



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 01/20/2026

ITEM NO: 7

DATE: December 22, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: **Receive the Fiscal Year 2024-25 AB 1600 Annual Report on Receipt and Use of Development Impact Fees**

RECOMMENDATION: Receive the Fiscal Year 2024-25 AB 1600 Annual Report on Receipt and Use of Development Impact Fees.

FISCAL IMPACT:

There is no fiscal impact associated with receiving this report.

STRATEGIC PRIORITY:

This item is not associated with a strategic priority. However, it does align with the Town's core goals of good governance, fiscal stability, and quality public infrastructure.

BACKGROUND:

To ensure that mitigation fees associated with private land use development are spent in a timely manner and on projects for which they were being collected, the State Legislature passed the Mitigation Fee Act (AB 1600). This bill applies to developer fees that were increased or imposed on or after January 1, 1989.

The Mitigation Fee Act imposes certain accounting and reporting requirements with respect to the development impact fees collected. The fees must be deposited in separate accounts to avoid commingling the fees with the Town's other revenues or funds. Interest on each development fee fund or account must be credited to that fund or account and used only for those purposes for which the fees were collected.

PREPARED BY: Eric Lemon
Finance and Accounting Manager

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

SUBJECT: Receive FY 2024-25 Status Report on Receipts and Use of Development Impact Fees

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The Mitigation Fee Act (California Government Code, §66000 et seq.) also requires local agencies that impose Development Impact Fees to present an annual, consolidated report showing the receipt and use of those fees, as well as a five-year report that provides specific information about those fees. This report serves as the Town's annual report and has been prepared for the Town for the fiscal year ended June 30, 2025, in accordance with the provisions of California Government Code Sections 66006(b). The Annual Status Report (Attachment 1) must be available for public review within 180 days after the close of the fiscal year and present at a public meeting no less than 15 days after the information is made available to the public.

The Town collects three Development Impact Fees that meet the AB 1600 reporting requirement: the Traffic Impact Mitigation Fee, the Storm Drainage Fee, and the Construction Activity Impact Fee.

In addition to development impact fees, the Town also collects in lieu fees. In lieu fees are an option offered to developers "in lieu" of, or in place of, providing specific on-site public benefits such as on-site parking or public art requirements. The Town's in lieu fees are the Below Market Price Housing Program in lieu fee and the public art in lieu fee.

Separate balances exist for each of these fees, either as individual accounts or, in the case of Traffic Impact Mitigation Fees, separate funds. As required by AB 1600, as of June 30, 2025, all accounts or funds with unspent balances have been credited with interest revenue at the Town's current interest rate earned on its total.

DISCUSSION:

Annual Report

California Government Code Section 66006(b) requires each local agency that imposes development impact fees under the Mitigation Fee Act to prepare an annual report providing specific information about those fees for the previous fiscal year. Specifically, Section 66006(b) requires that for each separate account, the local agency make available to the public the information shown below for the most recent fiscal year:

- 66006(b)(1)(A): A brief description of the type of fee in the account or fund;
- 66006(b)(1)(B): The amount of the fees;
- 66006(b)(1)(C): The beginning and ending balances for the fiscal year;
- 66006(b)(1)(D): The total amount of fees collected and interest earned;
- 66006(b)(1)(E): Identification of each public improvement on which impact fees were expended and the amount of expenditure on each improvement, including the total percentage of the cost of the public improvement that was funded with impact fees;

- 66006(B)(1)(F):
 - Identification of the approximate date by which construction of a public improvement will begin if the Town determines that sufficient funds have been collected to complete financing on an incomplete public improvement;
 - Identification of each public improvement identified in a previous report and whether construction began on the approximate date noted in the previous report;
 - For a project identified for which construction did not commence by the approximate date provided in the previous report, the reason for the delay and a revised approximate date by which the local agency will commence construction.
- 66006(b)(1)(G): A description of each interfund transfer or loan made from the account or fund, including the public improvement on which the transferred or loaned fees will be expended; and, in the case of an interfund loan, the terms of the loan, including the repayment schedule for the loan, and the rate of interest that the account or fund will receive on the loan.
- 66006(b)(1)(H): A summary of any refunds made, and their respective amount, due to sufficient funds being collected to complete financing of scheduled public improvements, and the amount of reallocation of funds made due to administrative costs of refunding unexpended revenues exceeding the amount to be refunded.

This information is presented in the attached FY 2024-25 Annual AB 1600 Report on Receipt and Use of Development Impact Fees. The Report depicts balances and the intended use of balances, including decisions made after June 30, 2025, to demonstrate that the fees will be used for their respective purposes.

This report was posted on the Town's website and made available for public review at the Town Clerk's Office at Town Hall on December 23, 2025.

Funding of Infrastructure

Government Code Section 66002 states that local agencies that have developed fee programs may adopt a Capital Improvement Program, indicating the approximate location, size, and timing of projects, plus an estimate for the cost of all facilities or improvements to be financed by fees.

The Town has developed and adopted a CIP, which is updated every year during the fiscal budget process. The Town's current adopted CIP can be found on the Town's website at <https://www.losgatosca.gov/2277/Town-Budget>.

As a CIP project is identified, the project is evaluated to determine the portion of the project that will serve existing residents and businesses versus new development. This analysis is used to determine the portion of the project that is eligible to receive impact fee funding. The

anticipated funding and commencement dates for projects are indicated and may be adjusted, as needed, to reflect the needs of the community, funding constraints, and development priorities.

Assembly Bill 602 has amended the state Mitigation Fee Act to require the adoption of a CIP along with the adoption of a fee program for all fee programs adopted on or after January 2, 2022. The Town has not adopted any new development impact fee on or after that date.

Description of Impact Fee Programs

The Town has three development impact fee programs, which are the Transportation Impact Fee, Storm Drainage Fee, and the Construction Impact Activity Fee.

The transportation impact fee is a one-time charge on new residential and non-residential developments. Improvements include the construction of traffic and multi-modal transportation improvements, and traffic reduction measures.

The storm drainage fee is a one-time charge on new development that will impact drainage and is used for storm drainage improvements.

The Construction Impact Activity Fee is a one-time fee charged on new development to pay for repairs to Town streets necessitated by construction activity.

Description of In Lieu Fee Programs

The Town has two in lieu fee programs, which are the Below Market Price Housing and Art in Public Places programs. These in lieu fees provide developers with an option to satisfy on-site requirements with a one-time payment.

1. Below Market Price Housing Program. The Town accepts payment of a Below Market Price Housing Program Fee for fractional units resulting from the calculation of inclusionary requirements. The Town may also accept payments of a Below Market Price Housing In Lieu Fee in place of the construction of on-site units if certain findings can be made pursuant to the Town's Below Market Price program. The fee is established by resolution of the Town Council and updated from time to time. The fee is used to fully fund or subsidize the construction of housing that is affordable to extremely low, very low, low, and moderate incomes.
2. Art in Public Places. The Art in Public Places Fee applies to all new commercial developments and all new residential developments of three or more units. The in lieu fee allows new developments to make a payment instead of providing an on-site art installation. The purpose of the fee is to support art in public places by providing public art.

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CONCLUSION:

Staff recommends the Council receive the FY 2024-25 Annual AB 1600 Report on Receipt and Use of Development Impact Fees as required under the Mitigation Fee Act (AB 1600).

COORDINATION:

This report was coordinated with the Town Attorney, Community Development Department, and Park and Public Works Department.

FISCAL IMPACT:

There is no fiscal impact from this action.

ENVIRONMENTAL ASSESSMENT:

Receipt of this annual AB 1600 report is not a project defined under CEQA, and no further action is required.

ATTACHMENT:

1. FY 2024-25 Annual AB 1600 Report on Receipts and Use of Development Impact Fees