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**TO:** Chris Constantin, City Manager, Town of Los Gatos  
**FROM:** Michael Medve, Principal Consultant, Willdan  
**DATE:** April 7, 2026  
**SUBJECT:** Summary of Assumptions in Fiscal Impact Study

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In February of 2026, Willdan prepared a Fiscal Impact Analysis for the Town of Los Gatos (the "Town") to evaluate the annual fiscal impacts of residential development considered in the Town's Housing Element and related planning work through 2040.

Community Development subsequently recommended several refinements to the development and revenue assumptions used in the study. The updated assumptions are provided below in bullet point form.

#### **Revenues**

- Residential development assumptions were updated to use the average of the more aggressive and more conservative development scenarios through 2040, totaling 3,263 units, inclusive of 400 accessory dwelling units (ADUs).
- For purposes of the study, the same number of units is assumed to be developed each year during the study period.
- ADUs may be rented to or sold to low- and moderate-income households, but no percentage is assumed for the purposes of this analysis.
- Affordable units are assumed to comprise approximately 15% of non-ADU units, rather than the 60% estimate cited in the Housing Element. The reduction was applied proportionately across the non-ADU development program, in accordance with Community Development's recommendation.
- Because there was no direct source for the price of a market rate multi-family unit in Los Gatos, Willdan used an amount equal to 70% of the overall median home value (according to Zillow), which is a common assumption. This came out to \$1,711,935.
- Since there is a mix of affordable and market rate units, Willdan disaggregated the development by type of housing unit and calculated the weighted average home value to estimate increase in assessed value.
- An ADU is assumed to raise a Bay Area home's property value by \$200,000 to \$500,000, based on information from various online sources. ADUs can either be rented or sold, but in either case, the assessed value associated with an ADU is assumed to be \$350,000 for the purposes of this analysis.

- The weighted average AB 8 apportionment factor for secured property taxes (1% of secured assessed value) was calculated to be about 9.5%. Property Tax In-Lieu of VLF came out to an additional 2.8%.
- Sales tax revenues are equal to 1.125% of taxable sales, which includes the general sales tax rate and Measure G.
- Taxable sales were estimated by estimating the household income for each type of new unit and deriving the percentage of income that would generate taxable sales from the Consumer Expenditure Survey. This allowed me to estimate the taxable sales for Los Gatos that come from each new household.
- A leakage rate estimate of 40% was used for the primary sales tax analysis. Some studies have shown higher leakage rates for small suburban communities, but online retail has increased substantially in recent years, and the use tax mechanism will capture those revenues from Los Gatos residents.
- An alternative estimate for sales tax was calculated using a multivariate analysis among cities in Santa Clara County to approximate the increase in taxable sales associated with new residential development. After reducing the number of affordable units, the results are comparable to the household expenditure-based estimate.
- Other revenues evaluated in the study include Franchise Fees, Licenses & Permits, and Fines & Forfeitures. These were determined using multipliers that account for both residents and employees. The resident estimate at buildout is driven by the updated housing development assumptions summarized above.
- Franchise fees are estimated at \$23.77 per new resident.
- Licenses & Permits are estimated at \$144.00 per new resident.
- Fines & Forfeitures are estimated at \$7.18 per new resident.

## **Expenditures**

- Police Department, Parks & Public Works, Community Development, and Library Services were used to develop multipliers to estimate future expenditures.
- Non-Departmental, Administrative Services, and Town Council expenditures were considered overhead. After excluding non-operating expenditures, the overhead percentage rate for operations was calculated to be 28.9%.
- Adjustments were made to Parks/Public Works, Community Development, and Non-Departmental to account for fees collected for services. The amounts taken from the Adopted Budget were deducted from the expenditure total to arrive at a net cost.
- Police Department is estimated at \$690.26 per new resident.
- Parks and Public Works is estimated at \$332.21 per new resident.
- The Public Works budget does not include any adjustments to address deficiencies in infrastructure and maintenance budgets identified by Town staff.
- Community Development is estimated at \$121.75 per new resident.
- Library is estimated to be \$141.33 per new resident.

## **Other Assumptions**

- Unless otherwise noted, the Fiscal Year 2025-26 Budget estimates were used.
- Number of residents from CA Department of Finance population estimates equal to 33,355.

- Number of employees comes from the Census Bureau's "On the Map" tool. 2023 "All jobs" estimate was used, yielding 21,105 jobs.
- Persons served estimate is equal to population plus 50% of employees.

If you have any questions about this memorandum, please feel free to contact Mike Medve at (951) 587-3575.