



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 1/20/2026

ITEM NO:

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, Assistant Town Manager, Town Attorney, and Finance Director

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 reviewed by the Council within 180 days after the close of the fiscal year represented.

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;
- o Identification of each public improvement identified in a previous report and whether construction began on the approximate date noted in the previous report;
- o 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.

PAGE 5 OF 5

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

DATE: December 22, 2025

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

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2025

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 repairs or maintenance. There is a reasonable relationship between the Traffic Mitigation Fee and its purpose because the fee does not exceed the Town's costs of constructing traffic facilities to serve new developments and the fee will be used solely for that purpose.

TRAFFIC IMPACT MITIGATION FEES FUND (Fund 471)

Beginning Cash Balance (07/01/2024)	\$3,852,505
Source of Funds	
Fees Collected FY 2024-25	10,431
Interest Earned FY 2024-25	166,990
Total Source of Funds	\$4,029,927
Use of Funds	
Capital Outlay:	
Shannon Road Ped & Bikeway Improvements (5% of the Project's Estimated Life-Time Cost)	221,582
Traffic Signal Modernization (50% of the Project's Estimated Life-Time Cost)	1,250
Completed - August 2024	
Total Use of Funds	\$222,832
Project Expenses Incurred in FY 2023-24, Paid in July of FY 2024-25 (Traffic Signal Modernization)	(29,571)
Project Expenses Incurred in FY 2024-25, Paid in July of FY 2025-26	-
Ending Cash Balance (06/30/2025)	\$3,777,524
Current and Projects Anticipated to Commence in FY 2024-25 and FY 2025-26	-
Future Projects	7,916,000
Total Future Project Spending*	\$7,916,000
Current Funding Shortfall	(\$4,138,476)

* See support below for details

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2025
(Continued)

Future Projects
Traffic Impact Mitigation Fees

Project	CIP (Y/N)	Estimated Start Year	Total Project Costs	% Funded with Fee Revenue	Amount Funded with Fee Revenue	Other Funding Sources
Highway 17 Bicycle & Pedestrian Bridge – Construction	Y	2027	\$ 29,000,000	3%	\$ 1,000,000	[1]
Kennedy Sidewalk & Bike Lanes - LGB to Englewood	Y	2027	\$ 3,389,360	44%	\$ 1,500,000	[1]
Traffic Modernization	Y	2027	\$ 30,000,999	3%	\$ 1,000,000	[1]
Parking Program Implementation	Y	2027	\$ 416,000	100%	\$ 416,000	none
State Highway Congestion Relief	Y	2030	\$ 171,600,000	2%	\$ 3,000,000	[1]
Bicycle and Pedestrian Improvements	Y	On-Going	\$ 1,060,123	94%	\$ 1,000,000	[1]
Totals			\$ 235,466,482		\$ 7,916,000	

[1] Town, Measure B, Gas Tax, Grants

Construction Impact Activity Fee:

The Construction Impact Activity Fee is assessed on construction projects based on the square foot size of the project at a rate of \$1.51 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 Fund. The purpose of the fee is to fund repairs to Town streets caused by the impacts of construction vehicle traffic. There is a reasonable relationship between this fee and its purpose because the fee does not exceed the Town's costs of addressing the impacts of construction vehicles and the fee will be used to mitigate those impacts by repairing damage to Town streets caused by construction vehicles.

CONSTRUCTION IMPACT ACTIVITY FEE (4118011-42531/42532/42533)

Beginning Cash Balance (07/01/2024)	\$ -
Source of Funds	
Fees Collected FY 2024-25	158,733
Interest Earned FY 2024-25 (Funds expended upon receipt)	-
Total Source of Funds	\$158,733
Use of Funds	
Business Services Charges	-
Capital Outlay:	
Street Repair and Resurfacing Project FY 2024-25	158,733
(FY 2024-25 Fees Collected Cover 8.2% of the total FY 2024-25 Expenditures of \$1,936,863)	
Total Use of Funds	\$158,733
Ending Cash Balance (06/30/2025)	\$ -
Current and Projects Anticipated to Commence in FY 2024-25 and FY 2025-26	908,169
Future Projects	-
Total Future Project Spending*	\$908,169
Current Funding Shortfall	(\$908,169)

* See support below for details

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2025
(Continued)

Current and Projects Anticipated to Commence in FY 2024-25 and FY 2025-26
Construction Impact Fee

Project	CIP (Y/N)	Estimated Start Year	Estimated Completion Date	Total Project Costs	% Funded with Fee Revenue (1)		Fee Revenue Remaining to Pay	Other Funding Sources
					Fee Revenue	Fee Revenue		
Street Repair and Resurfacing Project	Y	Ongoing	Ongoing	\$ 11,081,991	8%	\$ 908,169	\$ 908,169	VRF, Gas Tax

(1) Percentage is based the actual funding percentage for the current fiscal year

Storm Drainage Fee:

The Town collects revenue from building/grading permits into its Storm Drain Fund with an established charge of \$2.00 per square foot of new impervious surface. For phased development projects, the Town collects the fee based on acreage/units. The fees include (1) Single Family Lots at \$5,182/ac, (2) an initial unit of a multiple family dwelling (MFD) at \$5,182/ac, (3) subsequent MFD units at \$194.00/unit (Not to exceed \$5,351.00/ac), and (4) Commercial, Industrial, hospitals, churches, schools, and others at \$6,481.00/ac. This fee produces approximately \$100,000 in revenue annually, depending on development activity. The collected fee is held in three Storm Drain capital project funds and is used for storm water drainage projects. The purpose is to provide new and expanded storm drain facilities and infrastructure that will serve new development. There is a reasonable relationship between the fee and the purpose for which it is used because the storm drain basin fee does not exceed the City's costs of providing storm drain facilities to serve new development and the fee will be used for that purpose.

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2025
(Continued)

STORM DRAIN BASIN FEE (Funds 461/462/463)

Beginning Cash Balance (07/01/2024)	\$3,531,248
Source of Funds	
Fees Collected FY 2024-25	97,939
Interest Earned FY 2024-25	146,669
Total Source of Funds	\$3,775,856
Use of Funds	
Annual Storm Drain Improvement Project (100% of the Project's Estimated Life-Time Cost)	41,397
709 University Avenue Drainage System Replacement (100% of the Project's Estimated Life-Time Cost)	1,508
Storm Drainage Mapping (72% of the Project's Estimated Life-Time Cost)	260,001
Shannon Road Pedestrian and Bikeway Improvements (24% of the Project's Estimated Life-Time Cost)	647,717
Total Use of Funds	\$950,623
Project Expenses Incurred in FY 2023-24, Paid in July of FY 2024-25	-
Project Expenses Incurred in FY 2024-25, Paid in July of FY 2025-26	280,661
(Annual Storm Drain Improvement Project; 709 University Avenue Drainage System Replacement; Shannon Road Pedestrian and Bikeway)	
Ending Cash Balance (06/30/2025)	\$3,105,894
Current and Projects Anticipated to Commence in FY 2024-25 and FY 2025-26	2,161,275
Future Projects	2,000,000
Total Future Project Spending*	\$4,161,275
Current Funding Shortfall	(\$1,055,381)

* See support below for details

Current and Projects Anticipated to Commence in FY 2024-25 and FY 2025-26

Storm Drainage Fee

Project	CIP (Y/N)	Estimated Start Year	Estimated Project Completion Date	Total Project Costs	% Funded		Amount		Other Funding Sources
					with Fee Revenue	Funded with Fee Revenue	Fee Revenue	Remaining to Pay	
Annual Storm Drain Improvement Project	Y	Ongoing	Ongoing	\$ 543,400	100%	\$ 543,400	\$ 244,689	none	
709 University Avenue Drainage System Replacement	Y	2026	2027	\$ 300,000	100%	\$ 300,000	\$ 299,897	none	Town, TIF, OBAG Grant,
Shannon Road Pedestrian and Bikeway Improvements	Y	2025	2026	\$ 2,706,944	24%	\$ 647,717	\$ 245,389	TFCA Grant	
Loma Street Drainage - Study	Y	2026	2027	\$ 846,300	100%	\$ 846,300	\$ 846,300	none	
Storm Drainage Mapping	Y	2025	2026	\$ 675,001	72%	\$ 485,001	\$ 225,000	Town	
Vasona Oaks Drainage Improvement Project	Y	2025	2027	\$ 300,000	100%	\$ 300,000	\$ 300,000	none	
Totals				\$ 5,371,645		\$ 3,122,418	\$ 2,161,275		

Future Projects

Storm Drainage Fee

Project	CIP (Y/N)	Estimated Start Year	Total Project Costs	% Funded		Amount	Other Funding Sources
				with Fee Revenue	Funded with Fee Revenue		
Loma Street Drainage - Design and Construction	Y	2027	\$ 2,000,000	100%	\$ 2,000,000	\$ 2,000,000	none

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2025
(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. The purpose of the fee is to provide affordable housing for Los Gatos residents, regardless of age, income, race, or ethnic background. There is a reasonable relationship between the fee and the purpose for which it is charged because new market rate housing is required by the City's Zoning Code to provide a certain percentage of affordable units, and if a project does not provide those units, the fee revenues are used to create the affordable units on the project's behalf.

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

Beginning Cash Balance (07/01/2024)	\$3,923,343
Source of Funds	
Fees Collected FY 2024-25	115,713
Service Charges FY 2024-25	79,381
Interest Earned FY 2024-25	173,086
BMP Land Held for Resale - Sold	344,338
Total Source of Funds	\$4,635,861
Use of Funds	
BMP Program Maintenance Expenses (100% of FY 2024-25 Expenditures)	245,332
BMP Unit Monitoring and Compliance (100% of FY 2024-25 Expenditures)	23,000
Total Use of Funds	\$268,332
Ending Cash Balance (06/30/2025)	\$4,367,529
Unavailable Sources	
Land Held for Resale	-
Total Cash Balance and Unavailable Sources	\$4,367,529
Future Projects (All Projects 100% Funded by Fees)	
Low and Moderate Income Housing (Ongoing Project - Total Based on 5 years of Estimated Costs)	3,100,000
Reacquisition of Distressed/Foreclosed Properties (Project Funded as Needed - Total Based on 5 years of Estimated Costs)	700,000
House Keys Program Maintenance Services (Total Based on 5 years of \$120,000 Annual Costs)	600,000
Total Future Projects	\$4,400,000
Current Funding Shortfall	(\$32,471)

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2025
(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. There is a reasonable relationship between the fee and its purpose because the fee does not exceed the amount new projects are required to spend on public art and the fee will be used to provide public art on behalf of the projects that pay the fee.

TOWN OF LOS GATOS
ANNUAL STATUS REPORT ON RECEIPT AND USE OF DEVELOPMENT IMPACT FEES
JUNE 30, 2025
(Continued)

PUBLIC ART FEE (111-23514)

Beginning Cash Balance (07/01/2024)	\$24,328
Source of Funds	
Interest Earned FY 2024-25	1,064
Total Source of Funds	\$25,392
Use of Funds	-
Total Use of Funds	\$ -
Ending Cash Balance (06/30/2025)	\$25,392
Future Projects	
Forbes Mill Footbridge Children's Art (FY 2025-26 Project Start Date, 100% of the Project's Estimated Life-Time Cost)	9,500
Installation of On-site Public Art (When Project is Created, Fee Percentage Dependent on Project)	15,892
Total Future Projects	\$25,392
Current Funding	\$ -

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.