



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 12/17/2024

ITEM NO: 16

DATE: November 22, 2024
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: Receive a Fiscal Year (FY) 2023/24 Status Report on Receipt and Use of Development Impact Fees

RECOMMENDATION:

Receive a fiscal year (FY) 2023/24 status report on receipt and use of Development Impact Fees.

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 which were increased or imposed on or after January 1, 1989.

The Mitigation Fee Act (California Government Code, §66000 et seq.) requires local agencies that impose Development Impact Fees to present an annual, consolidated report showing the receipt and use of those fees. The Annual Status Report (Attachment 1) must be reviewed by the Council within 180 days after the close of the fiscal year represented.

The Town collects four Development Impact Fees that meet the AB 1600 reporting requirement: the Traffic Impact Mitigation Fee, the Below-Market Priced Housing Program In-Lieu Fee, the Construction Activity Impact Fee, and the Public Art 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, 2024, all accounts or funds with unspent balances have been credited interest revenue at the Town's current interest rate earned on its total.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, Community Development Director, and Parks and Public Works Director

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Development Impact Fees
DATE: November 22, 2024

DISCUSSION:

AB 1600 requires that a status report be prepared annually which must include the following:

- A brief description of the fee and the fund into which the fee was deposited;
- The amount of the fee;
- The associated fund's beginning and ending balances for the fiscal year;
- The total amount of fees collected and interest earned;
- 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;
- Identification of the approximate date by which construction of a public improvement will begin;
- Determination as to whether sufficient funds have been collected to complete financing on an incomplete public improvement;
- Description of each inter-fund transfer or loan made from the account or fund, including the public improvement on which the loaned funds will be expended, and in the case of an inter-fund loan, the date on which the loan will be repaid and the rate of interest that the account or fund will receive on the loan;
- Amount of any refunds made due to inability to expend impact fees once a determination is made that sufficient impact fees have been collected to finance a public improvement, the improvement remains incomplete, and the Town has not determined an approximate date by which construction will begin;
- Whenever the funds are held for five years or more, the Town must present plans or commitments to demonstrate the intended future use of these funds;
- Identification of public improvements identified in the previous report and information regarding whether construction began on the approximate date noted;
- For previously identified projects that did not start construction on the approximate date identified in the prior report, a reason for the delay and a revised approximate construction start date; and
- For any refunds made, the number of persons identified to receive those refunds.

This information is presented in the attached FY 2023/24 Annual Status 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, 2024, to demonstrate that the fees will be used for their respective purposes.

CONCLUSION:

Staff recommends the Council receive the FY 2023/24 Annual Status Report on Receipt and Use of Development Impact Fees as required under the Mitigation Fee Act (AB 1600).

PAGE 3 OF 3

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COORDINATION:

This report was coordinated with the Community Development and Park and Public Works Departments.

FISCAL IMPACT:

There is no fiscal impact from this action.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. FY 2023/24 Annual Status Report on Receipt and Use of Development Impact Fees

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2024

Traffic Impact Mitigation Fee:

The Traffic Impact Mitigation Fee assures that each new development or expansion of use pays its fair share of the transportation improvements needed to accommodate the cumulative traffic impacts. The fee, \$1,104 per new average daily trip generated, is paid in full to the Town Building Department prior to issuance of the building permit for new development or expansion of use. The collected fee is held in the Traffic Mitigation Fee Fund. The Traffic Mitigation Fund should be used solely to fund transportation improvement projects related to mitigating the impacts of new development. The funds cannot be used for routine repair or maintenance.

TRAFFIC IMPACT MITIGATION FEES FUND (Fund 471)

Beginning Cash Balance (07/01/2023)	1,242,957
Source of Funds	
Fees Collected FY 2023/24	2,726,394
Interest Earned FY 2023/24	78,413
Total Source of Funds	\$4,047,763
Use of Funds	
Capital Outlay:	
Developer Reimbursement for Transportation Related Improvements (100% of FY 2023/24 Expenditures)	47,977
Traffic Signal Modernization (14% of the Project's Estimated Life-Time Cost)	157,832
<i>Completed - August 2024</i>	
Traffic Signal Modernization - Admin Support (100% of FY 2023/24 Expenditures)	12,499
Total Use of Funds	\$218,308
Expenses Incurred in FY 2022/23, Paid in July of FY 2023/24	(6,521)
Expenses Incurred in FY 2023/24, Paid in July of FY 2024/25	29,571
Ending Cash Balance (6/30/2024)	\$3,852,505
Designated Future Projects:	
Per FY 2024/25 through 2028/29 Capital Improvement Plan:	
Shannon Road Pedestrian and Bikeway Improvements (100% of Total Project Costs)	\$133,380
<i>Start Date - September 2024 - Projected Completion Date - April 2025</i>	
Traffic Signal Modernization (3% of the Project Estimated Life-Time Cost)	31,884
<i>Completed - August 2024</i>	
Total CIP and Operating Budget Commitments	\$165,264
Potential Project Listed in CIP Plan (The Town has collected sufficient design funding but construction has not begun yet because sufficient funding for construction has not yet been collected. No start date have been identified because sufficient funds have not yet been collected.):	
Highway 17 Bicycle & Pedestrian Bridge – Design (75% of Collections)	\$2,765,431
Kennedy Sidewalk & Bike Lanes - LGB to Englewood (25% of Collections)	\$921,810
Total Potential Project List	\$3,687,241
Total Designated and Unfunded Projects	\$3,852,505
Current Funding Shortfall	\$0

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2024
(Continued)

Construction Impact Activity Fee:

Construction Impact Activity Fee is assessed on construction projects based on the square foot size of the project at a rate of \$1.48 per square foot. These fees are intended to recover the damage caused to Town streets by construction traffic. The collected fee is held in the General Fund Appropriated Reserves.

CONSTRUCTION IMPACT ACTIVITY FEE (411-42531/42532/42533)

Beginning Cash Balance (07/01/2023)	\$0
Source of Funds	
Fees Collected FY 2023/24	157,535
Interest Earned FY 2023/24 (Funds expended upon receipt)	-
Total Source of Funds	\$157,535
Use of Funds	
Business Services Charge	
Capital Outlay:	
Street Repair and Resurfacing Project FY 23/24 (FY 2023/24 Fees Collected Cover 7.2% of FY 2023/24 Expenditures)	2,185,299
Total Use of Funds	2,185,299
Ending Cash Balance (6/30/2024)	(\$2,027,764)
Designated Future Projects	
Per FY 2024/25 through 2028/29 Capital Improvement Plan:	
Street Repair and Resurfacing Project (Ongoing)	\$9,657,919
Total Designated Future Projects	\$9,657,919
Current Funding Shortfall	(\$11,685,682)

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2024
(Continued)

Below-Market Priced (BMP) Housing Program In-Lieu Fee:

BMP In-Lieu Fees are collected from residential development projects with five (5) or more units when the construction of the BMP unit is impractical or there are unusual circumstances that make the construction of the unit inconsistent with Town policy. The required in-lieu fee is to be paid to the Town prior to issuance of the certificate of occupancy. The BMP In-Lieu Fee is equal to the amount of six (6) percent of the building permit valuation for the entire project. The collected fees are held in the General Fund BMP Housing liability account and are restricted to be used solely for BMP Housing Program activities.

BELOW-MARKET PRICED HOUSING PROGRAM IN-LIEU FEES (111-23521)

Beginning Cash Balance (07/01/2023)	4,021,281
Source of Funds	
Fees Collected FY 2023/24	-
Interest Earned FY 2023/24	140,150
Total Source of Funds	4,161,431
Use of Funds	
Program Operating Expense (100% of FY 2023/24 Expenditures)	215,088
Staff Administration (100% of FY 2023/24 Expenditures)	23,000
Total Use of Funds	238,088
Ending Cash Balance (6/30/2024)	3,923,343
Unavailable Source	
Land Held for Resale	344,338
Total Cash Balance and Unavailable Source	4,267,681
Potential Future Projects	
Low and Moderate Income Housing (Future Project - Pending Funding)	3,000,000
Reacquisition of Distressed/Foreclosed Properties (Future Project - Pending Funding)	700,000
Hello Housing and House Keys Program Services (Future Project - Pending Funding - 5 Year Total)	600,000
Total Potential Future Projects	4,300,000
Current Funding Shortfall	(32,319)

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2024
(Continued)

Public Art In-Lieu Fee:

Los Gatos Public Art In-Lieu Fees are collected in lieu of installation of on-site public art, the developer may elect to make a monetary contribution to the Los Gatos Public Arts Fund. The Public In-Lieu Fee is equal to the amount of one (1) percent of the construction valuation for the entire project. Public Art In-Lieu Fee applies to all new commercial developments (including mixed use projects), including new construction, and additions and remodels that add more than fifty (50) percent square footage; and all new residential projects of three (3) or more units, including new construction, and additions and remodels that add more than fifty (50) percent square footage. A developer who elects to satisfy the requirements of this Chapter through a contribution to the Fund must complete the payment in-lieu prior to the issuance of any building permit for the development project. The Los Gatos Public Art Funds may be used for the following purposes, including: acquisition, placement, maintenance, and promotion of temporary and permanent art and art programs, including visual or performing arts, as approved by the Arts and Culture Commission, on or in Town owned, public property throughout the Town. Art works acquired through the Public Art Fund shall be owned by the Town of Los Gatos and generally made accessible to the public.

PUBLIC ART FEE (111-23514)

Beginning Cash Balance (07/01/2023)	-
Source of Funds	
Fees Collected FY 2023/24	23,509
Interest Earned FY 2023/24	819
Total Source of Funds	24,328
Use of Funds	
Total Use of Funds	-
Ending Cash Balance (6/30/2024)	24,328
Designated Future Projects:	
None	-
Total Designated Future Projects	-
Potential Future Projects	
Not Identified Yet- Anticipate to Evaluate Potential Projects with FY 2024/25 Budget Process	-
Total Potential Future Projects	-
Current Funding	24,328

Other Required Disclosures:

As required by law, no inter-fund (loans/transfers) were made during the reporting period and no refund were necessary as all fees collected have a current funding short fall status as presented in the Annual Status Report.