Town of Los Gatos

Future Growth and Sustainability Study

Fiscal Impact Analysis

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ATTACHMENT 2

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Executive Summary

The Town of Los Gatos (the "Town") is undertaking an integrated fiscal sustainability and growth impact analysis to evaluate the Town's outlook for fiscal sustainability. Included in that effort is a fiscal impact study to evaluate the fiscal implications of planned and potential development through 2040 on the Town's General Fund.

The development scenario analyzed in this report is projected to have a positive recurring impact on the Town's General Fund. At buildout, the model estimates that new residential development would generate approximately $10.8 million in annual General Fund revenues and approximately $9.0 million in annual General Fund expenditures, resulting in a positive annual net fiscal impact of approximately $1.8 million in 2026 dollars.

While this finding is important for long-term fiscal sustainability, the Town's need to increase its infrastructure investments in the short term, and that new infrastructure will bring additional operations, maintenance and servicing costs that have not been evaluated as part of this engagement. Major capital facilities, stormwater improvements, roadway capacity projects, or regional transportation improvements are not yet fully funded.

When reviewing these results, the Town should consider the annual expenditures calculated in this report to be an underestimate. In preparation for the few thousand units that may be constructed through 2040, the Town should consider implementing the following programs:

- A development impact fee program to ensure that new development is paying for its fair share allocation of new infrastructure.
- An annual transfer of new general tax revenues from new development should be set aside to help the Town build major capital facilities, public safety facilities, stormwater improvements, roadway capacity projects, and/or regional transportation improvements.
- A Community Facilities District special tax for services to ensure that new residential development is contributing to the service burden it creates on the Town's General Fund after accounting for the Town's general revenue needs.

The practical conclusion is that new development is not projected to create an annual operating deficit for the Town. However, the Town should still ensure that growth pays its fair share of the infrastructure, facilities, maintenance, and service obligations it creates. All available new development funding tools should be evaluated before unrestricted General Fund revenues are committed to growth-related service costs.

The unrestricted revenues generated by new development should be a part of the Town's broader fiscal strategy. They may be needed to support existing infrastructure, deferred capital needs, reserves, pension and OPEB obligations, and other Townwide priorities.

I. Introduction

The Town of Los Gatos (the "Town") is undertaking an integrated fiscal sustainability and growth impact analysis to evaluate the Town's outlook for fiscal sustainability. Included in that effort is a fiscal impact study to evaluate the fiscal implications of planned and potential development through 2040 on the Town's General Fund. The analysis began with the Town's General Fund forecast and the growth assumptions in the General Plan and Housing Element. It was then refined with input from the Finance Department, Community Development Department, Finance Commission, and Town Council to reflect the development scenario the Town believes is most useful for long-term fiscal planning.

The scenario analyzed in this report assumes 3,263 new housing units by 2040, including 400 ADUs, with development occurring evenly over the forecast period. It also assumes that 15 percent of new units will be affordable and that the remaining units will be market rate. The model estimates the new revenues, service costs, and net fiscal impact that this growth would have on the General Fund.

This study should be evaluated alongside the Fiscal Condition Analysis/Five-Year Forecast and the Asset Liability Management Study. Taken together, the three studies give the Town a fuller picture of its operating outlook, growth impacts, infrastructure needs, reserves, and long-term liabilities. That broader view is necessary for developing a fiscal strategy that is realistic, defensible, and actionable.

Key Findings

The 2040 development scenario is projected to generate more recurring General Fund revenues than recurring General Fund expenditures. On an annual operating basis, the assumed growth is fiscally positive.

However, that positive operating result does not resolve the Town's capital and infrastructure questions. An infrastructure deficit affects new residents as well as existing residents. Qualitatively, it can be assumed that the actual expenditure needs of new development are greater than the per-capita assumption presented in this analysis. A storm drain failure, roadway chokepoint, interchange project, or major facility deficiency cannot be estimated reliably by applying a simple per-capita multiplier.

Third, the Town should treat infrastructure funding as a separate but related policy question. New development should pay the portion of infrastructure and service costs that it requires to achieve a full level of service. Existing development should pay for existing deficiencies and Townwide improvements that are not attributable to new growth. Regional facilities should be funded with regional, state, federal, and grant sources wherever possible. However, it is likely that the Town will be required to contribute to those larger-scale infrastructure projects with unrestricted general revenues.

II. Development Assumptions

Number and Type of Residential Units

The scenario evaluated in this fiscal impact analysis assumes 3,263 new housing units by 2040. This number was selected as a median case, since it splits the difference between the 2,787 projected in the Housing Element and SB 330 project sites and the 3,738 projected in the Town's General Plan. This approach gives the Town a conservative but supportable 2040 planning scenario.

Of the 3,263 units, 2,863 are assumed to be planned residential units and 400 are assumed to be Accessory Dwelling Units (ADUs). Furthermore, fifteen percent (15%) of the planned residential units are assumed to be affordable. In determining the income levels of each affordable unit, the ratios in the Town's Housing Element were preserved.

A summary of the projected residential development by unit type is shown in Table 1 below.

Table 1
Residential Development Scenario by Unit Type

Category	No. Units	Share of Planned Residential Units
Very Low Income Planned Units	193	6.7%
Low Income Planned Units	112	3.9%
Moderate Income Planned Units	115	4.0%
Market-Rate Planned Units	2,443	85.3%
Subtotal: Planned Residential Units	**2,863**	**100.0%**
ADUs	400	NA
Total New Housing Units	**3,263**	**NA**

The model separates planned residential units from ADUs because they do not have the same fiscal profile. Planned residential units are modeled as multifamily units and carry the primary assessed value, population, and service-cost impacts. ADUs are modeled separately because they are expected to have lower assessed values and slightly lower household sizes.

For valuation purposes, the model assumes that roughly 15 percent of planned residential units will be affordable. To arrive at the specific affordable classifications, the allocations in the Housing Element were reduced by 75%, which places the percentage of affordable units at approximately 15% rather than 60%, preserving the relative proportions among very low-, low-, and moderate-income units. The remaining planned units are treated as above-moderate or market-rate units.

Construction and Absorption Assumptions

The model uses straight-line absorption to account for the fact that many of the planned units are already in the development pipeline, and demand for housing in Los Gatos is relatively high. Units will be added to the housing stock evenly over the forecast period rather than front-loaded in the early years. Please note that this is a modeling assumption rather than a forecast. Furthermore, due to the nature of this fiscal impact analysis, which assumes that revenues and expenditures accrue with new residential construction, the net fiscal impact per unit should remain relatively constant, regardless of when the residential units are constructed.

Planned residential units are phased in over 15 years, beginning in Fiscal Year 2026-27. ADUs are added at 25 per year, reaching 400 units by the end of the forecast period. Under this approach, the model reaches the full buildout of 3,263 units by Fiscal Year 2040-41.

Table 2
Construction and Absorption Assumptions

Development Component	Total Units	First Fiscal Year	Buildout Year
Planned Residential Units	2,863	2026-27	2040-41
ADUs	400	2025-26	2040-41
Total	**3,263**		

Value and Demographic Assumptions

Valuation is central to the fiscal impact analysis, because several revenue components accrue to the residential development based on market value and assessed value:

- Property taxes are based on assessed value, as determined by the County Assessor, in compliance with Proposition 13.
- Property tax in-lieu of vehicle license fees was created through a swap between the State and California cities, resulting in an ongoing general fund contribution that grows at the same rate as property taxes.
- Sales tax estimates are based on the estimated household income of the families that purchase the homes, which in turn is based on the estimated sales price value.

The model starts with the estimated Los Gatos single-family home value of approximately $2.45 million. It then applies a typical multi-family adjustment factor for multi-family homes at the moderate income level and uses income category adjustments for the affordable units to estimate the value of all planned residential units. ADUs are assigned a separate value of $350,000, based on the California ADU Handbook, which estimates the typical construction cost of ADUs in the Bay Area.

The resulting weighted average home value is approximately $2.33 million per planned residential unit and $350,000 per ADU.

Likewise, demographics are a core component of the analysis. Many expenditures and revenues accrue to each unit based on the number of people living in the household, such as license and permit revenues, police expenditures, parks and public works expenditures, and community development expenditures. Los Gatos averages 2.4 persons per household, and industry best practices generally assume that multi-family units have 90% as many people living in them as single family units. Accessory dwelling units are assumed to have 2.0 persons per household, in accordance with industry standards.

Assumptions regarding residential values and demographics are shown in Table 3 below.

Table 3
Value and Demographic Assumptions

Category	Total Units	Value per Unit	Persons per Household
Very Low Income Residential Units	193	$427,984	2.16
Low Income Residential Units	112	$1,112,758	2.16
Moderate Income Residential Units	115	$1,711,935	2.16
Market Rate Residential Units	2,443	$2,567,903	2.16
ADUs	400	$350,000	2.00
Total / Weighted Average	**3,263**	**$2,089,332**	2.14

III. Methodology

The Fiscal Year 2025-26 Proposed General Fund budget for the Town was reviewed to determine which revenues and expenditures would reasonably be affected by new residential development. The aim of this study is meant to complement the results of the Fiscal Conditions Analysis/Five-Year Forecast and Asset Liability Management Study. It answers a relatively narrow question: if the projected residential development occurs as planned, then what will the positive and negative impacts be to the Town's General Fund?

The analysis is presented in constant 2026 dollars. The purpose of this choice is threefold:

- The cumulative, annual and per-unit results are easy to understand in the context of current fiscal conditions.
- Revenues and expenditures tend to grow at similar rates.
- Adjusting different inflation factors (sometimes called "inflation hacking") to artificially inflate or deflate the results is not a possibility.

The revenues and expenditures reviewed in the model were classified as excluded, overhead, case study, or multiplier items. A summary of the methodology is outlined below:

- Excluded items are revenues or expenditures that do not have a clear relationship to new residential growth, are one-time in nature, are restricted for a specific purpose, or are principally borne by another agency or fund. These items are not used to estimate the recurring fiscal impacts from new development.
- Overhead items were identified separately from direct costs. The model calculates the relationship between overhead and eligible direct General Fund expenditures and calculate an overhead factor. That factor is then applied to the direct impacts to incorporate the administrative burden into the full cost estimate.
- Case study items were modeled individually in situations where an alternative methodology would produce a stronger model than the simpler multiplier approach. For this study, these items include property tax, property tax in-lieu of vehicle license fees, and sales and use tax. These revenues accrue to other measurable bases rather than to the number of people and/or employees being added to the service population.
- Multiplier-based items associated with the three population bases were summed up and divided by the Town's population basis to generate an appropriate multiplier. Then each multiplier was applied to the estimated future growth of that population base to estimate future impacts associated with those items, using the appropriate basis.

Property Tax Revenues

Property tax revenues from new development were estimated using a case study methodology. The model assigns assessed value to the planned residential units and ADUs included in the 2040 development scenario. Planned residential units are valued using a weighted average assessed value that reflects the assumed affordable and market-rate mix. ADUs are valued separately because they have a different fiscal profile.

At buildout, the model estimates approximately $6.819 billion in new secured residential assessed value from the development scenario. The model also includes unsecured assessed value equal to one percent of secured assessed value, or approximately $68.2 million. Total taxable assessed value used for the property tax calculation is therefore approximately $6.887 billion in FY 2025-26 dollars.

The Town's property tax revenue is calculated by applying the Town's estimated using the Town's Fiscal Year 2025-26 Adopted Budget to estimate the two principal revenue components associated with new property values.

The first is the general secured property tax revenues that are based on the Town's AB 8 apportionment factor multiplied by the general one percent (1%) property tax revenues collected by the County. Using the Fiscal Year 2025-26 secured property tax revenues of $18,615,157 and the FY 2025-26 local secured assessed value of $19,584,340,863, we determined that the Town receives approximately 9.51% of the 1% general property tax revenues.

The second component is Vehicle License Fee (VLF) backfill. This revenue source resulted from the State of California's 2004 VLF-property tax swap, under which cities and counties began receiving additional property tax revenue in lieu of the portion of VLF revenues that they previously received. Since the VLF backfill allocation changes in proportion with the growth or decline in local assessed valuation, it can be modeled in the same way general property tax revenues are. Dividing the Town's Fiscal Year 2025-26 VLF backfill revenue of $5,377,328 by the local secured assessed value results in an equivalent factor of 2.75% of the 1% general property tax revenue that can be added to the secured property tax allocation.

Where new residential development occurs on sites with existing commercial uses, the model accounts for the existing commercial base before estimating the net effect of redevelopment. That treatment is important. The fiscal impact should measure the change created by new growth, not simply the gross value of new housing.

Sales and Use Tax Revenues

Because the development scenario is primarily residential and does not assume a new retail center or defined new taxable commercial project, sales and use tax revenues were estimated indirectly. The model does not assume that all household spending by new residents will occur in Los Gatos. It estimates the portion of taxable sales likely to be captured by the Town.

The model evaluates taxable sales using resident spending patterns and local taxable sales relationships. The final model applies an estimated taxable sales factor of approximately $14,475 per new resident. The Town's local sales tax share is then applied to the estimated taxable sales generated by the new resident population.

This approach is more appropriate for Los Gatos than assigning sales tax on a per-household basis alone. Los Gatos has a substantial existing retail and restaurant base, but it also sits within a larger regional economy. New residents will spend some taxable dollars in Town and some elsewhere. The model therefore estimates local capture rather than total household spending.

Multiplier Revenues

The remaining eligible General Fund revenues were analyzed using a multiplier method. For each revenue source, the budgeted amount was divided by the appropriate demand basis: residents, employees, or persons served. The resulting multiplier was then applied to the increase in that same demand basis generated by the 2040 development scenario.

This method is used only for revenues that reasonably scale with growth. Revenues that are one-time, restricted, unrelated to population or service demand, or already captured through a case study method were excluded from the multiplier calculation.

The revenue methodology classifications and multipliers are presented in Table 4 below.

Table 4 – Town General Fund Revenues

Town of Los Gatos General Fund Revenues
Fiscal Year 2025-26 Proposed Budget

Revenue Category	Budgeted Amount	Analysis Classification	Qualified Revenues	Multiplier
Property Tax	$21,450,971	Case Study	$0	
VLF Backfill Property Tax	$5,337,328	Case Study	$0	
Sales & Use Tax	$6,639,081	Case Study	$0	
Measure G - Direct Sales Tax	$1,298,825	Case Study	$0	
Franchise Fees	$1,043,730	Per Person Served	$1,043,730	$23.77
Transient Occupancy Tax	$2,422,390	Case Study	$0	
Other Taxes (Bus. License Tax)	$2,493,992	Case Study	$0	
Licenses & Permits	$6,322,712	Per Person Served	$6,322,712	$144.00
Intergovernmental	$838,936	Excluded	$0	
Town Services [1]	$5,736,735	Excluded	$0	
Fines & Forfeitures	$315,200	Per Person Served	$315,200	$7.18
Interest	$1,567,774	Excluded	$0	
Other Sources	$3,795,502	Excluded	$0	
Total	**$59,263,176**		**$7,681,642**	

Multiplier Basis	Qty.
Number of Residents	33,355
Number of Employees	21,105
Number of Persons Served	43,908

1: User fees excluded from revenues and used as adjustments to expenditures.

Multiplier Expenditures

All Town Expenditures were analyzed using a multiplier method. The multiplier method takes the budgeted amount for a specific expenditure item and divides it by the appropriate basis for the expenditure, which is number of residents, number of employees, or persons served (which is represented by residents plus 0.5 times employees).

For Expenditures, we also classify some as Overhead Expenditures. The Overhead Expenditures are compared with the overall operating budget to determine an overhead rate. That rate is then applied to the Expenditure multiplier to get a fully-burdened rate.

The expenditure methodology classifications and multipliers are shown in Table 5 below.

Table 5 – Town General Fund Expenditures

Town of Los Gatos General Fund Expenditures
Fiscal Year 2025-26 Proposed Budget

Department	Budgeted Amount	Analysis Classification	Qualified Expenditures	Overhead	Adjustment [1]	Net Expenditures	Multiplier (No Overhead)	Multiplier (With Overhead)
Police Department	$23,504,430	Per Person Served	$23,504,430	$0	$0	$23,504,430	$535.32	$690.26
Parks & Public Works	$11,404,963	Per Person Served	$11,404,963	$0	($92,605)	$11,312,358	$257.64	$332.21
Non-Departmental	$5,345,295	Overhead	$0	$5,345,295	($95,950)	$5,249,345		
Community Development	$6,021,135	Per Person Served	$6,021,135	$0	($1,876,491)	$4,144,644	$94.39	$121.72
Administrative Services	$7,338,116	Overhead	$0	$7,338,116	$0	$7,338,116		
Library Services	$3,655,823	Per Resident	$3,655,823	$0	$0	$3,655,823	$109.60	$141.33
Town Council	$222,115	Overhead	$0	$222,115	$0	$222,115		
Town Attorney	$3,795,502	Excluded	$0	$0	$0	$0		
Total	**$61,287,379**		**$44,586,351**	**$12,905,526**	**($2,065,046)**	**$55,426,831**		

Multiplier Basis	Qty.
Number of Residents	33,355
Number of Employees	21,105
Number of Persons Served	43,908

Overhead Percentage:
28.9%

1: Adjustments represent the user fee revenues collected for each department. Source: Account-level adopted FY 2025-26 Budget

Operating and Capital Impacts

The fiscal impact model measures recurring General Fund revenues and recurring General Fund expenditures, estimating whether new development, once built and occupied, is likely to generate enough annual General Fund revenue to support the municipal services it requires.

Capital costs are fundamentally different from operating costs. Some capital costs are project-specific and can be addressed through conditions of approval, frontage improvements, dedications, impact fees, or other development requirements. Other capital costs are systemwide. These include facilities or infrastructure that serve both new and existing development, such as stormwater systems, arterial roadway improvements, public facilities, parks, and regional transportation projects.

System-wide capital costs should not be buried inside a per-capita operating model. Doing so would create a false level of precision. The cost of a major stormwater improvement, roadway expansion or interchange project depends on engineering scope, location, design standards, available grant funding, regional cost sharing, and timing. Those costs should be evaluated through the Town's capital planning process, engineering studies and/or a development impact fee nexus study.

For that reason, the net fiscal impact shown in this report should be understood as an operating result. It can be used to qualitatively inform the policy decision of requiring exactions from new development in the form of impact fees, special taxes and other mechanisms without providing a specific amount.

IV. Fiscal Impact Analysis Conclusions

Net Fiscal Impact from New Residential Development

The 2040 development scenario is projected to generate a positive recurring impact on the Town's General Fund. At buildout, the model estimates approximately $10.8 million in annual General Fund revenues and approximately $9.0 million in annual General Fund expenditures, resulting in a positive annual net fiscal impact of approximately $1.8 million in 2026 dollars.

The revenue estimate is driven primarily by property tax, property tax in-lieu of vehicle license fees, sales and use tax, and other General Fund revenues that increase with population or service demand. The expenditure estimate reflects the cost of providing municipal services to the new residents and service population generated by the development scenario.

Under the assumptions used in this analysis, the residential development scenario improves the Town's recurring General Fund operating position.

Table 6 – Net Fiscal Impact Summary

Budget Line Item	Buildout Impact
Revenues	
Sales and Use Tax	$1,137,282
Property Tax (incl. VLF Backfill)	$8,437,120
Franchise Fees	$166,019
Licenses & Permits	$1,005,713
Fines & Forfeitures	$50,137
Total	**$10,796,271**
Expenditures	
Police Department	$4,820,863
Parks & Public Works	$2,320,215
Community Development	$850,085
Library Services	$987,047
Total	**$8,978,210**
Net Fiscal Impact	**$1,818,061**
Net Fiscal Impact per Unit	**$557.17**

Capital and Infrastructure Funding Framework

Capital improvements identified through the Town's planning, engineering, and budgeting processes should be evaluated for funding based on the following principles:

- The capital improvements that satisfy the highest level of need should be prioritized.
- Funding sources that are funded or subsidized by the state or the federal government should be prioritized.
- Funding sources that do not require a two-thirds majority of registered voters in the Town should be prioritized.
- The responsibility for funding infrastructure improvements should generally be borne by the people and/or properties benefiting from the improvements and/or creating the need for the improvements.

Table 7 below outlines a general funding strategy for capital improvements.

Table 7 – Capital Improvement Funding Strategy

Category	Recommended Funding Strategy
Repair and replacement of infrastructure and public facilities that serve existing development only	Surplus general fund revenues, supplemental tax measures.
Construction of new infrastructure and public facilities needed to serve new and existing development	Development impact fees, development conditions and/or CFDs for new development's share, other funding sources needed for existing development's share.
Infrastructure needs created by new development with no perceivable nexus to existing development	Development conditions and/or CFDs.
Regional infrastructure projects	Prioritize state and federal grants and loans. Fund remainder with combination of sources discussed above to the extent possible.

Impact Fees, Conditions of Development and Other Exactions

Development impact fees and conditions of approval are the Town's primary tools for assigning development-related capital costs to new development. Impact fees are generally used for systemwide facilities or capacity improvements, while conditions of approval are generally used for project-specific improvements, dedications, or obligations tied to the impacts of a particular development application.

Where a cost is attributable to new development, the Town may evaluate development impact fees, conditions of approval, or other development exactions before relying on the General Fund. The legal requirement to establish an impact fee or condition a new development project to build a needed improvement is two-fold: (i) there must be a nexus or reasonable connection between the project and the improvement, and (ii) the exaction imposed on the project must be roughly proportional to the benefit the project receives from the improvement.

Community Facilities Districts (CFDs)

CFDs are a flexible funding mechanism that is principally implemented in connection with new development projects.

The most common use is when a development project requests the ability to use a CFD to finance infrastructure and/or public facilities required for the development of the project. CFD bonds are issued which are secured by the underlying land rather than by a general or limited obligation of a public agency. These types of CFDs are often essential to ensure the financial viability of a development project. However, they have historically been criticized for shifting the burden for project financing from the developer to the future homeowners.

Over the past decade or so, CFDs have been increasingly used to fund public services rather than project-related infrastructure. As the services burden on local agencies outpaces growth in general revenues, cities, counties, towns and special districts increasingly implement CFDs to improve the fiscal balance of new development projects. These services CFDs generally have much lower special tax rates than facilities CFDs. Also, the property paying the CFD special tax receives a direct benefit from the services on an annual basis. As a result, services CFDs are generally perceived as fair and necessary, given the limited revenue generation from residential development.

A services special tax can be established in an amount up to and including the cost per unit to provide necessary services. The general revenues that residential units generate may be considered, but it is not necessary. In situations where those general revenues are needed for other uses, a new development project can be required to cover a greater portion of those services with a special tax.

Generally, CFDs for services are established by a “first-in-line” project. Subsequently, future projects are conditioned to annex to the CFD to help pay for public services, with each residential unit paying substantially the same amount.

Policy Conclusions

The central conclusion of this report is that the development scenario analyzed in this report is projected to improve the Town’s long-term fiscal condition. However, the Town’s infrastructure and service funding needs in the near-term may require the use of funding measures related to new development, as described in this report.

The implementation of project-related funding mechanisms fits within the California public finance paradigm, which places the responsibility of offsetting the impacts of new development on the property to be constructed, whereas repairs, improvements and enhancements to existing infrastructure and services must be approved by voters. In resolving the near-term fiscal challenges, the Town should use all tools at its disposal. Doing so would preserve and perhaps enhance the level of service, ensuring that Los Gatos maintains its desirability and status for for all residents and visitors alike.

EXHIBIT A

Town of Los Gatos Fiscal Impact Analysis

Fiscal Year			2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Description	**Source**	**One-Time Amount**	**Annual Amounts →**					
Housing Construction								
General plan estimated units								
Accessory dwelling units	*3/5 Teleconference*	400						
Planned residential units	*3/5 Teleconference*	2,863						
Planned residential units	*Sourced from above*	2,863						
Construction start	*Estimate*	2026						
Buildout period	*Estimate*	15						
Annual new multi-family residential units			0.00	190.87	190.87	190.87	190.87	190.87
Accessory dwelling units	*Sourced from above*							
Construction start	*Estimate*	2026						
Buildout period	*Estimate*	15						
Annual new accessory dwelling units			25.00	25.00	25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category								
Cumulative multi-family residential units			0	190	381	572	763	954
Cumulative accessory dwelling units			25	50	75	100	125	150
Assessed Value								
Estimated Assessed Values								
Single family residential unit	*Zillow Los Gatos median value estimate*	$2,445,622						
MF as percentage of SF	*Industry best practice*	70%						
Multi-family residential unit (Moderate Income)	*Calculated*	$1,711,935						
Multi-family residential unit (Above Moderate Income)	*150% of Moderate*	$2,567,903						
Multi-family residential unit (Low Income)	*65% of Moderate*	$1,112,758						
Multi-family residential unit (Very Low Income)	*25% of Moderate*	$427,984						
Percentage allocation by income level								
Very low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	6.7%						
Low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	3.9%						
moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	4.0%						
above moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	85.4%						
Weighted average multi-family unit		$2,332,790						
Accessory dwelling unit	*California ADU Handbook*	$350,000						
Cumulative New Assessed Value from Residential Construction								
Multi-family residential units			$0	$443,230,133	$888,793,056	$1,334,355,978	$1,779,918,901	$2,225,481,824
Accessory dwelling units			$8,750,000	$17,500,000	$26,250,000	$35,000,000	$43,750,000	$52,500,000
Total cumulative new secured assessed value			$8,750,000	$460,730,133	$915,043,056	$1,369,355,978	$1,823,668,901	$2,277,981,824
Estimated Persons per Household								
Los Gatos average PPH	*Los Gatos General Plan*	2.40						
MF as percentage of SF	*Industry best practice*	90%						
Multi-family residential unit		2.16						
Accessory dwelling unit	*Industry best practice*	2.00						

Fiscal Year			2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Description	**Source**	**One-Time Amount**	**Annual Amounts →**					
Population Increase								
Cumulative New Population from Residential Construction								
Multi-family residential units			0	410	823	1,236	1,648	2,061
Accessory dwelling units			50	100	150	200	250	300
Total cumulative new residents			50	510	973	1,436	1,898	2,361
Property Taxes								
FY 2025-26 Local Secured Assessed Value		$19,584,340,863						
FY 2025-26 Secured Property Tax Revenues	*Adopted Budget*	$18,615,157						
FY 2025-26 Property Tax In-Lieu of VLF Revenues	*Adopted Budget*	$5,377,328						
Est. AB 8 Apportionment Factor x 1%		0.0951%						
Est. PTILVLF Apportionment Factor x 1%		0.0275%						
Unsecured AV as percentage of secured (res. only)	*Industry best practice*	1%						
Cumulative new secured AV			$8,750,000	$460,730,133	$915,043,056	$1,369,355,978	$1,823,668,901	$2,277,981,824
Cumulative new unsecured AV			$87,500	$4,607,301	$9,150,431	$13,693,560	$18,236,689	$22,779,818
Total new secured AV			$8,837,500	$465,337,434	$924,193,486	$1,383,049,538	$1,841,905,590	$2,300,761,642
Cumulative new property taxes			$8,400	$442,309	$878,457	$1,314,606	$1,750,754	$2,186,902
Cumulative new PTILVLF			$2,427	$127,769	$253,758	$379,748	$505,737	$631,727
Cumulative new property taxes and in-lieu payments			$10,827	$570,078	$1,132,216	$1,694,353	$2,256,491	$2,818,629
Sales and Use Taxes								
General sales and use tax rate	*California Sales Tax Policy*	1.000%						
Measure G 1/8% sales tax	*Adopted Budget*	0.125%						
Total sales tax rate		1.125%						
Sales and use tax revenues FY 2025-26	*Adopted Budget*	$6,639,081						
Area Median Income (AMI)	*Housing Element Update, May 2024, 10.1.1*	$168,500						
Very low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	25%						
Very low income estimated median income		$42,125						
Estimated taxable sales as percentage of income		24.4%						
Estimated taxable sales per household		$10,278						
Low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	65%						
Low income estimated median income		$109,525						
Estimated taxable sales as percentage of income		16.3%						
Estimated taxable sales per household		$17,798						
Moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	100%						
Moderate income estimated median income		$168,500						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		$21,313						
Above moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	150%						
Above moderate income estimated median income		$252,750						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		$31,970						

Fiscal Year			2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Description	**Source**	**One-Time Amount**	**Annual Amounts →**					
Percentage allocation by income level								
Very low income	*Housing Element Update, May 2024, Table D-1*	7%						
Low income	*Housing Element Update, May 2024, Table D-1*	4%						
moderate income	*Housing Element Update, May 2024, Table D-1*	4%						
above moderate income	*Housing Element Update, May 2024, Table D-1*	85%						
Weighted average taxable sales per houshold		$29,529						
Estimated leakage rate	*Industry best practice*	40%						
Sales tax revenues per household		$199						
Cumulative new households estimate			25	240	456	672	888	1104
New sales and use tax			$4,983	$47,837	$90,891	$133,944	$176,998	$220,051
Alternative Sales Tax Methodology								
New taxable sales per resident		$14,475						
Cumulative new residents			50	510	973	1,436	1,898	2,361
New taxable sales			$723,730	$7,387,835	$14,083,205	$20,778,575	$27,473,945	$34,169,315
New sales and use tax			$8,142	$83,113	$158,436	$233,759	$309,082	$384,405
Cumulative Net New Revenues		Multiplier						
Sales and Use Tax		Case Study	$8,142	$83,113	$158,436	$233,759	$309,082	$384,405
Property Tax (incl. VLF Backfill)		Case Study	$10,827	$570,078	$1,132,216	$1,694,353	$2,256,491	$2,818,629
Franchise Fees	*Genera Fund Revenues Tab*	$23.77	$1,189	$12,133	$23,128	$34,124	$45,119	$56,115
Licenses & Permits	*Genera Fund Revenues Tab*	$144.00	$7,200	$73,498	$140,107	$206,716	$273,325	$339,934
Fines & Forfeitures	*Genera Fund Revenues Tab*	$7.18	$359	$3,664	$6,985	$10,305	$13,626	$16,946
Total Net New Revenues			$27,716	$742,486	$1,460,872	$2,179,257	$2,897,643	$3,616,029
Cumulative Net New Expenditures		Multiplier						
Police Department	*General Fund Expenditures Tab*	$690.26	$34,513	$352,311	$671,600	$990,889	$1,310,177	$1,629,466
Parks & Public Works	*General Fund Expenditures Tab*	$332.21	$16,611	$169,562	$323,232	$476,901	$630,570	$784,240
Community Development	*General Fund Expenditures Tab*	$121.72	$6,086	$62,125	$118,426	$174,728	$231,030	$287,331
Library Services	*General Fund Expenditures Tab*	$141.33	$7,066	$72,134	$137,507	$202,879	$268,252	$333,625
Total Net New Expenditures			$64,276	$656,132	$1,250,764	$1,845,397	$2,440,029	$3,034,662
Net Fiscal Impacts			NA	$86,354	$210,107	$333,861	$457,614	$581,367
Net Fiscal Impact per Unit			NA	$359.81	$460.76	$496.82	$515.33	$526.60
Average annual fiscal impact (2026$)		**$952,179.40**						
Average annual fiscal impact per unit (2026$)		**$523.04**						

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.

Fiscal Year			2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	**Source**	**One-Time Amount**						
Housing Construction								
General plan estimated units								
Accessory dwelling units	*3/5 Teleconference*	400						
Planned residential units	*3/5 Teleconference*	2,863						
Planned residential units	*Sourced from above*	2,863						
Construction start	*Estimate*	2026						
Buildout period	*Estimate*	15						
Annual new multi-family residential units			190.87	190.87	190.87	190.87	190.87	190.87
Accessory dwelling units	*Sourced from above*							
Construction start	*Estimate*	2026						
Buildout period	*Estimate*	15						
Annual new accessory dwelling units			25.00	25.00	25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category								
Cumulative multi-family residential units			1145	1336	1526	1717	1908	2099
Cumulative accessory dwelling units			175	200	225	250	275	300
Assessed Value								
Estimated Assessed Values								
Single family residential unit	*Zillow Los Gatos median value estimate*	$2,445,622						
MF as percentage of SF	*Industry best practice*	70%						
Multi-family residential unit (Moderate Income)	*Calculated*	$1,711,935						
Multi-family residential unit (Above Moderate Income)	*150% of Moderate*	$2,567,903						
Multi-family residential unit (Low Income)	*65% of Moderate*	$1,112,758						
Multi-family residential unit (Very Low Income)	*25% of Moderate*	$427,984						
Percentage allocation by income level								
Very low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	6.7%						
Low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	3.9%						
moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	4.0%						
above moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	85.4%						
Weighted average multi-family unit		$2,332,790						
Accessory dwelling unit	*California ADU Handbook*	$350,000						
Cumulative New Assessed Value from Residential Construction								
Multi-family residential units			$2,671,044,747	$3,116,607,670	$3,559,837,802	$4,005,400,725	$4,450,963,648	$4,896,526,571
Accessory dwelling units			$61,250,000	$70,000,000	$78,750,000	$87,500,000	$96,250,000	$105,000,000
Total cumulative new secured assessed value			$2,732,294,747	$3,186,607,670	$3,638,587,802	$4,092,900,725	$4,547,213,648	$5,001,526,571
Estimated Persons per Household								
Los Gatos average PPH	*Los Gatos General Plan*	2.40						
MF as percentage of SF	*Industry best practice*	90%						
Multi-family residential unit		2.16						
Accessory dwelling unit	*Industry best practice*	2.00						

Fiscal Year			2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	**Source**	**One-Time Amount**						
Population Increase								
Cumulative New Population from Residential Construction								
Multi-family residential units			2,473	2,886	3,296	3,709	4,121	4,534
Accessory dwelling units			350	400	450	500	550	600
Total cumulative new residents			2,823	3,286	3,746	4,209	4,671	5,134
Property Taxes								
FY 2025-26 Local Secured Assessed Value		$19,584,340,863						
FY 2025-26 Secured Property Tax Revenues	*Adopted Budget*	$18,615,157						
FY 2025-26 Property Tax In-Lieu of VLF Revenues	*Adopted Budget*	$5,377,328						
Est. AB 8 Apportionment Factor x 1%		0.0951%						
Est. PTILVLF Apportionment Factor x 1%		0.0275%						
Unsecured AV as percentage of secured (res. only)	*Industry best practice*	1%						
Cumulative new secured AV			$2,732,294,747	$3,186,607,670	$3,638,587,802	$4,092,900,725	$4,547,213,648	$5,001,526,571
Cumulative new unsecured AV			$27,322,947	$31,866,077	$36,385,878	$40,929,007	$45,472,136	$50,015,266
Total new secured AV			$2,759,617,694	$3,218,473,746	$3,674,973,681	$4,133,829,733	$4,592,685,785	$5,051,541,837
Cumulative new property taxes			$2,623,051	$3,059,199	$3,493,108	$3,929,256	$4,365,404	$4,801,553
Cumulative new PTILVLF			$757,716	$883,705	$1,009,048	$1,135,037	$1,261,027	$1,387,016
Cumulative new property taxes and in-lieu payments			$3,380,767	$3,942,904	$4,502,156	$5,064,293	$5,626,431	$6,188,569
Sales and Use Taxes								
General sales and use tax rate	*California Sales Tax Policy*	1.000%						
Measure G 1/8% sales tax	*Adopted Budget*	0.125%						
Total sales tax rate		1.125%						
Sales and use tax revenues FY 2025-26	*Adopted Budget*	$6,639,081						
Area Median Income (AMI)	*Housing Element Update, May 2024, 10.1.1*	$168,500						
Very low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	25%						
Very low income estimated median income		$42,125						
Estimated taxable sales as percentage of income		24.4%						
Estimated taxable sales per household		$10,278						
Low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	65%						
Low income estimated median income		$109,525						
Estimated taxable sales as percentage of income		16.3%						
Estimated taxable sales per household		$17,798						
Moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	100%						
Moderate income estimated median income		$168,500						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		$21,313						
Above moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	150%						
Above moderate income estimated median income		$252,750						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		$31,970						

Fiscal Year			2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	**Source**	**One-Time Amount**						
Percentage allocation by income level								
Very low income	*Housing Element Update, May 2024, Table D-1*	7%						
Low income	*Housing Element Update, May 2024, Table D-1*	4%						
moderate income	*Housing Element Update, May 2024, Table D-1*	4%						
above moderate income	*Housing Element Update, May 2024, Table D-1*	85%						
Weighted average taxable sales per houshold		$29,529						
Estimated leakage rate	*Industry best practice*	40%						
Sales tax revenues per household		$199						
Cumulative new households estimate			1320	1536	1751	1967	2183	2399
New sales and use tax			$263,105	$306,158	$349,012	$392,066	$435,119	$478,173
Alternative Sales Tax Methodology								
New taxable sales per resident		$14,475						
Cumulative new residents			2,823	3,286	3,746	4,209	4,671	5,134
New taxable sales			$40,864,685	$47,560,055	$54,224,160	$60,919,530	$67,614,900	$74,310,270
New sales and use tax			$459,728	$535,051	$610,022	$685,345	$760,668	$835,991
Cumulative Net New Revenues		Multiplier						
Sales and Use Tax		Case Study	$459,728	$535,051	$610,022	$685,345	$760,668	$835,991
Property Tax (incl. VLF Backfill)		Case Study	$3,380,767	$3,942,904	$4,502,156	$5,064,293	$5,626,431	$6,188,569
Franchise Fees	*Genera Fund Revenues Tab*	$23.77	$67,111	$78,106	$89,050	$100,046	$111,042	$122,037
Licenses & Permits	*Genera Fund Revenues Tab*	$144.00	$406,543	$473,152	$539,450	$606,059	$672,668	$739,277
Fines & Forfeitures	*Genera Fund Revenues Tab*	$7.18	$20,267	$23,588	$26,893	$30,213	$33,534	$36,854
Total Net New Revenues			$4,334,415	$5,052,801	$5,767,570	$6,485,956	$7,204,342	$7,922,728
Cumulative Net New Expenditures		Multiplier						
Police Department	*General Fund Expenditures Tab*	$690.26	$1,948,755	$2,268,044	$2,585,841	$2,905,130	$3,224,419	$3,543,708
Parks & Public Works	*General Fund Expenditures Tab*	$332.21	$937,909	$1,091,578	$1,244,530	$1,398,199	$1,551,868	$1,705,538
Community Development	*General Fund Expenditures Tab*	$121.72	$343,633	$399,935	$455,973	$512,275	$568,577	$624,878
Library Services	*General Fund Expenditures Tab*	$141.33	$398,998	$464,370	$529,438	$594,811	$660,184	$725,556
Total Net New Expenditures			$3,629,294	$4,223,927	$4,815,783	$5,410,415	$6,005,047	$6,599,680
Net Fiscal Impacts			$705,120	$828,874	$951,788	$1,075,541	$1,199,294	$1,323,048
Net Fiscal Impact per Unit			$534.18	$539.63	$543.57	$546.79	$549.38	$551.50
Average annual fiscal impact (2026$)		**$952,179.40**						
Average annual fiscal impact per unit (2026$)		**$523.04**						

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.

Fiscal Year			2037-2038	2038-2039	2039-2040	2040-2041
Description	**Source**	**One-Time Amount**				
Housing Construction						
General plan estimated units						
Accessory dwelling units	*3/5 Teleconference*	400				
Planned residential units	*3/5 Teleconference*	2,863				
Planned residential units	*Sourced from above*	2,863				
Construction start	*Estimate*	2026				
Buildout period	*Estimate*	15				
Annual new multi-family residential units			190.87	190.87	190.87	190.87
Accessory dwelling units	*Sourced from above*					
Construction start	*Estimate*	2026				
Buildout period	*Estimate*	15				
Annual new accessory dwelling units			25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category						
Cumulative multi-family residential units			2290	2481	2672	2863
Cumulative accessory dwelling units			325	350	375	400
Assessed Value						
Estimated Assessed Values						
Single family residential unit	*Zillow Los Gatos median value estimate*	$2,445,622				
MF as percentage of SF	*Industry best practice*	70%				
Multi-family residential unit (Moderate Income)	*Calculated*	$1,711,935				
Multi-family residential unit (Above Moderate Income)	*150% of Moderate*	$2,567,903				
Multi-family residential unit (Low Income)	*65% of Moderate*	$1,112,758				
Multi-family residential unit (Very Low Income)	*25% of Moderate*	$427,984				
Percentage allocation by income level						
Very low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	6.7%				
Low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	3.9%				
moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	4.0%				
above moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	85.4%				
Weighted average multi-family unit		$2,332,790				
Accessory dwelling unit	*California ADU Handbook*	$350,000				
Cumulative New Assessed Value from Residential Construction						
Multi-family residential units			$5,342,089,494	$5,787,652,417	$6,233,215,340	$6,678,778,262
Accessory dwelling units			$113,750,000	$122,500,000	$131,250,000	$140,000,000
Total cumulative new secured assessed value			$5,455,839,494	$5,910,152,417	$6,364,465,340	$6,818,778,262
Estimated Persons per Household						
Los Gatos average PPH	*Los Gatos General Plan*	2.40				
MF as percentage of SF	*Industry best practice*	90%				
Multi-family residential unit		2.16				
Accessory dwelling unit	*Industry best practice*	2.00				

Fiscal Year			2037-2038	2038-2039	2039-2040	2040-2041
Description	**Source**	**One-Time Amount**				
Population Increase						
Cumulative New Population from Residential Construction						
Multi-family residential units			4,946	5,359	5,772	6,184
Accessory dwelling units			650	700	750	800
Total cumulative new residents			5,596	6,059	6,522	6,984
Property Taxes						
FY 2025-26 Local Secured Assessed Value		$19,584,340,863				
FY 2025-26 Secured Property Tax Revenues	*Adopted Budget*	$18,615,157				
FY 2025-26 Property Tax In-Lieu of VLF Revenues	*Adopted Budget*	$5,377,328				
Est. AB 8 Apportionment Factor x 1%		0.0951%				
Est. PTILVLF Apportionment Factor x 1%		0.0275%				
Unsecured AV as percentage of secured (res. only)	*Industry best practice*	1%				
Cumulative new secured AV			$5,455,839,494	$5,910,152,417	$6,364,465,340	$6,818,778,262
Cumulative new unsecured AV			$54,558,395	$59,101,524	$63,644,653	$68,187,783
Total new secured AV			$5,510,397,889	$5,969,253,941	$6,428,109,993	$6,886,966,045
Cumulative new property taxes			$5,237,701	$5,673,849	$6,109,998	$6,546,146
Cumulative new PTILVLF			$1,513,006	$1,638,995	$1,764,984	$1,890,974
Cumulative new property taxes and in-lieu payments			$6,750,707	$7,312,844	$7,874,982	$8,437,120
Sales and Use Taxes						
General sales and use tax rate	*California Sales Tax Policy*	1.000%				
Measure G 1/8% sales tax	*Adopted Budget*	0.125%				
Total sales tax rate		1.125%				
Sales and use tax revenues FY 2025-26	*Adopted Budget*	$6,639,081				
Area Median Income (AMI)	*Housing Element Update, May 2024, 10.1.1*	$168,500				
Very low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	25%				
Very low income estimated median income		$42,125				
Estimated taxable sales as percentage of income		24.4%				
Estimated taxable sales per household		$10,278				
Low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	65%				
Low income estimated median income		$109,525				
Estimated taxable sales as percentage of income		16.3%				
Estimated taxable sales per household		$17,798				
Moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	100%				
Moderate income estimated median income		$168,500				
Estimated taxable sales as percentage of income		12.6%				
Estimated taxable sales per household		$21,313				
Above moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	150%				
Above moderate income estimated median income		$252,750				
Estimated taxable sales as percentage of income		12.6%				
Estimated taxable sales per household		$31,970				

Fiscal Year			2037-2038	2038-2039	2039-2040	2040-2041
Description	**Source**	**One-Time Amount**				
Percentage allocation by income level						
Very low income	*Housing Element Update, May 2024, Table D-1*	7%				
Low income	*Housing Element Update, May 2024, Table D-1*	4%				
moderate income	*Housing Element Update, May 2024, Table D-1*	4%				
above moderate income	*Housing Element Update, May 2024, Table D-1*	85%				
Weighted average taxable sales per houshold		$29,529				
Estimated leakage rate	*Industry best practice*	40%				
Sales tax revenues per household		$199				
Cumulative new households estimate			2615	2831	3047	3263
New sales and use tax			$521,226	$564,280	$607,333	$650,387
Alternative Sales Tax Methodology						
New taxable sales per resident		$14,475				
Cumulative new residents			5,596	6,059	6,522	6,984
New taxable sales			$81,005,640	$87,701,010	$94,396,380	$101,091,750
New sales and use tax			$911,313	$986,636	$1,061,959	$1,137,282
Cumulative Net New Revenues		Multiplier				
Sales and Use Tax		Case Study	$911,313	$986,636	$1,061,959	$1,137,282
Property Tax (incl. VLF Backfill)		Case Study	$6,750,707	$7,312,844	$7,874,982	$8,437,120
Franchise Fees	*Genera Fund Revenues Tab*	$23.77	$133,033	$144,028	$155,024	$166,019
Licenses & Permits	*Genera Fund Revenues Tab*	$144.00	$805,886	$872,495	$939,104	$1,005,713
Fines & Forfeitures	*Genera Fund Revenues Tab*	$7.18	$40,175	$43,496	$46,816	$50,137
Total Net New Revenues			$8,641,113	$9,359,499	$10,077,885	$10,796,271
Cumulative Net New Expenditures		Multiplier				
Police Department	*General Fund Expenditures Tab*	$690.26	$3,862,997	$4,182,285	$4,501,574	$4,820,863
Parks & Public Works	*General Fund Expenditures Tab*	$332.21	$1,859,207	$2,012,876	$2,166,546	$2,320,215
Community Development	*General Fund Expenditures Tab*	$121.72	$681,180	$737,482	$793,783	$850,085
Library Services	*General Fund Expenditures Tab*	$141.33	$790,929	$856,302	$921,675	$987,047
Total Net New Expenditures			$7,194,312	$7,788,945	$8,383,577	$8,978,210
Net Fiscal Impacts			$1,446,801	$1,570,554	$1,694,308	$1,818,061
Net Fiscal Impact per Unit			$553.27	$554.77	$556.06	$557.17
Average annual fiscal impact (2026$)		**$952,179.40**				
Average annual fiscal impact per unit (2026$)		**$523.04**				

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.