



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 04/02/2024

ITEM NO: 17

DESK ITEM

DATE: April 2, 2024
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Receive a Report on the Transportation Impact Fee and Provide Direction

REMARKS:

Attachment 4 contains a staff presentation.

Attachments Previously Received with the Staff Report:

1. Asset Based Transportation Impact Fees in California (Partial List)
2. Summary of Alternatives

Attachment Received with the Previous Addendum:

3. Public Comment received before 11:00 a.m. on Monday, April 1, 2024.

Attachment Received with this Desk Item:

4. Staff Presentation

PREPARED BY: Jenna De Long, Deputy Town Clerk

Reviewed by: Town Manager, Town Attorney

Transportation Impact Fee Program

Receive Report and Provide Direction

Town Council Meeting
April 2, 2024

BACKGROUND

- Spring 2022 –Town hires DKS to update the Town’s Traffic Impact Fee Program
- May 2023 – Staff provides report on technical work completed and preliminary fee calculations.
- October 2023 – Town Council holds a study session to address questions raised in the May 2023 meeting and provides feedback to staff.
- November 2023 – Town Council received the draft Nexus Study, including the Capital Project List in Appendix 1, and set a hearing date for January 16, 2024.
- January 2024 – Council adopted a Transportation Impact Nexus Study, approved modifications to Section 15, Article VII of the Town Code and adopted resolutions to replace the Traffic Impact Fee with Transportation Impact Fee and modify Town Council Policy 1-08

REGULATORY FRAMEWORK OF IMPACT FEES

Per the California Mitigation Fee Act the Town must:

- 1) identify the fee's purpose and use;
- 2) determine a reasonable relationship between the fee's use and the type of land use development project(s) required to pay the fee;
- 3) determine a reasonable relationship between the need for the public facility(ies) and the type of land use development projects required to pay the fee; and
- 4) demonstrate a reasonable relationship between the amount of the fee and the costs of the facilities needed to cover developmental impacts.

Also, when applicable, a nexus study shall identify the existing level of service for each public facility, identify the proposed new level of service, and include an explanation of why the new level of service is appropriate.

CALCULATION OF TRANSPORTATION IMPACT FEES

- Historically Traffic Impact Fees focused on optimizing vehicle improvements and used intersection Level of Service to apportion traffic fees.
- Intersection Level of Service does not consider bicycle and pedestrian infrastructure.
- There are three basic approaches to impact fee calculations:
 - Level of Service (for traffic only);
 - Asset Based (adopted by Los Gatos in January); and
 - Fair Share Approach

FEE CALCULATION OPTIONS

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.

FEE CALCULATION OPTIONS (cont'd)

Alternative Name	Advantages	Disadvantages
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

FEE CALCULATION OPTIONS (cont'd)

Alternative	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.

FEE CALCULATION OPTIONS (cont'd)

Alternatives	Advantages	Disadvantages
<p>Option 5: Combine Options 3 and 4</p>	<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.