Report on Development Impact Fee (DIF) Study

CITY OF LOS ALTOS, CALIFORNIA

FINAL REPORT

May 2024

matrix consulting group

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1. Introduction and Executive Summary

The report, which follows, presents the results of the Development Impact Fee Study conducted by the Matrix Consulting Group for the City of Los Altos.

Project Background and Scope of Work

The Matrix Consulting Group was retained by the City of Los Altos (City) to update existing impact fees and develop a nexus for proposed impact fees. Within the state of California, impact fees are governed by the Mitigation Fee Act (AB1600) (Gov. Code §66000 et seq.) and AB602 which requires demonstrating the reasonable relationship that exists between the development activity and the proposed benefit. The City has never conducted a comprehensive review of its impact fees. The results of this study will allow the City to ensure that there is a nexus between future development and its proportionate impact on City infrastructure, as well as update the fees to be more reflective of those impact.

General Project Approach and Methodology

There are two typical methodologies utilized to calculate impact fees – service level standards and specific facility projections. For the purposes of this analysis the project team has utilized the more commonly accepted and recognized service level standards approach.

The service level standard approach is based on the creation and recognition of existing service level standards provided by the jurisdiction to the users of its services (residents, employees, students, etc.). As there is new development and growth in the community, there is the potential for the service level standard to decline if appropriate measures are not taken to retain that service level standard. Therefore, the service level standard calculates the impact of each individual on the City's infrastructure and applies it to future individuals and growth. If there is an increase in the service population, there would be a corresponding impact on infrastructure, and thereby a nexus for collection of impact fees. However, if there is no increased population or use of those services, impact fees would not be justifiable or applicable.

For the purposes of calculating impact fees, the project team reviewed a variety of data elements from the state, regional organizations, county, and City staff. The following points highlight the data reviewed through the course of this analysis:

- **Ordinances:** The project team reviewed the City's ordinances to ensure that there was the legal authority to assess and increase current impact fees.

- **General Plan, Facilities Assessment, Department Master Plans, and CIP Plans:** Data was reviewed from a variety of City specific documents regarding the potential growth in the community, the goals for the City and the departments, as well as future capital projects.

- **Growth and Projection Data:** Population, household, dwelling units, and employment information for current and future years was obtained from the California Department of Finance, Long Range Planning documents, and the Association of Bay Area Governments (ABAG).

- **Service Level Standards:** Information such as police facilities, fire facilities, and park needs were collected, reviewed, and applied for calculation regarding future impacts.

- **Revenues and Expenses:** Revenue collected for impact fees was reviewed to ensure compliance with reporting practices as well as to calculate an administrative overhead percentage. Expense information was reviewed for cost estimates for infrastructure as well as overhead allocation to the impact fees.

These components were utilized to develop and update impact fees for the City regarding Parks and Recreation, Police, General Government, Fire, Library, Transportation, and Commercial Linkage.

Summary of Results

Through the course of this analysis, the project team evaluated impact fees based upon the current projected population impacts between 2024 and 2040. Based on the results, the maximum justifiable impact fees were calculated for Parks and Recreation, Police, General Government, Fire, Library, Transportation, and Commercial Linkage. As outlined in the Mitigation Fee Act, proportional costs associated with future infrastructure impacts, along with administrative overhead, were used to calculate the full cost of the impact fees presented.

It is important to note that AB602 states that residential (single-family and multi-family) impact fees should be calculated based upon proportional square footage, rather than per dwelling unit. For compliance with this regulation, all residential fees have been converted to a per square footage calculation.

The following subsections highlight the results of the updated impact fees calculated for the City.

Parks and Recreation Impact Fee

The City of Los Altos currently assesses the Parks and Recreation Impact Fee as an in-lieu fee. This means that the developer has the option to either mitigate the parks impacts or pay the City a fee. Through this study the City is considering converting it from an in-lieu fee to a development impact fee based upon the proportional impact of new development. This fee would cover capital costs as well as the acquisition of land. The following table compares the city's current fees to the full cost fee calculated through this study.

Table 1: Current vs. Full Cost – Parks and Recreation Impact Fee

Category	Current Fee	Full Cost	Difference	% Cost Recovery
Single-Family (per square foot)	Modified[1]	$12.12	N/A	N/A
Multi-Family (per square foot)	Modified[2]	$44.15	N/A	N/A

Due to the change in regulations and the City's current method of charging per unit for Single-Family and Multi-Family projects, a true comparison cannot be conducted.

Public Art Development Fee

The City implemented a Public Art Development Fee in 2018. As an in-lieu fee, applicants are only required to pay the fee if they are unable to meet the public art installation requirements outlined within the City's General Plan and Municipal Code. Through this analysis, the project team calculated the full cost as a percentage of new construction valuation as the concept is the larger the project, proportionately the greater the public art impact, which is consistent with the City's current in-lieu fee calculation. The full calculation is shown as follows:

Table 2: Current vs. Full Cost – Cultural Arts in-Lieu Fee

Category	Current Fee	Full Cost	Difference	Cost Recovery %
Public Art Development - % of Valuation	1.00%	1.00%	0%	100%

The nexus analysis conducted justifies the City retaining its current practice of charging 1% of the project valuation as the in-lieu fee.

Public Safety Impact Fee

The establishment of a Public Safety impact fee would help recover proportional infrastructure costs of Police and Fire facility and equipment within the city, which

[1] Current single-family residential fees are charged $77,500 per unit.
[2] Current multi-family residential fees are charged $48,800 per unit.

benefits both existing and future populations. Through this analysis, the project team calculated the full cost to be as follows.

Table 3: Proposed Public Safety Impact Fee

Category	Full Cost
Residential (per square foot)	
Single-Family	$0.09
Multi-Family	$0.34
Commercial (per square foot)	
Commercial / Retail	$1.22
Office	$1.62

Like other impact fees the full cost fee calculated through this study represents the maximum fee that the City can charge, inclusive of all allowable administrative costs outlined in the Mitigation Fee Act.

General Government Impact Fee

The establishment of a General Government impact fee would help recover proportional infrastructure costs associated with City Hall, Library, and other General City Facilities, which benefits both existing and future populations. Through this analysis, the project team calculated the full cost to be as follows.

Table 4: Proposed General Government Impact Fee

Category	Full Cost
Residential (per square foot)	
Single-Family	$0.13
Multi-Family	$0.48
Commercial (per square foot)	
Commercial / Retail	$2.14
Office	$2.86

Like other impact fees the full cost fee calculated through this study represents the maximum fee that the City can charge, inclusive of all allowable administrative costs outlined in the Mitigation Fee Act.

Transportation Impact Fee

The City currently charges a Transportation Impact Fee (TIF), which hasn't been updated since 2014. An updated TIF schedule has been calculated based on the historical level of investment in the citywide circulation network or existing facilities standard. The following table compares the city's current fees to the full cost fee calculated through this study.

Table 5: Current vs. Full Cost – Transportation Impact Fee

Category	Current Fee	Full Cost Fee	Difference	Cost Recovery %
Residential (per square foot)				
Single-Family	Modified[3]	$1.55	N / A	N / A
Multi-Family	Modified[4]	$6.29	N / A	N / A
Commercial / Non-Residential (per square foot)				
Commercial / Retail	$12.05	$10.71	$0.79	107%
Office	$9.99	$9.45	$0.10	101%

Based upon the fees that can be compared, the City would need to reduce its non-residential transportation impact fees slightly to be in alignment with the maximum fee that the City can charge, inclusive of all allowable administrative costs outlined in the Mitigation Fee Act.

Commercial Linkage Fee

The City is interested in establishing a Commercial Linkage fee to help recover costs related to funding the need for affordable housing due to new commercial development. Through this analysis, the project team calculated the full cost to be as follows.

Table 6: Proposed Commercial Linkage Fee

Category	Full Cost (per sq. ft.)
Commercial / Retail	$702
Office	$245

Like other impact fees, the full cost fee calculated through this study represents the maximum justifiable fee that the City can charge. It is important to note that this is the one fee category in which jurisdictions do not typically charge the maximum justifiable fee.

Summary

The City only currently assesses impact fees related to Parks and Recreation and Transportation. Through this nexus analysis, a nexus has been established for the City to consider implementing additional impact fees.

Implementation

The updated and proposed impact fees calculated through this study representant the maximum justifiable costs associated with the proportionate share and impact of new development within Los Altos. It is up to City staff, management, and Council to utilize

[3] Current single-family residential fees are charged $6,774.20 per unit.
[4] Current multi-family residential fees are charged $4,159 per unit.

the information in this report as a mechanism to determine if new development should bear the full cost or subsidized cost. The following subsections discuss the key aspects for impact fee implementation and updates, including: collection of fees, annual reporting requirements, refunds / credits / appeals, and annual updates.

Collection of Impact Fees

Section 66007 of the California Government Code outlines when impact fees should be paid for residential and multi-family projects. Impact fees for Residential projects should generally be assessed and paid upon the date of final inspection or issuance of certificate of occupancy, whichever occurs first. For Multi-family projects, fees can be paid in phases based upon the dwelling units, at the completion of each unit's final inspections, as long as it is at the final inspection or certificate of occupancy, whichever occurs last. There is no specific provision in the section regarding commercial, office, or industrial uses.

The section also allows for collection of fees sooner if there is already an account established for impact fees and can be designated for public improvements.

Annual Impact Fee Reporting Requirements

Section 66006 of the California Government Code dictates that once per year, within 180 days of the close of the fiscal year, the City must make available to the public detailed information regarding impact fees. This detailed information, should at a minimum include:

- Impact Fee Description and Fund Number
- Impact Fee Amount
- Beginning and Ending balance of the account or fund.
- Amount of fees collected in the fiscal year and the total interest earned.
- Identification of project(s) on which the funds are being earmarked for.
- Identification of the approximate date on which the projects would commence.
- Identification of any interfund loans or transfers related to capital projects, and the amount of the transfer.
- Amount of any refunds or allocations made on behalf of the impact fee funds.

The above reports must be submitted and reviewed by City Council within 15 days of being posted publicly. Additionally, AB602 Section 65940.1(a) requires that the nexus analysis and corresponding impact fee amounts charged be made available publicly. Compliance with this part of the bill can be achieved by posting a written version of the analysis and fee schedule or providing a link to both on the City's website.

Refunds / Credits / Appeals / Waivers

Section 66001 of the California Government Code requires that the City must make findings regarding the utilization of the impact fee revenue and / or proposed utilization of it within five years of collection. If such findings are not made within five years of impact fee collection, the City must refund the monies to the current record owner or owner of the lots or units.

As part of the adoption of the impact fee resolution, the City may choose to also identify circumstances or instances in which a developer could obtain credits, exemptions, or appeal fees. Fee credits are typically obtained in the case of redevelopment, for example, if a developer was to redevelop an existing 10 multi-unit complex into a 15 multi-unit complex, the developer retains credit for the 10 existing units and only pays impact fees on the 5 new units being added. This credit is only provided if the existing facility had already paid into impact fees. If the existing development had not paid any impact fees, there would be no credit applicable.

Impact fee resolutions may also include a discussion regarding fee exemptions. If a development project is determined to have no documented impact on the facilities for which the impact fees are being imposed, then the project may be exempt from impact fees. The exemptions must not be granted by right and should be reviewed by City staff and Council to ensure that they are warranted and appropriate.

Any reductions in impact fees, or waivers or appeals regarding impact fees would have to be determined by City staff and Council and would be granted depending upon the nature and proportion of the impact of the future / proposed development on future infrastructure needs. Depending upon the nature of the project and its documented impacts, there might be a more in-depth process necessary to ensure that all impact fees collected are fair, proportionate, and in compliance with the Mitigation Fee Act.

Annual Increases

The City's current ordinances governing impact fees provide the City with the ability to increase impact fees annually based upon the Construction Cost Index (CCI). This is considered a best practice and ensures that increases in construction costs are included in the impact fees and proportionate share is passed onto new development.

The annual increase is not meant to be an infinite increase in fees. Per the Mitigation Fee Act and Assembly Bill 602 the nexus for the impact fees should be reevaluated every eight years to ensure that there is still an appropriate correlation between the current fee being charged and proposed development within the City.

2. Legal Framework

Impact Fees are a mechanism for new development to pay for their proportionate share of impact upon City owned facilities and infrastructure. The following subsections discuss the State's requirements for impact fees and the City's legal authority for assessing these fees.

State Legal Authority – AB1600

Development Impact Fees in California are governed by the Mitigation Fee Act[5], which includes AB1600 and AB602. At a high level, AB1600 specifies that there needs to be a reasonable relationship, or "nexus", between the collection of fees and the new residential and non-residential development within a City's service area. It states that revenue can only be used to expand current facilities or purchase new facilities, infrastructure, and equipment. It also states that the revenue generated cannot be used to fund staffing, maintenance, or other operational costs.

To establish a nexus between new development and the need for new facilities or infrastructure, the legislation requires that certain criteria be met. The following points highlight each of the required criteria:

- **Purpose of Fee:** Outline specific types of facilities, infrastructure, equipment, and projects for which the impact fee will be utilized.

- **Impact Relationship:** In order to establish an impact relationship there needs to be a clear and reasonable relationship between the need for the public facility or infrastructure and the type of development project upon which the fee is imposed.

- **Proportionality:** The proportionality requirement states that the impact fee established must be directly related to the proportionate impact of the type of development project.

- **Benefit Relationship:** The benefit relationship requires that the use of the impact fee revenue and the type of development project upon which it is imposed is reasonable.

- **Use of Fee Revenue:** Revenue collected from impact fees can only be used to fund the identified facility expansions, infrastructure improvements, or to purchase new equipment.

[5] CA Govt Code § 66001

For each of the impact fees evaluated through this study, the individual chapter will discuss if and how the fee is able to meet the nexus criteria identified.

State Legal Authority – AB602

In January of 2022, Assembly Bill 602 (AB602) went into effect. This Bill is applicable to all impact fees adopted / implemented January 1, 2022, or later. The bill has three main criteria:

1. Prior to the adoption of new impact fees, a nexus study needs be adopted.
2. The nexus study needs to highlight existing service levels, the new service level, and an explanation of why the new service level is appropriate.
3. A fee levied on housing development must be proportionate to the square footage of proposed units unless findings are established on why square footage is not the appropriate metric. This ensures larger residential projects pay a higher portion of fees than smaller residential (i.e., ADU) projects.

Along with these three criteria, some other key provisions of the bill include:

- Impact fees must be posted online – along with the nexus analysis.
- All impact fees must be collected by the time of final inspection or certificate of occupancy issuance, whichever occurs later[6].
- A member of the public and / or developer can submit evidence citing the inability of the impact fee to comply with AB602 and AB1600 (Mitigation Fee Act)[7].
- Impact fee nexus studies must be updated every eight years.

Under directive from AB602, the State's Department of Housing and Community Development created templates for a nexus study and residential feasibility analysis. These resources establish a litmus test for cities to gauge their compliance.

This report will serve as the City's nexus analysis for its existing impact fees and will ensure that all criteria per AB602 are met and clearly outlined for proposed impact fees. For commercial linkage fees, a separate more detailed nexus analysis occurs based upon the proposed fees to be implemented, rather than the maximum fees calculated through the analysis.

[6] Section 65940.1.(3)
[7] Section 66019(d)(1).

City Legal Authority for Impact Fees

The City of Los Altos has the legal authority to charge for current impact fees identified as these fees are referenced in the municipal code or were adopted via resolution. The following table summarizes for each impact fee evaluated the relevant municipal code and key factors:

Table 7: Municipal Code Information on Impact Fees

Impact Fee	Muni Code Chapter	Resolution / Ordinance	Notes / Key Factors
Parks and Recreation	Chapter 13.24	2019-04	Fee amount determined by council resolution.
Public Art Development Fee	Chapter 3.52	2018-446	Contribution fee should be 1% of the valuation with a maximum fee of $200,000.
Public Safety	New	New	This is a new impact fee and at a minimum a resolution would be needed to establish authority to impose the fee.
General Government	New	New	This is a new impact fee and at a minimum a resolution would be needed to establish authority to impose the fee.
Transportation	Chapter 3.48	05-286	Fee amount determined by council resolution.
Commercial Linkage	New	New	This is a new impact fee and at a minimum a resolution would be needed to establish authority to impose the fee.

The City's current impact fees are governed by Municipal Code and an ordinance / resolution. As many of the impact fees being proposed are new fees, the City will need to adopt them through resolution and potentially update their municipal code.

3. Projected Growth and Development

The primary criteria for determining the projected impact of new development for impact fees is the amount of projected increase in the City's population (residential and commercial). These projections then form the basis of impact fee calculations. In order to calculate the projected growth and development, as well as density requirements, the project team reviewed the following sources of data:

- **State of California Department of Finance:** Data from California's Department of Finance was utilized for 2023 estimates regarding total number of residential populations within the City.
- **Regional Projections:** Projection information based upon City and Association of Bay Area Governments (ABAG) documents was utilized for cost calculation and assumptions. General Plan and facilities master plan information was used to estimate future dwelling units, square footage growth, employment information, as well as facility needs.

The information from these sources was utilized to calculate the projected increase in population as well as resulting population densities. The following subsections discuss the population projections calculated and the population densities used to calculate the impact fees.

Population Projections

The basis for impact fees is predicated on sufficient population growth that results in a meaningful impact on City Infrastructure. The following table shows by category, the 2023 estimates, the 2040 estimates, and the overall projected increase:

Table 8: Population Growth Projection through 2040

Category	2023 Estimates	2040 Estimates[8]	Total Projected Increase
Residential	31,021[9]	32,960	1,939
Commercial	15,160[10]	15,315	155

Overall, the residential population is projected to grow by 1,900 residents over the next 16 years and the commercial population is expected to grow by 155 employees.

[8] 2040 estimates come from the ABAG.
[9] Residential estimate comes from the California Department of Finance 2023 population estimate.
[10] 2030 estimates are based on 2020 ABAG estimates.

The numbers noted in these tables were used as the basis for all of the proportionate impact calculations through this study, with employment information utilized for calculations associated with non-residential projected growth.

Population Densities

In addition to population projection information, the other set of data that is consistently utilized in the calculations is the density associated with residential and non-residential categories. The following subsections discuss the population density assumptions utilized in the calculation of all impact fees in this report.

Residential Population Density

Currently, Los Altos categorizes residential populations into two types: Single Family homes and Multi-Family homes. Due to changes in the regulations, residential density per unit can no longer be used as the basis of impact fee calculation. Therefore, the project team worked to utilize existing information collected to generate the density based upon square footage per resident (similar to non-residential densities).

The project team utilized data from the American Census Bureau report to calculate the new density factor. The report estimates the number of units and the number of individuals residing in the unit. The following table shows the calculation for single-family and multi-family housing:

Table 9: Residential Density Calculation

Category	# of Ppl in Units[11]	# of Units[12]	Avg Persons / Unit
Single-Family	28,177	9,508	2.96
Multi-Family	2,637	1,379	1.91

As the table indicates, the average density for a single-family residence is almost 3 individuals compared to 2 individuals for multi-family. To convert the people per unit to a square footage per resident calculation, the average square footage for a residential unit (single and multi-family was needed). The following table shows this calculation:

Table 10: Residential Sq. Ft. Per Person Density Calculation

Category	Avg Sq. Ft.	Avg Persons / Unit	Sq. Ft. Per person
Single-Family Residential	4,934[13]	2.96	1,665
Multi-Family	873[14]	1.91	457

[11] Table B25033 showing 5 year average US Census Data.
[12] Table B25032 showing 5 year average US Census Data.
[13] The average single-family residential square footage is based on the average for the last five years for the City of Los Altos based upon permitting data.
[14] The average square footage is based on the total sq. ft. of multi-family projects over the last five years, and the number of units. The overall average square footage per unit was 1,746. 50% of that was used, to reduce the extra sq. ft. associated with hallways, storage, elevators, lobby space, etc.

The average square footage per resident, or household density factor for single family is 1,665 and multi-family is 457. The density factor is then divided by the cost per capita calculation to derive the base impact fee.

Non-Residential / Commercial Density[15]

Similar to the residential density calculation, a calculation was performed for non-residential development within the City. The City utilizes two main commercial categories – Commercial / Retail[16] and Office. The following table shows the density associated with each non-residential category type:

Table 11: Residential Population Density

Category	Sq. Ft. Per[17] Employee
Commercial / Retail	400
Office	300

The density (square footage per employee) is multiplied by the cost per capita calculation to derive the base impact fee.

The following chapters utilize the assumptions included in this chapter to help project the proportionate impact of new development on the City's existing and proposed infrastructure.

[15] The commercial linkage fee does also utilize a non-residential category of Hotels, but that is not applicable for the typical land use for Los Altos, so it was not utilized for any of the other impact fees. The linkage fee utilizes 1,000 sq. ft. per employee.
[16] Commercial / Retail is also meant to be an all-encompassing category that includes all types of non-office, non-hotel, and non-industrial projects and could include grocery stores, retail shops, strip malls, services (i.e., hair, nail, fitness), etc. The City has the ability to more clearly define this in its resolution associated with impact fees.
[17] The employment density of was utilized to be consistent with the commercial linkage fee analysis.

4. Administrative Fee

In accordance with regulations outlined in the Mitigation Fee Act, a citywide administrative fee was calculated for use in this analysis.

The project team took the three-year average of actual revenue for each impact fee fund and divided it by the citywide overhead cost calculated in the City's most recent cost allocation plan. The resulting values were then averaged, producing a citywide administrative fee. The following table shows the calculation:

Table 12: Administrative Fee Calculation

Fund	3 Yr. Avg	CAP OH	Admin %
Park In-Lieu	$1,873,533	$13,792	
Transportation impact	$131,340	$56,312	
Total	**$2,004,873**	**$70,104**	**3.50%**

The calculated citywide administrative fee of 3.50% accounts for the support provided by City staff in the monitoring and reporting of impact fee funds. This percentage can then be added to individual calculated impact fees, resulting in a full cost impact fee.

5. Parks and Recreation Impact Fee

The City of Los Altos currently assesses a Park In-Lieu fee. An in-lieu fee is similar to an impact fee but is optional, meaning the developer has the option to mitigate the impact or pay a fee to offset that impact. Through this study, the City is proposing converting it to an impact fee to ensure proportional recovery for the cost of future needs for community centers, upgrades, as well as land acquisition. The following subsections discuss the growth assumptions and standards utilized, cost assumptions and components, impact fee calculation, ability to meet the nexus criteria, and a comparative survey of parks and recreation impact fees.

Growth Assumptions

Parks and Recreation primarily serves the residential population within the City of Los Altos. While non-residents may utilize park facilities, for the strongest nexus, only residential population growth has been factored into this analysis. Future increased development would result in the need for expanded facilities, newer equipment, and new parks. The current recreation facilities benefit both existing and future development and to determine the proportionate share of existing and future development, the project team calculated the future service population for the City. The following table shows the current population, the future population, and the projected increase:

Table 13: Future Population Increase

Category	Existing Population	2040 Population	Population Increase
Residential	31,021	32,960	1,939

As the table indicates, the projected increase in the residential population is approximately 1,939, which reflects approximately a 6% increase compared to the existing population. Therefore, future development should bear approximately 6% of the costs.

The City's adopted standard per the Parks and Recreation Master Plan is 1.57 acres per 1,000 residents. In order for the City to retain this standard as the residential population increases, the City will need to acquire additional park acreage. The following table shows the proportionate number of acres needed to account for new residential growth:

Table 14: Proposed New Acres Needed Based Upon Acreage Standard

Category	Amount
Current Acreage Standard – per resident	0.00157 acres
Projected Residential Growth	1,939 residents

Total New Acres Required	**3.04 acres**

Based upon the standard of 0.00157 acres per resident and growth of 1,935 residents, the City will need to acquire an additional 3.04 acres to retain this standard.

Cost Components and Assumptions

Due to the projected increase in residential population, there will be an impact on the department's infrastructure, including the need to replace existing facilities, as well as capital projects. Additionally, there is the proposed cost of acquisition of land. The planning horizon for the impact fee is 16 years (2024 through 2040) and the department will need to replace existing facilities and upgrade its facilities during that span. A proportionate share of those upgrades should be borne by future development as future development will benefit from those facilities. The project team reviewed the City's documentation and calculated the annual cost of facility replacements, total cost for capital programs and anticipated cost for land acquisition. Detailed information is included in Appendix A and it is summarized in the following table:

Table 15: Parks Identified Costs

Item	Total Cost
Replacement of Facilities	$7,087,772
P&R Capital Projects	$7,411,00
Acquisition of New Land	$36,935,597[18]
TOTAL COST	**$51,434,369**

Overall, Parks and Recreation will require approximately $51.4 million to meet the needs of existing and future populations of the City.

Impact Fee Calculations

As outlined in the cost component section, the $51.4 million is not fully allocable to new development. Therefore, the project team utilized the growth projections in this chapter to determine the proportional amount associated with new development. The following table breaks down these same costs and shows the proportional amount to be borne by new development:

Table 16: Parks and Recreation Impact Costs to be Borne by New Development

Category	Amount	Proportion	Total Cost
Parks and Recreation Facility Costs	$7,087,772	6%	$425,266
Parks & Recreation Capital Projects	$7,411,000	6%	$444,660

[18] The cost of land is based on the 3.04 acres need on a fair market value of $12.1 million per acre of land. This was estimated based upon the city's most recent estimation in 2020 with an annual inflationary factor applied.

Acreage Cost	$36,935,597	100%	$36,935,597
TOTAL	**$51,434,369**		**$37,805,523**

The total proposed parks and recreation infrastructure and land improvements to be borne by new development is approximately $37.8 million. This $37.8 million is divided by the total projected population increase, to calculate the cost per capita, as shown in the following table:

Table 17: Projected Cost for New Development – Per Capita

Category	Infrastructure Costs	Projected Population Increase	Cost / Capita
Residential	$37,805,523	1,935	$19,497

The $19,497 per capita cost was converted into a cost per square foot based upon the density factors discussed in the projected growth and development chapter. The following table shows this calculation:

Table 18: Parks and Recreation Impact Fee Calculation

Category	Cost Per Capita	Density	Impact Fee
Single-Family	$19,497	1,665	**$11.71 per sq. ft.**
Multi-Family	$19,497	457	**$42.66 per sq. ft.**

As the table indicates, the cost per square foot varies from $11.71 for single-family homes (as they are typically larger) to $42.66 per sq. ft. for multi-family units. To calculate the full allowable fee, the 3.5% administrative fee is applied to the impact fee. The following table shows this calculation:

Table 19: Parks and Recreation Impact Fee Calculation Including Administrative Fee

Category	Impact Fee	Admin Fee	Total Impact Fee
Single-Family	$11.71	$0.41	**$12.12 per sq. ft.**
Multi-Family	$42.66	$1.49	**$44.15 per sq. ft.**

The addition of the administrative fee captures the full cost associated with the proportionate impact of future development. The City currently charges its in-lieu fees for Parks and Recreation on a per dwelling unit basis. Therefore, it is difficult to accurately compare.

Under the updated impact fee, if the City had a new Single-Family home of 5,000 sq. ft. the fee would be $60,600 compared to the City's current fee of $77,500. While the City sees a decrease in the fee amount, the proposed impact fee provides the City with more flexibility in terms of application of the fee and the potential to recover those fees.

Nexus Criteria

As discussed in the legal framework section, in order for an impact fee to be implemented it must meet all five of the nexus criteria as established per the Mitigation Fee Act. The following table outlines each criterion point, and how the proposed Parks and Recreation Impact fee meets the criteria.

Table 20: Impact Fees Nexus Criteria - Childcare

Criteria	Meet	Don't Meet
Purpose of Fee	The purpose of the fee would be to fund the development of new parks and recreation facilities and improving existing playground areas.	
Use of Fee Revenue	The City has capital improvement plans that outline the utilization of this fee revenue for current and future years to help ensure that there is appropriate expansion and development of parks and recreation facilities and areas to meet current and future resident needs.	
Benefit Relationship	The use of the impact fee revenue would be to develop new facilities or expand or improve existing facilities, which would be directly proportional to the increased wear and tear and use of parks and recreation facilities as there is new residential growth in the City. The increase in residential population is related proportionally to the square footage of residential development as larger properties result in more residents utilizing services.	
Impact Relationship	Based upon the current and proposed parks and recreation facility needs in the City, the addition of new residents would require the need for new and expanded facilities.	
Proportionality	The proposed impact fee would be per square foot depending upon the density of the housing units to capture the residential impacts as the primary mechanism for addition of residential population to the City is through increased dwelling units and the size of those units.	

As the table demonstrates, the City is able to meet all five of the criteria necessary to continue to charge a Parks and Recreation Development Impact Fee.

Comparative Survey

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions that charge a Parks and Recreation Impact Fee. The following

table compares the City's current fee and full cost to other surveyed jurisdictions in the region:

Table 21: Comparative Survey – Parks and Recreation

Jurisdiction	Single-Family	Multi-Family
Los Altos – Current	$77,500 per unit	$48,800 per unit
Los Altos – Full Cost	$12.12 per sq. ft.	$44.15 per sq. ft.
Mountain View	$150-$190 per sq. ft.	$200 - $310 per sq ft.
Palo Alto	$81,245 per unit	$56,185 per unit
Campbell	$30,340 per unit	$21,460 per unit
Saratoga	$32,433 per unit	$21,562 per unit
Morgan Hill	$5,369 - $7,348 per unit	$5,178 - $7,114 per unit

Mountain View is the only other jurisdiction that charges per square foot, and the City's full cost are significantly below Mountain View's rates. For the other jurisdiction's the City's current fee structure is more comparable and based on that the City is on the higher end with only Palo Alto charging higher fees. It is important to remember, per new legal regulation changes, the City must charge residential fees based on square footage, hence the conversion from per unit to per square foot.

6. Public Art Development Fee

The Public Art Development fee functions as an in-lieu fee, as private development has the option to either place public art on private property or contribute to the public art fund. Although in-Lieu fees differ from impact fees, they are typically regulated by similar principles and must adhere to the requirements of the Mitigation Fee Act. Distinct from other impact fees, in-lieu fees come into play only when an applicant cannot fulfill requirements specified in the City's General Plan and Municipal Code. In 2018, Los Altos introduced a Public Art Development Fee, with an in-lieu fee for applicants who do not meet the public art installation requirements. The subsequent sections explore the growth assumptions made, the cost components considered, the process for calculating in-lieu fees, the evaluation of compliance with nexus criteria, and a comparative analysis of Public Art Development Fees

Cost Components and Assumptions

In order to determine the annual cost associated with public art, the project team used information associated with the Public Art Fund's balance of costs available. The City has approximately $889,900 fund balance available for Public Art for future projects. This fund balance serves as an indication of the expected contribution or monies available for public art projects.

In-Lieu Fee Calculations

The Public Art Development fee is calculated as a percentage of project valuation for new development. The project team used the City's actual FY23 valuation, as the base for calculating the in-lieu fee. The total expected public art contribution was divided by the valuation, resulting in the in-lieu percentage, the following table shows this:

Table 22: In-Lieu Fee Calculation – Non-Residential Commercial Projects

Cost Components	Amount
Expected Public Art Contribution	$889,900
Total Valuation	$92,274,751
% of Valuation	**1%**

The 1% represents the maximum justifiable in-lieu fee the City can charge.

Nexus Criteria

In-lieu fees are not subject to the same stringent nexus criteria as impact fees. However, there must be a proportionality and basis for the calculation of the in-lieu fee. In 2018, Los Altos adopted the Public Art Development Fee ordinance, which outlines public art requirements for specific non-residential development projects. If the applicant cannot meet these requirements, they can opt to make a fiscal contribution to the public art fund "in an amount not less than one percent (1%) of construction costs". The updated calculation would be similarly set up in which the developer has the option to install their own public art or pay towards the City's public arts fund.

Comparative Survey

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions who charge a Public Art In-Lieu Fee. The following table compares the City's current fee and full cost to other surveyed jurisdictions in the region:

Table 23: Comparative Survey – Cultural Art In-Lieu Fee

Jurisdiction	Fee Amount
Los Altos – Current	1% of valuation
Los Altos – Full Cost	1% of valuation
Palo Alto	1% of valuation for first $128.06 million 0.9% of valuation above $128.06 million

Of the surveyed jurisdictions only Palo Alto charges a Public Art fee and its fee at 1% for projects less than $128 million is similar to the City's current and full cost fee calculated.

7. Public Safety Impact Fee

As part of the impact fee analysis, the City is proposing the creation of a consolidated Public Safety fee to cover the infrastructure costs related to Police and Fire. The City has one police station and two fire stations that it owns. The City operates its own Police department but contracts for Fire services. The following subsections discuss the growth assumptions utilized, cost components included, resulting impact fee calculation, ability to meet the nexus criteria, and a comparative analysis of the Fire portion of the Public Safety Impact Fee.

Growth Assumptions

The Police and Fire Departments serve both residential and commercial populations (employees). Future increased development would result in the need for expanded or relocated Fire stations, Police Stations, and additional equipment and vehicles. Since the primary goal of Police and Fire is to provide community protection and fire suppression services within the City, their services benefit both existing and future development. To determine the proportionate share of existing and future development, the project team calculated the future service population for the City. In addition, since an employee working within the city does not have the same tendency to use police and fire services as a resident, their impact was weighted less. The following table shows the current population for each category, the proportionate weight, and the equivalent population:

Table 24: Future Weighted Service Population Calculation

Category	Existing Population	Projected Increase	Weight Factor	Weighted Population Increase
Residents	31,021	1,930	100%	1,939
Employees	15,160	155	20%[19]	31
Total	**$46,181**	**2,094**		**1,970**

The projected increase in the service population is roughly 1,970, which represents a 4% increase compared to the existing population. This means future development should bear 4% of the police and fire related impact costs.

Cost Components and Assumptions

Due to the projected increase in residential and non-residential population there will be an impact on the department's infrastructure. The planning horizon for the impact fee is

[19] To calculate the employee weight factor, the project team utilized the proportion of police calls for service that are commercial relative to residential calls for service. A three-year average of calls from FY21, FY22, and F23 were used for the calculation.

16 years (2024 through 2040) and while the department intends to purchase some additional equipment and relocate facilities, it will also need to replace existing equipment and upgrade its facilities during that span. A proportionate share of those upgrades should be borne by future development as future development will benefit from that equipment and the facilities. The following table shows by cost category, the average annual cost, the number of planning years, and the resulting cost:

Table 25: Total Projected Infrastructure Cost for 16 Years

Category	Avg Annual Cost	Planning Horizon (Yr.)	Total Cost
Fire Stations	$77,850	16	$1,245,600
Police Stations	$86,931	16	$1,390,900
Police Equipment	$257,452	16	$4,119,238
Total	**$422,233**		**$6,755,738**

A detailed accounting of the average annual cost for Police and Fire has been included in Appendix A of this report. Additionally, the City conducted a Facilities Conditions Assessment, which identified additional improvements. The following table shows the improvement costs identified, as well as any capital expenditures for Police:

Table 26: Total Public Safety Capital-Related Expenditures

Category	Capital Cost
Fire Facility Conditions Assessment	$1,080,030
Police Facility Conditions Assessment	$1,040,308
Police Capital Projects	$195,000
Total	**$2,315,338**

Therefore, in regard to Police and Fire, the City needs approximately $9.1 million ($6.8 million in facility and equipment and $2.3 million in capital-related expenditures) to meet the needs of existing and future development.

In addition to the $9.1 million in infrastructure costs, the other cost component to be considered is the administrative fee. As outlined in the prior section, a citywide administrative fee of 3.5% was calculated to account for support provided by City staff in the monitoring and reporting of impact fee funds.

Impact Fee Calculations

As the previous section calculated, the total infrastructure needs for the Police and Fire Department are approximately $9.1 million. However, not all of this cost should be borne by the future population. Based upon the growth assumptions analysis, only 4% of these

costs should be borne by the future population as that is the anticipated future growth. The following table shows the calculation for costs to be borne by current and future residential populations:

Table 27: Projected Cost Calculation Between Existing and Future Populations

Category	Infrastructure Costs	Proportion	Total Cost to Be Borne
Current Population	$9,071,076	96%	$8,708,233
Future Population	$9,071,076	4%	$362,843

Of the $9.1 million, only $362,000 should be borne by the future population. This $362,000 is proportionately split into residential and commercial growth based upon the calls for service, as shown in the following table:

Table 28: Projected Cost for New Development – Residential and Commercial

Category	Total Cost to Be Borne	Proportion	Future Cost
Residential Growth	$362,843	80%	$289,615
Commercial Growth	$362,843	20%	$73,228

The future cost of $362,843 is split between residential and commercial growth based upon the proportion of calls for service with approximately $290,000 relating to residential and $73,000 relating to commercial. These costs were then converted into a cost per capita based upon the projected population:

Table 29: Projected Cost for New Development – Per Capita

Category	Future Cost	Population	Cost / Capital
Residential	$289,615	1,939	$149
Commercial	$73,228	155	$472

The cost per capita of $149 or $472 was converted into cost per sq. ft. based upon the density factors discussed in the projected growth and development chapter. The following table shows this calculation:

Table 30: Public Safety Impact Fee Calculation

Category	Cost Per Capita	Density	Impact Fee
Residential (per sq. ft.)			
Single-Family	$149	1,665	$0.09
Multi-Family	$149	457	$0.33
Commercial (per sq. ft.)			
Commercial / Retail	$472	400	$1.18
Office	$472	300	$1.57

The cost per square foot for single-family projects is $0.09. The fees for commercial vary from $1.18 per square foot for commercial / retail properties to $1.57 per square foot for office properties. To calculate the full allowable fee, the 3.50% administrative fee is applied to the impact fee. The following table shows this calculation:

Table 31: Public Safety Impact Fee Calculation Including Administrative Fee

Category	Impact Fee	Admin Fee	Full Cost Fee
Residential (per sq. ft.)			
Single-Family	$0.09	$0.003	**$0.09**
Multi-Family	$0.33	$0.01	**$0.34**
Commercial (per sq. ft.)			
Commercial / Retail	$1.18	$0.04	**$1.22**
Office	$1.57	$0.05	**$1.62**

The addition of the administrative fee captures the full cost associated with the proportionate impact of future development.

The City does not currently charge a Public Safety impact fee. This is a new fee that would be proposed to be added to help new development pay for their proportionate impact.

Nexus Criteria

As discussed in the legal framework section, in order for an impact fee to be implemented it must meet all five of the nexus criteria as established per the Mitigation Fee Act. The following table outlines each criterion point, and how the proposed Public Safety Impact fee meets the criteria.

Table 32: Impact Fees Nexus Criteria – Public Safety

Criteria	Meet	Don't Meet
Purpose of Fee	The purpose of the fee would be to upgrade existing Police and Fire stations, relocate, and reconstruct existing stations, as well as replace outdated public safety equipment.	
Use of Fee Revenue	Public Safety has detailed capital improvement plans that outline the utilization of this fee revenue for current and future years to help ensure that there is appropriate expansion of fire facilities and equipment to meet the public safety goals of the City.	
Benefit Relationship	The use of the impact fee revenue would be to rehabilitate existing police and fire stations, as well as ensure that stations are located in appropriate locations to allow for the most efficient response for service. New residents and employees receive benefits from increased equipment and more efficient response times.	

Criteria	Meet	Don't Meet
Impact Relationship	The addition of new residents and employees would have an impact on the ability of police and fire stations to respond adequately, including in an efficient manner. Therefore, the cost associated with adding additional equipment or expanding facilities to accommodate additional staff to allow for responses would be borne by new residents or employees.	
Proportionality	The proposed impact fee is calculated based upon proportionality of projected growth with the greatest impact by residential areas, followed by commercial areas. The fees are calculated on a per square foot basis for residential and commercial properties as the impact is proportional to the space being occupied.	

As the table demonstrates, the City is able to meet all five of the criteria necessary to implement a Public Safety Impact Fee.

Comparative Survey

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions that charge a Public Safety Impact Fee. The following table compares the City's full cost to other surveyed jurisdictions in the region:

Table 33: Comparative Survey – Public Safety

Jurisdiction	Single-Family	Multi-Family	Commercial	Office
Los Altos – Full Cost	$0.09 per sq. ft.	$0.34 per sq. ft.	$1.22 per sq. ft.	$1.62 per sq. ft.
Palo Alto	$1,336 per unit	$1,070 per unit	$0.75 per sq. ft.	$0.75 per sq. ft.
Morgan Hill	$2,648 per unit	$1,634-$2,182 per unit	$0.32 per sq. ft	$0.38 per sq. ft.

Only two of the other surveyed jurisdictions charge a Public Safety Impact fee. None of those jurisdictions charge residential projects based on square footage. The City's full cost for commercial fees is higher than both surveyed jurisdictions.

8. General Government Impact Fee

General Government refers to City Hall and other governmental infrastructure that is not covered through other impact fees (i.e. Police, Fire, Parks, Traffic, Storm Drain, etc.). The following subsections discuss the growth assumptions utilized, cost components included, resulting impact fee calculation, ability to meet the nexus criteria, and a comparative analysis of General Government fees.

Growth Assumptions

General Government consists of City Hall, Public Works facilities, and the Library. Staff located within these facilities and using that equipment provide services to current and future residents and employees. These services benefit both existing and future development. To determine the proportionate share of existing and future development, the project team calculated the future service population for the City. An employee working within the City does not have the same tendency to use City services as a resident, as such their impact and weight should be proportionately less. The following table shows the current population for each category, the proportionate weight, and the equivalent population increase:

Table 34: Future Weighted Service Population Calculation

Category	Existing Population	Projected Increase	Weight Factor	Weighted Population Increase
Residents	31,021	1,939	100%	1,939
Employees	15,160	155	24%[20]	37
Total	**46,181**	**2,094**		**1,976**

The projected increase in the service population is roughly 1,976, which represents a 4% increase compared to the existing population, similar to the public safety. This means future development should bear 4% of general-government related impact costs.

Cost Components and Assumptions

Due to the projected increase in residential and non-residential population there will be an impact on general government infrastructures. The planning horizon for the impact fee is 16 years (2024 through 2040), and the City will need to replace or upgrade existing facilities during that span. A proportionate share of those upgrades should be borne by

[20] To calculate the employee weight factor, the study assumes that employees are only in the City 40 hours per week out of 168 possible hours in a week, resulting in 24%.

future development as future development will benefit from those facilities. The following table shows by cost category, the average annual cost, the number of planning years, and the resulting cost for 16 years:

Table 35: Total Projected Infrastructure Cost for 16 Years

Category	Avg Annual Cost	Planning Horizon (Yr.)	Total Cost
City Hall	$58,990	16	$943,841
Public Works Facilities	$55,275	16	$884,394
Library Branches	$213,918	16	$3,422,688
Total	**$328,183**		**$5,250,923**

Overall, in the next 16 years the City will require approximately $5.3 million to meet the needs of the existing and future population of the City. A detailed accounting of the average annual cost has been included in Appendix B of this report.

Beyond the $5.25 million in infrastructure costs, the City has also identified $8.1 million in capital projects, related to expansions of City Hall and creation of the Emergency Operations Center. Therefore, a total of $13.35 million is needed to meet existing and future needs.

In addition to the $13.35 million in infrastructure costs, the other cost component to be considered is the administrative fee. As outlined in the prior section, a citywide administrative fee of 3.5% was calculated to account for support provided by City staff in the monitoring and reporting of impact fee funds.

Impact Fee Calculations

As the previous section calculated, the total infrastructure needs for the City are approximately $13.35 million. However, not all of this cost should be borne by the future population. Based upon the growth assumptions analysis, only 4% of these costs should be borne by the future population. The following table shows the calculation for costs to be borne by current and future residential populations:

Table 36: Projected Cost Calculation Between Existing and Future Populations

Category	Infrastructure Costs	Proportion	Total Cost to Be Borne
Current Population	$13,350,922	96%	$12,816,885
Future Population	$13,350,922	4%	$534,037

Of the $13.35 million, only $534,000 should be borne by future populations. This $534,000 is proportionately split into residential and commercial growth based on the weighted support identified, as shown in the following table:

Table 37: Projected Cost for New Development – Residential Vs. Commercial

Category	Total Cost to Be Borne	Proportion	Future Cost
Residential Growth	$534,037	76%	$405,869
Commercial Growth	$534,037	24%	$128,169

The future cost of $534,037 is split between residential ($405,869) and commercial ($128,169) growth. These costs were then converted into a cost per capita based upon the projected population:

Table 38: Projected Cost for New Development – Per Capita

Category	Future Cost	Population	Cost / Capita
Residential	$405,869	1,939	$209
Commercial	$128,169	155	$827

The cost per capita of $209 or $872 was converted into cost per sq. ft. based upon the density factors discussed in the projected growth and development chapter. The following table shows this calculation:

Table 39: General Government Impact Fee Calculation

Category	Cost Per Capita	Density / Unit	Impact Fee
Residential (per sq. ft.)			
Single-Family	$209	1,665	$0.13
Multi-Family	$209	457	$0.46
Commercial (per sq. ft.)			
Commercial / Retail	$827	400	$2.07
Office	$827	300	$2.76

The cost per square foot for single-family residential developments is $0.13 and for multi-family it is $0.46. It is important to note for multi-family it would only be applicable to the square footage of the units, not the entire project. The fees for commercial vary from $2.07 per square foot for commercial to $2.76 per square foot for office properties.

To calculate the full allowable fee, the 3.5% administrative fee is applied to the impact fee. The following table shows this calculation:

Table 40: General Government Impact Fee Calculation Including Administrative Fee

Category	Impact Fee	Admin Fee	Full Cost Fee
Residential (per sq. ft.)			
Single-Family	$0.13	$0.005	**$0.13**
Multi-Family	$0.46	$0.02	**$0.48**
Commercial (per sq. ft.)			
Commercial / Retail	$2.07	$0.07	**$2.14**
Office	$2.76	$0.10	**$2.86**

The addition of the administrative fee captures the full cost associated with the proportionate impact of future development.

The City does not currently charge a General Government Impact Fee. Through this nexus analysis, this new fee is being proposed to be added to the City's schedule.

Nexus Criteria

As discussed in the legal framework section, in order for an impact fee to be implemented it must meet all five of the nexus criteria as established per the Mitigation Fee Act. The following table outlines each criterion point, and how the proposed General Government Impact fee meets the criteria.

Table 41: Impact Fees Nexus Criteria – General Government Impact Fee

Criteria	Meet	Don't Meet
Purpose of Fee	The purpose of the fee would be to upgrade existing City Hall, Public Works Facilities, Library Branches and City equipment.	
Use of Fee Revenue	The Public Works Department has detailed capital improvement plans that outline the utilization of this fee revenue for current and future years to help ensure that there is appropriate expansion of City facilities and equipment to meet the needs of the City.	
Benefit Relationship	The use of the impact fee revenue would be to rehabilitate existing facilities and equipment due to new development. New residents and employees receive benefits from improved access to infrastructure.	
Impact Relationship	The addition of new residents and employees would have an impact on the ability of the City to meet all the needs. Therefore, the cost associated with adding additional equipment or expanding facilities to accommodate additional staff to allow for appropriate handling of the new growth would be borne by new residents or employees.	

Criteria	Meet	Don't Meet
Proportionality	The proposed impact fee is calculated based upon proportionality of projected growth with the greatest impact by residential areas, followed by commercial areas. The fees are calculated on a per sq. ft. basis as the impact is proportionately based on space.	

As the table demonstrates, the City is able to meet all five of the criteria necessary to implement a General Government Impact Fee.

Comparative Survey

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions who charge a General Government Impact Fee. The following table compares the City's current fee and full cost to other surveyed jurisdictions in the region:

Table 42: Comparative Survey – General Government Impact Fee

Jurisdiction	Single-Family	Multi-Family	Commercial	Office
Los Altos – Full Cost	$0.13 per sq. ft.	$0.48 per sq. ft.	$2.14 per sq. ft.	$2.86 per sq. ft.
Palo Alto	$1,684 per unit	$1,346 per unit	$0.94 per sq. ft.	$0.31 per sq. ft.
Morgan Hill	$703 per unit	$677 per unit	$0.04 per sq. ft	$0.04 per sq. ft.

Only two of the surveyed jurisdictions charge General Government Impact Fees. None of the other surveyed jurisdictions charge residential fees based upon square footage. For commercial fees, the City's full cost is higher than both of the other jurisdictions.

9. Transportation Impact Fee

The City of Los Altos currently charges a Transportation Impact Fee. The Matrix Consulting Group contracted with DKS Associates (DKS) to conduct the calculations associated with the Transportation Impact Fee. As this impact fee analysis was undertaken concurrently with the other impact fees, it was determined that a singular report could be developed, in which the analysis developed by DKS would be incorporated. The detailed technical report produced by DKS has been attached as Appendix D to this report. The subsequent sections explore the growth assumptions made, the cost components considered, the process for calculating impact fees, the evaluation of compliance with nexus criteria, and a comparative analysis of Transportation Impact Fees.

Growth Assumptions

The purpose of the Transportation Impact Fee is to maintain the existing level of investment in the citywide transportation network as growth occurs. The primary source of growth projections for transportation demand are dependent upon existing and future land use. The calculations for the existing and future land use quantities were based upon Santa Clara County Assessor data, the 6th Cycle Housing Element, and the currently adopted General Plan. The projection horizon for the analysis was 2022 through 2040. The following table shows the existing and projected forecast by land use type:

Table 43: Existing and Forecasted Land Use

Category	Existing 2024[21]	Growth 2023-2040	Total 2040
Residential (Dwelling Units)			
Single-Family	10,096	438	10,534
Multi-Family	983	1,420	2,403
Non-Residential (Building Square Feet)[22]			
Commercial / Retail	1,728,071	1,515,500	3,243,571
Private School	20,751		20,751
Public & Institutional	488,320		488,320

As the previous table indicates, a projected 1,858 additional dwelling units are expected to be added between 2024 and 2040, and approximately 1.5 million square feet in non-residential uses.

[21] Existing Dwelling units and non-residential growth based upon Santa Clara County Assessor's data as of November 2023 and same for the non-residential land use.
[22] Non-residential land uses- Census Bureau Longitudinal Employer-Household Dynamics Job Counts by NAICS Industry Sector 2017. Nonresidential building square feet based on employment estimates and density factors of 400, 450, 1000, and 1500 square feet per employee for commercial, office, industrial, and hotel respectively.

The land use projection information is utilized in conjunction with trip generation rates to determine the overall transportation demand. The methodology for Los Altos incorporates standard trip generation rates, which measure the desire for mobility by residents or workers to access homes, jobs, shopping, and other city services. The trip generation rates vary by the land use category and help justify the nexus between the type of development that would pay the fee and the cost of the transportation infrastructure associated with that development.

The standard trip generation rates, when multiplied by average trip lengths associated with each category of land use and the vehicle miles traveled (VMT), calculate an equivalent dwelling unit (EDU) factor. The EDU factor creates a common unit with which the transportation impact fee can be calculated. The following table shows the calculation of the EDU factor for each land use based upon the trip generation, unit type (dwelling unit – du or 1,000 square feet – KSF), trip length, percent new trips, and vehicle miles traveled:

Table 44: EDU Calculation by Land Use

Category	ITE Land Use Code[23]	Daily Trip Rate	Unit	Trip Length	Percent New Trips	VMT per Unit	EDU
Residential (Dwelling Units)							
Single-Family	210	9.43	du	7.90	100	74.50	1.00
Multi-Family	221	6.74	du	7.90	100	53.25	0.71
Non-Residential (Building Square Feet)							
Commercial	820	37.01	KSF	3.60	78	103.92	1.40
Office	710	10.84	KSF	8.8	96	91.25	1.23
Private School		15.00	KSF	4.8	94	67.68	0.91
Institutional	590	72.05	KSF	3.9	88	247.28	3.32

The EDU factor calculated for single-family homes is 1.00, and 0.71 for multi-family homes. Alternatively, for non-residential projects, the calculation is based upon multiples of thousand square feet, so the EDU factor is 1.40 per KSF for Commercial and 1.23 for Office.

The EDU factors based on the traffic generation rates are applied to the existing and projected growth to calculate the projected growth EDUs associated with future development. The following table shows this calculation:

[23] Institute for Transportation Engineers (ITE) Trip Generation, 10th edition; ITE Trip Generation Handbook, 3rd Edition, Table E.9: Pass-By and Non-Pass-By Trips, Weekday PM Peak Period; SANDAG, Brief Guide of Vehicular Traffic Generation Rates for the San Diego Region (2002); Jan de Roos, Planning and Programming a Hotel (The Scholarly Commons: Cornell University School of Hotel Administration, 2011.

Table 45: Conversion of EDU to Projected Units

Category	EDU Factor	Existing	EDU Existing	Growth	EDU Growth	EDU Total 2040
Residential (Per du)						
Single-Family	1.00	10,096	10,096	483	483	10,534
Multi-Family	0.715	983	698	1,420	1,015	1,718
Non-Residential (per KSF)						
Commercial	1.395	1,728.017	2,419	1,515.5	2,114	4,525
Private School	0.91	20.751	19			19
Public & Institutional	3.32	488.32	1,621			1,621
TOTAL			**14,850**		**3,567**	**18,417**

As outlined in the table, the existing demand for transportation based upon EDU is approximately 14,850 compared to the projected overall demand of 18,417 in 2040. The existing demand represents 81% of the overall projected needs in 2040, and thereby the remaining 19% is associated with projected future development.

Cost Components and Assumptions

Similar to the other impact fees evaluated in this report, the Citywide Transportation Impact fee was based upon the existing inventory of different transportation related items within the City. The infrastructure inventory was then converted into an existing facility standard (unit per EDU) based upon the 57,772 existing total units within the City. The following table shows the conversion of the total citywide transportation infrastructure by infrastructure type, unit, total quantity, and the resulting existing facility standard per unit as calculated by DKS:

Table 46: Infrastructure Inventory and Existing Facility Standard

Infrastructure Category	Unit	Total Quantity	EDU	Existing Facility Standard
Roadway	Square Feet	6,330,729	14,850	426.3
Sidewalk	Square Feet	607,530	14,850	40.9
Curb & Gutter	Linear Feet	112,918	14,850	7.6
Median	Square Feet	203,451	14,850	13.7
Bicycle Path	Square Feet	112,563	14,850	7.6
Bicycle Lane	Linear Feet	109,360	14,850	7.4
Traffic Signal	Intersections	13	14,850	0.001

The primary source of traffic related infrastructure in the city is related to square footage or roadways and sidewalks. In order to calculate the current cost standard associated with residential and non-residential units, the cost per unit was calculated for each of the infrastructure categories. The cost calculated per unit was based upon the following three factors:

1. **Construction Cost:** This is reflective of the actual construction costs associated with the capital project for the specific infrastructure but does not include temporary traffic control; and for roadways does not include the cost associated with street lighting, water pollution prevention, street furniture and drainage.

2. **Design and Management Cost:** This is calculated at 40% and is comprised of 20% for project design, 15% for construction engineering, and 5% for project management.

3. **Contingency:** A 20% contingency factor is incorporated into the calculation to account for any unexpected expenses or hurdles associated with the inventory construction projects.

The design & management and contingency factors are applied to the base construction cost per unit to calculate the total cost per unit. The following table shows the total cost per unit calculated by infrastructure type based as calculated by DKS:

Table 47: Infrastructure Cost Per Unit

Infrastructure Category	Unit	Construction Cost	Design & Management	Contingency	Replacement Cost Per Unit
Roadway	Square Feet	$53	40%	20%	$89
Sidewalk	Square Feet	$36	40%	20%	$60
Curb & Gutter	Linear Feet	$124	40%	20%	$209
Median	Square Feet	$48	40%	20%	$81
Bicycle Path	Square Feet	$36	40%	20%	$61
Bicycle Lane	Linear Feet	$9	40%	20%	$15
Traffic Signal	Intersections	$611,600	40%	20%	$1,027,488

The replacement cost per unit varies depending on the type of infrastructure category and the existing facility standard (units per EDU). The facility standard is multiplied by the replacement cost per unit to calculate the existing level of investment per EDU. The following table shows this calculation:

Table 48: Level of Investment by Infrastructure Type

Infrastructure Category	Existing Facility Standard	Replacement Cost	Existing Level of Investment per EDU[24]
Roadway	426.3	$89	$37,961
Sidewalk	40.9	$60	$2,474
Curb & Gutter	7.6	$209	$1,588
Median	13.7	$81	$1,114
Bicycle Path	7.6	$61	$462
Bicycle Lane	7.4	$15	$109
Traffic Signal	0.001	$1,027,488	$900
TOTAL EXISTING INVESTMENT			**$44,608**

[24] The existing level of investment per EDU is calculated based on exact values. For brevity, this values in the table are only shown to the tenth decimal or less.

The $44,608 represents the total existing investment per EDU made by the City. If the City were to maintain its existing standards of investment the $44,608 would be the maximum justified level of investment from new development.

While $44,608 is the current standard, the Transportation Impact Fee (TIF) may not be higher than what is necessary to fund the proposed project list. The following table shows the unfunded capital costs that could be potentially funded through the Transportation Impact Fee.

Table 49: Transportation Improvements Cost Summary

Category	Estimated Costs
Bicycle and Pedestrian Safety	$16,105,000
Intersection Capacity Improvement	$476,890
New Bike Facilities	$5,540,022
New Pedestrian Facilities	$4,350,465
TOTAL	**$26,472,377**

The projected estimated costs for transportation improvements for the City are $26.5 million. The City assumes that approximately 100% of these projects will be completed through the 16 year planning horizon (by 2040).

In addition to the $33.7 million in infrastructure costs, similar to all of the other impact fees, an administrative fee was calculated for the Transportation Impact Fee. We assumed an administrative fee at a rate of 3.5%, similar to other impact fees.

Impact Fee Calculations

As the previous section calculated, the total infrastructure needs to be funded through the citywide Transportation Impact Fee is $26.5 million. The infrastructure costs are divided by the projected growth of EDUs between 2023 through 2040 to derive the base cost per EDU. The following table shows the calculation for the impact fee per EDU:

Table 50: Impact Fee Calculation Per EDU

Category	Amount
Transportation Impact Fee Funding Required	$26,472,377
Growth EDU	3,567
Impact Fee per EDU	**$7,422**[25]

[25] Calculation is based on exact values, even though rounded values are shown.

As the table shows, the transportation impact fee per EDU is $7,422. This impact fee per EDU is converted into the transportation impact fee based upon the EDU factor calculated in the growth assumptions of this section. The following table shows this calculation:

Table 51: Citywide Transportation Impact Fee Calculation

Category	Impact Fee Per EDU	EDU Factor	Transportation impact Fee
Residential			
Single-Family	$7,422	1.00 per du	**$7,422 per du**
Multi-Family	$7,422	0.71 per du	**$5,305 per du**
Non-Residential			
Commercial	$7,422	1.40 per KSF	**$10.35 per sq. ft.**
Office	$7,422	1.23 per KSF	**$9.13 per sq. ft.**

As the table indicates, the full cost transportation impact fee varies from a low of $9.13 per square feet for office to a high of $7,422 for single-family properties. Per AB602, the residential fees must be converted to a per square foot basis. The following table shows this calculation based upon the average size of the projects:

Table 52: Citywide Transportation Impact Fee Residential Conversion to Square Footage

Category	Impact Fee Per Dwelling Unit	Avg Size (Sq. Ft.)	Cost Per Sq. Ft.
Single-Family	$7,422	4,934	$1.50
Multi-Family	$5,305	873	$6.08

The administrative fee of 3.50% was added to the calculations to determine the full cost associated with Transportation impacts. The following table shows the transportation impact fee, the administrative fee, and the resulting full cost fee:

Table 53: Citywide Transportation Impact Fee – Full Cost

Category	TIF	Admin Fee	Full Cost TIF
Residential (per square foot)			
Single-Family	$1.50	$0.05	$1.55
Multi-Family	$6.08	$0.21	$6.29
Commercial / Non-Residential (per square foot)			
Commercial / Retail	$10.35	$0.36	$10.71
Office	$9.13	$0.32	$9.45

The following table compares the City's current fee to the full cost fee calculated through the analysis and the resulting difference per unit:

Table 54: Citywide Transportation Impact Fee – Current vs. Full Cost

Category	Current Fee	Full Cost Fee	Difference
Residential (per square foot)			
Single-Family	$6,774	$1.55	N / A
Multi-Family	$4,159	$6.29	N / A

Category	Current Fee	Full Cost Fee	Difference
Commercial / Non-Residential (per square foot)			
Commercial / Retail	$12.05	$10.71	$1.34
Office	$9.99	$9.45	$0.54

Due to the change in the fee structure for residential the current and full cost are not truly comparable, but they have been listed to show the current fee and the calculated full cost fee. The City is over-recovering based on the updated nexus analysis for commercial fees.

Nexus Criteria

As discussed in the legal framework section, in order for an impact fee to be implemented it must meet all five of the nexus criteria as established per the Mitigation Fee Act. The following table outlines each criterion point, and how the Transportation Impact Fees meets the criteria.

Table 55: Impact Fees Nexus Criteria - Parks & Recreation Impact Fees

Criteria	Meet	Don't Meet
Purpose of Fee	The purpose of the fee is to expand the citywide multimodal transportation network to accommodate increased demand from new development.	
Use of Fee Revenue	The City has a list of detailed projects upon which the projected Transportation Impact Fee could be utilized. The City has the right to modify the project list, adding or replacing projects as long as they are consistent with the nexus analysis and are capital projects, part of the citywide transportation network and are related to enhancement, upgrades, and expansion of existing and future transportation infrastructure.	
Benefit Relationship	The use of the impact fee revenue would be to for expansions to the multimodal transportation network that supports citywide circulation. New residents and employees receive benefit from these transportation project improvements.	
Impact Relationship	The addition of new residents and employees would have an impact on the ability of the city's existing transportation system to meet all of their needs. Therefore, the cost associated with adding additional transportation infrastructure or improving existing transportation infrastructure would be proportionately borne by new residents or employees.	

Criteria	Meet	Don't Meet
Proportionality	The impact fee is calculated based upon proportionality of vehicle miles traveled based upon the type of land use category and converted to an equivalent dwelling unit (EDU) factor. It takes into account the existing level of investment and that the impact fee does not exceed that existing level of investment. The fees are calculated on a per sq. ft. basis for all properties to ensure that there is a proportional impact.	

As the table demonstrates, the City is able to meet all five of the criteria necessary to continue to charge a Transportation Impact Fee.

Comparative Survey

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions that charge a Transportation Impact Fee. The following table compares the City's current fee and full cost to other surveyed jurisdictions in the region:

Table 56: Comparative Survey – Transportation Impact Fee

Jurisdiction	Single-Family	Multi-Family	Commercial	Office
Los Altos – Current Fee	$6,774 per unit	$4,159 per unit	$12.05 per sq. ft.	$9.99 per sq. ft.
Los Altos – Full Cost	$1.55 per sq. ft.	$6.29 per sq. ft.	$10.71 per sq. ft.	$9.45 per sq. ft.
Mountain View	$6,120 per unit	$3,428 per unit	$6.53 per sq. ft.	$6.53 per sq. ft.
Palo Alto	$9,754.23 per Net New PM Peak Hour Trip			
Menlo Park	$18,864 per unit	$6,358 per unit	$12.77 per sq. ft.	$21.91 per sq. ft.
Los Gatos	$6.10 per sq. ft.	$6.96 per sq. ft.	$22.39 per sq. ft.	$19.73 per sq. ft.
Morgan Hill	$4,289 per unit	$1,673-$2,658 per unit	$4,829 per Peak Hour Trip	$4,829 per Peak Hour Trip

Jurisdictions charge the transportation impact fee in a variety of ways. The City's current and full cost fees seem to be in alignment with Menlo Park's commercial fees, but Mountain View's office fees. For the residential fees Los Gatos is the only other jurisdiction that charges per square foot, and its single-family residential is much higher than the City's full cost, but its multi-family fee is in alignment with the City's full cost fee.

10. Commercial Linkage Fee

The City of Los Altos is proposing the creation of a Commercial Linkage Fee for affordable housing. The Matrix Consulting Group contracted with Strategic Economics to conduct the calculations associated with the Commercial Linkage Impact Fee. As this impact fee analysis was undertaken concurrently with the other impact fees, it was determined that a singular report could be developed, in which the analysis developed by Strategic Economics would be incorporated. The detailed technical memorandum produced by Strategic Economics has been attached as Appendix E to this report. The subsequent sections explore the process for calculating impact fees, the evaluation of compliance with nexus criteria, and a comparative analysis of Commercial Linkage Fees.

Cost Components and Assumptions

The purpose of the commercial linkage fee is to impose a fee on new development for its impact on creating the need for affordable housing in the community. The commercial linkage fee nexus analysis calculates the linkage between new jobs and affordable housing needed, as well as the gap between what employees can afford and the cost to build new housing. The first component of this analysis is to estimate the number of households that would be eligible for affordable housing, and then determine the housing affordability gap.

There were three main prototypes of development utilized – office, retail, and hotel. For each prototype, the square footage of development assumed was 100,000 sq. ft., and an average employment density by prototype was used to calculate the estimated number of workers in each prototype. The number of workers in each prototype was converted into new households based on the average number of workers per household. The following table shows this calculation:

Table 57: Estimated Average # of New Households Required

Commercial Prototype	Sq Ft. / Worker	Prototype Sq. Ft.	# of Workers in Prototype	Workers per Household[26]	New Households Required
Hotel	1,000	100,000	100	1.7	59
Office	300	100,000	333	1.7	196
Retail	400	100,000	250	1.7	147

The next step in the assumptions is estimating the weighted average wage for each commercial prototype based on the distribution of occupations and their associated wage levels. Detailed information was gathered from the Bureau of Labor Statistics for

[26] The 1.7 is based on a 5 year average of US Census American Community Survey information for Santa Clara County.

the San Jose-Sunnyvale-Santa Clara region for the different occupancy types and the proportion of employees in each category. This was multiplied by the average workers per household to generate the average annual wage per household. The following table shows the weighted average annual wage by prototype:

Table 58: Weighted Average Annual Wage by Prototype

Commercial Prototype	Weighted Avg. Annual Wage	Workers per Household[27]	Avg Annual Wage Per Household
Hotel	$54,581	1.7	$92,788
Office	$128,940	1.7	$219,198
Retail	$48,728	1.7	$82,838

Retail has the lowest average annual wage due to the mix of industries and occupations in that category and their associated salaries, followed by Hotel and then Office. The number of new households were then sorted into extremely low income, very low income, low income, moderate, and above moderate income. Affordable housing is needed for extremely low to moderate income categories. While the results of this analysis did not identify demand from extremely low income worker households associated with new commercial development, it is understood that there are worker households in Santa Clara County that require extremely low income housing. The following table shows by prototype the number of households requiring affordable housing:

Table 59: Affordable Housing Needs by Prototype

Commercial Prototype	Total # of Households[28]	Households Requiring Affordable Housing
Hotel	56	54
Office	193	72
Retail	147	143

The majority of new employee households associated with Hotel and Retail uses will require affordable housing compared to less than 50% of employees associated with Office uses. The next step in the process is determining the housing affordability gap by income group. Households with incomes in the very low range were assumed to live in rental housing. Households in the low and moderate ranges were assumed to live in a mix of rental and ownership housing. Strategic Economics evaluated the cost of development, average affordable rent, average supportable debt, and sale prices of homes. The following table summarizes the average gap by income level that exists.

[27] The 1.7 is based on a 5 year average of US Census American Community Survey information for Santa Clara County.
[28] This value is different as it only includes households for which wage data was available.

Table 60: Average Affordability Gaps

Income Level	Rental Gap	Ownership Gap – Townhome	Ownership Gap – Condo	Average Gap[29]
Very Low Income	$516,945	N / A	N / A	$516,945
Low-Income	$392,301	$412,606	$502,402	$424,903
Moderate Income	$182,973	$139,528	$300,187	$201,415

As the table indicates, the largest gap is for the very low income, followed by low income, and then for the moderate income. This information was converted into the total affordability gap by prototype based on the proportion of households in each income category within the prototype. The total affordability gap was calculated by multiplying the average gap per income category by the percentage of applicable households and the relevant worker density. The following table shows this calculation:

Table 61: Total Affordability Gap by Prototype[30]

Prototype / Income Level	# of Households	Average Gap	Total Affordability Gap
Hotel			***$24,999,218***
Very Low Income	27	$516,945	$14,359,055
Low	21	$424,903	$9,475,878
Moderate	6	$201,415	$1,164,285
Office			***$24,489,446***
Very Low Income	7	$516,945	$3,699,742
Low	33	$424,903	$14,301,896
Moderate	32	$201,415	$6,487,808
Retail			***$70,195,031***
Very Low Income	114	$516,945	$58,906,734
Low	24	$424,903	$10,291,560
Moderate	5	$201,415	$996,737

Due to the highest proportion of very low income housing related to retail, it has the largest affordability gap compared to Office and Hotel. This total affordability gap was used to calculate the maximum impact fee calculations.

Impact Fee Calculations

The impact fee is calculated as a per square foot fee. The average affordability gap per household is multiplied by the number of households needed to determine the overall affordability gap per prototype. The following table shows the maximum calculated fees:

[29] The average gap is calculated based 50% on the rental gap, 25% on Townhome and 25% on Condo.
[30] Due to showing values as rounded, the numbers do not exactly match, but the calculations are based on exact values.

Table 62: Maximum Commercial Linkage Fee

Commercial Prototype	Number of Worker Households	Total Affordability Gap	Prototype Sq. Ft.	Max Fee Per Sq. Ft.
Hotel	56	$24,999,218	100,000	$250
Office	193	$24,489,446	100,000	$245
Retail	147	$70,195,031	100,000	$702

The commercial linkage fee ranges from a low of $245 per sq. ft. for office to a high of $702 per square foot for retail. This represents the maximum justifiable fee that can be assessed.

Nexus Criteria

As discussed in the legal framework section, in order for an impact fee to be implemented it must meet all five of the nexus criteria as established per the Mitigation Fee Act. The following table outlines each criterion point, and how the proposed Commercial Linkage Impact Fees meets the criteria.

Table 63: Impact Fees Nexus Criteria – Commercial Linkage Fees

Criteria	Meet	Don't Meet
Purpose of Fee	The purpose of the fee would be for new development to offset the need for affordable housing in the City.	
Use of Fee Revenue	The City can utilize the revenue to help fund affordable housing projects within the City to meet the needs generated by new development.	
Benefit Relationship	The use of the impact fee revenue would be to for affordable housing that is directly needed as a result of new commercial development.	
Impact Relationship	The addition of new commercial development adds new jobs to the region and creates additional demand for housing. Therefore, the cost associated with the new households and their affordable needs would be proportionately borne by new development.	
Proportionality	The proposed impact fee is calculated based on per a per sq. ft. basis for commercial properties, as the larger the development the greater the need for affordable housing for new employees.	

As the table demonstrates, the City is able to meet all five of the criteria necessary to propose to charge a Commercial Linkage Impact Fee.

Comparative Survey

As part of this impact fee analysis, the project team conducted a comparative survey of surrounding jurisdictions that charge a Commercial Linkage Fee. The following table compares the City's maximum justifiable fee for Los Altos to other surveyed jurisdictions in the region:

Table 64: Comparative Survey – Commercial Linkage Fee Maximum Justifiable Fee (Per Sq. Ft.)

Jurisdiction	Hotel	Retail	Office
Los Altos – Full Cost	$250	$702	$245
San Jose	$62	$178	$138
Milpitas	$62	$177	$138
Sunnyvale	$76	$295	$114
Santa Clara	$129	$268	$143
Palo Alto	$177	$295	$264
Menlo Park	$154	$264	$255

Due to the unique nature of these fees, alternative comparable jurisdictions were utilized. Overall, the City's maximum justifiable fees for Office are in alignment with other jurisdictions. It's retail fee is on the higher end, due to the proportionality of income, as well as the methodology to choose to fund the gap generated by new development entirely through new development.

It is important to note that most jurisdictions do not set these fees at the maximum justifiable rate. For example, San Jose's adopted fees range from $3 per sq. ft. to $5 per sq. ft. Mountain View and Palo Alto have the highest fees, which range from $26 to $77 per sq. ft. or $16 to $33 per sq. ft. for offices.

Appendix A – Parks and Recreation Costs

The following table provide information regarding Parks and Recreation Facility costs. All quantity, cost per unit calculations, and lifecycle information was provided and confirmed by the City of Los Altos' staff.

Table 65: Parks and Recreation Facility Costs

Facility Name	Sq. Ft.	Real Property Value	Lifecycle (yrs.)	Annual Cost	# of Years	Projected Cost
Youth Center	5940	$1,121,129	50	$22,423	16	$358,761
Gilbert Smith House	2427	$516,434	50	$10,329	16	$165,259
Concessions / Restrooms	600	$104,166	50	$2,083	16	$33,333
Concessions / Restrooms	600	$154,298	50	$3,086	16	$49,375
Hillview Community Center	3920	$817,000	50	$16,340	16	$261,440
School Restroom Building	330	$140,554	50	$2,811	16	$44,977
Daycare Center	1668	$464,620	50	$9,292	16	$148,678
McKenzie Restroom	132	$58,181	50	$1,164	16	$18,618
Shoup Park	11100	$3,467,869	50	$69,357	16	$1,109,718
Restroom Shoup Park	312	$103,276	50	$2,066	16	$33,048
History Museum	9163	$3,467,453	50	$69,349	16	$1,109,585
Egan Gymnasium	10000	$3,842,453	50	$76,849	16	$1,229,585
Blach Gymnasium	10000	$3,842,453	50	$76,849	16	$1,229,585
Restroom Park	376	$81,135	50	$1,623	16	$25,963
Nature HSE	3077	$753,025	50	$15,061	16	$240,968
Restroom	341	$252,048	50	$5,041	16	$80,655
Grant Park Center	4280	$1,303,545	50	$26,071	16	$417,134
Classroom Building	4796	$1,080,121	50	$21,602	16	$345,639
Concessions / Restrooms	390	$332,963	50	$6,659	16	$106,548
Concessions / Restrooms	447	$246,565	50	$4,931	16	$78,901
TOTAL						**$7,087,772**

In addition to Facility Costs, the project team also collected information on the CIP projects. The following table shows by project, the total costs:

Table 66: Parks and Recreation CIP Costs

Project Name	Total Value
Annual Pathway Rehab	$1,050,000
Designated Picnic Area	$70,000
Drainage & Drinking Fountains	$180,000
Hillview Dog Park	$1,075,000
Grant Park Facility (Electrical, Hot Water, & HVAC)	$1,000,000
Rebuild Grant Park Basketball Court	$200,000
McKenzie Dog Park	$550,000
Shoup Park Playground	$1,070,000
Marymead Playground	$550,000
McKenzie Playground	$725,000
Hillview Fitness Equipment	$145,000
Hetch Hetchy Trail Vegetation & Tree Removal	$275,000
Historic Apricot Orchard Irrigation Installation	$75,000
Community Garden - LACC	$28,000
Halsey House Rehabilitation	$50,000
Garden House	$285,000
Caretaker House Demolition	$60,000
LACC Laundry Hookup	$23,000
TOTAL	**$7,411,00**

Appendix B – Public Safety Infrastructure Costs

The following table provide information regarding Public Safety Facility and Equipment costs. All quantity, cost per unit calculations, and lifecycle information was provided and confirmed by the City of Los Altos' staff.

Table 67: Public Safety Equipment & Facility Costs

Facilities	Quantity	Price	Lifecycle	Annual Cost	# of Years	Total
Vehicles	21.00	$60,500	7	$8,642.86	16	$2,904,000
Handheld Radios		$471,000	7	$67,285.71	16	$1,076,571
Emergency Generator	1.00	$100,000	15	$6,666.67	16	$106,667
Speed Awareness Portable / Trailer Monitor	2.00	$10,000	10	$1,000.00	16	$32,000
Police Dept	1.00	$4,346,563	50	$86,931	16	$1,390,900
Fire Station - 10 almond ave.	1.00	$2,950,625	50	$59,013	16	$944,200
Fire Station - 765 fremont ave.	1.00	$941,875	50	$18,838	16	$301,400
TOTAL						**$6,755,738**

In addition to Facility Costs, the project team also collected information on the CIP projects as well as Facilities Conditions Assessment (FCA). The following table shows by project, the total costs:

Table 68: Public Safety CIP and FCA Costs

Project Name	Total Value
999 Fremont (Police Substation)	$110,000
Police Station Redevelopment	$50,000
Police Dept AC Units	$15,000
Police Dept Security Upgrades	$20,000
Police Station FCA	$1,040,308
Fire Station - 10 almond ave. (FCA)	$883,044
Fire Station - 765 fremont ave. (FCA)	$196,986
TOTAL	**$2,315,338**

Appendix C – General Government Infrastructure Costs

The following table provide information regarding General Government costs. All quantity, cost per unit calculations, and lifecycle information was provided and confirmed by the City of Los Altos' staff.

Table 69: Public Safety Equipment & Facility Costs

Facilities	Price	Lifecycle	Annual Cost	# of Years	Total
Municipal Service Center - Admin	$1,097,844	50	$21,957	16	$351,310
Warehouse	$995,114	50	$19,902	16	$318,436
Garage	$520,244	50	$10,405	16	$166,478
Equipment Shed	$150,528	50	$3,011	16	$48,169
City Hall	$2,949,502	50	$58,990	16	$943,841
Woodland Library	$1,520,456	50	$30,409	16	$486,546
Civic Center - Los Altos Library	$9,175,443	50	$183,509	16	$2,936,142
TOTAL					**$5,250,922**

In addition to Facility Costs, the project team also collected information on the CIP projects. The following table shows by project, the total costs:

Table 70: Public Safety CIP and FCA Costs

Project Name	Total Value
City Hall Emergency Operations Center	$2,950,000
MSC Fuel - Dispensing Station OH Canopy	$100,000
City Hall Expansion into Los Altos Youth Center	$5,050,000
TOTAL	**$8,100,000**

Appendix D & E – Transportation Impact Fee Technical Report & Commercial Linkage Impact Fee Memo

The following pages include the DKS Technical Report provided for the Transportation Impact Fee and the Strategic Economics Memo provided for the Commercial Linkage fee.

TRANSPORTATION IMPACT FEE NEXUS REPORT

APRIL 2024

PREPARED FOR:

CITY OF LOS ALTOS

DKS

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INTRODUCTION AND BACKGROUND

This report documents the update of the Transportation Impact Fee (TIF) for the City of Los Altos, California. The updated fee program will fund all eligible transportation improvements based on a reasonable relationship to transportation demand impacts from new development. Eligible projects represent an expansion of the citywide multimodal transportation infrastructure. This report presents the results of the fee calculations along with supporting documentation for the nexus study prepared by DKS Associates.

SUMMARY OF FINDINGS

California local agencies may adopt impact fees under authority granted by the Mitigation Fee Act (the Act), contained in Sections 66000 to 66025 of the California Government Code. This report presents the key findings required by the act for adopting or increasing a development fee with respect to the following reasonable relationships[1]:

Project effects– There must be a reasonable relationship established between new development and the need for public facilities.

- This finding is based on the need to supply adequate transportation network improvements to offset transportation demand associated with new development.

Benefit – There must be a reasonable relationship between new development and the use of fee revenue for public facilities to accommodate that development.

- This finding is based on the use of fee revenue for expansions to the multimodal transportation network that supports citywide circulation.

Proportionality – There must be a reasonable relationship between the amount of the fee and the portion of public facilities cost associated with new development.

- This finding is based on the cost of planned improvements to citywide multimodal transportation infrastructure per unit of new development and ensuring that this cost per unit is not greater than the level of investment in existing infrastructure for existing development.

In addition to the above findings, the Act also requires findings regarding the purpose of the fee and a description of the public facilities to be funded by the fee:

- The purpose of the fee is to expand the citywide multimodal transportation network to accommodate increased demand from new development. The multimodal improvements to be funded by the fee are described under "Transportation Improvements".

[1] California Government Code, section 66001(a)(3), 66001(a)(4), and 66001(b)

The proposed TIF also meets newer statutory requirements, including preparation of a nexus study and calculation of residential fees by square footage. The following additional findings are made:

a) The existing level of service is the historical level of investment made per unit of development to fund the City's multimodal transportation network. This level of investment will not be exceeded by the proposed fee.

b) The purpose of the fee is to expand the City-wide multimodal transportation network to accommodate increased demand from new development.

c) The funds collected by the proposed fee will be used to deliver the projects described under "Transportation Improvements".

d) The reasonable relationship between the fee's use and the type of development project is derived from the relative levels of transportation demand associated with each land use category.

e) The need for public facilities to be funded by the proposed fee has been documented by the adopted planning documents that serve as the source for the transportation improvements list.

EXISTING AND FUTURE LAND USE QUANTITIES

The proposed fee program is based on the demand for transportation infrastructure associated with new development. This section documents the additional transportation demand from new development in terms of "dwelling unit equivalents" (DUEs), a measure of transportation demand across both residential and nonresidential land use categories that is based on trip characteristics.

Existing land use by category has been quantified by summarizing spatial data on zoning and information such as square footage by parcel from the Santa Clara County Assessor. A detailed description of the methods used to quantify existing land use may be found in the Appendix, Section 1.

The quantity of future residential land use has been derived from the City's adopted 6th Cycle Housing Element, projected to the horizon year of 2040. Note that Accessory Dwelling Units (ADUs) have not been included in the residential growth as these will be exempt from the TIF per City policy.

Non-residential growth has been derived from the City's currently adopted general plan buildout quantities for commercial land use. Although the general plan assumes some capacity for land use intensification on private school sites and public and institutional lands, the potential for redevelopment of these parcels is not certain. Therefore, the non-residential growth projection has been based on the capacity of commercial parcels only. Moreover, the quantity of expected commercial growth is conservatively assumed to be half the hypothetical maximum buildout

quantity. More detail on the derivation of future land use quantities can be found in the Appendix, Section 2.

Table 1 summarizes the existing and forecasted growth by type of land use. Note that due to the uncertainty surrounding potential redevelopment of existing private school and institutional sites, the quantity of future land use that would be subject to the TIF has been limited to expected commercial growth.

TABLE 1: EXISTING AND FORECASTED DEVELOPMENT

LAND USE	EXISTING (2021) [a]	GROWTH (2022-2040) [b]	TOTAL 2040
RESIDENTIAL (DWELLING UNITS)			
SINGLE FAMILY [c]	10,096	438	10,534
MULTI-FAMILY [d]	983	1,420	2,403
TOTAL	11,079	1,857	12,936
NONRESIDENTIAL (BUILDING SQUARE FEET)			
RETAIL/COMMERCIAL	1,728,071	1,515,500	3,243,571
PRIVATE SCHOOL	20,751		20,751
PUBLIC & INSTITUTIONAL	488,320		488,320
TOTAL	1,728,071	1,515,500	3,243,571

[a] Existing residential based on Santa Clara County Assessor's parcel data as of November 2023. Existing nonresidential land use derived from current zoning and Santa Clara County Assessor's parcel data as of November 2023.

[b] Residential growth based on site inventory and net new rezone sites from the Los Altos Housing Element (estimated ADUs not included). Residential growth quantities have been extrapolated to 2040. Non-residential growth based on buildout quantities of commercial development in current general plan land use element.

Sources: City of Los Altos, General Plan land use and zoning spatial data file with Santa Clara County Assessor's parcel data, December 1, 2023; City of Los Altos, 6th Cycle Housing Element 2023-2031, August 2023, Table III-1, p. 16; City of Los Altos, General Plan 2002-2020, Table LU-4, p.20.

TRANSPORTATION DEMAND FACTORS

Scaling factors based on relative levels of transportation demand are applied to the different types of land use to create a common land use unit. These common units or Dwelling Unit Equivalents (DUEs) are equivalent to the transportation demand generated by one single family residential unit. The DUE rates are used to proportionately scale the fee across different land use categories after basic fee levels are calculated.

TABLE 2: DWELLING UNIT EQUIVALENT (DUE) RATES
PER DWELLING UNIT OR THOUSAND SQUARE FEET OF NON-RESIDENTIAL LAND USE

LAND USE	ITE LAND USE (CODE)	AVG. WEEKDAY TRIP RATE	PERCENT NEW TRIPS [a]	TRIP LENGTH FACTOR [b]	DEMAND FACTOR [b]	DWELLING UNIT EQUIVALENT RATE
SINGLE-FAMILY	Single Family Homes (210)	9.43	100	7.9	74.50	1.00
MULTI-FAMILY	Multifamily Mid-rise (221)	6.74	100	7.9	53.25	0.71
COMMERCIAL/RETAIL	Shopping Center (820)	37.01	78	3.6	103.92	1.40
PRIVATE SCHOOL [d]	High School c	15.00	94	4.8	67.68	0.91
INSTITUTIONAL [d]	Library (590)	72.05	88	3.9	247.28	3.32
OFFICE [d]	General Office (710)	10.84	96	8.8	91.58	1.23
INDUSTRIAL [d]	General Light Industrial (110)	4.87	98	9.0	42.95	0.58

[a] Includes diverted trips.

[b] Trip length and VMT factors provide a relative measure of transportation demand among land uses, and a reasonable method for allocating improvement costs across land use categories to calculate the impact fee. Based on factors commonly used in planning studies. Absolute values for Los Altos may differ.

[c] Trip generation rate per square foot from SANDAG (2002).

[d] Rates for private school, institutional, office, and industrial uses are given for informational purposes only (growth DUEs in Table 3 derived from commercial uses only).

Sources: Institute for Transportation Engineers (ITE), Trip Generation, 11th Edition; San Diego Association of Governments (SANDAG), Brief Guide of Vehicular Trip Generation Rates, April 2002.

TABLE 3: TRANSPORTATION DEMAND BY DWELLING UNIT EQUIVALENTS (DUEs)

LAND USE	EXISTING DUEs (2021)	GROWTH DUEs (2023-2040)	TOTAL DUEs (2040)
RESIDENTIAL			
SINGLE FAMILY	10,096	438	10,534
MULTI-FAMILY	703	1,015	1,717
SUBTOTAL	10,799	1,452	12,251
NONRESIDENTIAL			
RETAIL/COMMERCIAL	2,411	2,114	4,525
PRIVATE SCHOOL	19	-	19
PUBLIC & INSTITUTIONAL	1,621	-	1,621
SUBTOTAL	4,050	2,114	6,165
TOTAL	**14,849**	**3,567**	**18,415**
SHARE	81%	19%	100%

Sources: Table 1 and Table 2.

The DUE rates and travel demand factors are calculated using the daily trip rates from the 11th Edition of the *Trip Generation Manual,* published by the Institute of Transportation Engineers (ITE). The details of this calculation are shown in Table 2. The DUE rates are applied to the quantities of land use growth shown in Table 1 to arrive at growth in DUEs as shown in Table 3.

TRANSPORTATION IMPROVEMENTS

This section summarizes the projects needed to expand the transportation network to accommodate growth. Table 4 summarizes the improvements identified to expand the citywide circulation network to maintain the City's historical level of investment. Most of the projects are derived from the *Los Altos Complete Streets Master Plan*, which the city adopted in 2022.

A map and detailed list of projects may be found in the Appendix, Section 3. Note that project cost estimates have been escalated to 2024 dollars.

COMPLETE STREETS MASTER PLAN PROJECTS

Although over 260 individual projects were identified in the Complete Streets Master Plan (CSMP), only those projects that added new capacity or functionality to the citywide circulation network would be funded by the proposed TIF update. Projects that were not specifically located or defined and those that lacked cost estimates were not included.

REVIEW OF PROJECTS FROM THE 2014 TRAFFIC IMPACT FEE PROGRAM

Projects from the *2014 Traffic Impact Fee Program* that have not been completed to date were reviewed as candidates for TIF funding. The 2014 nexus study identified five corridor traffic calming projects and three intersection or roadway capacity improvements. Improvements for the traffic calming corridors were not specifically identified in the 2014 nexus study and a generic cost per mile was assumed. Since specific bicycle and pedestrian improvements along these same corridors have been proposed in the Complete Streets Master Plan, the 2014 traffic calming corridor projects are assumed to be superseded by the more recent proposals and have not been carried forward. Of the three intersection and roadway capacity improvements listed in the 2014 TIF, two have been completed. Costs to complete the remaining project, signalization of the intersection of North San Antonio Road and Loucks Avenue, have been carried forward.

SUPPLEMENTAL FUNDING SOURCES

Although TIF funding may be supplemented with funding from other sources to deliver the project list, none of this supplemental funding has been secured at this time. A review of the City's five-year Capital Improvement Program (CIP) shows that the general fund and TIF revenues are assumed to provide the largest share of funding for bicycle and pedestrian infrastructure projects. The most prominent supplemental funding source in the most recent CIP was expected to be from Transportation Development Act Article III grants, which are expected to provide for about half a percent of the five-year expenditure plan for bicycle and pedestrian projects. Therefore, the fee calculation does not assume any supplemental funding sources. Also note that the current TIF fund balance is effectively zero and thus is not available to offset the cost of the project list.

TABLE 4: TRANSPORTATION IMPROVEMENT PROJECTS

CATEGORY		UNFUNDED CAPITAL COSTS ($2024)
BICYCLE AND PEDESTRIAN SAFETY		$16,105,000
INTERSECTION CAPACITY IMPROVEMENT		$476,890
NEW BIKE FACILITIES		$5,540,022
NEW PEDESTRIAN FACILITIES		$4,350,465
	SUBTOTAL	$26,472,377
CURRENT TIF FUND BALANCE [a]		$0
ALLOCATED COST FOR FEE CALCULATION		**$26,472,377**

[a] Fund balance as of June 30, 2023.

Source: City of Los Altos, Complete Streets Master Plan: An Active Transportation Framework (2022), Tables 16-18, pp. 180-193; City of Los Altos, Annual Report on the Traffic Impact Fee and the Park in-Lieu Fee for Fiscal Year Ended June 30, 2023; TJKM Transportation Consultants, City of Los Altos Traffic Impact Fee Program, 2014.

EXISTING CITYWIDE MULTIMODAL TRANSPORTATION INFRASTRUCTURE

This section presents the City's standard for multimodal transportation infrastructure based on the existing level of investment in that infrastructure. This standard is used to set the maximum justifiable TIF.

INVENTORY OF CITYWIDE TRANSPORTATION INFRASTRUCTURE

An inventory was taken of the multimodal transportation network in Los Altos that connects residential neighborhoods, retail and employment centers, and other destinations across the city. Streets and other transportation infrastructure that only provide access to individual residential properties and do not provide connectivity between neighborhoods are not included in this inventory. The inventory was used to quantify the investment the city has made to date in its citywide transportation network.

The citywide multimodal transportation infrastructure was quantified using street centerline Geographic Information System (GIS) data, the map of streets by classification published in the City's general plan circulation element, and online aerial photographs. The transportation network is defined as arterials and collectors that provide connectivity among different neighborhoods in Los Altos and to regional destinations. This network includes the arterial and connector roadways from curb-to-curb (vehicle travel lanes, bicycle lanes, and on street parking), as well as adjacent sidewalks, medians, traffic signals, and off-street paths.

As mentioned above, the network excludes local streets used primarily for access to individual properties within residential neighborhoods. In addition, infrastructure on El Camino Real (State Route 82) and Foothill Expressway were also excluded as these facilities are maintained by Caltrans and Santa Clara County, respectively. Figure 1 shows a map of the City's existing citywide transportation network that is eligible for improvement or expansion projects funded by the proposed fee.

EXISTING LEVEL OF INVESTMENT AND MAXIMUM JUSTIFIABLE FEE FOR THE TRANSPORTATION IMPACT FEE

Total unit costs for transportation infrastructure are provided in Table 5. Additional details on the unit costs may be found in the Appendix, Section 3. Quantities for each component of the inventory and estimated historical level of investment per DUE are summarized in Table 6. The proposed TIF may not be higher than this existing facilities standard.

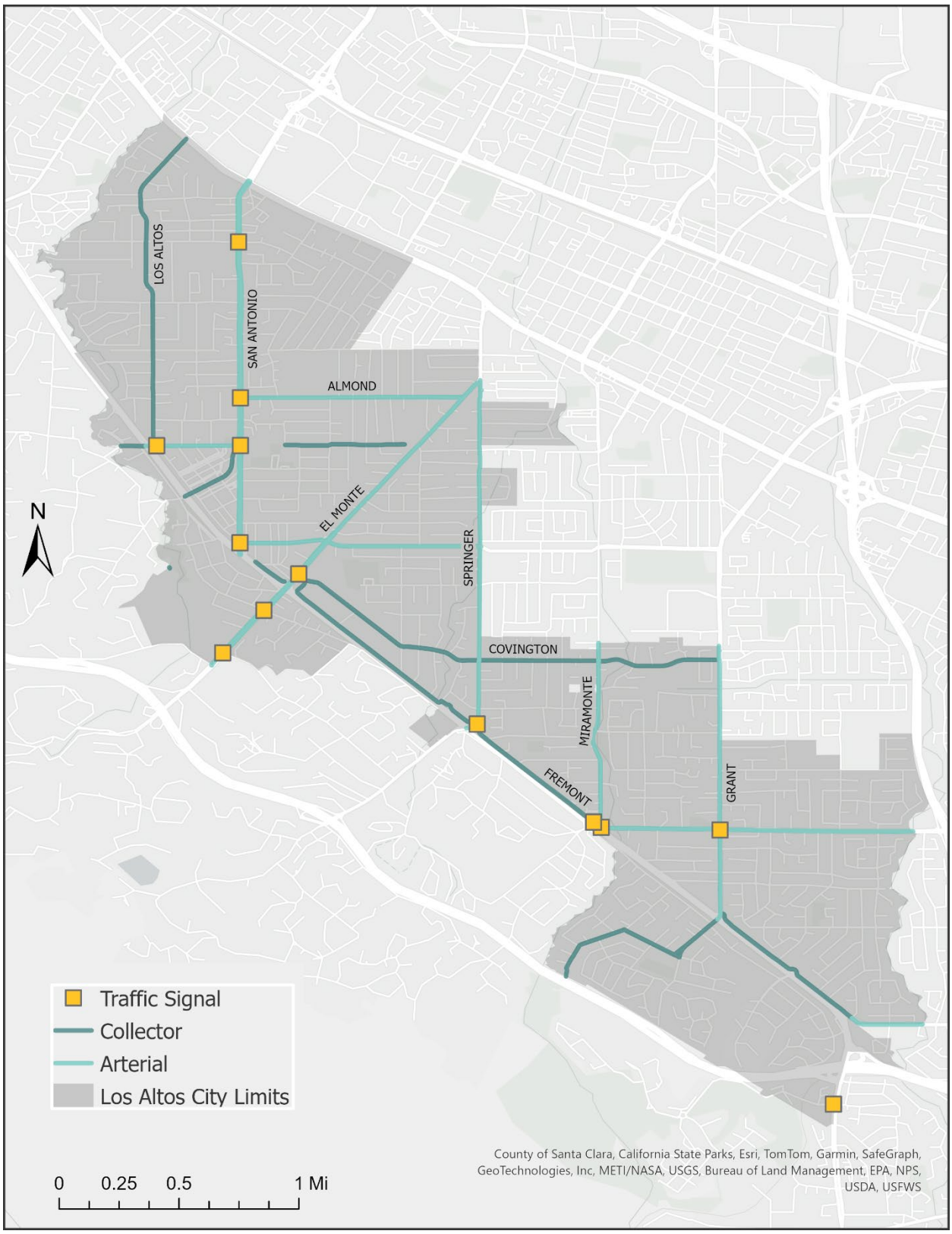

FIGURE 1: CITYWIDE TRANSPORTATION NETWORK

TABLE 5: TRANSPORTATION INFRASTRUCTURE UNIT COSTS ($2024)

INFRASTRUCTURE TYPE	UNIT	CONSTRUCTION COST	DESIGN & MANAGEMENT COST [a]	CONTINGENCY	TOTAL UNIT COST [b, d]
ROADWAY	Square Foot	$53	40%	20%	$89
SIDEWALK	Square Foot	$36	40%	20%	$60
CURB & GUTTER	Linear Foot	$124	40%	20%	$209
MEDIAN	Square Foot	$48	40%	20%	$81
BICYCLE PATH	Square Foot	$36	40%	20%	$61
BICYCLE LANE	Linear Foot	$9	40%	20%	$15
TRAFFIC SIGNAL	Intersection	$611,600	40%	20%	$1,027,488

a) Percent of total before contingency. Includes 20% for project design, 15% for construction engineering, and 5% for project management.

b) Construction Cost*(1+Design Management%) * (1+ Contingency%).

c) Cost of street lighting, water pollution prevention, street furniture and drainage not included in unit cost

Source: DKS Associates

TABLE 6: EXISTING FACILITY STANDARD & LEVEL OF INVESTMENT

INFRA-STRUCTURE TYPE	QUANTITY	UNITS	EXISTING DWELLING UNIT EQUIVALENTS (DUES)	EXISTING FACILITY STANDARD (UNITS PER DUE)	REPLACE-MENT COSTS PER UNIT	EXISTING LEVEL OFINVESTMENT ($ PER DUE)
ROADWAY	6,330,729	square feet	14,849	426.3	$89	$37,961
SIDEWALK	607,530	square feet	14,849	40.9	$60	$2,474
CURB & GUTTER	112,918	linear feet	14,849	7.6	$398	$1,588
MEDIAN	203,451	square feet	14,849	13.7	$81	$1,114
BICYCLE PATH	112,563	square feet	14,849	7.6	$61	$462
BICYCLE LANE	109,360	linear feet	14,849	7.4	$15	$109
TRAFFIC SIGNAL	13	Intersect-ions	14,849	0.001	$1,027,488	$900
					Total	**$44,608**

Note: All dollars in 2024 $.

Sources: Table 3 and Table 5.

TRANSPORTATION IMPROVEMENTS AND COST PER DUE

The required projects identified to maintain the existing level of investment to accommodate future growth are summarized in Table 4. A detailed listing of transportation improvements or projects is provided in the Appendix, Section 2. Dividing the cost of the transportation improvements by the expected growth in DUEs results in the cost per DUE or recommended fee level as shown in Table 7.

TABLE 7: TRANSPORTATION IMPROVEMENT COST PER DWELLING UNIT EQUIVALENT

ALLOCATED TRANSPORTATION IMPROVEMENT COSTS	$26,472,377
GROWTH (2024-2040) IN DWELLING UNIT EQUIVALENTS (DUES)	3,567
COST PER DUE (TRANSPORTATION IMPROVEMENT FEE PER DUE)	$7,422

Sources: Table 3 and Table 4.

FEE SCHEDULE

This section summarizes the planned transportation improvements along with associated costs to demonstrate a reasonable relationship between new development and the use of fee revenues to accommodate that development.

The City may adopt any fee level below the maximum justified fees, considering economic development policy, other policy considerations, and fee levels charged by comparable jurisdictions (see Table 10). The City may also adopt fees with varying levels of discount by land use category based on reasonable policy considerations. For example, the city might more deeply discount industrial fees to encourage industrial development as part of an economic development policy or might exempt affordable housing projects to support housing goals.

The allocated cost of the transportation capital improvements list totals $26,472,377. The full list of projects and estimated costs is provided in the Appendix, Section 3. The estimated cost to build out the capital improvement program is summarized in Table 4. Only capital projects eligible for funding through the TIF program are included. The included projects would improve, enhance, and/or expand the city's existing transportation system.

The basic fee per DUE described in the preceding section can be scaled according to relative transportation demand rates to arrive at fee schedules by type of land use. The factors scaling the fee by transportation demand (DUE rates) have been calculated using daily trip generation rates, as explained under the section titled, "Transportation Demand Factors".

Also note that the City may impose an administrative charge on the adopted fee schedule and that the fee schedule may be annually adjusted for inflation.

RECOMMENDED FEE SCHEDULE

The recommended fee schedule shown in Table 8 is the cost per DUE to deliver the planned transportation improvement projects and is below the maximum justifiable fee (i.e., the historical level of investment).

TABLE 8: RECOMMENDED FEE SCHEDULE BY LAND USE

LAND USE	IMPROVEMENT COST PER DWELLING UNIT EQUIVALENT	DWELLING UNIT EQUIVALENT PER UNIT	FEE	UNIT
SINGLE-FAMILY RESIDENTIAL	$7,422	1.00	$7,422	per dwelling unit
MULTI-FAMILY RESIDENTIAL	$7,422	0.71	$5,305	per dwelling unit
COMMERCIAL/RETAIL	$7,422	1.40	$10,354	per 1,000 square feet
OFFICE	$7,422	1.23	$9,130	per 1,000 square feet

Sources: Table 3 and Table 7

RESIDENTIAL FEES PER SQUARE FOOT

Per AB 602 (2021), residential fees adopted after July 1, 2022, must be charged proportionally to the size of the dwelling unit. Fees per DUE are divided by the average size of single family and multifamily units to arrive at a fee per residential square foot. The average size of single family and multi family dwelling units is derived from the five years of building permit data in Los Altos. Note that the square footage should be based on the physical coverage of the living quarters of the residential unit (i.e., does not reflect yard, garage, or public areas in multifamily units). The resulting residential fees per square foot are summarized in Table 9.

TABLE 9: CALCULATION OF RESIDENTIAL FEES PER SQUARE FOOT

	TOTAL TIF PROGRAM FEES	AVERAGE SIZE (SQUARE FEET)	TIF PROGRAM FEES PER SQUARE FOOT
SINGLE FAMILY DWELLING UNITS	$7,422	4,934	$1.50
MULTI FAMILY DWELLING UNITS	$5,305	873	$6.08

Source: City of Los Altos Residential Permit Data, 2019-2023.

CALCULATION OF FEES FOR SPECIALIZED LAND USES

Fees for development projects that do not correspond to one of the given generic land use categories may be determined by multiplying the fee per single family dwelling unit by the appropriate DUE rate and the quantity of specialized land use. The DUE rate is calculated with the applicable average weekday trip generation rate using the following formula:

> DUE Rate = Average weekday trips per unit of specialized land use/ Average weekday trips per single family dwelling unit /

The transportation impact fees are given by:

> Fee per single family dwelling unit * DUE rate * specialized land use quantity

Example: Fees for self-storage project

> Average daily trip generation rates:
>
> Single family dwelling unit = 9.43 trips per dwelling unit (DUE)
>
> Mini warehouse or self-storage = 1.45 trips per thousand square feet (KSF)
>
> DUE Rate = 1.45/9.43 = 0.15 DUE/KSF
>
> Fee per KSF of mini warehouse = 0.15 DUE/KSF*$7,422/DUE = $1,113 per KSF

COMPARABLE FEE RATES

When adopting an updated fee schedule, the City may wish to consider the level of fees charged by nearby jurisdictions as well as the current transportation impact fees being collected in Los Altos. Table 10 shows the fees charged by several peer jurisdictions as well as the current fee level for Los Altos.

TABLE 10: TRANSPORTATION IMPACT FEES IN COMPARABLE JURISDICTIONS

JURISDICTION (UPDATE YEAR)	PER PEAK PM HOUR TRIP	SINGLE FAMILY RESIDENTIAL PER UNIT [a]	MULTIFAMILY RESIDENTIAL PER UNIT [a]	OFFICE (PER KSF)	COMMERCIAL/ RETAIL (PER KSF)
CUPERTINO	$6,862	$6,797	$4,215	$19,150	10,940
MENLO PARK	$19,054.98	$18,864.43	$6,358.18	$21,910	$12,770 b
MOUNTAIN VIEW	$3,537 c	$6,120	$3,428	$6,530	$6,530
PALO ALTO	$9,754.23	N/A	N/A	N/A	N/A
SANTA CLARA	N/A	$1,507.60	$670.05	$1,740	$5,800
CURRENT LOS ALTOS FEES [a]	N/A	$6,774	$4,159	$9,994	$12,409
PROPOSED LOS ALTOS FEES	N/A	$7,422	$5,305	$10,354	$9,130

[a)] For average sized dwelling unit.

[b)] The City of Menlo Park has only adjusted Retail fees for 2023.

[c)] The City of Mountain View charges other low-trip generating uses for am and pm peak hour trips.

Sources:
Cupertino: *City of Cupertino Engineering Fee Schedule 2022*. ***Menlo Park****: City of Menlo Park Transportation Impact Fees 2023*. ***Mountain View:*** *Mountain View Development Fee Schedule 2023-2024*. ***Palo Alto:*** *FY24 Municipal Fee Schedule , Charleston/Arastradero special zone discounted fees not shown.* ***Santa Clara:*** *City of Santa Clara Municipal Fee Schedule 2023, specific plan area fees for East Tasman are not shown.* ***Los Altos:*** *City of Los Altos Proposed 2023-2024 Fees*.

PROJECTS SUBJECT TO THE FEE PROGRAM

Any development project that would generate net new daily travel demand would be subject to the TIF. As a matter of policy the city has exempted all Accessory Dwelling Units (ADUs) from the TIF. The City Council may also choose to exempt specific affordable housing projects from all or a portion of the fee. Any such exemptions will reduce the amount of revenue expected to be collected and require additional supplemental funding sources to fully deliver the project list.

In addition, the TIF program will be subject to the requirements of California Government Code Section 66005.1, which requires a discounted fee rate reflecting lower automobile trip generation rates for qualifying housing developments. To qualify a development must be located within a half mile of a transit station (as defined in California Government Code Section 65460.1), include convenience retail uses a half mile of the housing, and limit parking spaces. Although there is not currently a transit station meeting the statutory requirement in Los Altos, this statute may become applicable at some point in the future.

REVENUE PROJECTIONS AND USE

The amount of revenue that can be collected under the new TIF program will depend on the fee levels ultimately adopted by the City as well as the growth that occurs over the planning horizon. Table 11 summarizes the estimated maximum revenue to that could be collected by the updated TIF program if the recommended fee levels are adopted.

TABLE 11: MAXIMUM REVENUE PROJECTION

LAND USE	TIF FEES		EXPECTED GROWTH		REVENUE ESTIMATE
SINGLE FAMILY RESIDENTIAL	$7,422	per dwelling unit	438	units	$3,248,261
MULTI-FAMILY RESIDENTIAL	$5,305	per dwelling unit	1,420	units	$7,531,976
COMMERCIAL/ RETAIL	$10,354	per 1,000 square feet	1,516	KSF	$15,692,140
			Total		$26,472,377

Sources: Table 1 and Table 8.

APPENDIX

DKS

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CONTENTS

SECTION 1. EXISTING LAND USE

EXISTING LAND USE QUANTITIES

INTRODUCTION

This memorandum documents the steps used to calculate quantities of existing land use in Los Altos, CA. The existing land use quantities will be used as an input to the update of the city's transportation impact fee.

DATA SOURCES

Spatial and tabular data received from the City of Los Altos included the following:

- CityOfLosAltos_AssessorDataNov2023.xlsx – tabular data including APN, total square footage, and number of situses among other data fields (30,075 records)
- FY2024q1_sccparcels.gdb – geodatabase of all parcels in Santa Clara County (501,360 records) including APN among other attributes.
- FY2024q1_SCCAirParcels.gdb – geodatabase of all legal parcels in Santa Clara County that may occupy the same physical parcel boundaries (38,355 records)
- LandUseCurrent.shp – includes APN, current land use code, and current land use description for each physical parcel within Los Gatos (12,236 records)

CALCULATION STEPS

1. Select features from FY2024q1_SCCAirParcels that fall within Los Altos and export to a new feature class FY2024Q1_SCCAirParcels_LosAltos (699 records).
2. Join LandUseCurrent feature class to AssessorData on APN, resulting in joined table for all physical parcels that do not have air parcels. Export attribute table to spreadsheet for further processing.
3. Spatially join Los Altos air parcel feature class to the current land use feature class.
4. Join the spatial join created in Step 3 to the Assessor's data. Export the resulting attribute table to spreadsheet for further processing.
5. Summarize data in spreadsheet:
    a. Summarize data from physical parcels and air parcels separately and then add together to get total quantities
    b. Non-residential land use is summarized by total square footage by land use type
    c. Residential land use is summarized by count of APNs for single family residential and by the sum of situses for multifamily residential and planned communities (should planned communities be counted as single family units?).

RESULTS

TABLE 1: QUANTITIES OF EXISTING NON-RESIDENTIAL LAND USE (SQUARE FEET)

LAND USE	PHYSICAL APNS	AIR PARCELS	TOTAL
COMMERCIAL/RETAIL	1,335,605	392466	1,728,071
PRIVATE SCHOOL	20,751	0	20,751
PUBLIC & INSTITUTIONAL	488,320	0	488,320

Source: Santa Clara County Assessor's parcel data (November 2023) and existing land use by parcel from City of Los Altos.

TABLE 2: QUANTITIES OF EXISTING RESIDENTIAL LAND USE (SQUARE FEET)

UNIT TYPE	PHYSICAL APNS	AIR PARCELS	TOTAL
SINGLE FAMILY UNITS	10,096	-	10,096
MULTI FAMILY UNITS	422	243	665
PLANNED COMMUNITY	267	51	318

Source: Santa Clara County Assessor's parcel data (November 2023) and existing land use by parcel from City of Los Altos.

SECTION 2. FUTURE LAND USE

LAND USE FORECASTS

INTRODUCTION

The amount of land use growth is a key input to transportation impact fee calculations. Since Los Altos is currently working on updating its general plan elements, reliable projections of future growth are not readily available. The following data sources were reviewed to determine if they provide a reasonable alternative source for this purpose.

- Socioeconomic inputs used in travel demand modeling for Plan Bay Area 2050 (PBA 2050), the Regional Transportation Plan/Sustainable Community Strategy (RTP/SCS).
- 6th Cycle Housing Element Update: 2023-2031 for the City of Los Altos (adopted January 2023)
- Los Altos 2002 General Plan Land Use Element

In general, the PBA 2050 inputs were not found to be suitable for use in calculating an impact fee. These socioeconomic forecasts were prepared for regional travel demand forecasts, and often are not granular enough to reflect local planning policy and existing conditions at a neighborhood geographic level. In contrast, the Housing Element Update and general plan land use element reflect current local policy and were therefore selected as the source for residential and non-residential growth.

RESIDENTIAL LAND USE

The PBA 2050 housing unit forecasts show fewer single-family dwelling units (SFDUs) than currently exist and a large increase in MFDUs, implying significant redevelopment (see Table 1). Even assuming additional housing growth beyond the housing element buildout numbers for 2031, the regional forecast seems out of alignment with local policy and land inventory. Therefore, the housing element buildout numbers were selected as the source for residential growth.

TABLE 1: EXISTING AND FORECAST RESIDENTIAL LAND USE

DWELLING UNITS	EXISTING 2023[a]	HOUSING ELEMENT BUILDOUT NUMBERS [b]	HOUSING ELEMENT GROWTH EXTRAPOLATED TO 2040	2040 TOTAL IMPLIED BY HOUSING ELEMENT	PBA 2050 (ESTIMATED FOR 2040)[c]
SFDU	10,414	389	438	11,241	8,535
MFDU	665	1,262	1,420	3,347	11,483
TOTAL	11,079	1,651	1,857 [a]	14,587	20,018

[a] Total for extrapolated residential units does not add due to rounding.

Sources: [a] Santa Clara County Assessor's parcel data on square footage and current zoning land use designations as of November 2023. [b] City of Los Altos. 6th Cycle Housing Element 2023-2031, Table III, -1, p. 16. Numbers represent buildout totals for extremely low, very low, low, moderate, and above moderate-income levels and exclude ADUs. Above moderate units are classified as SFDUs, and all other income categories are classified as MFDUs. [c] Metropolitan Transportation Commission land use inputs (interpolation of 2035 and 2050 forecasts for Los Altos TAZs by DKS Associates).

NON-RESIDENTIAL LAND USE

The PBA 2050 inputs were reviewed for suitability as a source of non-residential growth. This data source provides a base year (2015) and forecast year estimates for employment by NAICs category for each Transportation Analysis Zone (TAZ) for forecast years 2035 and 2050.The PBA 2050 employment forecasts include significant numbers of industrial and even some agricultural employment where none currently exists or is zoned for. Interpolating between 2035 and 2050 results in total employment of 29,988, representing an 188% increase from the 10,482 jobs in Los Altos reported for 2021 in the Census LEHD.

Given the unexpected employment categories and uncertainty in converting jobs to square footage of non-residential use, the existing general plan land use element is preferred as the currently applicable local policy document. General plan buildout quantities can be compared to existing quantities to arrive at an estimate of remaining non-residential growth potential, as shown in Table 2.

TABLE 2: NON-RESIDENTIAL LAND USE (THOUSAND SQUARE FEET)

LAND USE	EXISTING 2023 [A]	GENERAL PLAN BUILDOUT [B]	REMAINING GROWTH
COMMERCIAL/RETAIL	1,728	4,759	3,031
PRIVATE SCHOOL	21	449	428
PUBLIC AND INSTITUTIONAL	488	1,717	1,229

Sources: a) DKS Associates. Existing Land Use Technical Memorandum (January 2024); b) Los Altos. General Plan 2002 Land Use Element. Table LU-4, p. 20.

SECTION 3. TRANSPORTATION IMPROVEMENTS

Los Altos TIF Projects

Project_Name	Roadway	From	To	Description	Category	Source	Cost_2024	Net_TIF
N San Antonio Road at Loucks Avenue	N San Antonio Road at Loucks Avenue			Install traffic signal	Intersection capacity improvement	2014 TIF	*$ 476,890*	$ 476,890
North San Antonio Road	North San Antonio	Almond	El Camino Real	Install Class IV bike lanes	New bike facilities	CSMP	*$ 360,750*	$ 360,750
Foothill/Edith	Foothill Expressway	Edith	Sant Joseph	Install Class IV bike lanes	New bike facilities	CSMP	*$ 1,096,558*	$ 1,096,558
Covington/El Monte	Covington	El Monte	Grant	Class IIB	New bike facilities	CSMP	*$ 334,180*	$ 334,180
El/Jardin	El Monte	Jardin	Foothill	Class IV	New bike facilities	CSMP	*$ 593,756*	$ 593,756
Miramonte/Portland	Miramonte	Portland	Fremont	Class IIB	New bike facilities	CSMP	*$ 192,128*	$ 192,128
San/Edith	San Antonio	Edith	Almond	Class I	New bike facilities	CSMP	*$ 39,856*	$ 39,856
A/Miramonte	A	Miramonte	Fremont	Class II	New bike facilities	CSMP	*$ 5,110*	$ 5,110
Edith/Cielito	Edith	Cielito	End - Edith	Class III	New bike facilities	CSMP	*$ 204,391*	$ 204,391
Loucks/Los Altos	Loucks	Los Altos	San Antonio	Class III	New bike facilities	CSMP	*$ 118,547*	$ 118,547
Grant/Covington	*Grant*	*Covington*	*El Sereno*	*Class IV*	New bike facilities	*CSMP*	*$ 23,505*	$ 23,505
Jordan/Los Altos	Jordan	Los Altos	El Camino Real	Class III	New bike facilities	CSMP	*$ 39,856*	$ 39,856
Main/San Antonio	Main	San Antonio	State	Class II	New bike facilities	CSMP	*$ 19,417*	$ 19,417
Hillview/Eleanor	Hillview	Eleanor	Gordon	Class III	New bike facilities	CSMP	*$ 102,196*	$ 102,196
Almond/Gordon	Almond	Gordon	El Monte	Class IV	New bike facilities	CSMP	*$ 77,669*	$ 77,669
Fremont/Foothill	Fremont	Foothill	Lisa	Class IIB	New bike facilities	CSMP	*$ 386,299*	$ 386,299
Miramonte/Eastwood	Miramonte	Eastwood	Portland	Class I	New bike facilities	CSMP	*$ 59,273*	$ 59,273
Fremont/Springer	Fremont	Springer	Altos Oaks	Class IIB	New bike facilities	CSMP	*$ 32,703*	$ 32,703
Lyell/San Antonio	Lyell	San Antonio	End of Road	Class III	New bike facilities	CSMP	*$ 626,459*	$ 626,459
Main/State	Main	State	1st	Class III	New bike facilities	CSMP	*$ 102,196*	$ 102,196
Pepper/San Antonio	Pepper	San Antonio	Eleanor	Class III	New bike facilities	CSMP	*$ 78,691*	$ 78,691
Hawthorne/San Antonio	Hawthorne	San Antonio	Eleanor	Class III	New bike facilities	CSMP	*$ 72,559*	$ 72,559
Portola/Jordan	Portola	Jordan	Dixon	Class III	New bike facilities	CSMP	*$ 41,900*	$ 41,900
Hawthorne/Eleanor	Hawthorne	Eleanor	Clark	Class III	New bike facilities	CSMP	*$ 38,834*	$ 38,834
Portola/Jordan	Portola	Jordan	Delphi	Class III	New bike facilities	CSMP	*$ 225,852*	$ 225,852
Saint/Foothill	Saint Joseph	Foothill	Noel	Class IV	New bike facilities	CSMP	*$ 53,142*	$ 53,142
University/Quinnhill	University	Quinnhill	Anita	Class III	New bike facilities	CSMP	*$ 31,681*	$ 31,681
Jordan/250' from El Camino	Jordan	250' from El Camino	115' from El Camino	property frontage	New pedestrian facilities	CSMP	*$ 173,732*	$ 173,732
San Antonio/Sherwood	San Antonio	Sherwood	El Camino Real	sidewalk, angled parking	New pedestrian facilities	CSMP	*$ 188,040*	$ 188,040
Sherwood/San Antonio	Sherwood	San Antonio	El Camino Real	non-compliant sidewalk	New pedestrian facilities	CSMP	*$ 26,571*	$ 26,571
Fremont/Permanente Creek	Fremont	Permanente Creek	Lisa	vegetation clearance	New pedestrian facilities	CSMP	*$ 386,299*	$ 386,299
Springer/Berry	Springer	Berry	Los Altos city limit (N of Co	sidewalk gap closure	New pedestrian facilities	CSMP	*$ 288,192*	$ 288,192
Campbell/Rosita	Campbell	Rosita	Covington	sidewalk gap closure	New pedestrian facilities	CSMP	*$ 326,004*	$ 326,004
Alicia/Almond	Alicia	Almond	Jardin	sidewalk gap closure	New pedestrian facilities	CSMP	*$ 244,247*	$ 244,247
N/Edith	N. Gordon Way	Edith	Almond	school routes	New pedestrian facilities	CSMP	*$ 329,070*	$ 329,070
Truman/Oak	Truman	Oak	Fremont	sidewalk gap closure	New pedestrian facilities	CSMP	*$ 253,445*	$ 253,445
Grant/Preston	Grant	Preston	Foothill Expy	east side sidewalk, include bus stop and ADA upgrade	New pedestrian facilities	CSMP	*$ 161,469*	$ 161,469
Springer/Todd	Springer	Todd	Cuesta	coordination with City of MV	New pedestrian facilities	CSMP	*$ 834,938*	$ 834,938
Altamead/School	Altamead	School	Grant	school connections	New pedestrian facilities	CSMP	*$ 173,732*	$ 173,732
Oak/Grant	Oak	Grant	50' W of Marinovich	tree preservation,traffic calming project	New pedestrian facilities	CSMP	*$ 90,954*	$ 90,954
Saint/Robles Ranch	Saint Joseph	Robles Ranch	Granger	sidewalk gap closure	New pedestrian facilities	CSMP	*$ 94,020*	$ 94,020
Jordan/Marich	Jordan	Marich	Portola	310' sidewalk gap	New pedestrian facilities	CSMP	*$ 309,653*	$ 309,653
Los/Mariposa	Los Altos Ave	Mariposa	Yerba Santa	school route	New pedestrian facilities	CSMP	*$ 188,040*	$ 188,040

Project_Name	Roadway	From	To	Description	Category	Source	Cost_2024	Net_TIF
Cristo/Foothill	Cristo Rey	Foothill	City Limit	sidewalk gap closure	New pedestrian facilities	CSMP	*$ 282,060*	$ 282,060
St Joseph Avenue/ Foothill Expressway/Grant Rd	St Joseph Avenue/ Foothill Expressway/Grant Rd			Intersection modifications including curb extensions, bike skip boxes, removal of right turn slip lane, curb ramps, pedestrian refuge island, high visibility crosswalks, and addition of LPI to signal timings.	Bicycle and pedestrian safety	CSMP	*$ 640,766*	$ 640,766
St Joseph Avenue/ Eva Avenue	St Joseph Avenue	St Joseph Avenue	Eva Avenue	High visibility crosswalk markings and curb ramps, unsignalized	Bicycle and pedestrian safety	CSMP	*$ 143,074*	$ 143,074
Foothill Expressway/El Monte Avenue	Foothill Expressway	Foothill Expressway	El Monte Avenue	Bike skip boxes, bike boxes, green bike lane approach, removal of right-turn slip lane, high visibility crosswalks, advance yield/stop lines, LPI to signal timings	Bicycle and pedestrian safety	CSMP	*$ 431,265*	$ 431,265
Fremont Avenue/Truman Avenue	Fremont Avenue	Fremont Avenue	Truman Avenue	curb extensions, bike skip boxes, advance yield/stop lines, raised crossing, pedestrian scale lighting, RRFB, unsig.	Bicycle and pedestrian safety	CSMP	*$ 291,257*	$ 291,257
Covington Road/ Miramonte Avenue				removal of right turn lane, advance yield/stop,	Bicycle and pedestrian safety	CSMP	$ 59,273	$ 59,273
State Street/Main Street				curb extension, high visibility crosswalk, advance yield/stop, stop signal analysis, unsignalized	Bicycle and pedestrian safety	CSMP	*$ 26,571*	$ 26,571
1st Street/San Antonio Road/Cuesta Drive				curb extension, bike bxes, remove right turn slip lane, high visibility crosswalk, advance yield/stop, curb ramp,	Bicycle and pedestrian safety	CSMP	*$ 271,840*	$ 271,840
Alto Oaks Drive/Fremont Avenue				curb extension, high visibility crosswalk, advance yield/stop,	Bicycle and pedestrian safety	CSMP	*$ 180,886*	$ 180,886
Covington Road/Riverside Avenue				curb extension, advance yield/stop,	Bicycle and pedestrian safety	CSMP	*$ 155,337*	$ 155,337
Covington Road/Campbell Avenue				null	Bicycle and pedestrian safety	CSMP	*$ 51,098*	$ 51,098
Cuesta Drive/Gabilan Street				curb ramp, raised crossing, RRFB,	Bicycle and pedestrian safety	CSMP	*$ 182,930*	$ 182,930

Project_Name	Roadway	From	To	Description	Category	Source	Cost_2024	Net_TIF
Edith Avenue/Gordon Way				curb extension, advance yield/stop,standard crosswalk,	Bicycle and pedestrian safety	CSMP	*$ 263,665*	$ 263,665
El Monte Avenue/Almond Avenue				curb extension, traffic calming	Bicycle and pedestrian safety	CSMP	*$ 204,391*	$ 204,391
El Monte Avenue/Cuesta Drive				curb extension, sidewalk or pedway, bike skip boxes, high visiibility crosswalk, advance yield/stop, curb ramp, LPI	Bicycle and pedestrian safety	CSMP	*$ 414,914*	$ 414,914
El Monte Monte Avenue/Clark Avenue				curb extension, modify intersection, bike skip boxes, high visibility crosswalk, advance yield/stop, curb ramp,refuge island, RRFB	Bicycle and pedestrian safety	CSMP	*$ 1,082,251*	$ 1,082,251
El Monte Avenue/Springer Road				*modify skewed intersection, bike skip boxes, traffic calming, removal right turn slip,*	*Bicycle and pedestrian safety*	*CSMP*	*$ 1,430,738*	$ 1,430,738
El Monte Avenue/University Avenue				curb extension, bike skip boxes, bike boxes/green lane approach, traffic calming, high visibility crosswalk, advance yield/stop, curb ramp, refuge island, HAWK	Bicycle and pedestrian safety	CSMP	*$ 656,096*	$ 656,096
Fremont Avenue/Miramonte Avenue				bike skip, bike boxes, right slip removal, high visibility, yield/stop, LPI	Bicycle and pedestrian safety	CSMP	*$ 238,116*	$ 238,116
Hawthorne Avenue/El Monte Avenue				curb radius reduction, modify skewed intersection, bike skip, high vis, curb ramp	Bicycle and pedestrian safety	CSMP	*$ 890,123*	$ 890,123
Fremont Avenue/A Street				bike slip, bike boxes, high vis, yield/stop, LPI	Bicycle and pedestrian safety	CSMP	*$ 181,908*	$ 181,908
N San Antonio Drive/Sherwood Avenue				bike skip, high vis, yield/stop, refuge island	Bicycle and pedestrian safety	CSMP	*$ 142,052*	$ 142,052
Springer Road/Fremont Avenue				*modify skewed intersection, bike skip, curb radius reduction, high vis, yield/stop*	*Bicycle and pedestrian safety*	*CSMP*	*$ 915,672*	$ 915,672
Springer Road/Cuesta Drive				curb extension, bike skip boxes, traffic calming, remove right turn slip, high visibility, advance yield/stop, curb ramp, lighting,	Bicycle and pedestrian safety	CSMP	*$ 416,958*	$ 416,958

Project_Name	Roadway	From	To	Description	Category	Source	Cost_2024	Net_TIF
W Edith Avenue/4th Street				modify intersection, bike skip boxes, high visibility crosswalk,advance yield/stop, curb ramp, RRFB	Bicycle and pedestrian safety	CSMP	*$ 1,050,570*	$ 1,050,570
Fremont Avenue/Fallen Leaf Lane				*curb extension, high visibility, advance yield/stop, lighting, RRFB, yield to peds sign*	*Bicycle and pedestrian safety*	*CSMP*	*$ 693,908*	$ 693,908
1st Street/Main Street				LPI	Bicycle and pedestrian safety	CSMP	*$ 55,186*	$ 55,186
Almond Avenue/Fornway Court				curb radius reduction, bike skip, hihg vis, yield/stop, curb ramp, RRFB	Bicycle and pedestrian safety	CSMP	*$ 226,874*	$ 226,874
Altos Oaks Drive/Miramonte Avenue				traffic calming, high vis	Bicycle and pedestrian safety	CSMP	*$ 76,647*	$ 76,647
Grant Road/Bryant Avenue				curb radius reduction, bike skip, bike boxes, high vis, yield/stop, curb ramp, refuge island, lighting, LPI	Bicycle and pedestrian safety	CSMP	*$ 223,808*	$ 223,808
Grant Road/Altamead Drive				curb extension, bike skip, high vis, yield/stop,	Bicycle and pedestrian safety	CSMP	*$ 220,742*	$ 220,742
Homestead Road/Fallen Leaf Lane				bike skip, traffic calming, high vis, refuge island, lighting	Bicycle and pedestrian safety	CSMP	*$ 195,194*	$ 195,194
Miramonte Avenue/A Street				curb extension, sidewalk or pedway, bike skip, right slip removal, yield/stop	Bicycle and pedestrian safety	CSMP	*$ 281,038*	$ 281,038
Portland Avenue/Miramonte Avenue				traffic calming, high vis, curb ramp	Bicycle and pedestrian safety	CSMP	*$ 153,293*	$ 153,293
Fremont Avenue and Grant road				Remove right turn slip	Bicycle and pedestrian safety	CSMP	*$ 102,196*	$ 102,196
Jordan Low Priority Bikeway	Jordan	San Antonio	Marich	Class III	New bike facilities	CSMP	*$ 57,230*	$ 57,230
Saint Joseph Low Priority Bikeway	Saint Joseph	Noel	Scott/Laver	Class IIB	New bike facilities	CSMP	*$ 95,042*	$ 95,042
Saint Joseph Low Priority Bikeway	Saint Joseph	Scott/Laver	City Limit	Class III	New bike facilities	CSMP	*$ 154,315*	$ 154,315
Fremont Low Priority Bikeway	Fremont	Lisa	To City Limit	Class IV	New bike facilities	CSMP	*$ 126,723*	$ 126,723
Miramonte Low Priority Bikeway	Miramonte	City Limit	Eastwood	Class IIB	New bike facilities	CSMP	*$ 105,261*	$ 105,261
University Low Priority Bikeway	University	El Monte	Quinnhill	Class III	New bike facilities	CSMP	*$ 43,944*	$ 43,944
San Antonio Avenue/ Loucks Avenue					Bicycle and pedestrian safety	CSMP	*$ 312,718*	$ 312,718
San Antonio Road/ Main Street					Bicycle and pedestrian safety	CSMP	*$ 700,040*	$ 700,040
Miramonte Avenue/ Berry Avenue					Bicycle and pedestrian safety	CSMP	*$ 223,808*	$ 223,808
Main Street/ Foothill Expressway					Bicycle and pedestrian safety	CSMP	*$ 500,758*	$ 500,758
San Antonio Road/ Hillview Ave					Bicycle and pedestrian safety	CSMP	*$ 619,305*	$ 619,305
Foothill Expressway/ Springer Rd					Bicycle and pedestrian safety	CSMP	*$ 1,197,732*	$ 1,197,732

SECTION 3. INFRASTRUCTURE UNIT COSTS AND INVENTORY

Transportation Infrastructure Costs (2024)					
City of Los Altos Impact Fee					
#	Infrastructure Type	Unit	Total Unit Cost[1]	Total Quantity	Total Cost
1	Roadway	Square Foot	$ 89	6,330,729	$ 563,688,088
2	Sidewalk	Square Foot	$ 60	607,530	$ 36,743,400
3	Curb & Gutter	Linear Foot	$ 209	112,918	$ 23,580,032
4	Median	Square Foot	$ 81	203,451	$ 16,543,018
5	Bicycle Path	Square Foot	$ 61	112,563	$ 6,864,542
6	Bicycle Lane*	Linear Foot	$ 15	109,360	$ 1,616,778
7	Traffic Signal	Intersection	$ 1,027,488	13	$ 13,357,344
Sum					**$ 662,393,203**

[1] See Unit Cost Tables for detailed information

Transportation Infrastructure Unit Costs (2024) Town of Los Altos Impact Fee						
#	Infrastructure Type	Unit	Construction Cost ($)	Design & Management Cost[1]	Contingency	Total Unit Cost[2]
1	Roadway[3]	Square Foot	$ 53	40%	20%	$ 89
2	Sidewalk	Square Foot	$ 36	40%	20%	$ 60
3	Curb & Gutter	Linear Foot	$ 124	40%	20%	$ 209
4	Median	Square Foot	$ 48	40%	20%	$ 81
5	Bicycle Path	Square Foot	$ 36	40%	20%	$ 61
6	Bicycle Lane	Linear Foot	$ 9	40%	20%	$ 15
7	Traffic Signal	Intersection	$ 611,600	40%	20%	$ 1,027,488

[1] Percent of total before contingency. Includes 20% for project design, 15% for construction engineering, and 5% for project management

[2] Construction Cost*(1+Design Management%)*(1+ Contingency%)

[3] Cost of street lighting, water pollution prevention, street furniture and drainage not included in unit cost

DKS Associates

Planning Cost Estimate

1970 Broadway Ste 740, Oakland CA 94612 **Project Number**

☑ Click here if the project schedule for this project is to be 50 days or more; also click here if

☐ Click here if this project is a surface treatment or overlay project.

Infrastru Roadway

Date of E Jul. 9, 2022

Preparec DKS

Revision No.	1
Revision Date	3/1/2024
Revised by	DKS

No.	Description	Quantity	Units	Unit Cost	Total
1	Clearing and Grubbing	1.00	SF	$0.61	$ 0.61
2	Remove Existing Pavement (Obliteration)	1.00	SF	$10.30	$ 10.30
3	Roadway Excavation (2' depth)	0.07	CY	$190.00	$ 14.07
4	Finish Grading within Right of Way	1.00	SF	$0.41	$ 0.41
5	Class 2 Aggregate Base (18")	0.06	CY	$196.00	$ 11.76
6	Asphalt Concrete (6")(Type A, assume 150 lbs/CF)	0.04	Ton	$280.00	$ 10.50
7	Mobilization	1	LS	$ 4.80	$ 4.80

CONTRACT ITEMS LESS MOBILIZATION AND TEMP TRAFFIC CONTROL (TO NEAREST 1,000) $ 48.00

Total Contract Items $ 53.00

DKS Associates

Planning Cost Estimate

1970 Broadway Ste 740, Oakland CA 94612 **Project Number**

☑ Click here if the project schedule for this project is to be 50 days or more; also click here if

☐ Click here if this project is a surface treatment or overlay project.

Infrastru Sidewalk

Date of E Jul. 9, 2022

Prepared DKS

Revision No.	1
Revision Date	3/2/2024
Revised by	DKS

No.	Description	Quantity	Units	Unit Cost	Total
1	Clearing and Grubbing	1.00	SF	$0.67	$ 0.67
2	Finish Grading within Right of Way	1.00	SF	$0.41	$ 0.41
3	Concrete Sidewalk	1.00	SF	$30.37	$ 30.37
5	Curb Ramp	0.0002	EA	$5,000.00	$ 1.00
6	Mobilization	1	LS	$ 3.20	$ 3.20

CONTRACT ITEMS LESS MOBILIZATION AND TEMP TRAFFIC CONTROL (TO NEAREST 1,000) 32

Total Contract Items $ 36

DKS Associates

Planning Cost Estimate

1970 Broadway Ste 740, Oakland CA 94612 **Project Number**

☑ Click here if the project schedule for this project is to be 50 days or more; also click here if

☐ Click here if this project is a surface treatment or overlay project.

Infrastru Curb and Gutter

Date of E Jul. 9, 2022

Prepared DKS

Revision No.	1
Revision Date	3/2/2024
Revised by	DKS

No.	Description	Quantity	Units	Unit Cost	Total
1	Curb and Gutter	1	LF	$112.90	$ 113
2	Sawcut Gutter	1	LF		$ -
3	Mobilization	1	LS	$11.30	$ 11

CONTRACT ITEMS LESS MOBILIZATION AND TEMP TRAFFIC CONTROL (TO NEAREST 1,000) $ 113

Total Contract Items $ 124

DKS Associates

Planning Cost Estimate

1970 Broadway Ste 740, Oakland CA 94612 **Project Number**

☑ Click here if the project schedule for this project is to be 50 days or more; also click here if

☐ Click here if this project is a surface treatment or overlay project.

Infrastru Median

Date of E Jul. 9, 2022

Prepared DKS

Revision No.	1
Revision Date	3/2/2024
Revised by	DKS

No.	Description	Quantity	Units	Unit Cost	Total
1	Median (Island) Paving	1.00	SF	$17.00	$ 17
2	Class 2 Aggregate Base (6")	1.00	SF	$4.00	$ 4
3	Curb	0.20	LF	$112.90	$ 23
4	Mobilization	1	LS	$ 4.40	$ 4

CONTRACT ITEMS LESS MOBILIZATION AND TEMP TRAFFIC CONTROL (TO NEAREST 1,000) $ 44

Total Contract Items $ 48

DKS Associates

Planning Cost Estimate

1970 Broadway Ste 740, Oakland CA 94612 **Project Number**

☑ Click here if the project schedule for this project is to be 50 days or more; also click here if

☐ Click here if this project is a surface treatment or overlay project.

Infrastru Bicycle Path (Shared Use Path)

Date of E Jul. 9, 2022

Prepared DKS

Revision No.	1
Revision Date	3/2/2024
Revised by	DKS

No.	Description	Quantity	Units	Unit Cost	Total
1	Clearing and Grubbing	1.00	SF	$0.61	$ 0.61
2	Remove Existing Pavement (Obliteration)	1.00	SF	$10.30	$ 10.30
3	Roadway Excavation (1.5')	0.06	CY	$190.00	$ 11.40
3	Finish Grading within Right of Way	1.00	SF	$0.41	$ 0.41
4	Class 2 Aggregate Base (4")	0.02	CY	$196.00	$ 2.94
5	Hot Mix Asphalt (Type A) (4")(assume 150 lbs./CF)	0.03	Ton	$280.00	$ 7.00
6	Mobilization	1	LS	$ 3.30	$ 3.30

CONTRACT ITEMS LESS MOBILIZATION AND TEMP TRAFFIC CONTROL (TO NEAREST 1,000) $ 33

Total Contract Items $ 36

DKS Associates

Planning Cost Estimate

1970 Broadway Ste 740, Oakland CA 94612 **Project Number**

☑ Click here if the project schedule for this project is to be 50 days or more; also click here if
☐ Click here if this project is a surface treatment or overlay project.

Infrastru Bicycle Lane (Class II)

Date of E Jul. 9, 2022

Prepared DKS

Revision No.	1
Revision Date	3/1/2024
Revised by	DKS

No.	Description	Quantity	Units	Unit Cost	Total
1	Remove existing striping	1.00	LF	$2.30	$ 2.30
2	Striping	1.00	LF	$4.78	$ 4.78
3	Signage	0.0008	EA	$562.75	$ 0.43
4	Mobilization	1	LS	$ 0.80	$ 0.80

CONTRACT ITEMS LESS MOBILIZATION AND TEMP TRAFFIC CONTROL (TO NEAREST 1,000) $ 8

Cont ntal Contract Items $ 9

DKS Associates

Planning Cost Estimate

1970 Broadway Ste 740, Oakland CA 94612

Project Number

☑ Click here if the project schedule for this project is to be 50 days or more; also click

☐ Click here if this project is a surface treatment or overlay project.

Infrastru Traffic Signal for One Intersection

Date of E Jul. 9, 2022

Prepared DKS

Revision No.	1
Revision Date	3/1/2024
Revised by	DKS

No.	Description	Quantity	Units	Unit Cost*	Total
1	Furnish & Install Cabinet and Controller on New Foundation	1	EA	$50,000.00	$ 50,000
2	Furnish and Install Fiber Switch In Controller	1	EA	$2,500.00	$ 2,500
3	Terminate fiber optic cable in cabinet	1	EA	$2,500.00	$ 2,500
4	Splice 12 Strand SMFO Cable to trunk cable	1	EA	$1,000.00	$ 1,000
5	Furnish & Install Opticom EVP system in	1	EA	$7,500.00	$ 7,500
6	Furnish & Install Opticom Card Rack	1	EA	$1,000.00	$ 1,000
7	Furnish & Install Opticom Detector	4	EA	$1,200.00	$ 4,800
8	Furnish & Install VIVDS System, incl. cameras, comms manager, and SDLC hub	1	EA	$35,000.00	$ 35,000
9	Furnish & Install CCTV Camera	1	EA	$5,000.00	$ 5,000
10	Furnish & Install Detector Handhole	4	EA	$500.00	$ 2,000
11	Furnish & Install Detector Loops (6'x6')	8	EA	$2,000.00	$ 16,000
12	Furnish & Install LED Countdown Pedestrian	8	EA	$1,000.00	$ 8,000
13	Furnish & Install Polara Navigator Pedestrian	8	EA	$1,500.00	$ 12,000
14	Furnish & Install Polara CCU in Cabinet	1	EA	$4,500.00	$ 4,500
15	Furnish & Install SNS on Mast Arm	4	EA	$2,000.00	$ 8,000
16	Furnish & Install LED Luminaire	4	EA	$1,500.00	$ 6,000
17	Furnish & Install Photoelectric Control Unit	1	EA	$500.00	$ 500
18	Furnish & Install Pull Box #5	4	EA	$1,000.00	$ 4,000
19	Furnish & Install Pull Box #6	2	EA	$1,200.00	$ 2,400
20	Furnish & Install Fiber Optic Splice Vault	1	EA	$1,250.00	$ 1,250
21	Furnish and install 2" conduit with backfill	100	LF	$120.00	$ 12,000
22	Furnish and install 3" conduit with backfill	1000	LF	$125.00	$ 125,000
23	Furnish and install 4" conduit with backfill	100	LF	$130.00	$ 13,000
24	Furnish & Install Type 1-B 4' Pole and	4	EA	$3,500.00	$ 14,000
25	Furnish & Install Type 1-B 10' Pole and	4	EA	$6,500.00	$ 26,000
26	Furnish & Install Type 28-5-100 Pole and	4	EA	$26,000.00	$ 104,000
27	Furnish & Install Signal Head Mount Type SV-	4	EA	$800.00	$ 3,200
28	Furnish & Install Pedestrian Signal Head	4	EA	$1,000.00	$ 4,000
29	Furnish & Install #14 Conductors	7000	LF	$2.00	$ 14,000
30	Furnish & Install #10 Conductors	1500	LF	$2.50	$ 3,750
31	Furnish & Install #8 Conductors	600	LF	$3.00	$ 1,800
32	Furnish & Install #6 Conductors	50	LF	$4.00	$ 200
33	Furnish & Install #2 Conductors	1000	LF	$5.00	$ 5,000
34	Furnish & Install Detector Lead-in Cables	250	LF	$3.00	$ 750
35	Furnish & Install EVP Cable (Opticom Model	500	LF	$3.00	$ 1,500
36	Furnish & Install CCTV Cable (CAT6)	100	LF	$3.00	$ 300
37	Furnish & Install VIVDS Cable (3-wire)	500	LF	$3.00	$ 1,500
38	Furnish & Install 12-strand Fiber Optic Cable	300	LF	$5.00	$ 1,500
39	Furnish & Install Trace Cable (#10)	300	LF	$2.50	$ 750
40	Mobilization	1	LS	$ 55,600.00	$ 55,600

*N 12th Street unit costs are from 2020, Oak Ave/Crystal Springs Rd unit costs are from 2023

CONTRACT ITEMS LESS MOBILIZATION AND TEMP TRAFFIC CONTROL, ESC TO 2024 AT 3% (TO NEAREST 1,000)	$	556,000
Total Contract Items	$	611,600

MEMORANDUM

To: Nick Zornes, Development Services Director, City of Los Altos
Khushboo Ingle, Vice President, Matrix Consulting Group

From: Derek W. Braun, Principal
Madeleine Galvin, Associate

Date: April 11, 2024

Project: Los Altos Development Impact Fee Study and Cost Allocation Plan

Subject: Commercial Linkage Fee Nexus Analysis

I. INTRODUCTION AND METHODOLOGY

The City of Los Altos is conducting a comprehensive fee study, development impact fee study, and cost allocation plan. As part of this effort, Strategic Economics led analysis of the maximum justifiable commercial linkage fee that could be charged to new development projects. This memo documents the methodology, results, and maximum justifiable linkage fee.

A commercial linkage fee is a type of impact fee that charges new commercial development for its role in creating new demand for affordable housing. The maximum justifiable fee is based on the finding of a "rational nexus" between the new employment associated with commercial development, and the accompanying need for affordable housing for new worker households. There are two main parts to the analysis:

1. The nexus analysis establishes the linkage between new jobs and the needed affordable housing.
2. The production cost affordability gap (production cost) analysis quantifies the shortfall between what employee households can afford and the costs to build new housing.

The results of the nexus findings and the production cost analysis establish the maximum fees that can be charged on new commercial development projects.

The Nexus Concept

Many commercial developments are associated with jobs that pay wages that are insufficient to afford local housing costs. A nexus study determines the justifiable commercial linkage fee that might be charged on development based on the need for affordable housing that new development projects create. To establish this relationship, a nexus analysis quantifies any increase in demand for affordable housing that accompanies new commercial development, and the additional funding required to address the uptick in demand. The increase in demand is a result of the net gain in employment directly attributable to the new commercial space that is built.

The magnitude of the nexus, and hence the maximum justifiable fee, depends on the number and types of jobs created and the prevailing cost of providing housing for the new worker households. The ability of the new workers to pay for housing costs is linked to their occupations (and hence salaries). Some of the new workers will have household incomes below the market prices for new homes and would qualify for income-restricted affordable housing. This study quantifies the demand for housing created at several household income levels and estimates the production cost affordability gap between what worker households can afford to pay (to rent or to buy) and the actual costs of building new housing.

Methodology and Report Organization

To perform the nexus analysis, Strategic Economics used an established methodology described below to calculate the relationship between new commercial development and household incomes of employees, which then determines the employees' need for affordable housing. These steps provide the rationale for calculating the maximum justified commercial linkage fee that could be levied on future commercial development. An overview of the methodology and contents of this memo is provided below. There are ten steps to calculate the maximum nexus fees, which are covered in Section II, Section III, and Section IV of this memo. However, most jurisdictions do not implement the maximum fee levels. To determine the ultimate fee level, there are multiple policy considerations to consider, including market factors, the commercial linkage fees enacted in similar communities, and the cumulative burden of impact fees on new development. These policy issues are presented in Section V.

STEPS 1-6: COMMERCIAL LINKAGE FEE NEXUS ANALYSIS (SEE SECTION II)

Step 1. Define commercial "land use prototypes" that represent broad categories of new commercial development in Los Altos.

The purpose of defining prototypes is to estimate future employment linked to various categories of commercial space. The land use prototypes are used to estimate the amount of employment associated with commercial development. At the direction of the City of Los Altos, three land use prototypes were selected for the nexus analysis, based on common categories of commercial real estate in the city: Office, Retail, and Hotel. These categories also represent future potential development land use types for the city.

Each land use prototype was assumed to be 100,000 square feet in floor area. This number was chosen not because it is necessarily typical of new commercial development, but rather as a means of simplifying the calculations in the steps below. The prototype size plays no role in impacting the conclusions of the analysis.

Step 2. Estimate the number of workers that will work in the new commercial space.

Strategic Economics estimated the employment density for each prototype based on national survey data on employment density for commercial land uses, along with other sources. The employment density was expressed as the number of square feet of building area per worker.[1] For example, a

[1] The analysis takes into account the effects of physical distancing and remote work on employment density by estimating slightly higher assumptions of square feet per employee in office buildings than were typical before the COVID-19 pandemic and by incorporating recently published data, when available, on current employee densities by commercial use type.

building prototype of 100,000 square feet and employing 100 workers would have an employment density of 100,000 / 100 = 1,000 square feet per worker.

Step 3. Estimate the number of new households represented by these new workers.

Since there are multiple wage earners in a household, the number of new workers must be translated into a number of households. This adjustment was based on the average number of wage-earners per worker household for Santa Clara County (1.70), estimated from the U.S. Census Bureau American Community Survey 5-Year Estimates, 2018-2022.

Step 4. Estimate wages of new workers.

The first step in calculating employee wages is to identify industries that are typically associated with each prototype. Using industry data from the U.S. Bureau of Labor Statistics' Quarterly Census of Employment and Wages (QCEW), industries that are associated with each land use category were identified. The next step was to identify all the occupations that are associated with each industry based on data provided by the U.S. Bureau of Labor Statistics (BLS). The national BLS occupational matrix was then calibrated to match the county's employment mix by weighting the national employment distribution to reflect the distribution of employment by industry within Santa Clara County. Finally, the average wage by worker was calculated using data on average annual wages by occupation in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area from the Bureau of Labor Statistics.

Step 5. Estimate household income of worker households.

Worker wage estimates from the previous step were then converted to household incomes. This step assumed that the income of the second wage-earner is similar to the wage of the first wage-earner. According to the U.S. Census Bureau American Community Survey 5-Year Estimates, 2018-2022, there are 1.70 wage-earners per worker household in Santa Clara County. Individual worker wages were therefore multiplied by 1.70 to represent household incomes.

Step 6. Calculate the number of households that would be eligible for affordable housing, divided into relevant income categories.

The average household size in Santa Clara County is 3.0 persons, based on the US Census, American Community Survey 5-Year Estimates, 2018-2022. Thus, the income groups were defined for a household size of three persons and based on standard household income categories used in California. The income categories analyzed include very low-, low-, and moderate-income households.[2]

STEPS 7-9: CALCULATION OF THE HOUSING AFFORDABILITY GAP (SEE SECTION III)

The production cost affordability gap represents the difference between what households can afford to pay for housing and the development cost of new housing, as both for sale and rental. The production cost analysis identified the gap for one rental prototype (midrise multifamily) for very low-, low-, and moderate-income households, and two for-sale housing prototypes (multifamily condos and townhomes) for low-, and moderate-income households.

[2] The occupation and wage analysis found no extremely low-income households. These households are defined as earning less than 30 percent of area median income.

Step 7. Estimate affordable rents and housing prices for households in the targeted income groups.

The affordable rent levels and for-sale housing prices were estimated for each of the worker household income categories described above. Households with incomes in the very low-income range were assumed to occupy rental housing. Households in the low- and moderate-income ranges were assumed to require a combination of rental and for-sale housing. The respective rents and sales prices that are affordable to these households were based on the income limits used by the California Department of Housing and Community Development for Santa Clara County.

Step 8. Estimate the development cost of new housing.

Strategic Economics estimated the typical development costs of new units in rental apartment, condo apartment, and townhome developments using construction cost information documented in Tax Credit Allocation Committee applications for projects in Santa Clara County and development cost assumptions collected for recent studies in other Bay Area cities.

Step 9. Calculate the production cost affordability gap.

The production cost affordability gap was calculated for each of the three income categories. Very low-income households were assumed to be renters, so the gap was the difference between the cost of developing new rental housing and what those households can afford to pay, based on the income limits at this affordability level. Since low-income and moderate-income households are expected to include a mix of renters and homeowners, the overall gap per household for these income categories was calculated as the average of the rental gap and the average ownership gap for townhomes and condominiums.

To estimate the total affordability gap for each commercial land use prototype, the total number of very low-, low-, and moderate-income new worker households for each prototype was multiplied by the corresponding affordable housing gap figure.

STEP 10: CALCULATION OF MAXIMUM LINKAGE FEES (SEE SECTION IV)

Step 10. Calculate maximum justifiable commercial linkage fees for each prototype.

For each category of land use, the maximum fee per square foot is the total affordability gap calculated in Step 9 divided by the floor area of the land use prototype (100,000 square feet for each).

POLICY CONSIDERATIONS FOR ESTABLISHING A COMMERCIAL LINKAGE FEE (SECTION V)

Section V of this report contains a brief presentation of policy considerations jurisdictions should scrutinize before enacting a commercial linkage fee. Typically, a commercial linkage fee is set at a level significantly below the maximum justifiable fee determined in the nexus study since new development may not be capable of supporting the fee while remaining financially feasible. Thus, considerations for setting appropriate fee levels include the impact of fees on the total development costs of typical commercial projects. Since Los Altos must compete against other communities for development activity, the City should also be cognizant of similar linkage fees charged in nearby or comparable cities as well as the amount the commercial linkage fee will increase overall existing municipal fees.

II. COMMERCIAL LINKAGE FEE NEXUS ANALYSIS

This section describes each step of the nexus analysis in detail, including Steps 1 through 6 outlined in the previous section.

Step 1: Commercial Prototypes

This study examined the jobs-housing linkage for three commercial land use prototypes, which are described below. These prototypes were selected because they are the most common categories of commercial real estate in Los Altos, based on a review of recently built, planned, and proposed projects.[3]

1. **Office**: Includes professional and business services offices, medical/dental office, and limited office-based research and development.
2. **Retail:** Includes retail stores, eating and drinking places (cafes, restaurants, bars, etc.), and personal and financial services such as salons, dry cleaners, and retail banks.
3. **Hotel**: Includes full-service hotels, limited-service hotels, motels, and other lodging.

The nexus analysis was calculated based on a 100,000 square foot building, but the actual development projects that are likely to occur in Los Altos will vary in size. Since the fee is calculated on a per-square-foot basis, the fee would be proportional to the size of the development project.

Step 2: Number of Workers

For each building prototype, an average employment density was applied based on a combination of national survey data for existing commercial buildings, a review of other recently completed linkage fee nexus studies, consideration of recent trends in employment densities, and consideration of the likely mix of industries, activities, and jobs in commercial spaces in Los Altos. Figure 1 summarizes the available research on employment density by building type that formed the basis for establishing average employment density assumptions for the nexus model.

Figure 2 shows the worker density assumptions for each commercial land use prototype, measured by the average number of square feet per worker. A lower number of square feet per worker implies a higher worker density, which leads to a higher estimate of worker households. For each prototype, Strategic Economics selected an employee density number in the middle of the range; this is a more conservative approach to avoid overestimating the maximum linkage fee amount. The density factors represent the average density for the prototypes; individual projects and buildings may have a greater or lower worker density than the average.

The employee density factor was multiplied by the prototype's floor area (100,000 square feet) to calculate the total number of workers in each commercial prototype. The density assumption was then used to generate the total number of direct workers occupying the commercial space in each prototype.

[3] Some commercial developments will lie outside the three major categories of land use analyzed in this study. Examples of such land uses include industrial projects, assisted living facilities, and child care centers. Jurisdictions may still charge a commercial linkage fee on these land uses provided that the applicant for the development supplies estimates of jobs and wages that accompany the new development.

- **Hotel**: The average employment density assumption for visitor accommodations is 1.0 workers per room (or 1,000 square feet per worker). This density represents a hotel development that is higher quality than average, but not considered "luxury" and with limited on-site services and amenities.
- **Office**: The average density assumption for office is 300 square feet per worker. This assumption accounts for declines in employee densities since the COVID-19 pandemic.
- **Retail**: Worker density varies widely for this category depending on the specific use (food service, grocery stores, dry goods retail, and services all have different average densities). Worker densities are typically higher for independent retailers and tenants in smaller-scale neighborhood centers and urban locations than in large-scale big box retail (around 600 square feet per worker). For this reason, Strategic Economics used a slightly higher density number of 400 square feet per worker.

FIGURE 1. EXAMPLES OF EMPLOYMENT DENSITY DATA AND SOURCES

Employment Density by Commercial Prototype	Source
Hotel	
0.7 to 0.96 workers per 1,000 square feet	Energystar Portfolio Manager, 2015
1.5 workers per full-service hotel room	Vallen and Vallen, "Chapter 1: The Traditional Hotel Industry," Check-In, Check-Out, 2012
Office*	
289 square feet per worker	"Regional Office Insights", CBRE, 2023
392 square feet per worker	"How will employee workspace needs change post-Coronavirus?", JLL, 2020
350 square feet per worker	"Jobs Housing Fit Report", City of San Francisco Planning, 2020
194 square feet per worker	"Space Matters", Cushman & Wakefield, 2017
Retail:	
350 square feet per worker	"Jobs Housing Fit Report", City of San Francisco Planning, 2020
605 square feet per worker	A.C. Nelson, "Reshaping Metropolitan America," 2013

Note:
*Office densities shifted dramatically during the COVID-19 pandemic when many workers started working from home. Recent office data reflect a shift back to higher worker densities, however these figures are still in flux as companies individually determine their remote work policies and new real estate needs.
Source: Strategic Economics, 2024.

FIGURE 2. EMPLOYMENT DENSITY BY PROTOTYPE

Commercial Prototype	Square Feet Per Worker	Prototype Square Footage	Number of Workers in Prototype
Hotel	1,000	100,000	100
Office	300	100,000	333
Retail	400	100,000	250

Source: Strategic Economics, 2024.

Step 3: Number of Worker Households

Based on the total number of workers directly employed in the prototypes, Strategic Economics estimated the total number of worker households. The number of worker households was calculated by dividing the number of workers by the average number of wage-earners per household in Santa Clara County. Based on data from the U.S. Census American Community Survey 5-Year Estimates, 2018-2022, there is an average of 1.70 workers per household in Santa Clara. The calculation of total new worker households is shown in Figure 3 below, ranging from 59 for hotel to 196 for office.

FIGURE 3. NUMBER OF WORKER HOUSEHOLDS BY PROTOTYPE

Commercial Prototype	Number of Workers in Prototype	Workers per Household	New Households Required
Hotel	100	1.7	59
Office	333	1.7	196
Retail	250	1.7	147

Source: American Community Survey, 2022; Strategic Economics, 2024.

Step 4: Worker Wages

The first step in calculating employee wages is to establish a list of the industries associated with each prototype (as defined by the North American Industry Classification System, or "NAICS"). Using industry data from Quarterly Census of Employment and Wages (QCEW), industries were associated with each land use prototype. Figures 4 through 6 below list the industries associated with each prototype.

FIGURE 4. DEFINITION OF INDUSTRIES FOR OFFICE PROTOTYPE

NAICS Code	Description	Percent of Total Workers in Prototype
5415	Computer Systems Design and Rel Services	28.7%
5417	Scientific Research and Development Svc	8.6%
5613	Employment Services	7.9%
3345	Electronic Instrument Manufacturing	6.7%
5413	Architectural and Engineering Services	6.1%
5511	Management of Companies and Enterprises	4.7%
5310	Real Estate	4.2%
5416	Management & Technical Consulting Svc	3.8%
5220	Credit Intermediation and Related Activities	3.8%
5182	Data Processing and Related Services	3.8%
6211	Offices of Physicians	3.3%
5412	Accounting and Bookkeeping Services	3.2%
6212	Offices of Dentists	3.2%
5411	Legal Services	2.4%
6213	Offices of Other Health Practitioners	1.9%
5170	Telecommunications	1.4%
5312	Offices of Real Estate Agents & Brokers	1.2%
5239	Other Financial Investment Activities	1.1%
5230	Securities, Commodity Contracts, and Other Financial Investments and Related Activities	1.0%
5611	Office Administrative Services	0.7%
5418	Advertising and Related Services	0.5%
5614	Business Support Services	0.4%
5241	Insurance Carriers	0.4%
5121	Motion Picture and Video Industries	0.4%
5414	Specialized Design Services	0.4%
5222	Nondepository Credit Intermediation	0.3%
5331	Lessors, Nonfinancial Intangible Assets	0.1%
5251	Insurance and Employee Benefit Funds	0.0%
5122	Sound Recording Industries	0.0%
Total		100.0%

Source: United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2022; Strategic Economics, 2024.

FIGURE 5. DEFINITION OF INDUSTRIES FOR RETAIL PROTOTYPE

NAICS Code	Description	Percent of Workers in Prototype
7225	Restaurants and Other Eating Places	55.8%
4450	Food and Beverage Retailers	14.2%
7223	Special Food Services	7.7%
4441	Building Material and Supplies Dealers	4.9%
8121	Personal Care Services	4.8%
4411	Automobile Dealers	4.6%
4413	Auto Parts, Accessories, and Tire Stores	1.5%
8129	Other Personal Services	1.4%
7224	Drinking Places (Alcoholic Beverages)	1.3%
8123	Drycleaning and Laundry Services	0.9%
5321	Automotive Equipment Rental and Leasing	0.7%
4453	Beer, Wine, and Liquor Stores	0.6%
5322	Consumer Goods Rental	0.4%
8122	Death Care Services	0.4%
4442	Lawn & Garden Equipment/Supplies Stores	0.4%
4412	Other Motor Vehicle Dealers	0.4%
Total		100.0%

Source: United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2022; Strategic Economics, 2024.

FIGURE 6. DEFINITION OF INDUSTRIES FOR HOTEL PROTOTYPE

NAICS Code	Description	Percent of Total Workers in Prototype
7211	Traveler Accommodation	100.0%
Total		100.0%

Source: United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2022; Strategic Economics, 2024.

The next step was to identify all the occupations that are associated with each industry based on data provided by the U.S. Bureau of Labor Statistics (BLS). The best available data is at the national level; state level industry-occupation data exist but do not include all relevant industries. The national BLS occupational matrix is calibrated to match the county's employment mix by weighting the national employment distribution to reflect the distribution of employment by industry within Santa Clara County. Finally, the average wage by worker was calculated using data on average annual wages by occupation in the San Jose-Sunnyvale-Santa Clara Metropolitan Statistical Area (the smallest geographic level at which wage data are available) from the Bureau of Labor Statistics.

Figure 7 below summarizes the results of these calculations, computing the average weighted wages[4] for each prototype. As shown, office employees have the highest average wage of the three prototypes,

[4] The weighted average wage accounts for the proportion of jobs in each occupational category.

reflecting a greater mix of higher salary occupations in that use. The lowest average annual wages are in the retail category. Due to the level of detail associated with the data on occupational wages, the full occupation mix in each land use prototype is shown in Appendix A at the end of the memo.

FIGURE 7. AVERAGE ANNUAL WAGE BY PROTOTYPE

Commercial Prototype	Weighted Average Annual Wage*
Hotel	$54,581
Office	$128,940
Retail	$48,782

Note: *Average wages are weighted to account for the proportion of jobs in each occupational wage category.
Source: United States Bureau of Labor Statistics, Quarterly Census of Employment and Wages, 2022; United States Bureau of Labor Statistics, Occupational Employment and Wage Estimates, 2022; Strategic Economics, 2024.

Step 5: Household Incomes

Based on the employee wage calculations discussed above, household incomes were estimated for each land use prototype. As a standard assumption for nexus studies, the average worker wage was multiplied by the number of wage-earners per household to calculate annual household income. According to the U.S. Census Bureau American Community Survey 5-Year Estimates, 2018-2022, the average number of wage-earners per household in Santa Clara County is 1.7. The average annual wage per employee within each occupation was multiplied by 1.7 to determine annual average household income.

Step 6: Household Income Categories

Employee households were then categorized as very low-, low-, moderate-, or above moderate-income based on standard income definitions based on their percentage of the Area Median Income (AMI).

According to the U.S. Census Bureau American Community Survey 5-Year Estimates, 2018-2022, the average household size in Santa Clara County is 2.9. To reference the available income tables, this was rounded to 3, the nearest whole number. The income categories for very low-, low-, and moderate-income households were therefore based on the household size of three persons, using the income thresholds shown in Figure 8. Note that this analysis uses 2024 income thresholds to match up with the production cost calculations which were also based on 2024 income figures.

FIGURE 8. AMI LEVELS FOR 3-PERSON HOUSEHOLDS IN SANTA CLARA COUNTY, 2024

Income Category	Annual Income Limit
Extremely Low (30% AMI)	$48,150
Very Low (50% AMI)	$80,300
Low (80% AMI)	$123,400
Moderate (120% AMI)	$195,800

Source: California Department of Housing and Community Development, 2024; Strategic Economics, 2024.

Using the income categories described above, the new worker households were sorted into income groups. As shown in Figure 9 below, the distribution of workers within each income group varies markedly between the prototypes. The majority of employment in the retail land use is in the very low-income group, while the majority of hotel workers are split between the very low- and the low-income

groups. Employment in the office land use tends to be distributed more in the higher-income groups, with the majority falling into the above moderate-income group. According to the results of this analysis, the primary affordable housing need associated with these prototypes is at the very low-income, low-income, and moderate-income levels. While the results of this analysis did not identify demand from extremely low-income worker households associated with new commercial development, it is understood that there are worker households in Santa Clara County that require extremely low-income housing.

FIGURE 9. NUMBER OF WORKER HOUSEHOLDS BY INCOME CATEGORY

Commercial Prototype	Number of Households (a) (b)	Percentage of Households
Hotel		
Extremely Low (30% AMI)	0	0%
Very Low (50% AMI)	27	47%
Low (80% AMI)	21	38%
Moderate (120% AMI)	6	10%
Above Moderate (c)	3	5%
Households Requiring Affordable Housing	54	95%
Total Households	56	100%
Office		
Extremely Low (30% AMI)	0	0%
Very Low (50% AMI)	7	4%
Low (80% AMI)	33	17%
Moderate (120% AMI)	32	16%
Above Moderate (c)	121	63%
Households Requiring Affordable Housing	72	37%
Total Households	193	100%
Retail		
Extremely Low (30% AMI)	0	0%
Very Low (50% AMI)	114	77%
Low (80% AMI)	24	16%
Moderate (120% AMI)	5	3%
Above Moderate (c)	4	3%
Households Requiring Affordable Housing	143	97%
Total Households	147	100%

Note:

(a) The methodology used to estimate worker household incomes relies on identifying the weighted averages of a large number of occupations present in each land use prototype. According to the results of this analysis, the primary affordable housing need associated with these prototypes is at the very low-income, low-income, and moderate-income levels. While this methodology does not estimate demand from extremely low-income worker households associated with new commercial development, it is understood that there are worker households in Santa Clara County that require extremely low-income housing.

(b) The number of households identified in this analysis reflects those for which wage data is available through the Occupational Employment and Wage Statistics dataset for the metropolitan region, accessed through the Bureau of Labor Statistics.

(c) Worker households earning above 120% AMI are expected to be able to afford market-rate rental or ownership housing, and therefore they are not incorporated in the affordability gap calculation.

Source: Strategic Economics, 2024.

III. PRODUCTION COST AFFORDABILITY GAP

This section summarizes the approach to calculating the production cost affordability gap and the results of the analysis (steps 7, 8 and 9).

Methodology

The method used to calculate the difference between what very low-, low-, and moderate-income households can afford to pay for housing and the development cost of building new housing units is the production cost affordability gap. From the nexus methodology section at the beginning of this report, calculating the housing affordability gap involves the following steps 7 through 9:

7. Estimating affordable rents and housing prices for households in the targeted income groups.

8. Estimating development costs of building new housing units, based on current cost and market data.

9. Calculating the difference between what renters and owners can afford to pay for housing and the cost of development of rental and ownership units to arrive at the "affordability gap" based on the production cost of new housing.

Step 7: Estimating Affordable Rents and Sales Prices

The first step in calculating the production cost affordability gap is to determine the amount that households at the targeted income levels can afford to pay for housing. As introduced in Step 6, for eligibility purposes, most affordable housing programs define very low-income households as those earning 31 to 50 percent of area median income (AMI), low-income households as those earning between 51 and 80 percent of AMI, and moderate-income households as those earning between 81 and 120 percent of AMI.[5]

Households with incomes in the very low range were assumed to live in rental housing. Households in the low and moderate ranges were assumed to live in a mix of rental and ownership housing. While the nexus analysis identified some new worker households that would fall above the moderate-income range (above 120 percent of AMI), Strategic Economics did not calculate an affordability gap for this group because it is expected they would find housing at market rates.

Figure 10 shows the maximum monthly rents and supportable debt for rental housing based on the annual income limits for each income categorization determined by the California Department of Housing and Community Development. Renters were assumed to pay a maximum of 30 percent of their gross monthly income on total housing costs for the housing to be considered "affordable." The maximum rent was then identified after deducting utility costs from monthly income. It was assumed that one-to-three person households occupy these units, which range from studios to two-bedroom apartments. In order to calculate the production cost gap, the affordable rents were converted to supportable debt. The supportable debt represents the one-time value of the rental revenue stream,

[5] Very low-income households were assumed to be at 50% AMI; Low-income households were assumed to be at 80% AMI. Moderate-income households were assumed to be at 120% AMI.

incorporating assumptions about operating expenses, reserves, vacancy and collection loss, and mortgage terms.

FIGURE 10. AFFORDABLE RENTS AND SUPPORTABLE DEBT BY UNIT TYPE

	Studio	1-BR	2-BR	Weighted Average
Maximum Affordable Rents				
Very Low Income (50%)	$1,429	$1,635	$1,810	**$1,623**
Low-Income (80%)	$2,268	$2,593	$2,887	**$2,579**
Moderate-Income (120%)	$3,676	$4,201	$4,697	**$4,186**
Supportable Debt				
Very Low Income (50%)	$88,661	$115,466	$138,201	**$113,855**
Low-Income (80%)	$197,935	$240,211	$278,579	**$238,499**
Moderate-Income (120%)	$381,306	$449,802	$514,389	**$447,827**

Source: California Department of Housing and Community Development, 2024; Strategic Economics, 2024.
Note: The weighted average assumes a unit mix of 34% studios, 33% 1-bedrooms, and 33% 2-bedrooms.

Figure 11 shows the maximum sales prices for homeowners based on the annual income limits for each income categorization determined by the California Department of Housing and Community Development. Homeowners were assumed to pay a maximum of 30 percent of gross monthly income on total housing costs. The maximum affordable price for for-sale housing was then calculated based on the total monthly mortgage payment that a homeowner could afford, using typical mortgage loan assumptions for income-restricted ownership housing, as well as other housing cost assumptions such as homeowner's association (HOA) fees. It was assumed that one to four person households occupy these units. Due to varying HOA costs, the maximum sales price varies slightly between the two ownership prototypes, townhomes and condo units.

FIGURE 11. AFFORDABLE SALES PRICES BY PROTOTYPE AND UNIT TYPE

	Townhome			Condo			
	2-BR	3-BR	Weighted Average	Studio	1-BR	2-BR	Weighted Average
Low-Income (80%)	$256,439	$283,349	$269,894	$226,883	$252,961	$262,235	$257,598
Moderate-Income (120%)	$513,549	$572,395	$542,972	$393,386	$443,272	$476,354	$459,813

Source: Strategic Economics, 2024.
Note: The weighted average for both the condo and townhome ownership prototypes assumes an even split between unit types.

Step 8: Estimating Housing Development Costs

The next step in calculating the housing affordability gap is to estimate the cost of developing new housing units to address the housing need. Strategic Economics estimated development costs for three prototypes: for-sale townhomes and condos, and a rental apartment development. Development costs were estimated using construction costs from California Tax Credit Allocation Committee (CTCAC) applications from the past three years in neighboring jurisdictions in Santa Clara County (see Figure 12).

FIGURE 12. CTCAC PROJECT APPLICATION DEVELOPMENT COSTS

Application Number	Cost per Unit	Units	Total Residential Sq Ft	Average Unit Sq Ft	Cost per Sq Ft
21-056	$752,547	47	30,404	647	$1,163
21-453	$861,731	89	71,345	802	$1,075
23-550	$943,032	174	122,590	705	$1,339
23-430	$742,843	198	139,670	705	$1,053
22-462	$467,298	150	74,828	499	$937
21-629	$996,527	58	53,386	920	$1,083
Average	**$793,996**	**119**	**82,037**	**713**	**$1,108**

Source: California Tax Credit Allocation Committee, 2024; Strategic Economics, 2024.

These estimates were also informed by development cost assumptions used in recent pro forma analyses in nearby cities. The estimates were adjusted to reflect the different costs of developing each prototype represented in this study, as townhomes tend to have significantly lower construction costs per square foot of residential area compared to higher density housing types. The estimated development costs for each of the tested prototypes are shown below in Figure 13.

FIGURE 13. DEVELOPMENT COST ASSUMPTIONS BY PROTOTYPE AND UNIT TYPE

Unit Type	Cost per Unit	Cost per Square Foot
Multifamily Rental		
Studio	$380,000	$950
1-BR	$570,000	$950
2-BR	$950,000	$950
Townhome		
2-BR	$650,000	$650
3-BR	$715,000	$650
Condo		
Studio	$380,000	$950
1-BR	$570,000	$950
2-BR	$950,000	$950

Source: Strategic Economics, 2024.

Step 9: Calculating the Housing Affordability Gap

The final step is to calculate the production cost affordability gap, or the difference between what renters and owners can afford to pay and the total cost of developing new units. The purpose of this calculation is to help determine the fee amount that would be necessary to cover the cost of developing housing for very low-, low-, and moderate-income households. The calculation does not assume the availability of any other source of housing subsidy because not all housing is built with public subsidies, and tax credits and tax-exempt bond financing are highly competitive programs that will not always be available to developers of modest housing units.

Figures 14 and 15 show the production cost affordability gap calculation for the rental prototype and the two ownership prototypes respectively.

- For the rental prototype, the gap was defined as the difference between the per-unit cost of development and the supportable debt per unit. The supportable debt was calculated based on the net operating income generated by an affordable monthly rent, incorporating assumptions about operating expenses (including property taxes, insurance, etc.), reserves, vacancy and collection loss, and mortgage terms.
- For the ownership housing prototypes, the gap was calculated as the difference between the per-unit cost of development and the affordable sales price for each income level. The methodology to calculate the maximum affordable sales price was informed by the requirements of the Alta Housing Below Market Rate Purchase program, which administers the sale of affordable homes for the City of Los Altos. To calculate the maximum affordable sales price, Strategic Economics assumed the mortgage to be 30-year fixed rate, with an interest rate of 6.7 percent, which is a typical rate at the time of research (February 2024). The owner was assumed to make a three percent down payment, as required by the purchase program. Other monthly housing costs include homeowners' association dues, property taxes, homeowners' insurance, interior property insurance, and premiums for private mortgage insurance.

Note that for each prototype, the gaps shown for each income level are the weighted average of the specific gaps for each unit type in the prototype.

FIGURE 14. AFFORDABILITY GAP CALCULATION FOR RENTAL HOUSING BY INCOME GROUP

	Supportable Debt	Development Costs	Affordability Gap
Very Low Income (50%)	$113,855	$630,800	$516,945
Low-Income (80%)	$238,499	$630,800	$392,301
Moderate-Income (120%)	$447,827	$630,800	$182,973

Source: Strategic Economics, 2024.

FIGURE 15. AFFORDABILITY GAP CALCULATION FOR OWNERSHIP HOUSING BY INCOME GROUP

	Affordable Sales Price	Development Cost	Affordability Gap
Townhome			
Low-Income (80%)	$269,894	$682,500	$412,606
Moderate-Income (120%)	$542,972	$682,500	$139,528
Condo			
Low-Income (80%)	$257,598	$760,000	$502,402
Moderate-Income (120%)	$459,813	$760,000	$300,187

Source: Strategic Economics, 2024.

The average affordability gap for each income group was then calculated by averaging the rental gap and the average ownership gap for townhomes and condominiums, shown in Figure 16. Since it was assumed that all households in the very low-income group are renters, the average affordability gap for that income category is simply the rental gap.

FIGURE 16. AVERAGE AFFORDABILITY GAP FOR VERY LOW-, LOW-, AND MODERATE-INCOME HOUSEHOLDS

Income Level	Rental Gap	Ownership Gap - Townhome	Ownership Gap - Condo	Average Gap
Very Low Income (50%)	$516,945	N/A	N/A	**$516,945**
Low-Income (80%)	$392,301	$412,606	$502,402	**$424,903**
Moderate-Income (120%)	$182,973	$139,528	$300,187	**$201,415**

Note: The "average gap" for the low-income and moderate-income categories is the average of the rental gap and an average of the ownership gaps, such that the resulting average gap is a 50/50 blend of the rental and ownership gaps.
Source: Strategic Economics, 2024.

IV. MAXIMUM LINKAGE FEES

This section builds on the findings of the previous analytical steps to calculate the maximum justified linkage fees for each commercial prototype.

Step 10: Maximum Fee Calculation

To derive the maximum nexus-based fee for each land use prototype, the housing affordability gap amounts (see previous section) were applied to the number of worker households in each respective income category (Figure 9). The number of very low-, low-, and moderate-income households associated with each land use prototype was used to calculate the total affordability gap (Figure 17). The above moderate-income households were included in the number of worker households shown in Figure 17, but there is no affordability gap for this group and the group does not contribute to the total affordability gap. Finally, the total gap for each land use prototype was divided by 100,000 square feet to calculate a maximum fee per square foot of commercial building area.

As shown in Figure 17, the maximum fee results (rounded to the nearest dollar) are $250 per square foot for hotel, $245 per square foot for office, and $702 per square foot for retail.

The calculated linkage fees are driven by the high cost of housing development, leading to large affordability gaps particularly for very low- and low-income households. The maximum fee calculation is highest for retail because of the relatively low worker wage levels in the industries associate with that development type, combined with a moderate employee density. Hotel uses also employ a large share of lower wage workers, but have a much lower employee density, resulting in a much lower maximum fee. Finally, office uses have a lower number of lower wage workers, but have the highest employment density, resulting in a maximum fee that is lower than retail/restaurants/services but higher than hotel.

The maximum fees shown in Figure 16 are not the recommended fees for adoption. They are the preliminary nexus-justified fees that represent the maximum that Los Altos could charge to mitigate affordable housing demand related to commercial development.

FIGURE 17. MAXIMUM COMMERCIAL LINKAGE FEE

Commercial Prototype	Number of Worker Households*	Average Gap (per Household)	Total Affordability Gap	Prototype Square Feet	Max Fee per Sq Ft
Hotel	56	$443,454	$24,999,217	100,000	$250
Office	193	$126,571	$24,489,446	100,000	$245
Retail	147	$478,963	$70,195,031	100,000	$702

Note: The number of worker households includes above moderate-income households. However, these households are assumed to have an affordability gap of zero and, therefore, do not affect the calculations of the total affordability gap and the maximum fee.
Source: Strategic Economics, 2024.

V. COMMERCIAL LINKAGE FEES IN PEER CITIES AND OTHER POLICY CONSIDERATIONS

The previous section presented the maximum commercial linkage fees for each land use based on the nexus study. These fees are the maximum justifiable fee that Los Altos can charge to mitigate the affordable housing need created by new commercial development. However, for most jurisdictions, other factors are considered when enacting the commercial linkage fees, and, as a result, the fees are almost always set at a level significantly below the maximum amount that is justified by the nexus study.

One consideration is the impact of the fee on the financial feasibility of future development projects. This can be tested using a pro forma model to understand the financial impacts of the fee on different types of development commonly built in the city. Oftentimes this model examines the cumulative burden of impact fees on the financial feasibility of new development, as many cities impose multiple types of fees that can become a significant portion of project costs when considered together.

Another consideration in determining the appropriate fee level is the fee level set by peer cities. This is important because impact fees can play a role in determining where a developer decides to build. Thus, a higher commercial linkage fee or cumulative impact fee burden can deter developers from pursuing projects in a municipality. Figure 18 shows the maximum justifiable and adopted fee levels in other cities in Santa Clara County, with comparison to Los Altos.

Given that the purpose of the fee is to generate revenue for future affordable housing development, it is important to establish the fee at a level that will enable new commercial development to proceed in Los Altos.

FIGURE 18. PEER CITIES' MAXIMUM JUSTIFIABLE AND ADOPTED FEE LEVELS

		Maximum Fee Per Square Foot			Current Adopted Fee per Square Foot		
City	Year Nexus Study Completed	Hotel	Retail	Office	Hotel	Retail	Office
San Jose	2020	$61.60	$176.70	$137.70	$5.00	$0.00	$3.00
Milpitas	2020	$61.60	$176.70	$137.70	$8.00	$4.00	$8.00
Sunnyvale	2014	$76.22	$295.23	$113.99	$6.00	$6.00	$12.00
Santa Clara	2017	$128.70	$268.00	$142.70	$5.56	$5.56	$22.22
Mountain View (a)	Unknown	Unknown	Unknown	Unknown	$2.00 to $3.50	$2.00 to $3.50	$16.00 to $33.00
Palo Alto	2015	$177.00	$295.00	$264.00	$26.00	$26.00	$77.00
Menlo Park	2016	$154.00	$265.00	$255.00	$11.75	$11.75	$21.65
Los Altos (b)	*2024*	*$250*	*$702*	*$245*	*TBD*	*TBD*	*TBD*

Notes:
(a) The applicable fee in Mountain View varies depending on project size.
(b) Maximum justifiable fee levels are relatively high in Los Altos for three primary reasons: 1) housing construction costs significantly increased in recent years, resulting in a larger gap between below market rate rents/prices (and associated supportable debt) versus the cost of building new housing units, 2) increased mortgage rates reduced the amount a lower income household can pay for new below market rate housing, further widening the gap, and 3) the Los Altos analysis accounts for the entirety of the production cost affordability gap that must be filled from all sources of subsidy, while some studies instead use a methodology focused solely on the portion of the gap typically funded by local sources.

Source: Strategic Economics, 2024.

APPENDIX: DISTRIBUTION OF JOBS AND WAGES BY OCCUPATION CATEGORY FOR EACH LAND USE, AS INCORPORATED IN THE NEXUS ANALYSIS

FIGURE 19. DISTRIBUTION OF JOBS AND WAGES BY OCCUPATION CATEGORY, HOTEL

Code	Occupation Category	Percent of Employment	Average Occupation Wage
11	Management Occupations	6%	$158,358
13	Business and Financial Operations Occupations	2%	$112,327
15	Computer and Mathematical Occupations	0%	$145,069
17	Architecture and Engineering Occupations	0%	$136,102
19	Life, Physical, and Social Science Occupations	0%	$112,136
21	Community and Social Service Occupations	0%	$61,237
23	Legal Occupations	0%	$166,712
25	Educational Instruction and Library Occupations	0%	$63,227
27	Arts, Design, Entertainment, Sports, and Media Occupations	0%	$70,662
29	Healthcare Practitioners and Technical Occupations	0%	$79,787
31	Healthcare Support Occupations	0%	$65,744
33	Protective Service Occupations	3%	$59,825
35	Food Preparation and Serving Related Occupations	22%	$45,974
37	Building and Grounds Cleaning and Maintenance Occupations	27%	$54,797
39	Personal Care and Service Occupations	7%	$28,541
41	Sales and Related Occupations	3%	$68,108
43	Office and Administrative Support Occupations	19%	$51,974
45	Farming, Fishing, and Forestry Occupations	0%	$49,886
47	Construction and Extraction Occupations	0%	$76,193
49	Installation, Maintenance, and Repair Occupations	6%	$62,297
51	Production Occupations	3%	$47,903
53	Transportation and Material Moving Occupations	1%	$40,217
	All Occupations	**100%**	**$79,867**

Source: Strategic Economics, 2024.

FIGURE 20. DISTRIBUTION OF JOBS AND WAGES BY OCCUPATION CATEGORY, OFFICE

Code	Occupation Category	Percent of Employment	Average Occupation Wage
11	Management Occupations	15%	$148,401
13	Business and Financial Operations Occupations	14%	$100,620
15	Computer and Mathematical Occupations	32%	$131,435
17	Architecture and Engineering Occupations	5%	$96,357
19	Life, Physical, and Social Science Occupations	2%	$72,577
21	Community and Social Service Occupations	0%	$80,279
23	Legal Occupations	2%	$124,201
25	Educational Instruction and Library Occupations	0%	$51,322
27	Arts, Design, Entertainment, Sports, and Media Occupations	1%	$66,324
29	Healthcare Practitioners and Technical Occupations	4%	$91,649
31	Healthcare Support Occupations	0%	$46,450
33	Protective Service Occupations	0%	$72,657
35	Food Preparation and Serving Related Occupations	0%	$45,974
37	Building and Grounds Cleaning and Maintenance Occupations	1%	$56,353
39	Personal Care and Service Occupations	0%	$33,218
41	Sales and Related Occupations	5%	$75,678
43	Office and Administrative Support Occupations	16%	$54,932
45	Farming, Fishing, and Forestry Occupations	0%	$21,486
47	Construction and Extraction Occupations	1%	$45,952
49	Installation, Maintenance, and Repair Occupations	2%	$59,715
51	Production Occupations	1%	$34,046
53	Transportation and Material Moving Occupations	0%	$41,008
	All Occupations	**100%**	**$70,483**

Source: Strategic Economics, 2024.

FIGURE 21. DISTRIBUTION OF JOBS AND WAGES BY OCCUPATION CATEGORY, RETAIL

Code	Occupation Category	Percent of Employment	Average Occupation Wage
11	Management Occupations	4%	$144,520
13	Business and Financial Operations Occupations	1%	$102,732
15	Computer and Mathematical Occupations	0%	$144,160
17	Architecture and Engineering Occupations	0%	$108,607
19	Life, Physical, and Social Science Occupations	0%	$62,504
21	Community and Social Service Occupations	0%	$77,156
23	Legal Occupations	0%	$136,102
25	Educational Instruction and Library Occupations	0%	$63,227
27	Arts, Design, Entertainment, Sports, and Media Occupations	0%	$74,707
29	Healthcare Practitioners and Technical Occupations	1%	$105,678
31	Healthcare Support Occupations	0%	$53,093
33	Protective Service Occupations	0%	$67,717
35	Food Preparation and Serving Related Occupations	62%	$43,269
37	Building and Grounds Cleaning and Maintenance Occupations	1%	$54,795
39	Personal Care and Service Occupations	3%	$33,922
41	Sales and Related Occupations	16%	$76,112
43	Office and Administrative Support Occupations	4%	$50,727
45	Farming, Fishing, and Forestry Occupations	0%	$18,707
47	Construction and Extraction Occupations	0%	$60,200
49	Installation, Maintenance, and Repair Occupations	1%	$52,851
51	Production Occupations	2%	$40,815
53	Transportation and Material Moving Occupations	6%	$46,919
	All Occupations	**100%**	**$73,569**

Source: Strategic Economics, 2024.