



**TOWN OF LOS GATOS
FINANCE COMMISSION REPORT**

MEETING DATE: 4/8/2024

ITEM NO: 4

ADDENDUM

DATE: April 5, 2024
TO: Finance Commission
FROM: Laurel Prevetti, Town Manager
SUBJECT: Discussion of Report on Transportation Impact Fee

RECOMMENDATION:

Discuss a report on the Transportation Impact Fee.

REMARKS:

Attachment 2 contains commissioner comments received after distributing the staff report and before 11:00 a.m. on Friday, April 5, 2024.

Attachment Previously Received with the Staff Report:

1. Finance Commissioner's Communication

Attachments received with this Addendum:

2. Commissioners Comments Received After Distributing the Staff Report and Before 11:00 a.m. on Friday, April 5, 2024.

PREPARED BY: Wendy Wood
Town Clerk

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

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From: Phil Koen [REDACTED]
Sent: Friday, April 5, 2024 9:12 AM
To: Gitta Ungvari <GUngvari@losgatosca.gov>; Gabrielle Whelan <GWhelan@losgatosca.gov>;
Nicolle Burnham <NBurnham@losgatosca.gov>
Cc: [REDACTED]; Laurel Prevetti <LPrevetti@losgatosca.gov>; Mary Badame
<MBadame@losgatosca.gov>
Subject: Update on Nexus Study and next steps

[EXTERNAL SENDER]

Good morning,

I have reviewed the FC package and noted the Staff report for Agenda Item 4 – TIF. The Staff report does not provide any additional information other than links to reports available on the Town’s website. Nor does it suggest that the Staff will be prepared to discuss the Nexus Study.

I would request Staff be prepared to fully discuss the Nexus Study that was adopted by the Town Council on January 16, 2024 and the subsequent findings that have now lead to the Town Council instructing staff to “update” the adopted Nexus Study. Additionally, it would be instructive if Staff discussed the recommendations made by third party legal and technical advisers regarding the adopted Nexus Study so there is full disclosure as to the completeness and accuracy of the adopted Study.

I have attached the list of “alternative options” Staff presented

ATTACHMENT 2

to the Town Council at the April 2 meeting. In listening to the TC discussion, it was not clear to me as to which of these alternatives the Staff will pursue and why. It would be useful if Staff was prepared to fully discuss the merits of each alternative with the FC.

I placed this on the agenda because the Nexus Study squarely falls within the charter of the FC responsibilities and to date the FC has been uninvolved in reviewing or commenting on the adopted Nexus Study. The Nexus Study was the basis for the Town Council to approve material increases in the transportation impact fees which resulted in fees on single family residential increasing from \$9,571 to \$16,051 per DU (68% increase) and for multi-residential increasing from \$6,841 to \$11,472 per DU (68% increase). The fee revenue will be used to fund \$41.7m in various capital projects which may or may not be directly associated with capital investment attributable to future growth. Additionally, the increase in fees will increase the overall cost of new development at a time when the Town is actively trying to reduce government fees and exactions which are viewed as barriers to new housing development.

Given there is controversy surrounding the Nexus Study, and the material impact it has on the Town's finances, I believe it is important for the FC to fully understand the current situation

so as we can provide an independent recommendation regarding the Nexus Study and the best way to revise the Town's current traffic impact fees.

Thank you,

Phil Koen
Chair of the FC

Attachment 2. Summary of Alternatives

Alternative Name	Advantages	Disadvantages
Option 1: Keep the Adopted Analysis and Associated Fee (Asset-Based Approach)	<ul style="list-style-type: none"> • Analysis is complete and fee is adopted. • Fee was based on the otherwise unfunded project costs, and accounts for anticipated grant and other funding sources. 	<ul style="list-style-type: none"> • Approach has been adopted by other jurisdictions, yet has not been legally tested for a TIF. • Adopted fee is higher than nearby jurisdictions.
Option 2: Refine the Adopted Analysis (Modified Asset Based Approach)	<ul style="list-style-type: none"> • Clarifies the assumptions. • Provides a more conservative calculation of the maximum justifiable fee. • Refines the transportation project list to provide 2024 cost estimates and clarify other funding sources. 	<ul style="list-style-type: none"> • Retains an approach that has been used by other jurisdictions but has not been legally tested for a TIF. • Staff is unclear at this time how this approach might change the resulting fee.
Option 2A: Option 2 with Intersection Level of Service Analysis for Hwy 17 Project	<ul style="list-style-type: none"> • Uses intersection Level of Service for the only traditional transportation project (Hwy 17) on the project list. • Clarifies the assumptions. • Provides a more conservative calculation of the maximum justifiable fee. • Refines the transportation project list to provide 2024 cost estimates and clarify other funding sources. 	<ul style="list-style-type: none"> • Retains an approach that has been used by other jurisdictions but has not been legally tested for a TIF. • Staff is unclear at this time how this approach might change the resulting fee

Attachment 2. Summary of Alternatives

Alternative Name	Advantages	Disadvantages
Option 3: Calculate Fee Using “Fair Share” Estimate of Project Costs	<ul style="list-style-type: none"> • Method has survived legal challenge. • Refines the transportation project list to provide 2024 cost estimates and clarify other funding sources. 	<ul style="list-style-type: none"> • May reduce the proposed fee to below the previous level of \$1,104 per trip. • Unfunded costs for most projects would be allocated to the fee based on the new development’s share of total future land use in Los Gatos. • Requires the Town to clearly document how funding gaps will be filled for all transportation projects on the project list.
Option 4: Use only an Intersection Level of Service Calculation.	<ul style="list-style-type: none"> • Traditional method of calculation that has survived legal challenge. 	<ul style="list-style-type: none"> • SR 17 Congestion Management is the only project that lends itself to this approach. Bicycle and pedestrian projects would not be funded.
Option 5: Combine Options 3 and 4	<ul style="list-style-type: none"> • Relies on “Fair Share” approach for bicycle and pedestrian costs and “Level of Service” for Highway 17. • Combines two options that have survived legal challenge. 	<ul style="list-style-type: none"> • May reduce the proposed fee to below the previous level of \$1,104 per trip. • Unfunded costs for most projects would be allocated to the fee based on the new development’s share of total future land use in Los Gatos. • Requires the Town to clearly document how funding gaps will be filled for all transportation projects on the project list.