, the presence of hazardous wastes, toxic substances, adverse environmental conditions, etc.) observed during the inspection of the subject property or that I became aware of during the research involved in performing this appraisal. I have considered these adverse conditions in my analysis of the property value, and have reported on the effect of the conditions on the value and marketability of the subject property.
15. I have not knowingly withheld any significant information from this appraisal report and, to the best of my knowledge, all statements and information in this appraisal report are true and correct.
16. I stated in this appraisal report my own personal, unbiased, and professional analysis, opinions, and conclusions, which are subject only to the assumptions and limiting conditions in this appraisal report.
17. I have no present or prospective interest in the property that is the subject of this report, and I have no present or prospective personal interest or bias with respect to the participants in the transaction. I did not base, either partially or completely, my analysis and/or opinion of market value in this appraisal report on the race, color, religion, sex, age, marital status, handicap, familial status, or national origin of either the prospective owners or occupants of the subject property or of the present owners or occupants of the properties in the vicinity of the subject property or on any other basis prohibited by law.
18. My employment and/or compensation for performing this appraisal or any future or anticipated appraisals was not conditioned on any agreement or understanding, written or otherwise, that I would report (or present analysis supporting) a predetermined specific value, a predetermined minimum value, a range or direction in value, a value that favors the cause of any party, or the attainment of a specific result or occurrence of a specific subsequent event (such as approval of a pending mortgage loan application).
19. I personally prepared all conclusions and opinions about the real estate that were set forth in this appraisal report. If I relied on significant real property appraisal assistance from any individual or individuals in the performance of this appraisal or the preparation of this appraisal report, I have named such individual(s) and disclosed the specific tasks performed in this appraisal report. I certify that any individual so named is qualified to perform the tasks. I have not authorized anyone to make a change to any item in this appraisal report; therefore, any change made to this appraisal is unauthorized and I will take no responsibility for it.
20. I identified the lender/client in this appraisal report who is the individual, organization, or agent for the organization that ordered and will receive this appraisal report.
21. The lender/client may disclose or distribute this appraisal report to: the borrower; another lender at the request of the borrower; the mortgagee or its successors and assigns; mortgage insurers; government sponsored enterprises; other secondary market participants; data collection or reporting services; professional appraisal organizations; any department, agency, or instrumentality of the United States; and any state, the District of Columbia, or other jurisdictions; without having to obtain the appraiser's or supervisory appraiser's (if applicable) consent. Such consent must be obtained before this appraisal report may be disclosed or distributed to any other party (including, but not limited to, the public through advertising, public relations, news, sales, or other media).

Uniform Residential Appraisal Report

7166673538
File No. 3702427

22. I am aware that any disclosure or distribution of this appraisal report by me or the lender/client may be subject to certain laws and regulations. Further, I am also subject to the provisions of the Uniform Standards of Professional Appraisal Practice that pertain to disclosure or distribution by me.

23. The borrower, another lender at the request of the borrower, the mortgagee or its successors and assigns, mortgage insurers, government sponsored enterprises, and other secondary market participants may rely on this appraisal report as part of any mortgage finance transaction that involves any one or more of these parties.

24. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

25. Any intentional or negligent misrepresentation(s) contained in this appraisal report may result in civil liability and/or criminal penalties including, but not limited to, fine or imprisonment or both under the provisions of Title 18, United States Code, Section 1001, et seq., or similar state laws.

SUPERVISORY APPRAISER'S CERTIFICATION: The Supervisory Appraiser certifies and agrees that:

1. I directly supervised the appraiser for this appraisal assignment, have read the appraisal report, and agree with the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
2. I accept full responsibility for the contents of this appraisal report including, but not limited to, the appraiser's analysis, opinions, statements, conclusions, and the appraiser's certification.
3. The appraiser identified in this appraisal report is either a sub-contractor or an employee of the supervisory appraiser (or the appraisal firm), is qualified to perform this appraisal, and is acceptable to perform this appraisal under the applicable state law.
4. This appraisal report complies with the Uniform Standards of Professional Appraisal Practice that were adopted and promulgated by the Appraisal Standards Board of The Appraisal Foundation and that were in place at the time this appraisal report was prepared.
5. If this appraisal report was transmitted as an "electronic record" containing my "electronic signature," as those terms are defined in applicable federal and/or state laws (excluding audio and video recordings), or a facsimile transmission of this appraisal report containing a copy or representation of my signature, the appraisal report shall be as effective, enforceable and valid as if a paper version of this appraisal report were delivered containing my original hand written signature.

APPRAISER

Signature Jacqueline Pelier
Name Jacqueline Pelier
Company Name Brentwood Property Appraisal, Inc
Company Address 12100 Wilshire Blvd Suite 280
Los Angeles, CA 90025
Telephone Number 310-826-2600
Email Address jacquie@brentwoodappraisals.com
Date of Signature and Report 09/05/2017
Effective Date of Appraisal 08/18/2017
State Certification # AR032281
or State License # _____
or Other (describe) _____ State # _____
State CA
Expiration Date of Certification or License 10/30/2017

ADDRESS OF PROPERTY APPRAISED
2654 The Strand
Hermosa Beach, CA 90254

APPRAISED VALUE OF SUBJECT PROPERTY \$ 9,200,000

LENDER/CLIENT
Name SPEEDY TITLE & APPRAISAL REVIEW SERVICES, LL
Company Name Comerica Bank
Company Address c/o PHH Mortgage, 1 Mortgage Way
Mount Laurel, NJ 08054
Email Address _____

SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature _____
Name _____
Company Name _____
Company Address _____
Telephone Number _____
Email Address _____
Date of Signature _____
State Certification # _____
or State License # _____
State _____
Expiration Date of Certification or License _____

SUBJECT PROPERTY

☐ Did not inspect subject property
☐ Did inspect exterior of subject property from street
Date of Inspection _____
☐ Did inspect interior and exterior of subject property
Date of Inspection _____

COMPARABLE SALES

☐ Did not inspect exterior of comparable sales from street
☐ Did inspect exterior of comparable sales from street
Date of Inspection _____

Uniform Residential Appraisal Report

7166673538
File No. 3702427

FEATURE	SUBJECT	COMPARABLE SALE NO. 4		COMPARABLE SALE NO. 5		COMPARABLE SALE NO. 6	
2654 The Strand	3320 The Strand	1912 The Strand		1918 The Strand			
Address Hermosa Beach, CA 90254	Hermosa Beach, CA 90254	Manhattan Beach, CA 90266		Hermosa Beach, CA 90254			
Proximity to Subject	0.26 miles NW	1.27 miles NW		0.40 miles SE			
Sale Price	\$ 9,200,000	\$ 8,350,000		\$ 11,990,000		\$ 7,400,000	
Sale Price/Gross Liv. Area	\$ 2,936.48 sq. ft.	\$ 3,039.6 sq. ft.		\$ 3,443.4 sq. ft.		\$ 2,905.3 sq. ft.	
Data Source(s)	TheMLS #SB16721224;DOM 1	TheMLS #SB17026827;DOM 194		TheMLS #SB17029805;DOM 188			
Verification Source(s)	Realquest/Title/Doc#1277785	Realquest/Title		Realquest/Title			
VALUE ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Sale or Financing	ArmLth	Listing		Listing			
Concessions	Conv;0	:0		:0			
Date of Sale/Time	s10/16;c10/16	Active	-240,000	Active	0		
Location	B;WtrFr;	B;WtrFr;		B;WtrFr;			
Leasehold/Fee Simple	Fee Simple	Fee Simple		Fee Simple			
Site	2588 sf	2144 sf	555,000	3327 sf	-924,000	2382 sf	257,500
View	B;Wtr;	B;Wtr;		B;Wtr;		B;Wtr;	
Design (Style)	DT2;Spanish	DT2;Contemporary	0	DT2;Traditional	0	DT2;Contemporary	0
Quality of Construction	Q3	Q3		Q3		Q4	500,000
Actual Age	85	27	0	60	0	69	0
Condition	C4	C4		C4		C5	500,000
Above Grade	Total Bdrms Baths	Total Bdrms Baths	10,000	Total Bdrms Baths	-10,000	Total Bdrms Baths	
Room Count	8 4 4.1	7 3 3.1	20,000	8 5 4.1	0	7 4 4.0	10,000
Gross Living Area 725	3,133 sq. ft.	2,747 sq. ft.	280,000	3,482 sq. ft.	-253,000	2,547 sq. ft.	425,000
Basement & Finished Rooms Below Grade	0sf	0sf		0sf		0sf	
Functional Utility	SFR	SFR		Duplex	0	SFR	
Heating/Cooling	Wall/None	Fau/None	-10,000	Fau/Central	-20,000	Radian/None	0
Energy Efficient Items	Insulation	Insulation		Insulation		Insulation	
Garage/Carport	2gbi	2gbi2cp	-10,000	3gbi	-20,000	2gbi	
Porch/Patio/Deck	Patio	Patio/Deck	0	Patio/Deck	0	Patio	
Guest Unit	None	None		Guest Unit 400sf	-270,000	None	
Beach City Locate	Hermosa Bch N	Hermosa Bch N		ManhattanBch C	-1,000,000	Hermosa Bch N	
Net Adjustment (Total)		[X] + [] -	\$ 845,000	[X] + [X] -	\$ 2,737,000	[X] + [] -	\$ 1,692,500
Adjusted Sale Price of Comparables		Net Adj. 10.1% Gross Adj. 10.6%	\$ 9,195,000	Net Adj. -22.8% Gross Adj. 22.8%	\$ 9,253,000	Net Adj. 22.9% Gross Adj. 22.9%	\$ 9,092,500
ITEM	SUBJECT	COMPARABLE SALE NO. 4		COMPARABLE SALE NO. 5		COMPARABLE SALE NO. 6	
Date of Prior Sale/Transfer	08/04/1975	02/29/1988		10/02/1987			
Price of Prior Sale/Transfer	\$180,000	\$234,500		\$970,000			
Data Source(s)	Realquest	Realquest		Realquest		Realquest	
Effective Date of Data Source(s)	08/18/2017	08/18/2017		08/18/2017		08/18/2017	
Summary of Sales Comparison Approach refer to addendum							

Uniform Appraisal Dataset Definitions

7166673538
File No. 3702427

Condition Ratings and Definitions

C1 The improvements have been very recently constructed and have not previously been occupied. The entire structure and all components are new and the dwelling features no physical depreciation."

"Note: Newly constructed improvements that feature recycled materials and/or components can be considered new dwellings provided that the dwelling is placed on a 100% new foundation and the recycled materials and the recycled components have been rehabilitated/re-manufactured into like-new condition. Recently constructed improvements that have not been previously occupied are not considered "new" if they have any significant physical depreciation (i.e., newly constructed dwellings that have been vacant for an extended period of time without adequate maintenance or upkeep).

C2 The improvements feature no deferred maintenance, little or no physical depreciation, and require no repairs. Virtually all building components are new or have been recently repaired, refinished, or rehabilitated. All outdated components and finishes have been updated and/or replaced with components that meet current standards. Dwellings in this category either are almost new or have been recently completely renovated and are similar in condition to new construction.

"Note: The improvements represent a relatively new property that is well maintained with no deferred maintenance and little or no physical depreciation, or an older property that has been recently completely renovated.

C3 The improvements are well maintained and feature limited physical depreciation due to normal wear and tear. Some components, but not every major building component, may be updated or recently rehabilitated. The structure has been well maintained.

"Note: The improvement is in its first-cycle of replacing short-lived building components (appliances, floor coverings, HVAC, etc.) and is being well maintained. Its estimated effective age is less than its actual age. It also may reflect a property in which the majority of short-lived building components have been replaced but not to the level of a complete renovation.

C4 The improvements feature some minor deferred maintenance and physical deterioration due to normal wear and tear. The dwelling has been adequately maintained and requires only minimal repairs to building components/mechanical systems and cosmetic repairs. All major building components have been adequately maintained and are functionally adequate.

"Note: The estimated effective age may be close to or equal to its actual age. It reflects a property in which some of the short-lived building components have been replaced, and some short-lived building components are at or near the end of their physical life expectancy; however, they still function adequately. Most minor repairs have been addressed on an ongoing basis resulting in an adequately maintained property.

C5 The improvements feature obvious deferred maintenance and are in need of some significant repairs. Some building components need repairs, rehabilitation, or updating. The functional utility and overall livability is somewhat diminished due to condition, but the dwelling remains useable and functional as a residence.

"Note: Some significant repairs are needed to the improvements due to the lack of adequate maintenance. It reflects a property in which many of its short-lived building components are at the end of or have exceeded their physical life expectancy but remain functional.

C6 The improvements have substantial damage or deferred maintenance with deficiencies or defects that are severe enough to affect the safety, soundness, or structural integrity of the improvements. The improvements are in need of substantial repairs and rehabilitation, including many or most major components.

"Note: Substantial repairs are needed to the improvements due to the lack of adequate maintenance or property damage. It reflects a property with conditions severe enough to affect the safety, soundness, or structural integrity of the improvements.

Quality Ratings and Definitions

Q1 Dwellings with this quality rating are usually unique structures that are individually designed by an architect for a specified user. Such residences typically are constructed from detailed architectural plans and specifications and feature an exceptionally high level of workmanship and exceptionally high-grade materials throughout the interior and exterior of the structure. The design features exceptionally high-quality exterior refinements and ornamentation, and exceptionally high-quality interior refinements. The workmanship, materials, and finishes throughout the dwelling are of exceptionally high quality.

Q2 Dwellings with this quality rating are often custom designed for construction on an individual property owner's site. However, dwellings in this quality grade are also found in high-quality tract developments featuring residences constructed from individual plans or from highly modified or upgraded plans. The design features detailed, high-quality exterior ornamentation, high-quality interior refinements, and detail. The workmanship, materials, and finishes throughout the dwelling are generally of high or very high quality.

Q3 Dwellings with this quality rating are residences of higher quality built from individual or readily available designer plans in above-standard residential tract developments or on an individual property owner's site. The design includes significant exterior ornamentation and interiors that are well finished. The workmanship exceeds acceptable standards and many materials and finishes throughout the dwelling have been upgraded from "stock" standards.

Q4 Dwellings with this quality rating meet or exceed the requirements of applicable building codes. Standard or modified standard building plans are utilized and the design includes adequate fenestration and some exterior ornamentation and interior refinements. Materials, workmanship, finish, and equipment are of stock or builder grade and may feature some upgrades.

Q5 Dwellings with this quality rating feature economy of construction and basic functionality as main considerations. Such dwellings feature a plain design using readily available or basic floor plans featuring minimal fenestration and basic finishes with minimal exterior ornamentation and limited interior detail. These dwellings meet minimum building codes and are constructed with inexpensive, stock materials with limited refinements and upgrades.

Q6 Dwellings with this quality rating are of basic quality and lower cost; some may not be suitable for year-round occupancy. Such dwellings are often built with simple plans or without plans, often utilizing the lowest quality building materials. Such dwellings are often built or expanded by persons who are professionally unskilled or possess only minimal construction skills. Electrical, plumbing, and other mechanical systems and equipment may be minimal or non-existent. Older dwellings may feature one or more substandard or non-conforming additions to the original structure.

Definitions of Not Updated, Updated, and Remodeled

Not Updated

Little or no updating or modernization. This description includes, but is not limited to, new homes.

Residential properties of fifteen years of age or less often reflect an original condition with no updating, if no major components have been replaced or updated. Those over fifteen years of age are also considered not updated if the appliances, fixtures, and finishes are predominantly dated. An area that is 'Not Updated' may still be well maintained and fully functional, and this rating does not necessarily imply deferred maintenance or physical /functional deterioration.

Updated

The area of the home has been modified to meet current market expectations. These modifications are limited in terms of both scope and cost.

An updated area of the home should have an improved look and feel, or functional utility. Changes that constitute updates include refurbishment and/or replacing components to meet existing market expectations. Updates do not include significant alterations to the existing structure.

Remodeled

Significant finish and/or structural changes have been made that increase utility and appeal through complete replacement and/or expansion.

A remodeled area reflects fundamental changes that include multiple alterations. These alterations may include some or all of the following: replacement of a major component (cabinet(s), bathtub, or bathroom tile), relocation of plumbing/gas fixtures/appliances, significant structural alterations (relocating walls, and/or the addition of square footage). This would include a complete gutting and rebuild.

Explanation of Bathroom Count

The number of full and half baths is reported by separating the two values by a period. The full bath is represented to the left of the period. The half bath count is represented to the right of the period. Three-quarter baths are to be counted as a full bath in all cases. Quarter baths (baths that feature only toilet) are not to be included in the bathroom count.

7166673538

File No. 3702427

Abbreviations Used in Data Standardization Text

Abbrev.	Full Name	Appropriate Fields	Abbrev.	Full Name	Appropriate Fields
ac	Acre	Area, Site	in	Interior Only Stairs	Basement & Finished Rooms Below Grade
AdjPrk	Adjacent to Park	Location	Lndfl	Landfill	Location
AdjPwr	Adjacent to Power Lines	Location	LtdSght	Limited Sight	View
A	Adverse	Location & View	Listing	Listing	Sale or Financing Concessions
ArmLth	Arms Length Sale	Sale or Financing Concessions	MR	Mid-Rise Structure	Design(Style)
AT	Attached Structure	Design(Style)	Mtn	Mountain View	View
ba	Bathroom(s)	Basement & Finished Rooms Below Grade	N	Neutral	Location & View
br	Bedroom	Basement & Finished Rooms Below Grade	NonArm	Non-Arms Length Sale	Sale or Financing Concessions
B	Beneficial	Location & View	op	Open	Garage/Carport
BsyRd	Busy Road	Location	o	Other	Basement & Finished Rooms Below Grade
cp	Carport	Garage/Carport	O	Other	Design(Style)
Cash	Cash	Sale or Financing Concessions	Prk	Park View	View
CitySky	City View Skyline View	View	Pstrl	Pastoral View	View
CityStr	City Street View	View	PwrLn	Power Lines	View
Comm	Commercial Influence	Location	PubTrn	Public Transportation	Location
c	Contracted Date	Date of Sale/Time	rr	Recreational (Rec) Room	Basement & Finished Rooms Below Grade
Conv	Conventional	Sale or Financing Concessions	Relo	Relocation Sale	Sale or Financing Concessions
cv	Covered	Garage/Carport	REO	REO Sale	Sale or Financing Concessions
CrtOrd	Court Ordered Sale	Sale or Financing Concessions	Res	Residential	Location & View
DOM	Days On Market	Data Sources	RT	Row or Townhouse	Design(Style)
DT	Detached Structure	Design(Style)	RH	Rural Housing - USDA	Sale or Financing Concessions
dw	Driveway	Garage/Carport	SD	Semi-detached Structure	Design(Style)
Estate	Estate Sale	Sale or Financing Concessions	s	Settlement Data	Date of Sale/Time
e	Expiration Date	Date of Sale/Time	Short	Short Sale	Sale or Financing Concessions
FHA	Federal Housing Authority	Sale or Financing Concessions	sf	Square Feet	Area, Site, Basement
g	Garage	Garage/Carport	sqm	Square Meters	Area, Site, Basement
ga	Garage - Attached	Garage/Carport	Unk	Unknown	Date of Sale/Time
gbi	Garage - Built-in	Garage/Carport	VA	Veterans Administration	Sale or Financing Concessions
gd	Garage - Detached	Garage/Carport	wo	Walk Out Basement	Basement & Finished Rooms Below Grade
GR	Garden Structure	Design(Style)	wu	Walk Up Basement	Basement & Finished Rooms Below Grade
Glfcse	Golf Course	Location	WtrFr	Water Frontage	Location
Glfcw	Golf Course View	View	Wtr	Water View	View
HR	High Rise Structure	Design(Style)	w	Withdrawn Date	Date of Sale/Time
Ind	Industrial	Location & View	Woods	Woods View	View

Other Appraiser-Defined Abbreviations

[illegible]

ADDENDUM

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254

Additional Comments**PER LENDER REQUEST:**

The lender has asked the appraiser to clarify the measured GLA and bedroom and bath count. This appraiser measured 3133sf with four bedrooms and 3 baths. The appraiser has double checked her measurements and also referenced her sketch and believes that the 3133sf is accurate. The public records shows 3180sf, which is close to the measured GLA of 3133. There was a bedroom and bathroom on the first floor and there were three additional bedrooms with two baths on the second level. One of the bedrooms was used as a closet with racks installed, but it still had a closet and is legally a bedroom.

Without seeing the other appraisers sketch to compare the differences, this appraiser believes that the 3133sf of measured GLA is accurate.

There were no changes to the appraisal and the effective date remains the same. The signature date has changed to address this lender request.

Neighborhood Description:

The subject property is located in a residential community known as the Hermosa Sand area in the city of Hermosa Beach, close to major supporting facilities, public schools and approximately 4 miles from access to the 405 freeway.

Neighborhood Market Conditions:

Following a sharp rise in foreclosure activity and decline in values from 2006/2007 to 2009/2010, the market has stabilized and experienced a recovery. The market has experienced a significant increase in prices in most neighborhoods. Interest rates on mortgage loans remain relatively low and, while the rate of appreciation has leveled off, there is a continued strong demand for homes in the marketplace. Based on the data reflected in the 1004MC, page one of this report reflects that property values are currently stable.

Regarding the 1004MC, market conditions are dynamic and always in some state of flux. Additionally, no search function is available to reasonably delineate by "condition", "quality", "design" or all locational influences (external obsolescence, views, etc.) so the statistical data is typically skewed to some extent based upon these factors. Therefore, the cause of price fluctuations is often due to differences in property characteristics than to shifts in market trends. For the same reasons, in many cases 'spikes' (+/-) between 1004MC marketing periods (+/-) are attributable to some highly upgraded and/or anomalous sale(s) that 'bump' up or push down the 'median' value within a specific marketing period due more to changes in property characteristics than changes to actual market conditions. By way of analogy, it is this Appraiser's opinion that an aberrantly high or low 'median' average pricing in any given 'Marketing Period' is sometimes just an anomaly much like a 'false positive' or 'false negative' in a medical test and this appears to be the case with the 4-6 month period. It is further noted that in the absence of more relevant market data this Appraiser was unable to satisfy the 1004MC instructions that: "Sales and listings must be properties that compete with the subject property, determined by applying the criteria that would be used by a prospective buyer of the subject property". Subsequently, a more "macro" approach was utilized for establishing market trends in the 1004MC. Though not ideal, more often than not "micro" trends tend to follow a parallel path of "macro" trends, so this Appraiser has made the extraordinary assumption that the analysis in the 1004MC would also be applicable to properties within the Subject's own marketing category and submarket. Further support of stable market conditions is by utilizing the grid as its own form of paired sales analysis wherein it demonstrates that the sales were adequately reconciled without the use of the Time Adjustments. In fact, if Time Adjustments were employed it would "reconcile" the data. Accordingly, market trends are deemed to be "Stable."

(NOTE: Per USPAP Definitions: EXTRAORDINARY ASSUMPTION an assumption, directly related to a specific assignment, as of the effective date of the assignment results, which, if found to be false, could alter the appraiser's opinions or conclusions. There is an advisory comment in USPAP that states: "Extraordinary assumptions presume as fact otherwise uncertain information about physical, legal, or economic characteristics of the subject property, or about conditions external to the property, such as market conditions or trends; or about the integrity of data used in an analysis.")

Exposure Time:

The subject's estimated exposure time, at the appraised value, is under 3 months. This is typical for the subject's neighborhood and competing marketing area. Exposure time is directly associated with the appraised value and is considered to be prior to the effective date of the appraisal. The exposure time estimate is based upon the comparables performance as well as the typical exposure time evidenced by the interviews of market participants and analysis of listing to closing dates indicated in MLS for the area. This is providing that the listing price is reasonable and consistent with the market.

Site Comments:

The subject parcel is a typical site with no apparent adverse easements, encroachments or special conditions. The appraiser has not reviewed the title nor geological reports, this report is based on the assumption that both are favorable.

The subject is a beachfront home with direct access to the beach. This is a premier location. The subject is located on the north end of Hermosa Beach. This area is the most desirable part of Hermosa Beach. Homes south of the pier command lower sales prices.

Property Features and Improvements:

The subject is a Spanish style home that was originally built in 1932 and has many original architectural details. There are plaster walls, built in cabinets, arched doorways, and many original tile in the bathrooms.

There is a two car garage with a rear entry with stairs up the upper rec room. There is a tile courtyard between the house and the garage. The living room has hardwood flooring, fireplace and wood beam ceiling. The dining room has hardwood flooring and built in cabinets. The kitchen has tile flooring, formica counters, built in appliances. There is a laundry room off the kitchen and a half bath with small corner sink. There is a bedroom with hardwood flooring and private bath on this level. The bath has tile flooring, tile tub/shower, and single sink. The top floor has a large master bedroom with hardwood flooring and fireplace. There is access to the master bath with single sink, tile flooring, and tub/shower. There is an adjacent bedroom that the current tenants are using as a closet. There is a half bathroom with tile flooring, tile sink, and tub/shower. There is a fourth bedroom on this level also. There is an office with a built in desk. There is a rec room with carpet flooring over the garage. There is a bathroom with tile flooring, single sink, and shower.

The home has been maintained and has kept many of its architectural details. There is wall heat, smoke detectors, CO detectors, and security system. There are panoramic ocean views from both levels of living. There is an underground basement area under the garage. According to the owner it was built as a bomb shelter. It is broken up into three areas and one area has a shower and toilet. It was not given value in this appraisal as it is not accessed via the house but exterior only. It has a low ceiling and cinder block walls. It was considered as a storage area.

The home is tenant occupied. It is currently in escrow for \$9,200,000. The buyers live next door and found out the owners were interested in selling and made an offer on the home before it was entered into the MLS.

Cost Approach:

Under some circumstances (e.g. new tract development, special use, etc.) the Cost Approach can be a very valuable approach, but within well-established, older tracts (such as the Subject's) it has considerable, well documented limitations, not the least of which is the uncertainty of measuring the accrued depreciation evident in the property being appraised due to all causes (i.e. physical, functional and external). Additionally, in this approach, land value must be estimated. The best methodology for supporting land value is by means of the Market Approach, utilizing vacant (unimproved) sites with similar site characteristics, but when evaluating property within a well-established tract reliable, unimproved land sales are very rare at best, and usually unavailable at all, thereby reducing the probability of arriving at a highly reliable estimate of site value. While alternative methods for establishing land value (i.e. extraction [abstraction] allocation, etc.) are acceptable within the scope of an assignment with this intended use, these methods are still less reliable than the Market Approach, and site value is just one component in the full development of the Cost Approach, thus, even if a reliable opinion of site value has been reached, the problems with the Cost Approach are exacerbated by the difficulty in quantifying other variables such as ever changing construction costs due to demographics and vacillating economic trends (locally and nationally), as well as various recaptures rates, and even buyer and seller motivations that are not typically identified or qualified within the parameters of this methodology. Accordingly, with consideration to the above mentioned well documented limitations and inherent inadequacies of the Cost Approach in reaching a reliable opinion of "Market Value", the fact that cost does not necessarily equal value; and because this approach is not essential for achieving "credible results" (USPAP) the Cost Approach was not developed for this assignment.

Comments on Sales Comparison:

After thorough review of available data sources, including MLS, RealQuest, title company and brokers, it was determined that the comparables utilized herein are the best and most indicative of current market value for the subject available at this time. All comparables are considered to be competing properties within the same

ADDENDUM

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254

competitive marketing area that would appeal to the same user group. An extensive search was made for the best available similar properties to best represent the subject's market value at the time of the appraisal.

Proximity to Subject:

All comparables utilized in this appraisal are located within the subject's neighborhood and are beachfront homes in Hermosa Beach and Manhattan Beach. They are both cities with beachfront homes directly on the strand.

Recent/Dated Sales:

All sales comparables are recent sales that are reflective of the current market in the subject's area.

Bracketing:

All major property characteristics have been bracketed. The bracketing of the individual property characteristics helps to demonstrate a market for properties that are both superior and inferior to the subject. It also helps to provide a basis for the individual line adjustments using the paired sales analysis method.

Comments on Individual Comparables:

SALE #1: is a recent sale of a beachfront home in Manhattan Beach that was built in 1936 and has many architectural details, similar to the subject. It is legally a duplex, but marketed as a single family home with a guest unit over the garage. The home has been well maintained and is similar in condition to the subject. This sale is on the north side of Manhattan Beach where sales prices are higher than those south of Manhattan Beach pier. It was listed on 11/16/2016 for \$15,900,000 and then lowered to \$12,999,000. It sold for \$11,900,000 with a contract date of 6/1/2017.

SALE #2: is sale in Hermosa Beach on the south end of Hermosa Beach, where the sales prices are typically lower. It is a Contemporary style home that was built in 1953 and was remodeled with kitchen with granite counters, Viking appliances, wine room for 275 bottles, roof deck with fireplace and BBQ. It is larger in GLA and has a similar site area. It has similar views. It was listed on 2/10/2017 for \$9,299,000 and sold for \$8,900,000 with a contract date of 3/4/2017.

SALE #3: is a sale of a smaller Traditional style home that is located in Manhattan Beach on the south end. This is a similar location to the subject's. It is a beachfront home with a Tridional style. It is an interior lot with similar ocean view. It has many architectural details, but no major remodeling. It is similar in condition to the subject. It was listed on 10/14/2016 for \$11,500,000 and sold for \$9,300,000. It has a contract date of 11/11/2016.

SALE #4: is a sale of a Contemporary beachfront home in Hermosa Beach near the north side. It has a similar location and smaller site area. It was built in 1990 and has not been remodeled and is similar in condition to the subject. It is a slightly dated sale that was adjusted for time. It was listed on 10/08/2016 for \$8,795,000 and sold for \$8,350,000. It entered escrow on 10/09/2016.

SALE #5: is a listing of a Traditional style home that is located in north Manhattan Beach, a superior area. It is a beachfront home that has many architectural details and has been well maintained. It has not been remodeled and is similar in condition. It is a larger home that is a duplex with a guest unit over the garage. The home is legally a duplex, but was marketed as a single family with a guest unit. It was listed on 2/8/2017 for \$13,895,000 then lowered to \$11,990,000. It is currently an active listing.

SALE #6: is a listing of a Contemporary style home in Hermosa Beach. It is inferior in condition and quality to the subject as it lacks the architectural details and charm of the subject. It has not been maintained and is in need of repairs. It is on a smaller site area. It is on the north end of Hermosa Beach, similar to the subject. It was listed on 2/14/2017 for \$7,700,000 and then lowered to \$7,400,000 on May 23, 2017. The CDM is 188, but since the DOM from the time of the last reduction is still within normal marketing times, it is this Appraiser's opinion that it should test the market at this more competitive price without an adjustment for negotiations.

The appraiser has personally driven by each comparable used in this report.

Adjustments:

The most common, and theoretically ideal method for deriving adjustments is known as a paired sales analysis. This method works quite well in an area of conforming homes that vary slightly in some characteristics, but are generally built in the same time period, are relatively similar in size and built on similar lots. However, the subject is in an area with a broad range of prices and property characteristics, which makes it much more complex to derive supportable adjustments. The market adjustments in this appraisal are based upon modified paired sales analysis, the attributable market difference ascertained by depreciated replacement cost/contributory value, discussion with local realtors who specialize in the area and the appraiser's experience and knowledge of the subject's specific marketplace. This is done by analyzing the indicated value range of the comparable sales after all adjustments have been made. With the analysis of several sales, although it is not a scientific calculation, reasonable conclusions can be made based on the differences in the indicated value range as to the most probable effect on market value a particular feature has. This is considered to be the most reliable method for determining the market's reaction to various property characteristics.

Location Adjustments:

The adjustment for location can depend on many factors. It could be made for adverse external influences, like a busy street etc., or it could be made to a comparable that is in an area considered to be generally inferior or superior to the subject. In the case of this particular appraisal, all sales are beachfront homes.

This Appraiser notes that "The Strand" is South Bay beach-front street extending through both Hermosa Beach and Manhattan Beach. The highest demand locations in both cities are on "The Strand" noting that historically all of the sales ever reported over \$9,000,000 in Hermosa Beach (of which there are 9) each have addresses on "The Strand" that has peaked at \$15,000,000. In Manhattan Beach "The Strand" not only boasts 19 of the 31 sales reported over \$9,000,000 but also carries the distinction of having the highest priced sale (\$21,000,000) ever reported within the city. Accordingly, "The Strand" is considered to be a market unto itself, and within Hermosa Beach city limits no other locations can be considered, therefore it is sometimes essential to derive sales from "The Strand" from both cities when evaluating properties in either market area. However, not all "Strand" locations are similar in demand, noting that there are nuances within both cities wherein the historical trends indicate that there are roughly 6 locations along "The Strand" arbitrarily identified by this Appraiser as: [1] 'Hermosa Beach South' (Redondo Beach city limits to Pier Avenue); [2] 'Hermosa Beach North' (Pier Ave to M.B. city limits); [3] 'Manhattan Beach South' (1st Street to Manhattan Beach Blvd.); [4] 'Manhattan Beach Central' (Manhattan Beach Blvd. to just beyond Marine Street); [5] 'Manhattan Beach North' (~ 25th Street to Rosecrans Blvd.); [6] 'Manhattan Beach North of Rosecrans Blvd.'. Historically, pricing and demand between these submarkets has vacillated under various market conditions, so the only consistent trend conclusively demonstrated over time is that Manhattan Beach has always been able to define the price ceiling on "The Strand"; that 'M.B. North of Rosecrans Blvd' is by far the least in demand and historically has the lowest priced sales due to the proximity of oil refineries; and the second lowest demand area has been the southern 'Hermosa Beach South', due in part, to the 'Principle of Regression' because it is adjacent to Redondo Beach which is a notably inferior South Bay market area. Otherwise, the northern section of Hermosa Beach, while never achieving the highest pricing, has at times competed reasonably well in demand and pricing with M.B. all the way up to Marine Street (and just beyond), noting that both areas share the most similar locational factors being centrally located within the full length of "The Strand". Nonetheless, these are not strict nor even static boundaries, so these locational nuances must be given consideration on a case by case basis. For this assignment, the Subject's submarket is identified as 'H.B. North' (N) which it shares with Comps #4 and #6; Comps #1 and #5 are in 'M.B. Central' (C); Comp #2 is in 'H.B. South' (S); Comps #3 is in 'M.B. South' (S). (No Comps are taken from 'N.B. North' or 'North of Rosecrans'.) Based upon paired sales within the sales grid, it appears that 'M.B. Central' (C) is demanding higher prices over the last year, while M.B. South (S) has competed most similarly with the Subject's H.B. North submarket. This is not atypical because these two sections are adjacent and hence closest in proximity to each other. Location adjustments have been made in \$1,000,000 increments. Justification for the inferior market area of 'H.B.S.' vs. 'H.B.N.' is derived from paired sales between Comp #2 (H.B.S.) and Comp #4 (H.B.N.). The differences between M.B.C and M.B.S is derived from paired sales between Comps #1 and #3. Similarly, paired sales between Comps #3 and #4 demonstrate similar pricing between H.B. North vs M.B. South at this time. As such, the \$1,000,000 adjustments (+/-) appear to be very adequate for reconciling their respective sale prices to each other and to the submarket of the Subject Property.

Site Adjustments:

The adjustment for site is based partially on analyzing the value of land in the subject's area. Homes are purchased for land value to be redeveloped with new homes. The prices of these "lots" range from \$1200 per square foot to \$2500 per square foot for what is considered the usable portion. We also consider the sales prices of the homes selling that are not considered "tear downs" and extract the cost of constructing the improvements to derive a rough land value. From that we consider the fact that the value of the lot diminishes beyond the size that is typical for the neighborhood. Given the high value of the land in this neighborhood, we figure that an adjustment at the rate of \$1250 per square foot is reasonable.

ADDENDUM

Borrower: AOL Investments LLC		File No.: 3702427
Property Address: 2654 The Strand		Case No.: 7166673538
City: Hermosa Beach	State: CA	Zip: 90254
Lender: Comerica Bank		

1932 The Strand is a waterfront corner lot that sold on 5/12/2017 for \$8,350,000. It has 4240sf of site. The site has already been cleared, so this is a true land sale of a waterfront lot in Hermosa Beach. Based on the sales price of \$8,350,000 this lot sold for \$1969.34/sf. This supports the subject's high site adjustments of \$1250/sf.

Condition/Quality Adjustments:

The adjustment for condition and quality are very difficult to quantify. Much like the view amenity, there are multiple levels and degrees of variances. Condition can relate to how well a house has been maintained or how recently it was updated, or to what extent it was updated. Quality typically relates to the actual materials that were used. Remodeling costs can vary greatly. What is recaptured in the marketplace can depend on what the money was spent on and how tastefully it was done, in the eyes of the buyers. The market has clearly demonstrated that the typical buyer will pay considerably more for a tastefully remodeled house done with good quality than a house in need of updating. In the subject's market, the premium paid for quality and condition are considerable.

Quality of Construction:

Sales are adjusted at \$500,000 per grade difference based on a paired sales analysis between sales and . Quality ratings for the comparable sales were determined based on the appraisers exterior inspections of each sale and realtor comments in the Multiple Listing Service as well as interior photos in the MLS when available.

Condition:

Sales are adjusted at \$500,000 per grade difference. Condition ratings for the comparable sales were determined based on the appraiser's exterior inspections of each sale and realtor comments in the Multiple Listing Service as well as interior photos in the MLS when available.

Note: Due to strict UAD definitions for condition ratings, it is common for a wide range of homes to fall within the same UAD condition rating, yet one may be more extensively remodeled than the next and would command a premium value in the market place. As a result, condition ratings reflected in this report meet UAD definitions, however after careful consideration of each sale by viewing interior MLS photos of each comparable as well as based on realtor comments in the MLS listings and conversations with the listing agents when appropriate, it was determined that several sales in this report have the same UAD required condition rating, yet vary in market appeal, therefore it was necessary to make adjustments for condition and/or quality differences of the same rating to accurately reflect the market reaction to the level of updating of each comparable when compared with the subject property. Detailed descriptions of each comparable sale are given above to describe the condition differences as recognized by the market rather than what is required by the UAD definitions.

Due to many homes being updated since their original dates of construction, actual ages are not always truly reflective of the properties as effective ages are greatly reduced with typical remodeling and updating, therefore age differences are reflected in the overall condition ratings and adjustments.

GLA Adjustments:

Adjusting for GLA becomes a complicated issue and ideally reflects the contributory value of additional square footage. One of the issues that make this factor complicated is that many buyers and real estate brokers use a "price per square foot" calculation to value an entire property. We do not feel that this is a legitimate method to derive a per square foot adjustment for the GLA differences. The primary reason is that the price per square foot encompasses all characteristics and amenities. The variances described earlier (lot size, view, condition, quality etc.) can cause the price per square foot to fluctuate tremendously in neighborhoods like the subject's. For example, the price per square foot for the sales used in this appraisal ranges from \$2514 to \$5643. A per square foot adjustment within that range may result in what is considered in the industry to be excessive adjustments. On the other side of this issue is the actual cost of construction for similar homes. In this neighborhood the costs can range from \$250 per square foot to well over \$600 per square foot. It appears that a GLA adjustment more in line with the actual cost of construction typically serves to adequately reflect the actions of the buyers, in terms of that one specific line item. It is noted, however, that the contributory value of additional living area usually diminishes when the size of the house exceeds what is typical for the neighborhood.

\$725 per square foot difference, supported by the above explanations and a paired sales analysis between sales and is indicated for the differences in building sizes between the subject and each of the comparable sales, rounded to the nearest \$500.00.

Other Adjustments: \$10000 is indicated for half bath differences. \$20,000 is indicated for full bath differences. Bedroom count differences at \$10,000. Garages adjusted at \$20,000.

Final Reconciliation:

With consideration to all of the economic, external, functional and physical market factors influencing the subject, its market area and the sales that were available for comparative analysis, it is the Appraiser's opinion that the comparables used are the most reliable indicators of market value for the subject property. The range of adjusted pricing is from \$9,092,500 to \$9,308,000 (~ 2.5% variance) and each comparable made some contribution to understanding the Subject's market value; however, most consideration was given to Comps #1 and #2 for being recent sales with the most overall similarity to the subject, and then to Comp #3 for being in the most similar submarket. The estimated value of \$9,200,000 appears to be well supported and reasonably bracketed by the best available market data. Furthermore, "Market Value", by accepted definition, is in part, "the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale..." With this in mind, and in compliance with USPAP 1-5, this Appraiser also considered the pending sale contract price of \$9,200,000 which appears to reasonably reflect property specific market reaction to the Subject's characteristics and its ability to credibly demand this market price from within the net adjusted range of indicated market value. Even Fannie Mae recognizes the significant impact of property specific market reaction which is why their underwriting guidelines allows for "the subject property to be used as a fourth comparable sale or as supporting data if it was previously sold and closed or settled" (FNMA Sales Guide [July 25, 2017]. Though not used as its own comparable, the marketing of the Subject and this offer was given appropriate weight when determining value. The income approach to value is not applicable due to lack of relevant data for an area predominately owner occupied residences. Estimated value does NOT include any personal property. Sales #1-4 are closed and recorded in public records (see appraisal for document numbers). Sale dates shown are actual close of escrow dates unless otherwise noted.

Most consideration was given to sale #1-2 due to most overall similarity to the subject and being a recent sales. Sales #1-4 are closed and recorded in public records (see appraisal for document numbers). Sale dates shown are actual close of escrow dates unless otherwise noted.

Due to the subject's beachfront location, the estimate of market value for the subject is higher than the predominant value for homes in the subject's neighborhood. It is not considered to be an over-improved or over-valued home for the area and there is no apparent adverse effect on marketability noted.

This is an appraisal report which is intended for use by the lender/client for a mortgage finance transaction for the indicated borrower only. This report is not intended for any other use. The contents within this appraisal are not to be sold or distributed to any publication or data provider, nor are any of the contents to be used in connection with a computer generated valuation of any other property.

The appraiser of this report completes between 5-7 appraisals in this area per week and has completed over 200 appraisals in this area over the past year. The appraiser lives within 25 miles of the subject property and has worked in this particular area for more than 15 years. Appraiser uses CRMLS, CLAW-MLS, i-Tech-MLS, Ventura-MLS, FARES, RealQuest, Dataquick & various title companies for property and comparable data.

This appraisal was completed in compliance with USPAP and all local, state and federal laws and regulations related to the appraisal of real estate and "appraiser independence", including but not limited to California Senate bill 223/California Civil Code section 1090.5, as well as the Dodd-Frank Wall Street Reform and Consumer Protection Act. Additionally, the appraisal complies with relevant sections of the Fannie Mae and Freddie Mac appraisal guidelines.

I Certify that to the best of my knowledge and belief:

I have performed no services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three year period immediately preceding acceptance of this assignment.

Digital signature(s) in this report is password protected and utilized for the purpose of transmitting the appraisal electronically.

Market Conditions Addendum to the Appraisal Report

7166673538

File No. 3702427

The purpose of this addendum is to provide the lender/client with a clear and accurate understanding of the market trends and conditions prevalent in the subject neighborhood. This is a required addendum for all appraisal reports with an effective date on or after April 1, 2009.

Property Address **2654 The Strand** City **Hermosa Beach** State **CA** Zip Code **90254**

Borrower **AOL Investments LLC**

Instructions: The appraiser must use the information required on this form as the basis for his/her conclusions, and must provide support for those conclusions, regarding housing trends and overall market conditions as reported in the Neighborhood section of the appraisal report form. The appraiser must fill in all the information to the extent it is available and reliable and must provide analysis as indicated below. If any required data is unavailable or is considered unreliable, the appraiser must provide an explanation. It is recognized that not all data sources will be able to provide data for the shaded areas below; if it is available, however, the appraiser must include the data in the analysis. If data sources provide the required information as an average instead of the median, the appraiser should report the available figure and identify it as an average. Sales and listings must be properties that compete with the subject property, determined by applying the criteria that would be used by a prospective buyer of the subject property. The appraiser must explain any anomalies in the data, such as seasonal markets, new construction, foreclosures, etc.

Inventory Analysis	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)	33	8	21	Increasing	<input checked="" type="checkbox"/> Stable	Declining
Absorption Rate (Total Sales/Months)	5.50	2.67	7.00	Increasing	<input checked="" type="checkbox"/> Stable	Declining
Total # of Comparable Active Listings	N/A	N/A	17	Declining	Stable	Increasing
Months of Housing Supply (Total Listings/Ab. Rate)	N/A	N/A	2.43	Declining	Stable	Increasing
Median Sale & List Price, DOM, Sale/List %	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Median Comparable Sale Price	2,625,000	4,575,000	2,750,000	Increasing	<input checked="" type="checkbox"/> Stable	Declining
Median Comparable Sales Days on Market	57	111	45	Declining	<input checked="" type="checkbox"/> Stable	Increasing
Median Comparable List Price	N/A	N/A	4,995,000	Increasing	Stable	Declining
Median Comparable Listings Days on Market	N/A	N/A	16	Declining	Stable	Increasing
Median Sale Price as % of List Price	95.04%	96.35%	97.76%	<input checked="" type="checkbox"/> Increasing	Stable	Declining
Seller (developer, builder, etc.) paid financial assistance prevalent?	<input checked="" type="checkbox"/> Yes	No		Declining	<input checked="" type="checkbox"/> Stable	Increasing

Explain in detail the seller concessions trends for the past 12 months (e.g., seller contributions increased from 3% to 5%, increasing use of buydowns, closing costs, condo fees, options, etc.).

Refer to addendum

Are foreclosure sales (REO sales) a factor in the market? ☐ Yes ☒ No If yes, explain (including the trends in listings and sales of foreclosed properties).

Refer to addendum

Cite data sources for above information. **FARES/MLS**

Summarize the above information as support for your conclusions in the Neighborhood section of the appraisal report form. If you used any additional information, such as an analysis of pending sales and/or expired and withdrawn listings, to formulate your conclusions, provide both an explanation and support for your conclusions.
With no current sales of beachfront properties in the last 3 months, the above market grid shows a declining trend. This is not entirely accurate, due to lack of sales in the past year. The active listings and pending sales show a medium range of \$6,700,000. This figure is in line with the median sales prices in the past 7-12 months and 4-6 months. Due to this factor, the front page of this report is marked as stable. Looking at the sales in 2011, the data also supports a stable trend.

If the subject is a unit in a condominium or cooperative project, complete the following:

Project Name:

Subject Project Data	Prior 7-12 Months	Prior 4-6 Months	Current - 3 Months	Overall Trend		
Total # of Comparable Sales (Settled)				Increasing	Stable	Declining
Absorption Rate (Total Sales/Months)				Increasing	Stable	Declining
Total # of Active Comparable Listings				Declining	Stable	Increasing
Months of Unit Supply (Total Listings/Ab. Rate)				Declining	Stable	Increasing

Are foreclosure sales (REO sales) a factor in the project? ☐ Yes ☐ No If yes, indicate the number of REO listings and explain the trends in listings and sales of foreclosed properties.

Summarize the above trends and address the impact on the subject unit and project.

APPRAISER

Signature Jacqueline Peltier
Name **Jacqueline Peltier**
Company Name **Brentwood Property Appraisal, Inc**
Company Address **12100 Wilshire Blvd Suite 280**
Los Angeles, CA 90025
State License/Certification # **AR032281** State **CA**
Email Address **jacquie@brentwoodappraisals.com**

SUPERVISORY APPRAISER (ONLY IF REQUIRED)

Signature _____
Name _____
Company Name _____
Company Address _____
State License/Certification # _____ State _____
Email Address _____

ADDENDUM

Borrower: AOL Investments LLC		File No.: 3702427
Property Address: 2654 The Strand		Case No.: 7166673538
City: Hermosa Beach	State: CA	Zip: 90254
Lender: Comerica Bank		

Market Analysis Comments

Comments on FNMA form 1004MC/Neighborhood and market conditions Analysis:

The local area market has experienced a substantial increase in property values annually since 1998. It appears that the trend, in general, began to stabilize in the middle of 2006, depending on the specific neighborhood. In recent years mortgage interest rates were at historic lows for an extended period of time and remain relatively low. Additionally, financing options were plentiful with numerous loan programs available for a wide range of borrowers. In the middle of 2006, the Los Angeles area began to see an increase in mortgage payment defaults and foreclosure activity. Throughout 2007 and 2008 the foreclosure rate in the general area has dramatically increased. While interest rates on mortgage loans are still relatively low, it appears that availability of certain financing options has diminished thereby limiting the purchasing power of certain buyers in the marketplace. It is difficult to develop a precise analysis of the price trend in the subject's immediate neighborhood due to the diversity in property characteristics and the limited activity of similar competing properties.

The information reported in form 1004MC is to be used as the basis for the conclusion reported in the neighborhood section of the appraisal report. The 1004MC form instructions specify the analysis of properties that compete with the subject. Historically, the trends reported in the neighborhood section of the appraisal were based on a market broader than just the properties that compete with the subject. The reason is that limiting the analysis to such a narrow focus would typically not produce enough data to develop an accurate analysis of a trend. For example, the property may be in an area where there are only a total of 5 viable sales comparables within the past year. With this in mind, the inventory and trend analysis in form 1004MC may be based on criteria with parameters that are expanded beyond the criteria used by prospective buyers of the subject property, in order to include enough data to identify a trend. It is the same approach applied to researching the market for comparable sales. In many cases, there are limited recent sales of similar competing properties that fit within all of the FNMA guidelines, and it becomes necessary to expand the research to include the most relevant comparable data available.

Using the above approach, however, poses another challenge. In a market as diverse as the subject's market, there is such a broad range of prices that the data might not indicate an accurate price trend, in terms of average or median. The reason is that there may simply be more sales in one end of the range than the other during that particular time period. This is why media publications may report an increase in the median home price within a particular zip code in a time period where property values were actually declining in that same zip code, or "vice versa".

When analyzing and reporting the statistics on listing activity, it should be noted that a listing, by its very nature, is current (active). The MLS utilized to produce the data for analysis in the form does not maintain records on past active listings. Instead, the status in the MLS changes and the "listings" become cancelled, withdrawn and sold etc... Therefore, the fields related to historical listings are deemed to be not applicable, as the information is not accessible.

We have indicated in the 1004MC form that developer/builder paid financial assistance is prevalent. What that means is that it is common in the subject's market for developers and builders of tract homes or large condominium projects to offer credits such as non-recurring closing costs. It is common to see an amount in the area of 3% of the purchase price, particularly with conforming loan amounts. There have been situations in the past where such sellers would increase sales prices to accommodate larger concessions or negotiate credits instead of price in some areas and some cases, but those credits are difficult to uncover and that practice is not currently prevalent in the subject's market.

SINGLE FAMILY COMPARABLE RENT SCHEDULE

This form is intended to provide the appraiser with a familiar format to estimate the market rent of the subject property. Adjustments should be made only for items of significant difference between the comparables and the subject property.

7166673538
File No. 3702427

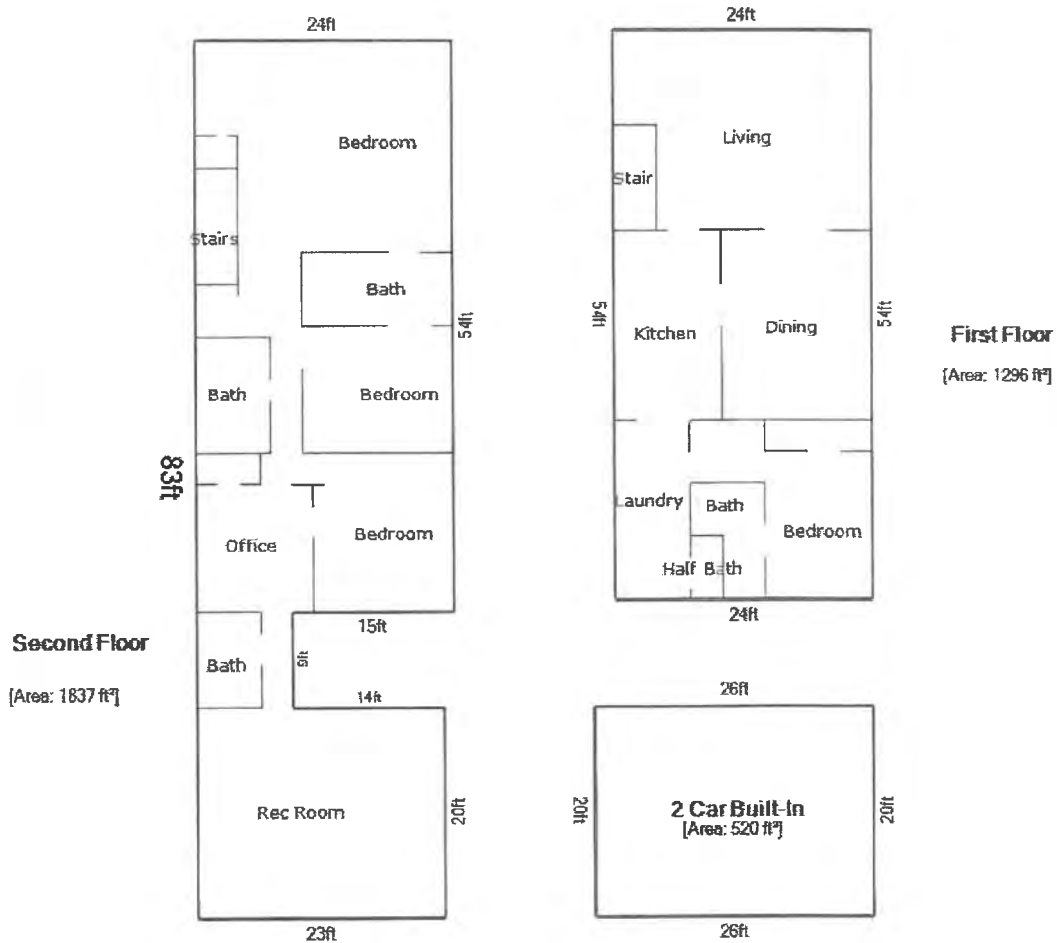
ITEM	SUBJECT	COMPARABLE NO. 1		COMPARABLE NO. 2		COMPARABLE NO. 3	
Address	2654 The Strand Hermosa Beach, CA 90254	2400 The Strand Hermosa Beach, CA 90254		2330 The Strand Hermosa Beach, CA 90254		304 The Strand Manhattan Beach, CA 90266	
Proximity to Subject		0.15 miles SE		0.18 miles SE		0.46 miles NW	
Date Lease Begins		05/2017		06/2016		09/2016	
Date Lease Expires		05/2018		06/2017		09/2017	
Monthly Rental	If Currently Rented: \$ Unknown	\$ 25,000		\$ 26,000		\$ 24,500	
Less: Utilities	\$	\$		\$		\$	
Furniture	\$	\$		\$		\$	
Adjusted Monthly Rent	\$ 0	\$ 25,000		\$ 26,000		\$ 24,500	
Data Source	Agent	MLS		MLS		MLS	
RENT ADJUSTMENTS	DESCRIPTION	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment	DESCRIPTION	+(-) \$ Adjustment
Rent		None		None		None	
Concessions							
Location/View	B;WtrFr; B;Wtr;	B;WtrFr; B;Wtr;		B;WtrFr; B;Wtr;		B;WtrFr; B;Wtr;	
Design and Appeal	DT2;Spanish	DT2;Traditional		DT2;Contemp		DT2;Traditional	
Age/Condition	85 C4	101 C4	0	13 C3	-1,000	65 C4	
Above Grade Room Count	Total Bdrms Baths 8 4 4.10	Total Bdrms Baths 8 4 4.00		Total Bdrms Baths 8 4 4.00		Total Bdrms Baths 7 3 3.10	
Gross Living Area	3,133 Sq. Ft.	2,798 Sq. Ft.	335	3,329 Sq. Ft.	-196	2,500 Sq. Ft.	633
Other (e.g., basement, etc.)	0sf	0sf		0sf		0sf	
Other:	None Hermosa Bch N	None Hermosa Bch N		None Hermosa Bch N		None ManhattanBch S	
Net Adj. (total)		X + - \$ 335		X - \$ 1,196		X + - \$ 633	
Indicated Monthly Market Rent		1.3 \$ 25,335		4.6 \$ 24,804		2.6 \$ 25,133	
<p>Comments on market data, including the range of rents for single family properties, an estimate of vacancy for single family rental properties, the general trend of rents and vacancy, and support for the above adjustments. (Rent concessions should be adjusted to the market, not to the subject property.)</p> <p>There is limited rental data for beachfront homes. Most homes are owner occupied and used as primary residences or second homes. The above sales are the best available at this time.</p> <p>GLA @1/sf Condition @ \$1000 Bath count included in GLA adjustment.</p>							
<p>Final Reconciliation of Market Rent: The rental ranges for the sales used above range from \$24,804 to \$25,335. The subject's rental value of \$25,000 appears to be supported by the market data.</p>							
<p>I (WE) ESTIMATE THE MONTHLY MARKET RENT OF THE SUBJECT AS OF 08/18/2017 TO BE \$ 25,000</p>							
APPRaiser:				SUPERVISORY APPRAISER (ONLY IF REQUIRED):			
Signature <i>Jacqueline Peltier</i>				Signature			
Name Jacqueline Peltier				Name			
Date Report Signed 09/05/2017				Date Report Signed			
State Certification # AR032281 State				State Certification # State			
Or State License # State				Or State License # State			
Date Property Inspected August 18, 2017				Date Property Inspected			
<input type="checkbox"/> Did <input type="checkbox"/> Did Not Inspect Property							

FLOORPLAN SKETCH

Borrower: AOL Investments LLC
 Property Address: 2654 The Strand
 City: Hermosa Beach
 Lender: Comerica Bank

File No.: 3702427
 Case No.: 7166673538
 State: CA
 Zip: 90254

Sketch



12 ft

Area Calculation				
Living Area				
First Floor	1296 ft ²	54ft x 24ft x 1.00 =	1296 ft ²	
Second Floor	1837 ft ²	24ft x 54ft x 1.00 =	1296 ft ²	
Nonliving Area				
2 Car Built-In	520 ft ²	26ft x 20ft x 1.00 =	520 ft ²	
Total Living Area (rounded):	3133 ft ²			

DIMENSION LIST ADDENDUM

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254

GROSS BUILDING AREA (GBA)		3,133
GROSS LIVING AREA (GLA)		3,133
Area(s)	Area	% of GLA
Living	3,133	100.00
Level 1	1,296	41.37
Level 2	1,837	58.63
Level 3	0	0.00
Other	0	0.00
GBA		
Basement	0	
Garage	520	

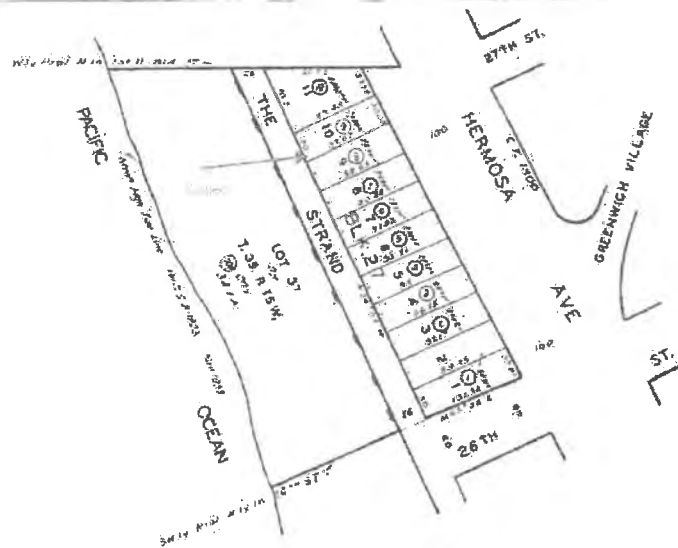
Area Measurements					Area Type					
Measurements		Factor		Total	Level 1	Level 2	Level 3	Other	Bamt.	Garage
54.00	x	24.00	x	1.00	=	1,296.00				
24.00	x	54.00	x	1.00	=	1,296.00				
9.00	x	9.00	x	1.00	=	81.00				
20.00	x	23.00	x	1.00	=	460.00				
26.00	x	20.00	x	1.00	=	520.00				
	x		x		=					
	x		x		=					
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PLAT MAP

Borrower: AOL Investments LLC
 Property Address: 2654 The Strand
 City: Hermosa Beach
 Lender: Comerica Bank

File No.: 3702427
 Case No.: 7166673538
 State: CA
 Zip: 90254

4181 37
 SCALE 1" = 80'



CODE
 4340

RANCHO SAUSAL REDONDO
 P. 14507-508

HERMOSA BEACH
 M.B. 1-25-28

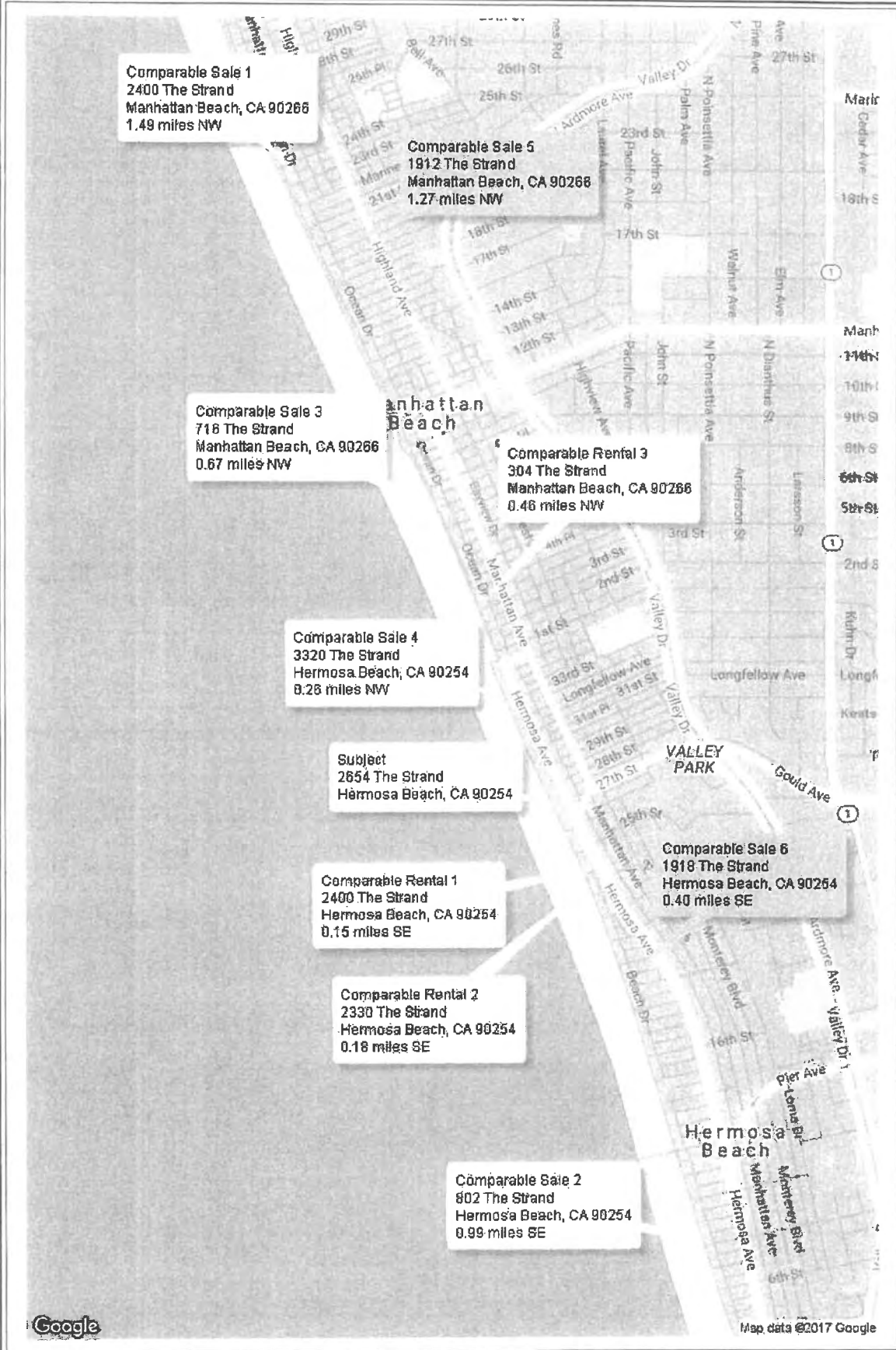
FOR NEW ADVERT. SEE 16-9-30

434050001-0 440
 COUNTY OF LOS ANGELES, CALIF.

LOCATION MAP

Borrower: AOL Investments LLC
 Property Address: 2654 The Strand
 City: Hermosa Beach
 Lender: Comerica Bank

File No.: 3702427
 Case No.: 7166673538
 State: CA
 Zip: 90254



AERIAL MAP

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank

File No.: 3702427
Case No.: 7166673538
State: CA
Zip: 90254



Subject:
2654 The Strand
Hermosa Beach, CA 90254

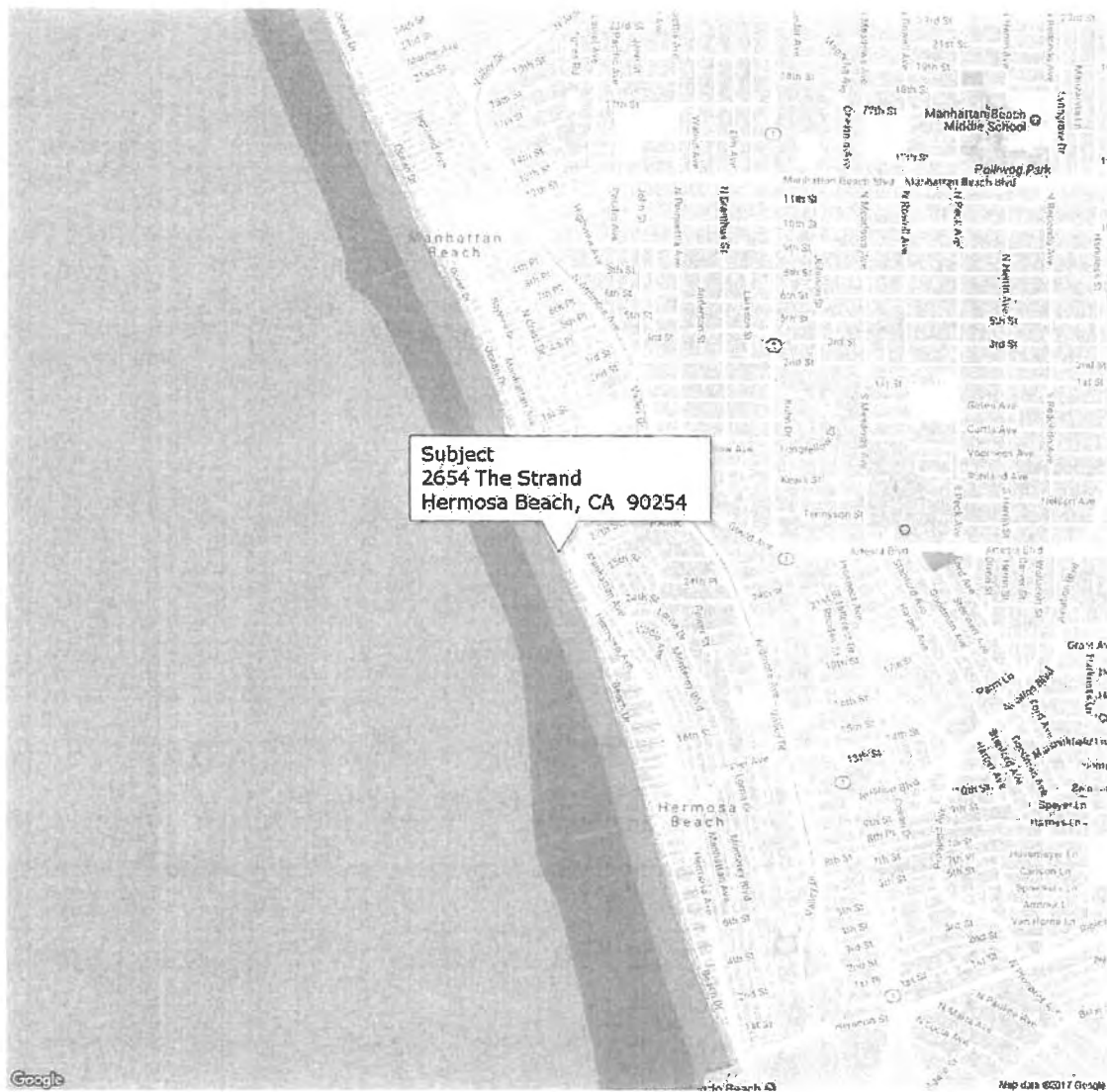
Google

Map data ©2017 Google Imagery ©2017

FLOOD MAP

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank





File No.: 3702427
Case No.: 7166673538
Slate: CA
Zip: 90254



FLOOD INFORMATION

Community: CITY OF HERMOSA BEACH
Property is NOT in a FEMA Special Flood Hazard Area
Map Number: 06037C1907F
Panel: 1907F
Zone: X
Map Date: 09-26-2008
FIPS: 06037
Source: FEMA DFIRM

LEGEND

 = FEMA Special Flood Hazard Area - High Risk
 = Moderate and Minimal Risk Areas
Road View:
 = Forest
 = Water

Sky Flood™

No representations or warranties are made by any party concerning the content, accuracy or completeness of this Flood Report, including any variation of marketability or fitness for a particular purpose is implied or provided. Visual scaling factors differ between map layers and are separate from flood zone information at marker location. No liability is accepted to any third party for any use or misuse of this flood map or its data.

SUBJECT PROPERTY PHOTO ADDENDUM

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



**FRONT VIEW OF
SUBJECT PROPERTY**

Appraised Date: August 18, 2017
Appraised Value: \$ 9,200,000



**REAR VIEW OF
SUBJECT PROPERTY**



STREET SCENE

COMPARABLE PROPERTY PHOTO ADDENDUM

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA Zip: 90254
Lender: Comerica Bank	



COMPARABLE SALE #1

2400 The Strand
Manhattan Beach, CA 90266
Sale Date: s08/17;c06/17
Sale Price: \$ 11,900,000



COMPARABLE SALE #2

802 The Strand
Hermosa Beach, CA 90254
Sale Date: s05/17;c05/17
Sale Price: \$ 8,900,000



COMPARABLE SALE #3

716 The Strand
Manhattan Beach, CA 90266
Sale Date: s01/17;c11/16
Sale Price: \$ 9,300,000

COMPARABLE PROPERTY PHOTO ADDENDUM

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



COMPARABLE SALE #4

3320 The Strand
Hermosa Beach, CA 90254
Sale Date: s10/16;c10/16
Sale Price: \$ 8,350,000



COMPARABLE SALE #5

1912 The Strand
Manhattan Beach, CA 90266
Sale Date: Active
Sale Price: \$ 11,990,000



COMPARABLE SALE #6

1918 The Strand
Hermosa Beach, CA 90254
Sale Date: Active
Sale Price: \$ 7,400,000

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA Zip: 90254
Lender: Comerica Bank	



Second Street Scene



Alley View



Alley View

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank

File No.: 3702427
Case No.: 7166673538
State: CA
Zip: 90254



side View

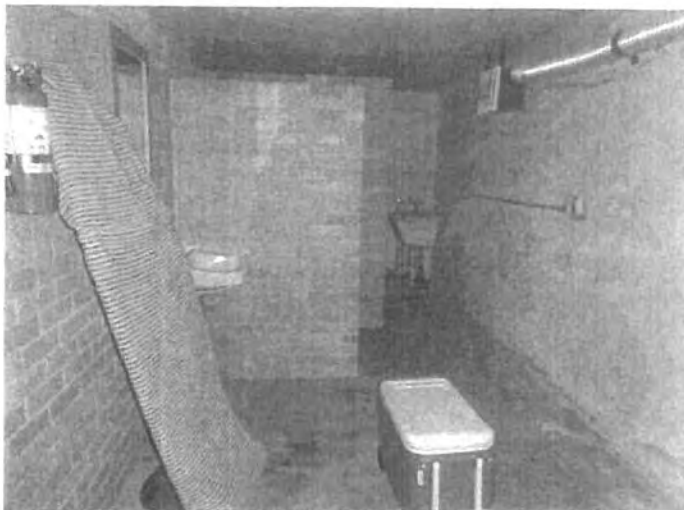


Courtyard

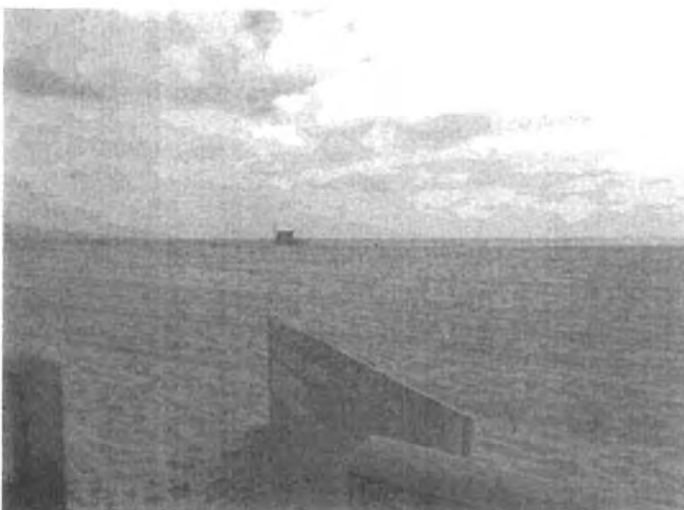


Bunker Under Garage

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



Bunker Under Garage



View



Living Room

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank

File No.: 3702427
Case No.: 7166673538
State: CA
Zip: 90254



Dining room



Kitchen



Laundry

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



Powder



Bath



Bath

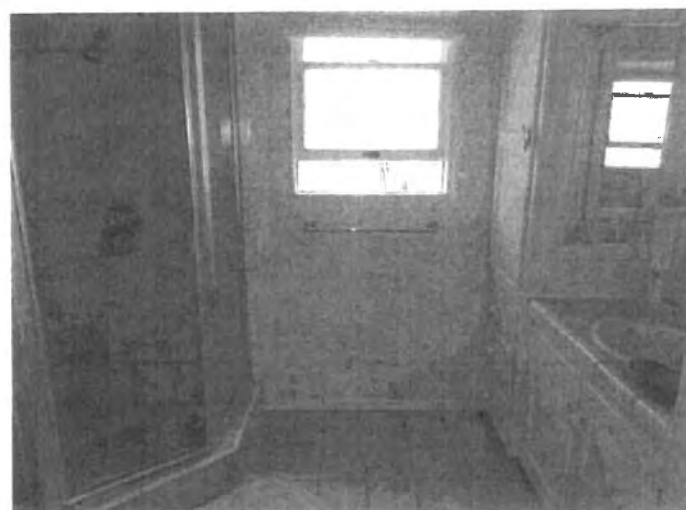
Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



Bath



Bath Opposite



Bath

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank

File No.: 3702427
Case No.: 7166673538
State: CA
Zip: 90254



Master Bedroom



Bedroom (used as closet)

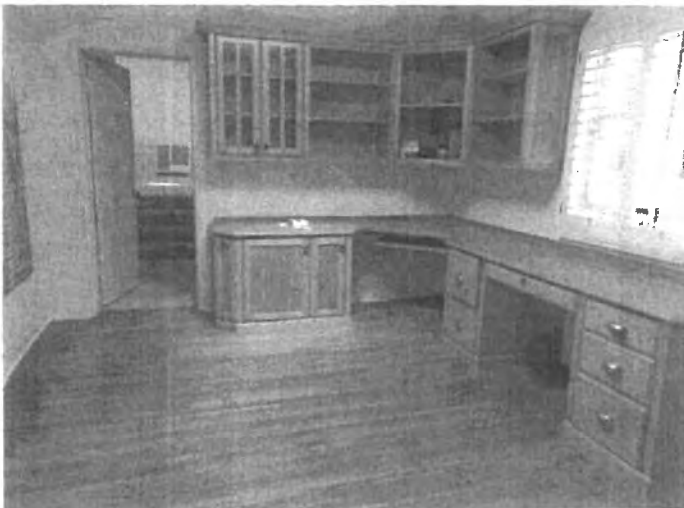


Bedroom

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



Bedroom



Den/Office



View

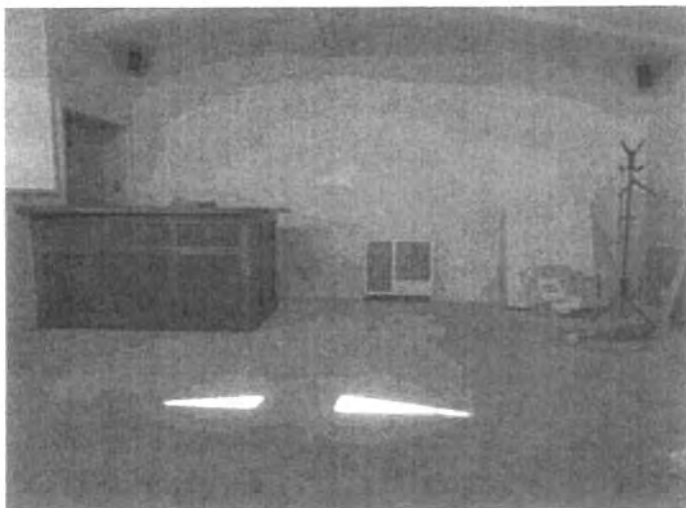
Borrower: AOL Investments LLC		File No.: 3702427
Property Address: 2654 The Strand		Case No.: 7166673538
City: Hermosa Beach	State: CA	Zip: 90254
Lender: Comerica Bank		



View

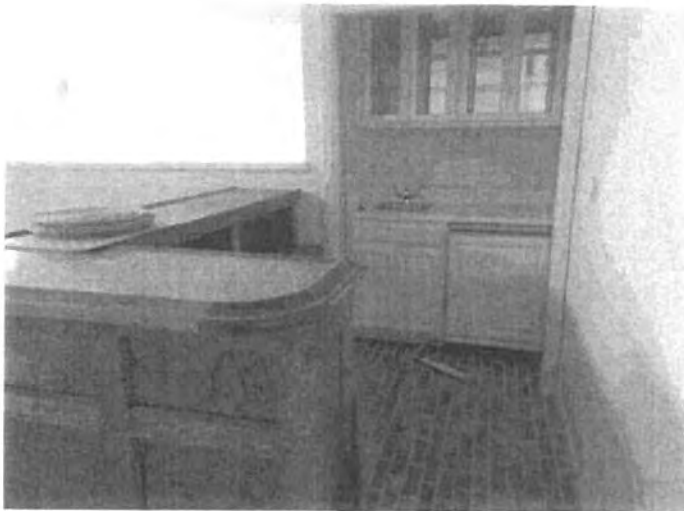


View



Rec Room

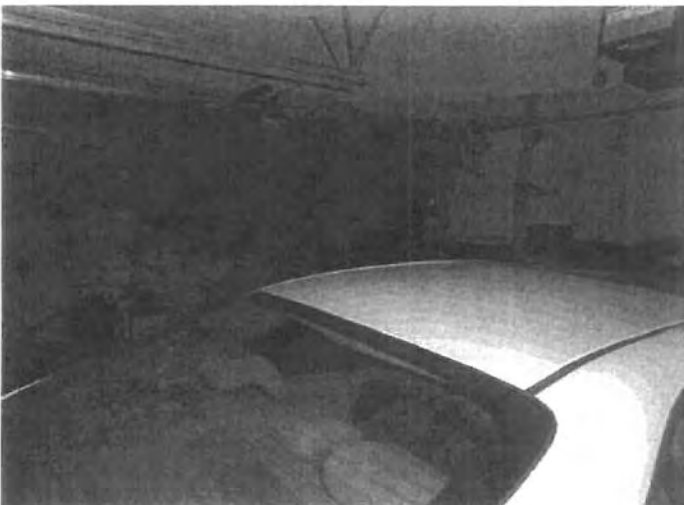
Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



Wet Bar in Rec Room

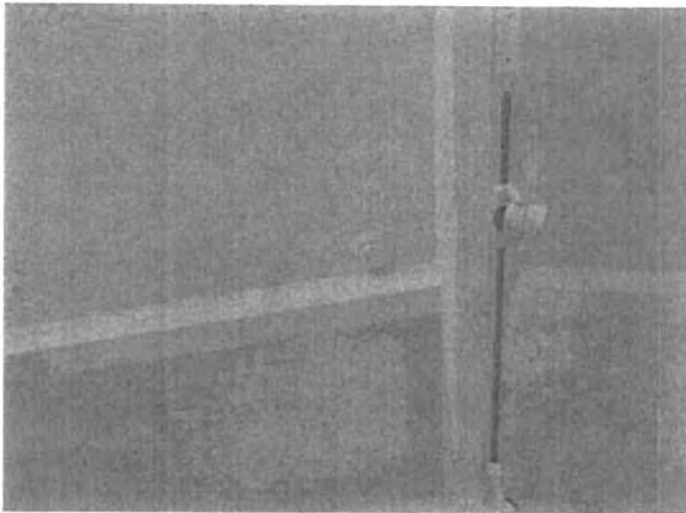


Stairs to Alley

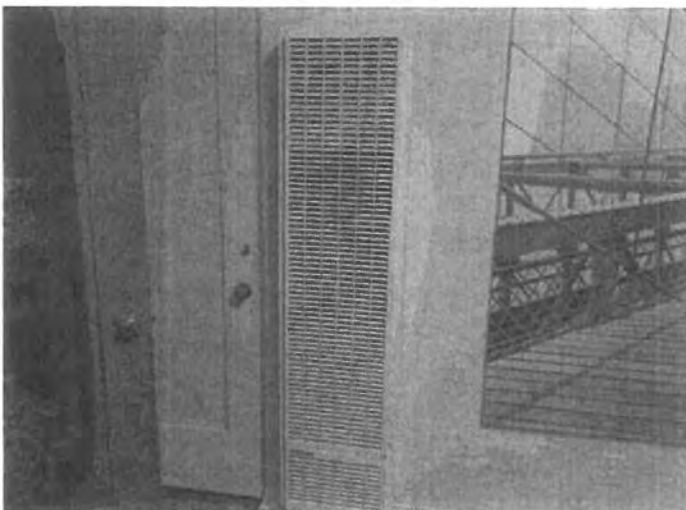


Garage

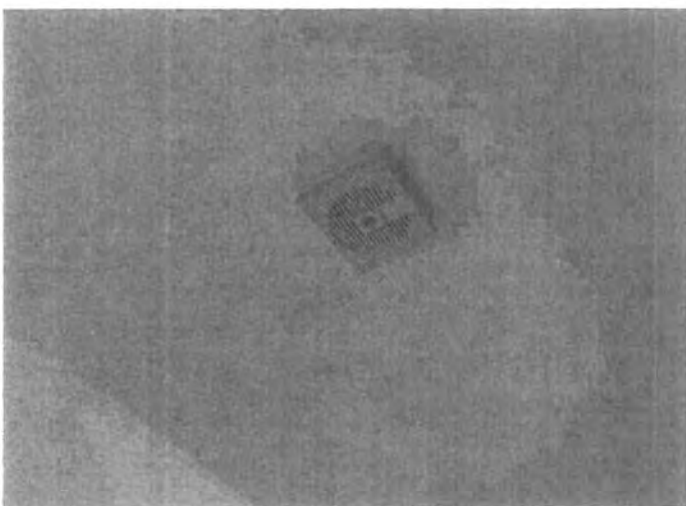
Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7156673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



Fire Detection



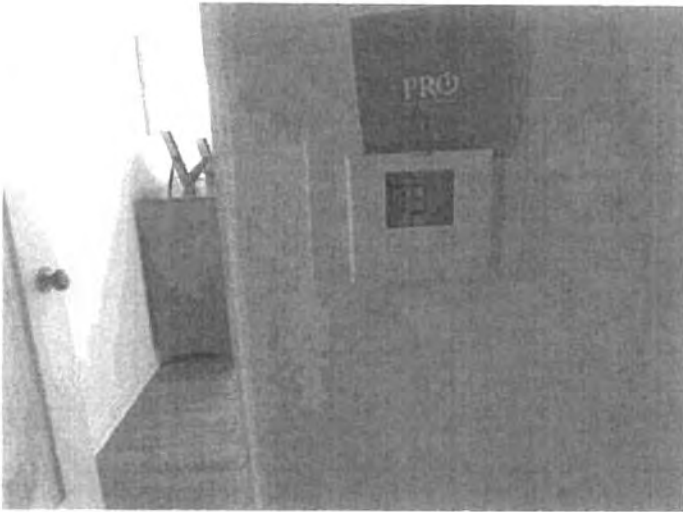
Wall Heat



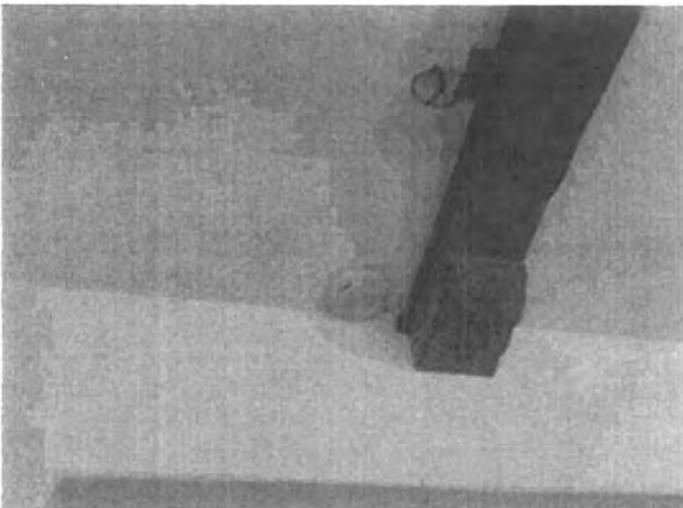
smoke detector

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank

File No.: 3702427
Case No.: 7166673538
State: CA
Zip: 90254



Security

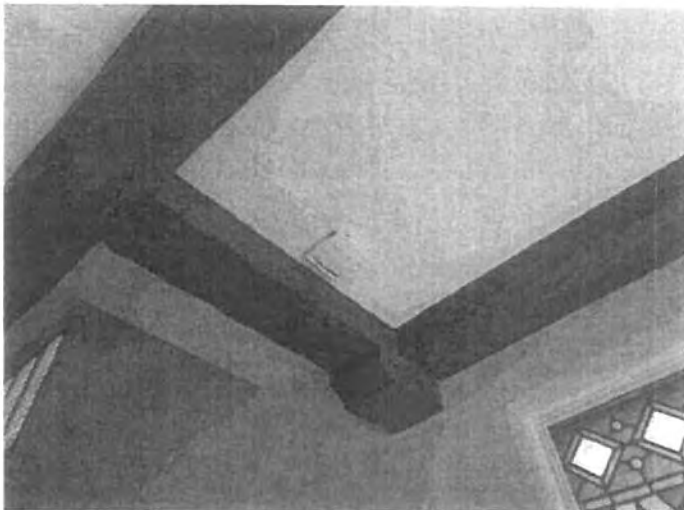


smoke detector

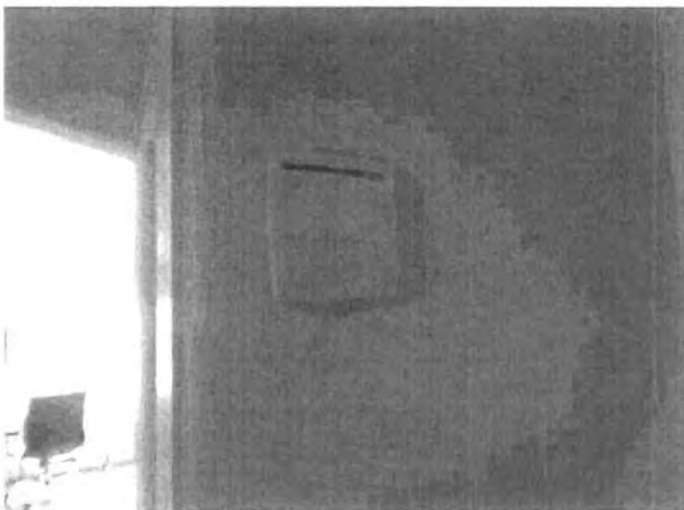


water heater

Borrower: AOL Investments LLC	File No.: 3702427
Property Address: 2654 The Strand	Case No.: 7166673538
City: Hermosa Beach	State: CA
Lender: Comerica Bank	Zip: 90254



CO detector



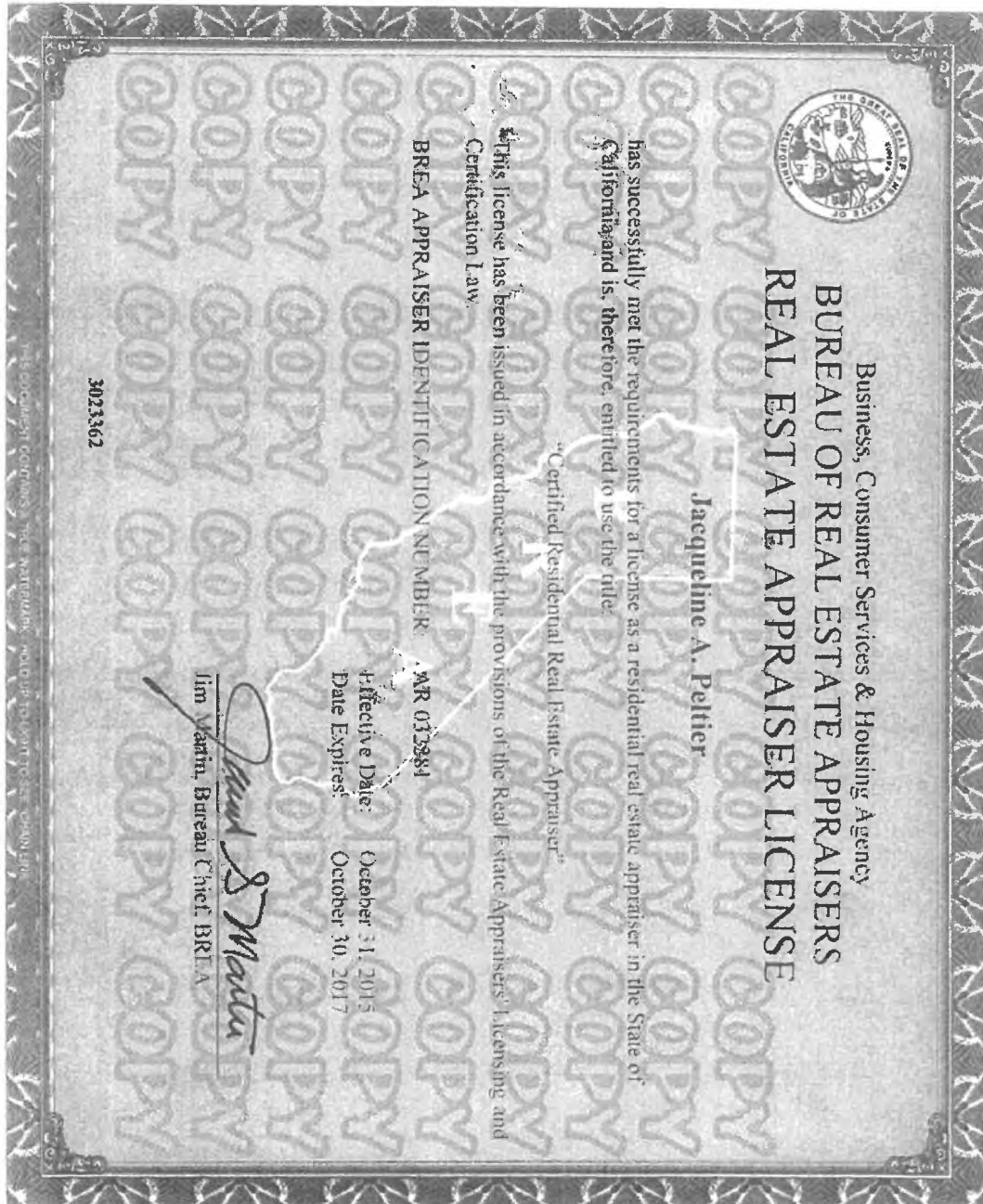
CO detector



Additional view

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank

File No.: 3702427
Case No.: 7166673538
State: CA
Zip: 90254



USPAP ADDENDUM

7166673538
File No. 3702427

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank

County: Los Angeles

State: CA

Zip Code: 90254

Reasonable Exposure Time

My opinion of a reasonable exposure time for the subject property at the market value stated in this report is: under 6 months

The subject's estimated exposure time, at the appraised value, is under 6 months. This is typical for the subject's neighborhood and competing marketing area. Exposure time is directly associated with the appraised value and is considered to be prior to the effective date of the appraisal. The exposure time estimate is based upon the comparables performance as well as the typical exposure time evidenced by the interviews of market participants and analysis of listing to closing dates indicated in MLS for the area. This is providing that the listing price is reasonable and consistent with the market.

Additional Certifications

☒ I have performed **NO** services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.

☐ I **HAVE** performed services, as an appraiser or in another capacity, regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment. Those services are described in the comments below.

Additional Comments

APPRAISER:

Signature: Jacqueline Peltier
Name: Jacqueline Peltier
Date Signed: 09/05/2017
State Certification #: AR032281
or State License #: _____
or Other (describe): _____ State #: _____
State: CA
Expiration Date of Certification or License: 10/30/2017
Effective Date of Appraisal: August 18, 2017

SUPERVISORY APPRAISER (only if required):

Signature: _____
Name: _____
Date Signed: _____
State Certification #: _____
or State License #: _____
State: _____
Expiration Date of Certification or License: _____
Supervisory Appraiser inspection of Subject Property:
☐ Did Not ☐ Exterior-only from street ☐ Interior and Exterior

Borrower: AOL Investments LLC
Property Address: 2654 The Strand
City: Hermosa Beach
Lender: Comerica Bank

File No.: 3702427
Case No.: 7166673538
State: CA
Zip: 90254

**LEXINGTON INSURANCE COMPANY
WILMINGTON, DELAWARE**

Administrative Offices - 99 High Street, Floor 23, Boston, Massachusetts 02110-2310

Certificate Number: 016074253-00
This Certificate forms a part of Master Policy Number: 018389876-04
Renewal of Master Policy Number: 018389876-03

**YOUR RISK PURCHASING GROUP MASTER POLICY IS A CLAIMS MADE POLICY.
READ THE ATTACHED MASTER POLICY CAREFULLY.**

THE AMERICAN ACADEMY OF STATE CERTIFIED APPRAISERS

CERTIFICATE DECLARATIONS

1. Name and Address of Certificate Holder: Sain Vie, Inc. and
Jacqueline A. Peltier
220 S. Helberta Avenue, Unit B
Redondo Beach CA 90277
2. Certificate Period: Effective Date: 06/13/17 to Expiration Date: 06/13/18
12:01 a.m. Local Time at the Address of the Insured
- 2a. Retroactive Date: 05/13/08
12:01 a.m. Local Time at the Address of the Insured.
3. Limit of Liability: \$ 1,000,000 each claim
\$ 2,000,000 aggregate limit
4. Deductible: \$1,000 each claim
5. Professional Covered Services insured by this policy are: REAL ESTATE APPRAISAL SERVICES
6. Advance Certificate Holder Premium: \$ 984
7. Minimum Earned Premium: 25% or \$ 246

Forms and Endorsements:

PRG 3512 (12/15) Real Estate Appraisers Professional Liability Coverage Form, PRG 2078 (01/17) Addendum to the
Declarations, PRG 3935 (2/16) Premises Liability Coverage Amendatory Endorsement, 89644 (6/13) Economic Sanctions
Endorsement, 91222 (09/16) Policyholder Notice, 118477 (03/15) Policyholder Notice, PRG 3150 (10/05) Real Estate
Appraisers Professional Liability Insurance Declarations

Additional Endorsements applicable to this Certificate only:

PRG 3638 (05/13) Contingent Real Estate Appraisal Management Company Extension.

Agency Name and Address: INTERCORP, INC.
1438-F West Main Street
Ephrata, PA 17522-1349

**IT IS HEREBY UNDERSTOOD AND AGREED THAT THE CERTIFICATE HOLDER AGREES TO ALL TERMS AND CONDITIONS AS
SET FORTH IN THE ATTACHED MASTER POLICY.**

**THIS POLICY IS ISSUED BY YOUR RISK PURCHASING GROUP INSURER WHICH MAY NOT BE SUBJECT TO ALL OF THE
INSURANCE LAWS AND REGULATIONS OF YOUR STATE. STATE INSURANCE INSOLVENCY GUARANTY FUNDS ARE NOT
AVAILABLE FOR YOUR RISK PURCHASING GROUP INSURER.**

John D. Barry

County: Los Angeles

Authorized Representative OR
Countersignature (in states where applicable)

Date: April 21, 2017

PRG 3152 (10/05)

Exhibit I

JOHNNY O. LOPEZ
2666 THE STRAND
HERMOSA BEACH, CA 90254

May 7, 2021

California Coastal Commission
c/o South Coast District
301 E. Ocean Blvd., Suite 300
Long Beach, CA 90802

Re: 2654 and 2666 The Strand, Hermosa Beach
Meeting Date: May 13, 2021; Agenda Item No. Th14e
Project Support

Dear Honorable Commissioners:

I am the applicant for the above-referenced project. My wife Lisa and I have four children, three daughters and a son ages - twenty-two, nineteen, seventeen, and fifteen. We moved to Hermosa Beach in the fall of 2013 looking for a simpler and healthier life. The proposed project would result in a home that could support multigenerational living, a lifestyle concept that is commonplace and an honored tradition in my culture. The importance of this caregiving lifestyle has been particularly evident during the ongoing pandemic..

Our family is close knit and has many examples of multigenerational living. My wife's grandmother has lived with my mother-in-law and father-in-law for fifty years. She is 101 years old and is cared for with dignity and grace by my mother-in-law in their residence. My mother-in-law also cared for her husband, at their home for approximately six years, after he suffered a debilitating stroke and until his passing in 2017.

In 2008, prior to our moving to Hermosa Beach, while battling colon cancer my brother-in-law stayed with us in our guest room for almost a month so he could comfortably be with his sister, nieces, nephew and me prior to his passing. My brother-in-law cherished his time with us and was comfortable as our guest as he knew he would only be with us a short time. We would not have been able to host him in our home or spend the necessary time to prepare for his passing had it not been for the home's size and layout. Since his passing, Lisa and I have made it our mission to be in a position to offer our family comfort by having a residence capable of accommodating any relative in need without displacing our own family. At the age of forty-two, Pablo Vitar passed and is survived by his three children and widow. His children are the same ages as our children. Yet another example of our commitment to family, we bring Pablo's children with us on vacation, and they spend a good amount of time with us in Hermosa Beach.

2666 The Strand, designed by Louie Tomaro - Architect, was purchased in 2013. With its tasteful design and Strand water feature, our home is complimented by visitors and local residents on a daily basis. When we bought our home, we did not originally set out with the intent to acquire an adjacent property. Nevertheless, our neighbors were elderly and widowed, and we were aware of examples of larger homes built on more than one lot along The Strand that had been approved by the Coastal Commission within the last ten years. One example of such a home, 10,517 square feet on two lots, is just 1,000 feet to the south of us at 2408 The Strand.

In 2017, our neighbor to the south passed away. Consequently, her children looked to us to provide them with a friendly and straightforward transaction and offered us the opportunity to purchase 2654 The Strand. Given this circumstance, a new and more appropriate direction for our family was established. To secure our expansion objectives, we paid a premium for the property. Consequently, we began to work with Louie Tomaro in 2017 to preserve the aesthetics and intent of the original design, as he had elegantly completed one of the most attractive new homes along the Strand. The Hermosa Beach community has become our home and is a loving retreat for our family.

The history and background provided above are relevant examples of how our families have risen to the challenge of providing for family members in need. More than ever before, our family will look to Lisa and me to provide pragmatic solutions to our families' requirements. With my father's passing in late February, without doubt, we will be called upon to step in and care for my mother. Our being in a position to continue to accommodate any myriad of family situations is unequivocally dependent upon the merging of 2654 and 2666 The Strand.

Covid-19

Ezekiel Emanuel: Member, Biden-Harris Covid-19 Advisory Board and Chair of the Department of Medical Ethics and Health Policy, University of Pennsylvania
What will we be craving in a post-pandemic world?

First, we all want security. The pandemic has filled us with uncertainty and insecurity. The natural response is to want security. This means security in having an income, childcare, family leave and other things necessary to care for your family during a pandemic. Every country will have to critically evaluate its social safety net and shore it up.

Our living with a global pandemic over the last year has taught us we have to be self-sustained and the key to a self-sustained household is a home which can comfortably accommodate our four children and aging parents. In the last year, we have outgrown our current home. We have four children taking school courses at home as well as both Lisa and I are working out of our home. Furthermore, I have zero visibility as to when I will go back to work at our offices. 2654

and 2666 The Strand have been conscientiously designed with rooms for all four of our children, several kitchens, an office and guest suite(s).

“The 60-and-up workforce increasingly will be reluctant to work anywhere but from home.” Ken Dychtwald, CEO of Age Wave, a think tank on aging around the world

While many families have been faced with this same dilemma, during the Covid-19 pandemic, they may have had the choice of possibly buying a more significant home or remodeling their current home to accommodate their needs. We, as a result of the sizable investment we have in both 2666 and 2654 The Strand, do not have those options. Our only alternative to address parents living with their children, quarantine, restaurant, theatre, and fitness center closures is to bring these two homes together as presented to the Coastal Commission.

Moreover, we have all witnessed the ineffectiveness of retirement or assisted living facilities for the elderly in the wake of a pandemic. My wife’s grandmother and my father, who just passed of Alzheimer’s disease on February 24, were not subject to the risk of living in a facility, because they lived and were devotedly cared for at home.

Dr. Ronan Factora, a geriatrician at Cleveland Clinic, said “Because of so many COVID-19 deaths in nursing homes, more seniors will leave assisted living facilities and nursing homes to move in with their families.”

Lisa and I will not compromise the physical or mental health of our parents. To avoid isolation, at the appropriate time, they will live with us and safely be surrounded by their children and grandchildren.

Depression will skyrocket among older people who isolate from family get-togethers and gatherings, said Dr. Mehrdad Ayati, professor geriatric medicine Stanford University School of Medicine and advises the U.S. Senate Special Committee on Aging. “As the older population pulls back from engaging in society, this is a very bad thing.”

In the aftermath of the pandemic, no one can assure us this type of infectious disease and the subsequent shut down can be avoided in the future. Therefore, it is incumbent upon Lisa and I, as family stewards, to be in a position to protect our family by immediately utilizing our contiguous Hermosa Beach real estate assets as presented to the Coastal Commission.

My wife and I will continue our family’s legacy of responsibly caring for our loved ones in our home. Given the investment we have made in the real estate, the selection of one of the South Bay’s most prominent architects, and that the submission we have made as a family is well within our rights and the law - our path forward is clear. The only way for us to accomplish our stated

California Coastal Commission

May 7, 2021

Page 4

family objectives is to lawfully move forward with the plans submitted to the Coastal Commission.

Sincerely,

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke extending to the right.

Johnny O. Lopez