



**TOWN OF LOS GATOS**  
**COUNCIL STUDY SESSION REPORT**

MEETING DATE: 01/16/2024

ITEM NO: 12

DATE: December 21, 2023

TO: Mayor and Town Council

FROM: Laurel Prevetti, Town Manager

SUBJECT: Conduct a Public Hearing for the Town's Transportation Impact Fee Program to:

- a. Adopt a Resolution to Adopt the Transportation Impact Nexus Study Dated November 2023 (including the Project List – Appendix 1 Which Serves as the Town's Transportation Capital Improvement Plan);
- b. Adopt a Resolution to Update a Transportation Impact Fee to Replace the Town's Existing Traffic Impact Mitigation Fee;
- c. Introduce an Ordinance Titled "An Ordinance of the Town of Council of the Town of Los Gatos Amending Town Code Section 15, Article VII 'Traffic Impact Mitigation Fees'"; and
- d. Adopt a Resolution to Modify Town Council Policy 1-08: "Transportation Impact Policy."

**RECOMMENDATION:**

Conduct a Public Hearing for the Town's Transportation Impact Fee Program to:

- a. Adopt a resolution to adopt the Transportation Impact Nexus Study dated November 2023 (including the Project List – Appendix 1 which serves as the Town's Transportation Capital Improvement Plan) (Attachment 1);
- b. Adopt a resolution to update a Transportation Impact Fee to Replace the Town's Existing Traffic Impact Mitigation Fee (Attachment 2);
- c. Introduce an ordinance titled "An Ordinance of the Town of Council of the Town of Los Gatos Amending Town Code Section 15, Article VII 'Traffic Impact Mitigation Fees'" (Attachment 3); and
- d. Adopt a resolution to modify Town Council Policy 1-08: "Transportation Impact Policy" (Attachment 5).

**PREPARED BY:** Nicolle Burnham  
Parks and Public Works Director

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

SUBJECT: Conduct a Public Hearing Regarding the Town's Transportation Impact Fee Program

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BACKGROUND:

In 1987 the State of California passed Assembly Bill 1600, which was codified in Government Code Sections 66000-66025 and is commonly referred to as the Mitigation Fee Act ("the Act"). The Act allows local governments to implement fees to defray all, or a portion of, the cost of public facilities related to development projects. In adopting fees as allowed by the Act, the following must be documented:

1. Project Effects: There must be a reasonable relationship established between the new development and the need for public facilities.
2. Benefit: There must be a reasonable relationship between new development and the use of revenue from the fee charged, meaning that the fee must be used to pay for improvements that are needed to accommodate the development.
3. Proportionality: There must be a reasonable relationship between the amount of the fee and the portion of public facilities cost associated with the new development.

In 2021, the State of California passed Assembly Bill 602, which, among other actions, amends Government Code Section 66019 and adds Section 66016.5. Effective on January 1, 2022, AB 602 requires:

1. Adoption of a Nexus Study that identifies the existing level of service, identifies new levels of service, and includes an explanation of why the new levels of service are needed;
2. The Nexus Study calculates impact fees for housing projects based on the square footage of the proposed units;
3. Large jurisdictions (defined to include cities within counties with populations over 250,000) must adopt a Capital Improvement Plan as part of the Nexus Study;
4. A 30-day public notice for a public hearing prior to adopting the Nexus Study; and
5. Nexus studies must be updated every eight years.

The Town of Los Gatos most recently updated its Nexus Study and Traffic Impact Fee (TIF) in 2014. Since that time, annual increases in the TIF have been adopted based on the Consumer Price Index.

Since early 2022, staff has been working with DKS Associates to complete a Transportation Nexus Study, update the current Traffic Impact Fee amount, and consider a Vehicle Miles Traveled Impact Fee.

On May 2, 2023, the Town Council received a report on the technical work to calculate a recommended fee for each land use type.

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BACKGROUND (continued):

On October 10, 2023, a study session was held to respond to questions that Town Council had posed at the May 2, 2023, meeting. At that October meeting, Council took a series of actions that provided the direction and feedback needed for staff to propose a Transportation Impact Fee for consideration.

On November 21, 2023, Town Council reviewed the Nexus Study, including the Project List in Appendix 1, which serves as the Town's Transportation Capital Improvement Plan, and set a Public Hearing date of January 16, 2024.

At each of these meetings, the public was provided the opportunity to submit written and verbal comments pertaining to the Nexus Study and the Town's proposed changes to the Traffic Impact Fee Program.

The proposed actions for this Public Hearing, if approved, would result in adoption of the Nexus Study, including the Project List which will serve as the Town's Transportation Capital Improvement Plan, adoption of the updated Transportation Impact Fee, and adoption of ordinance changes and resolutions needed to administer the proposed fee.

DISCUSSION:

Nexus Study

Attachment 1 to this report is a draft resolution to adopt the Nexus Study prepared by DKS Associates (the consultant) on behalf of the Town of Los Gatos. Exhibit A of the Resolution in Attachment 1 includes the Nexus Study document.

In developing the Nexus Study, the Town's various planning documents were considered, including General Plan 2020, General Plan 2040, and the General Plan 2040 Environmental Impact Report (EIR). These planning documents provided the basis for future development in the Town of Los Gatos and the traffic generation and transportation impacts that would result from that development.

Preparation of the Nexus Study also included review of the numerous transportation and traffic related planning documents that have been developed by the Town, including the Bicycle and Pedestrian Master Plan, projects included in the 2014 Nexus Study that were not completed, the Town's Downtown Parking Roadmap, needed improvements to the Town's Traffic Signal System, and the State Route 17/Highway 9 Congestion Relief Project. This information was used to develop a Capital Improvement List for the Town, which is shown in Appendix Section 1 of the Nexus Study document.

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DISCUSSION (continued):

The Nexus Study defines the existing level of investment that the Town is making in the transportation system, which sets the maximum justifiable fee that the Town may charge for the Transportation Impact Fee. This maximum justifiable fee was determined to be \$57,907 per dwelling unit equivalent (see Table 6 on page 15 of the Nexus Study Report). This fee is based on the high level of historic investment the Town has made, and continues to make annually, in its transportation and traffic infrastructure.

Proposed Transportation Impact Fees

Based on the analysis completed in developing the Nexus Study, the fees presented in Table 1 are proposed for adoption. Attachment 2 is a resolution to adopt these fees.

**Table 1. Proposed Town of Los Gatos Transportation Impact Fees, 2024**

<b>Land Use Classification</b>	<b>Proposed Fee</b>
Single Family Residential (per square foot) <sup>2</sup>	\$6.10
Multi-Family Residential (per square foot) <sup>3</sup>	\$6.96
Retail (per 1,000 square feet)	\$22,391.00
Office (per 1,000 square feet)	\$19,731.00
Industrial (per 1,000 square feet)	\$9,255.00

Notes:

1. Taken from Nexus Study by DKS Associates.
2. Single family fee is \$16,051 per dwelling unit; converted to a square foot basis using an average single family residential unit size of 2,632 square feet.
3. Multi-family fee is \$11,472 per dwelling unit converted to a square foot basis using an average multi-family residential unit size of 1,649 square feet.

During development of the Nexus Study, staff considered implementing a Vehicle Miles Traveled (VMT) Impact Fee separate from the Transportation Impact Fee. Adoption of separate fees is not proposed currently due to the complexity of administering two fee programs, and the fact that Valley Transportation Agency (VTA) is considering a County-wide VMT Mitigation Program.

Amendments to Town Code Section 15

In adopting the new Nexus Study and developing the updated fee program, amendments to Town Code Section 15 are required. Attachment 3 to this staff report details the proposed changes. Attachment 4 is a redline of the changes proposed to Section 15. Of note, staff is recommending:

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DISCUSSION (continued):

1. The title of this section and the name of the fee be changed to Transportation Impact Fees to reflect the inclusion of bicycle and pedestrian projects in the Project List included in Appendix 1 of the Nexus Study (i.e., the Capital Improvement Plan) rather than just traffic-related projects;
2. The method of calculating the fees has been updated to reflect the methods used in the Nexus Study and those required by AB 602; and
3. A section on credits was added, allowing deed restricted low- and very-low-income housing units to receive a 50% credit against their fees, and to allow all developments to receive credit for existing traffic from current uses of a property.

Town Council Policy 1-08 - Transportation Impact Policy

In adopting the Nexus Study, certain changes to Town Council Policy 1-08 are needed. Attachment 5 is a resolution to support adoption of the changes, and the proposed revisions to this Policy are attached to the resolution. Attachment 6 is a redline of the changes proposed to Town Policy 1-08. Specific proposed changes to the Policy include:

1. Updating the name of the fee;
2. Allowing Transportation Impact Fees to be charged on Accessory Dwelling Units of 750 square feet or larger as allowed per State Law;
3. Clarifying that residential fees are calculated based on a per square foot basis, rather than per dwelling unit;
4. Updating information about credits to be consistent with proposed Town Code Chapter 15; and
5. Replacing the project list in Attachment 2 with the Capital Improvement Plan in Appendix 1 of the Nexus Study.

CONCLUSION:

The actions proposed herein will result in the Town of Los Gatos Transportation Impact Fee being updated to reflect the Town's capital improvement needs. The actions taken will update pertinent Town Codes and Policies in accordance with the Nexus Study.

COORDINATION:

This agenda item was coordinated with the Town Manager, Town Attorney, and the Finance Director.

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FISCAL IMPACT:

There is no fiscal impact associated with Town Council adopting the Nexus Study and updating the Transportation Impact Fee Program. If adopted, the Fee program will support funding for, and implementation of the Transportation Capital Improvement Projects defined in the Nexus Study.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:

1. Draft Resolution to Adopt the Nexus Study, including the Project List which serves as the Town's Transportation Capital Improvement Plan
2. Draft Resolution to Adopt Updated Transportation Impact Fee to Replace the Town's Existing Traffic Impact Mitigation Fee
3. Draft Ordinance Titled "An Ordinance of the Town of Council of the Town of Los Gatos Amending Town Code Section 15, Article VII 'Traffic Impact Mitigation Fees'"
4. Redline of Proposed Changes to Town Code Section 15, Article VII
5. Draft Resolution to Modify Town Council Policy 1-08, "Transportation Impact Policy."
6. Redline of Proposed Changes to Town Council Policy 1-08