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Date: January 16, 2024 at 7:10:35 AM PST
To: Rob Moore <RMoore@losgatosca.gov>
Subject: Agenda item 12

[EXTERNAL SENDER]

Hello Rob,

I want to share some quick thoughts regarding the TIF study under consideration in agenda item #12. Unfortunately, this study fails to analyze what the law requires, which is a fair analysis of capital improvements related to growth.. There must be a factual causal relationship between new incremental growth and the capital expenditure.

Before adopting a TIF, a local jurisdiction must make a specific finding that include identifying the purpose of the fee and describing why the fee is needed to provide new or expanded facilities to mitigate the impacts of new development induced by the growth. Unfortunately, most of the projects listed are the result of deficiencies in current conditions. Under state law AB 1600, improvements to existing deficiencies cannot be funded through a TIF. At the very least the study needs to analyze and separate which capital costs will serve future growth vs which capital costs are associated with existing deficiencies.

I have attached the staff report from the study session that was held on October 10, 2023. The discussion of the SR-17 project is very instructive on this point. This project is all about addressing an existing regional deficiency. Just read VTM's flyer

on this project. If there was no growth in Los Gatos over the next 20 years, this project will still go forward given the current deficiencies. The staff report makes it very clear that the only reason this project is included is Staff wants to use TIF funds to pay for the required 10% match. That unfortunately is not how the law works. They have put the cart before the horse.

The net result of the TIF study is to burden 100 % of the \$42m of unfunded capital project costs (and who knows if that number is even remotely accurate – I have my doubts) on the new residents of Los Gatos. This is driving the TIF for new residential units to increase anywhere from 168% to 178% at the same time we are trying to promote new housing development. Furthermore, the difference between the proposed TIF and surrounding jurisdictions of like size is breath taking. It simply doesn't make sense to me.

Assessing the full cost of new infrastructure on new housing/growth could prove to be exclusionary and place an outsized burden on or prevent the accommodation of new residents. This is totally at odds to what we are saying in the HE.

My recommendation is to send the study to the FC and have the FC work with the consultant to prepare a complete TIF study. This one is deeply flawed.

As always, please let me know if you have any questions.

Phil Koen