



**TOWN OF LOS GATOS  
COUNCIL AGENDA REPORT**

MEETING DATE: 10/07/2025

ITEM NO: 14

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DATE: October 2, 2025  
TO: Mayor and Town Council  
FROM: Chris Constantin, Town Manager  
SUBJECT: **Adopt a Resolution to Modify Town Council Policy 1-08: "Transportation Impact Policy"**

RECOMMENDATION: Adopt a Resolution to Modify Town Council Policy 1-08: "Transportation Impact Policy" to Update the Project List, Modify Charges for Affordable Housing, Allow for Charges on Accessory Dwelling Units (ADUs) in Excess of 750 Square Feet, and Adjust How Credits are Calculated.

FISCAL IMPACT:

The proposed changes will allow for the collection of Transportation Impact Fees on ADUs of 750 square feet or more, which may generate nominal additional revenue. Fees will be charged proportionately in relation to the square footage of the ADU to the square footage of the primary dwelling unit.

Simultaneously, the Policy introduces a 50% reduction in Transportation Impact Fees for deed-restricted housing units serving extremely low- and very low-income households, which may result in a moderate reduction in total collected fees over time.

The net fiscal impact is expected to be minimal but directionally neutral to slightly positive, depending on development activity. These adjustments ensure ongoing policy alignment with State housing mandates while supporting Town infrastructure needs. Based on recent development trends over the past three years, the Town processes approximately 50 ADU permit applications annually, several of which exceed 750 square feet. Applying Transportation Impact Fees to these units could result in nominal additional revenue of approximately \$25,000 per year, depending on unit size and fee rates.

PREPARED BY: Nicolle Burnham  
Parks and Public Works Director

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Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Finance Director

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STRATEGIC PRIORITY:

This item aligns with the strategic priority: Develop structure to ensure accountability of how funding resources move forward the Town's core goals and priorities.

BACKGROUND:

On August 5, 1991, the Town of Los Gatos adopted Town Council Policy 1-08 to establish procedures for assessing Traffic Impact Mitigation Fees. The Policy has been revised periodically to reflect legislative changes and Town priorities, with updates in 2014, 2016, 2017, and most recently in 2021. These updates have addressed fee applicability, project eligibility, and alignment with state mandates such as SB 743 requiring Vehicle Miles Traveled (VMT) metrics. This current update further aligns the Policy with current CEQA requirements, clarifies charges for Accessory Dwelling Units (ADUs), adjusts affordable housing incentives, updates the project list, and clarifies how certain projects might receive credits against their traffic impact fee.

In early 2024, the Town adopted an increase to its transportation impact fee, which was later rescinded due to concerns regarding the nexus study. Staff has reviewed the nexus study and is not recommending changes to the Town's transportation impact fee until a Town-wide traffic model has been completed. At this time, Town staff is recommending only an update to the Town's Transportation Impact Policy.

DISCUSSION:

The Town is proposing a policy-only update at this time to ensure consistency with recent changes in State law regarding Accessory Dwelling Units, incentivize production of extremely low and very low income housing, modernize the language around credits, and to remove outdated projects from the Transportation Impact Policy's project list and add projects that have been identified through adopted planning documents like the Bicycle and Pedestrian Master Plan. This update allows the Town to improve clarity and legal defensibility of the fee application while staff completes the Town-wide traffic model needed for a full nexus-based fee update. The Policy update does not include a change to the fee amount at this time.

Attachment 1 is a resolution to support the adoption of the changes, and the proposed Policy is attached to the resolution. Attachment 2 is a redline of the changes proposed to Town Policy 1-08. Specific proposed changes to the Policy include:

1. Allowing Transportation Impact Fees to be charged on Accessory Dwelling Units of 750 square feet or larger, as allowed per state law;
2. Reducing Transportation Impact Fees for deed restricted housing units, which may encourage production of affordable housing;

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3. Allowing development projects that choose to construct a project from the Project List to receive credit for the full cost of the project construction, including any land dedication that could be required (up to the amount of the TIF that is owed);
4. Clarifying how credit is issued for existing land uses when redevelopment projects are proposed; and
5. Replacing the project list in Attachment 2 of the Policy.

Revenue from Transportation Impact Fees is directly dependent on the number and type of development applications received by the Town each year. Revenues in recent years have varied widely as shown in Table 1.

**Table 1. Summary of Recent Collections to the Transportation Impact Fee Program**

Fiscal Year	Fee Collected (\$)
2024-25	10,431
2023-24	2,726,394
2022-23	9,582
2021-22	82,449
2020-21	18,087
2019-20	133,741

**CONCLUSION:**

The actions proposed herein will update the Town's Transportation Impact Policy to better align with current state law and local development trends. While no changes to the Transportation Impact Fee amounts are being implemented at this time, the Policy revisions ensure clarity regarding how fees are calculated and update the list of capital projects for which fees may be used. These actions pertain to Town Council Policy only and do not affect the Town Code. Staff is not recommending changes to the Town's Transportation Impact Fee until a Town-wide traffic model has been completed.

**COORDINATION:**

This agenda item was coordinated with the Town Manager, Town Attorney, and the Finance Director. If the Policy is adopted, staff will return to Council with a follow-up update to the Master Fee Schedule to reflect the new applicability of fees to ADUs larger than 750 square feet.

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ENVIRONMENTAL ASSESSMENT:

In accordance with CEQA Guidelines Section 15378(b)(4), these actions are fiscal and administrative activities and do not constitute projects as defined in CEQA, and no further action is required.

ATTACHMENTS:

1. Draft Resolution to Modify Town Council Policy 1-08, "Transportation Impact Policy"
2. Redline of Proposed Changes to Town Council Policy 1-08