TOWN OF LOS GATOS
COUNCIL MEETING AGENDA
DECEMBER 01, 2026
110 EAST MAIN STREET AND TELECONFERENCE
TOWN COUNCIL CHAMBERS
7:00 PM

Rob Moore, Mayor
Maria Ristow, Vice Mayor
Mary Badame, Council Member
Matthew Hudes, Council Member
Rob Rennie, Council Member

IMPORTANT NOTICE

This is a hybrid meeting and will be held in-person at the Town Council Chambers at 110 E. Main Street and virtually through Zoom Webinar (log-in information provided below). You may watch the Council meeting without providing public comment on Comcast cable channel 15 or at www.LosGatosCA.gov/TownYouTube. Members of the public may provide public comments for agenda items in-person or virtually by following the instructions listed at the end of the agenda.

To watch and participate via Zoom, please go to:
https://losgatosca-gov.zoom.us/j/86730363468?pwd=pfKQoh92JnbwOYwFvZqIdSSWpjxYoK.1
Enter Passcode: 577971

CALL MEETING TO ORDER

ROLL CALL

PLEDGE OF ALLEGIANCE

CONSENT ITEMS *(Consent Items are considered routine Town business and may be approved by one motion. Any member of the Council may remove an item from the Consent Items for comment and action. Members of the public may provide input on any or multiple Consent Item(s) when the Mayor asks for public comments on the Consent Items. If you wish to comment, please follow the Participation Instructions located at the end of this agenda. If an item is removed, the Mayor has the sole discretion to determine when the item will be heard. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Mayor.)*

1. **Approve the Minutes of the November 17, 2026, Closed Session Town Council Meeting.**
   RECOMMENDED: Approve the Minutes of the November 17, 2026, Closed Session Town Council Meeting.

2. **Approve the Minutes of the November 17, 2026, Town Council Meeting.**
   RECOMMENDED: Approve the Minutes of the November 17, 2026, Town Council Meeting.

3. **Approve and Ratify the Accounts Payable Check Register and Payroll Report**
   RECOMMENDATION: Approve the Accounts Payable Check Register dated November 13, 2026 and ratify and approve the Payroll Report dated November 13, 2026.

4. **Authorize the Town Manager to Execute a Third Amendment to the Agreement for Consultant Services with BKF Engineers (BKF) to Extend the Performance Period for Design of the Highway 17 Pedestrian/Bicycle Overcrossing Project through December 31, 2029.**
RECOMMENDATION: Authorize the Town Manager to execute a Third Amendment to the Agreement for Consultant Services with BKF Engineers (BKF) to extend the performance period for design of the Highway 17 Pedestrian/Bicycle Overcrossing Project (Project 8510) through December 31, 2029, with no increase to the current not-to-exceed contract amount.

5. **Authorize the Town Manager to Execute a Agreement for Services with SSS Fire Protection, Inc. for Fire Sprinkler and Fire Suppression System Inspection, Testing, Maintenance, and Certification in an amount not to exceed $134,845 and term ending June 30, 2031**
RECOMMENDATION: Authorize the Town Manager to execute a agreement for services with SSS Fire Protection, Inc. for fire sprinkler and fire suppression system inspection, testing, maintenance, and applicable certification services in an amount not to exceed $134,845 and term ending June 30, 2031, consisting of $114,845 for scheduled service and up to $20,000 for unforeseen services.

6. **Actions Related to the Adult Recreation Center Roof Replacement Project: Approve and Ratify Additional Work; Authorize a First Amendment to the Construction Contract; Accept the Project as Complete; and Authorize Filing of the Notice of Completion**
RECOMMENDATION: Approve and ratify additional dry rot repair work in the amount of $1,040 and authorize the Town Manager to execute the First Amendment to the Construction Contract with California Roofing Co., Inc., increasing the total contract amount from $182,440 to $183,480; accept the Adult Recreation Center Roof Replacement Project as complete; authorize the Town Manager to execute the Certificate of Acceptance and Notice of Completion; and authorize the filing of the Notice of Completion.

7. **Adopt a Resolution Declaring Weeds a Public Nuisance, Ordering Notice of the Abatement, and Setting a Public Hearing for February 16, 2027, to Consider Objections to the Proposed Abatement**
RECOMMENDATION: Adopt a resolution declaring weeds a public nuisance for properties listed on the 2027 Weed Abatement Program Commencement Report, ordering notice abatement, and setting a public hearing date for February 16, 2027, to consider objections to the proposed abatement.

8. **Approve a Side Letter of Agreement Between the Town of Los Gatos and the Town Employee Association (TEA) For the Utilization of Building Services Consultants**
RECOMMENDATION: Approve a Side Letter Agreement between the Town of Los Gatos and the Town Employees' Association (TEA) for the utilization of Building Services consultants.

9. **Authorize the Town Manager to Execute First Amendments to Agreements with 4LEAF and Urban37 to Include Other Building Support Services Including Inspection, Code Compliance, or Permit Technician Support.**

RECOMMENDATION: Authorize the Town Manager to execute first amendments to agreements with 4LEAF and Urban37 to include other building support services including inspection, code compliance, or permit technician support.

VERBAL COMMUNICATIONS *(Members of the public are welcome to address the Town Council on any matter that is not listed on the agenda and is within the subject matter jurisdiction of the Town Council. The law generally prohibits the Town Council from discussing or taking action on such items. However, the Council may instruct staff accordingly. Town resources may not be used to facilitate audio or visual presentations. To ensure all agenda items are heard, this portion of the agenda is limited to 30 minutes. In the event additional speakers were not heard during the initial Verbal Communications portion of the agenda, an additional Verbal Communications will be opened prior to adjournment. Each speaker is limited to no more than three (3) minutes or such time as authorized by the Mayor.)*

PUBLIC HEARINGS *(Presentations during the Public Hearings portion of the agenda by appellants and applicants, including any expert or consultant assisting with the presentation, shall be limited to a total of no more than five (5) minutes for all speakers. Appellants and applicants shall be provided no more than three (3) minutes to rebut at the end of the public hearing. Visual presentations that require the use of staff resources shall be limited to appellants and applicants. Members of the public testifying at public hearings shall be limited to no more than three (3) minutes, or such time as authorized by the Mayor.)*

10. **Consider a Recommendation of Approval by the Planning Commission to Adopt a Resolution Amending the North Forty Specific Plan to Allow for a Senior Living Facility to be Authorized as a Permitted Use in the Northern District on Properties Zoned North Forty Specific Plan and North Forty Specific Plan:Housing Element Overlay Zone. Project Location: North Forty Specific Plan Area. North Forty Specific Plan Amendment Application A-26-002. Not Subject to CEQA Review Pursuant to CEQA Guidelines Section 15061 (b)(3) Because it Can Be Seen with Certainty That There Is No Possibility That the Amendment to the Specific Plan Would Have a Significant Effect on the Environment. All Projects to which the Specific Plan Applies Will Undergo Separate CEQA Review and Approval. Additionally, the Town Council Certified an Environmental Impact Report and Mitigation Monitoring and Reporting Program for the North Forty Specific Plan on January 20, 2015 and the Proposed Amendments Are Within the Scope of What was Previously Analyzed; Therefore, No Additional Environmental Review is Necessary for the Proposed Amendment. Property Owner: Tama Holdings LLC. Applicant: Jared Gamelin. Project Planner: Jocelyn Shoopman.**
    RECOMMENDATION: Adopt a resolution amending the North Forty Specific Plan to allow for a senior living facility to be authorized as a permitted use in the northern district on properties zoned North Forty Specific Plan and North Forty Specific Plan: Housing Element Overlay Zone.

11. **Consider a Recommendation by the Planning Commission to Introduce an Ordinance Amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill (SB) 9 Regarding Urban Lot Splits and Two-Unit Housing Developments in Response to Changes in State Law. The Proposed Amendments to the Town Code are Not Considered a Project Under Section 15378 of the California Environmental Quality Act, and in Accordance with Government Code Section 66411.7 (n) and 65852.21 (k), SB 9**

Ordinances are Not a Project Subject to the California Environmental Quality Act. Town Code Amendment Application A-26-004. Project Location: Town Wide. Applicant: Town of Los Gatos. Project Planner: Ryan Safty.
RECOMMENDATION: Accept the Planning Commission's recommendation, conduct a public hearing, and introduce an Ordinance amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill (SB) 9 regarding urban lot splits and two-unit housing developments in response to changes in state law.

OTHER BUSINESS *(Each speaker is limited to no more than three (3) minutes or such time as authorized by the Mayor.)*

12. **Adopt a Resolution Proclaiming a Local Emergency the 2026-2027 El Niño Winter Storm Conditions**
RECOMMENDATION: Adopt a Resolution proclaiming the existence of a local emergency the 2026-2027 El Niño winter storm conditions.

13. **Receive the Fiscal Condition Analysis Report, Future Growth and Sustainability Study Fiscal Impact Analysis, and Asset Liability Management Study; Authorize a $5.5 Million Additional Discretionary Payment to CalPERS; and Direct Future Annual Pension Payments**
RECOMMENDATION: Authorize a one-time Additional Discretionary Payment (ADP) to CalPERS of up to $5.5 million, funded with approximately $4.2 million from the Section 115 Pension Trust and $1.3 million from the Pension/OPEB Committed Reserve; authorize the Town Manager, or designee, to identify the CalPERS amortization bases to be paid down and execute any necessary documents and budget adjustments necessary to implement the ADP, provided the total payment does not exceed $5.5 million or the confirmed available balances; and direct staff to replace the existing annual $390,000 Pension Trust contribution with a direct annual ADP to CalPERS, subject to appropriation in each annual budget and consistent with adopted Town financial policies.

COUNCIL MATTERS *(Members of the public who wish to speak on matters listed under Council Matters may do so under Verbal Communications.)*

MANAGER MATTERS

ATTORNEY MATTERS AND CLOSED SESSION REPORT

ADJOURNMENT *(Council policy is to adjourn no later than eleven p.m. unless a majority of Council votes for an extension of time.)*

ADA NOTICE - In compliance with the Americans with Disabilities Act, if you require special assistance to participate in this meeting, please contact the Clerk's Office at (408) 354-6834. Please notify the Clerk's Office at least two (2) business days prior to the meeting so that reasonable arrangements can be made to ensure accessibility in compliance with 28 CFR §35.102-35.104 and related provisions.

NOTICE REGARDING SUPPLEMENTAL MATERIALS - Materials related to an item on this agenda submitted to the Town Council after initial distribution of the agenda packets are available for public inspection in the Clerk's Office at Town Hall, 110 E. Main Street, Los Gatos and on the Town's website at www.losgatosca.gov. Town Council agendas and related materials can be viewed online at https://losgatos-ca.municodemeetings.com/.

HOW TO PARTICIPATE

Members of the public may provide public comments for agenda items in-person or virtually through the Zoom Webinar by following the instructions listed below.

The public is welcome to provide oral comments in real-time during the meeting in three ways:

Zoom Webinar (Online): To participate from a PC, Mac, iPad, iPhone or Android device. Please use this URL to join: https://losgatosca-gov.zoom.us/j/86730363468?pwd=pfKQoh92JnbwOYwFvZqIdSSWpjxYoK.1 Passcode: **577971**. You can also type in **867 3036 3468** in the "Join a Meeting" page on the Zoom website at www.zoom.us and use passcode **577971**. When the Mayor announces the item for which you wish to speak, click the "raise hand" feature in Zoom.

Telephone: To participate by phone please dial 1 (408) 961-3927 or 1 (855) 758-1310 for US Toll-free and use Meeting ID: **867 3036 3468**. When the Mayor announces the item for which you wish to speak, press *9 on your telephone keypad to raise your hand.

In-Person: Please complete a "speaker's card" located on the back of the chamber benches and submit it to the Town Clerk before the meeting or when the Mayor announces the item for which you wish to speak.

NOTES: Comments will be limited to three (3) minutes or less at the Mayor's discretion. If you are unable to participate in real-time, you may email to Clerk@losgatosca.gov the subject line "Public Comment Item #__ " (insert the item number relevant to your comment).

Deadlines to submit written comments are:

-3:00 p.m. the Thursday before the Council meeting for inclusion in the agenda packet.

-3:00 p.m. the Friday and Monday before the Council meeting for inclusion in an addendum.

-11:00 a.m. the day of the Council meeting for inclusion in a desk item.

TOWN OF LOS GATOS
COUNCIL CLOSED SESSION MINUTES

MEETING DATE: 12/1/2026
ITEM NO: 1

DRAFT
Minutes of the Town Council Special Meeting Closed Session
Tuesday, November 17, 2026

The Town Council of the Town of Los Gatos conducted a special meeting in person and via teleconference to hold a Closed Session.

MEETING CALLED TO ORDER AT APPROXIMATELY 5:01 P.M.

ROLL CALL
Present: Mayor Rob Moore, Vice Mayor Maria Ristow (participated remotely in accordance with Government Code Section 54953.8.3 under the circumstance of "Just Cause" due to a contagious illness), Council Member Rob Rennie, Council Member Matthew Hudes.
Absent: Council Member Mary Badame

VERBAL COMMUNICATIONS (ONLY ON ITEMS ON THE AGENDA)

No one spoke.

Mayor Moore announced the closed session title as listed on the agenda.

THE TOWN COUNCIL MOVED TO CLOSED SESSION ON THE FOLLOWING ITEMS:

1. Conference with Legal Counsel - Existing Litigation (Paragraph (1) of subdivision (d) of Government Code Section 54956.9)
   Case Name: Ebeid v. Town of Los Gatos, Case Number: 25CV481651
2. Conference with Legal Counsel – Anticipated Litigation: Significant exposure to litigation pursuant to subdivision (d)(2) of Government Code Section 54956.9: 1 Case (Letter from CAIR available in the Town Clerk's Office)
3. Conference with Real Property Negotiator (Government Code Section 54956.8)
   Property: 106 E Main Street, Los Gatos, CA 95030, APN 529-34-108
   Agency Negotiator(s): Chris Constantin, Town Manager
   Negotiating Parties: Kimberly Snyder, Executive Director
   Under Negotiation: Lease Terms
4. Conference with Labor Negotiators (Government Code §54957.6)
   To meet with Town Negotiators listed below in closed session pursuant to Government Code §54957.6 regarding negotiations with the Employee Organizations listed below:
   Town Negotiators:
   Chris Constantin, Town Manager
   Katy Nomura, Assistant Town Manager
   Kristina Alfaro, Administrative Services Director
   Cheryl Parkman, Human Resources Director

Employee Organization:
Town Employees Association (TEA)

Gabrielle Whelan, Town Attorney, stated that the Town Council met in closed session to discuss existing litigation, anticipated litigation, conference regarding real property negotiations, and labor negotiations, and there was no reportable action.

ADJOURNMENT

The meeting adjourned at approximately 6:56 p.m.

Attest:

_____
Keara Johnson, Deputy Town Clerk

Submitted by:

_____
Chris Constantin, Town Manager

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/1/2026
ITEM NO: 2

DRAFT
Minutes of the Town Council - Special Meeting
Tuesday, November 17, 2026

The Town Council of the Town of Los Gatos conducted a special meeting in person and via teleconference.

MEETING CALLED TO ORDER AT 7:04 P.M.

ROLL CALL
Present: Mayor Rob Moore, Vice Mayor Maria Ristow (participated remotely in accordance with Government Code Section 54953.8.3 under the circumstance of "Just Cause" due to a contagious illness), Council Member Mary Badame, Council Member Rob Rennie, Council Member Matthew Hudes.
Absent: None.

PLEDGE OF ALLEGIANCE
Elisha Cheng, Youth Citizen of the Year, led the Pledge of Allegiance. The audience was invited to participate.

PRESENTATIONS
Mayor Moore presented Lee Fagot, Lee Quintana, and Maggie Raye, with certificates of recognition; presented a proclamation to Wendy Riggs with Safe Routes 2 School to recognize Ruby Bridges Walk to School Day; and presented a commendation to Town Attorney Gabrielle Whellan for her service to the Town of Los Gatos.

CONSENT ITEMS (TO BE ACTED UPON BY A SINGLE MOTION)
1. Approve the Minutes of the October 28, 2026, Closed Session Town Council Meeting.
2. Approve the Minutes of the November 2, 2026, Special Town Council Meeting.
3. Adopt an Ordinance Amending Chapter 29 (Zoning Regulations) of the Town Code Regarding Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second-Story Additions. The Proposed Amendments to the Town Code are Not Subject to CEQA Review Pursuant to CEQA Section 15061(b)(3) Because it can be Seen with Certainty that they will not Significantly Affect the Physical Environment in that they Make Minor Changes to the Regulations and Design Review Process Applicable to New Single-Family and Two-Family Residential Dwelling Units and Second-Story Additions. Town Code Amendment Application A-26-003. Project Location: Townwide. Applicant: Town of Los Gatos.
   Ordinance Title: An Ordinance of the Town Council of the Town of Los Gatos Amending Chapter 29, Zoning Regulations, of the Town Code Regarding Objective Design Standards

for Single-Family and Two-Family Residential Dwelling Units and Second-Story Additions. **ORDINANCE 2387**

4. Authorize Certificate of Acceptance and Notice of Completion for the 2026 Annual Curb, Gutter, and Sidewalk Maintenance Project and Authorize the Town Clerk to File the Notice of Completion.
5. Authorize the Town Manager to Execute Certificate of Acceptance and Notice of Completion for the Oak Meadow Bandstand Area Improvements Project and Authorize the Town Clerk to File the Notice of Completion.
6. Approve and Ratify the Accounts Payable Check Registers and Payroll Report.
7. Consider Approval to Add a Full-Time Senior Planner Position to the Fiscal Year 2026-27 Budget and Approve an Expenditure Budget Adjustment of $176,550 for the Position from the Community Development Operating Budget.
8. Approve an Agreement with Berliner Cohen, LLP, for Interim Town Attorney Legal Services; Appoint Jolie Houston as Interim Town Attorney; Authorize the Town Manager to Execute the Agreement in Substantially the Form Presented; and Authorize the Town Attorney to Execute a Conflict Waiver.
9. Receive the Fiscal Year 2026-27 First Quarter Financial Report and the Preliminary Unaudited Fiscal Year 2025-26 Year-End Results.
10. Receive the Monthly Financial and Investment Report for September 2026.

Mayor Moore opened public comment.

The following individual spoke on the consent items:

1. Member of the Public (Item numbers 2,7,8 and 10)

Mayor Moore closed public comment.

(Video time: 00:31:48)

MOTION: **Motion** by **Council Member Hudes** to approve items one through ten and change the date [effective date on the Agreement with Berliner Cohen (Item 8)] from the 18th to the 17th. **Seconded** by **Council Member Badame.**

VOTE: **Motion passed unanimously by roll call vote.**

VERBAL COMMUNICATIONS

Mayor Moore opened public comment.

The following individuals spoke during verbal communications:

1. Nicolette Kelly
2. Joe Enz
3. Member of the Public

Mayor Moore closed public comment.

PUBLIC HEARING

11. Consider a Recommendation of Denial from the Planning Commission Regarding Introduction of an Ordinance Amending Chapter 4 (Animals and Fowl) and Chapter 29 (Zoning Regulations) of the Town Code Regarding Electronic Dog Containment and the Town's Fence Regulations. The Proposed Amendments to the Town Code are Not Project Under Section 15378 of the California Environmental Quality Act. Town Code Amendment Application A-26-006. Project Location: Townwide. Applicant: Town of Los Gatos.

Gabrielle Whelan, Town Attorney, presented the staff report.

The Council asked preliminary questions.

Mayor Moore opened public comment.

The following individuals spoke on this item:

1. Nazzi Shishido
2. David Weissman

Mayor Moore closed public comment.

Council discussed the item further.

(Video time: 00:57:04)

MOTION: **Motion** by **Council Member Badame** to accept the Planning Commission's recommendation of denial regarding introduction of an Ordinance amending Chapter 4 (Animals and Fowl) and Chapter 29 (Zoning Regulations) of the Town Code regarding electronic dog containment and the Town's fence regulations. **Seconded** by **Council Member Hudes.**

VOTE: **Motion passed unanimously by roll call vote.**

OTHER BUSINESS

12. Appointment of Two Councilmembers to Serve on an Ad Hoc Committee to meet with staff and SB 330 Applicants as needed.

Chris Constantin, Town Manager, presented the staff report.

The Council asked preliminary questions.

Mayor Moore opened public comment.

No one spoke.

Mayor Moore closed public comment.

Council discussed the item further.

(Video time: 01:18:06)
MOTION: **Motion** by **Council Member Badame** to approve two Councilmembers to serve on an ad hoc committee to meet with staff and SB 330 applicants as needed, with the appointments made once the new council members are sworn in. **Seconded** by **Council Member Hudes.**

VOTE: **Motion passed unanimously by roll call vote.**

13. Adopt a Resolution Finding the FY 2026-27 Sustaining Grants Serve a Public Purpose and Authorize Disbursement of Sustaining Grants Contingent on Verification of Good Standing. **RESOLUTION 2026-**

Ryan Baker, Library Director, presented the staff report.

The Council asked preliminary questions.

Mayor Moore opened public comment.

The following individuals spoke on this item:

1. Jay McGowan
2. Member of the Public
3. Lee Quintana

Mayor Moore closed public comment.

Council discussed the item further.

(Video time: 01:55:47)
MOTION: **Motion** by **Council Member Hudes** to adopt a resolution finding that the 26-27 grants serve a public purpose and authorize the Town Manager, or designee, to disburse approved grant funds upon verification that each recipient satisfies the good-standing requirements identified in the report, but to wait for the completion of the audit before authorizing the grant for the rental assistance program with the organization that has an ongoing audit. **Seconded** by **Council Member Badame.**

(Video time: 02:03:33)

SUBSTITUTE MOTION: Motion by **Mayor Moore** to adopt a resolution finding that the FY 26-27 sustaining grants serve a public purpose and authorize the town manager or designee to disperse the grant funds upon verification that each recipient satisfies the good standard requirements identified in the staff report, and if at any point during the next 60 days, a grantee or staff identifies that they will not be able to comply with the financial reporting requirements or that there is a known deficiency, staff can assess their financial situation and return to council for action to be taken. **Seconded** by **Vice Mayor Ristow.**

VOTE: Motion passed by a 4-1 by roll call vote. Council Member Badame voted no.

COUNCIL MATTERS – 2:23:10

- Vice Mayor Ristow stated she attended the Evacuation Planning Community Listening Session; met with members of West Valley Community Services; attended the Calvary Church Emergency Drill with the Community Emergency Response Team (CERT), Disaster Aid Response Team (DART), and Monte Sereno Community Emergency Response Team (CERT), attended the Finance Commission meeting, Valley Transportation Authority (VTA) Policy Advisory Committee, Cities Associations Legislative Action meeting, and Cities Associations Board of Directors meeting.
- Council Member Badame stated she participated in the West Valley Storm Water Authority Board meeting and West Valley Solid Waste Management Board meeting.
- Council Member Rennie stated he attended the Silicon Valley Clean Energy Board meeting.
- Council Member Hudes stated he participated in a County Community Emergency Response Team (CERT) drill; met with citizen West Valley Museum Association Conditional Use Permit meetings; participated in the Finance Commission meeting, the Silicon Valley Regional Inoperability Board of Directors meeting; attended the NUMU Friends and Festivities event, amateur Ham Radio training class, and Pizza and Policy meeting with Congresswoman Zoe Lofgren.
- Mayor Moore stated he spoke to middle school students regarding Veterans Day; attended a West Valley Sanitation District meeting, Ribbon Cuttings at Club Studio and Face Foundrié, Los Gatos Saratoga Recreation Adult Thanksgiving Celebration; chaired Cities Associations Legislative Action Committee meeting, attended Mayors Monthly meeting; and spoke about participating in the upcoming Los Gatos Ballet Nutcracker.

MANAGER MATTERS

Chris Constantin, Town Manager

- Stated that he thanked the Council regarding the actions they took regarding the Ad Hoc Committee and commented on the grant program.
- Thanked Gabrielle Whelan for service to the Town of Los Gatos.

ATTORNEY MATTERS AND CLOSED SESSION REPORT

Gabrielle Whelan, Town Attorney

- Reported that the Town Council met in closed session to discuss four items: existing litigation, anticipated litigation, conference regarding real property negotiations, and conference regarding labor negotiations, and there was no reportable action.
- Thanked the Council for their support and collaboration over the past four years.

ADJOURNMENT
The meeting adjourned at 9:36 p.m.

Respectfully Submitted:

_____
Keara Johnson, Deputy Town Clerk

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 3

DATE: November 18, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Approve and Ratify the Accounts Payable Check Register and Payroll Report**

RECOMMENDATION: Approve the Accounts Payable Check Register dated November 13, 2026 and ratify and approve the Payroll Report dated November 13, 2026.

FISCAL IMPACT:

Approval and ratification of the reports will have no additional fiscal impact. The reports document $1,272,390.39 in payments issued as of November 13, 2026, consisting of $276,268.39 in accounts payable payments and $996,122.00 in payroll payments. All payments were charged to accounts authorized in the Town Council approved budgets and were within available appropriations.

STRATEGIC PRIORITY:

This item supports the Town's Strategic Priority to ensure prudent financial management, under the Fiscal Stability Core Goal.

BACKGROUND:

Pursuant to Town Municipal Code section 2.30.020(d) payroll warrants need not be audited by the Town Council prior to payment. Payrolls shall be presented to the Town Council for ratification and approval at the first regular meeting after delivery of the payroll warrants.

The Town Code does not provide specific direction on accounts payable. However, Government Code Section 37208 provides the following guidance:

(a) Payroll warrants or checks need not be audited by the legislative body prior to payment.

PREPARED BY: Melissa Ynegas
Senior Administrative Analyst

Reviewed by: Town Manager, Assistant Town Manager, and Administrative Services Director

Payrolls shall be presented to the legislative body for ratification and approval at the first meeting after delivery of the payroll warrants or checks.

(b) Warrants or checks drawn in payment of demands certified or approved by the city clerk as conforming to a budget approved by ordinance or resolution of the legislative body need not be audited by the legislative body prior to payment.

(c) Notwithstanding subdivisions (a) and (b), budgeted payrolls and demands paid by warrants or checks may be presented to the legislative body for ratification and approval in the form of an audited comprehensive annual financial report.

DISCUSSION:

Administrative Services staff presents payroll reports to the Town Council for ratification and approval in accordance with the payroll presentation requirements described in the Background section. Staff also presents accounts payable check registers on the consent calendar for regular Town Council meetings to provide transparency and Council oversight.

Accounts payable and payroll for the following periods have been audited and approved by staff for the following payments:

Type	Check Date	Amount
Accounts Payable	November 13, 2026	$ 276,268.39
Payroll	November 13, 2026	$ 996,122.00
Combined Accounts Payable and Payroll Total		**$ 1,272,390.39**

ALTERNATIVES:

The Council may request clarification or correction of a specified register and continue consideration of that portion of the item. Because the payroll warrants have already been delivered, staff recommends that any requested correction be narrowly identified and returned promptly for Council ratification and approval.

CONCLUSION:

Staff requests Town Council ratification and approval of the Payroll Report dated November 13, 2026. Presenting the accounts payable register provides additional transparency and Council oversight as an administrative best practice.

ENVIRONMENTAL ASSESSMENT:

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

ATTACHMENTS:

1. Accounts Payable Register for November 13, 2026
2. Payroll by Location for November 13, 2026

ACCOUNTS PAYABLE CHECK REGISTER
CHECK DATE 11-13-26

CHECK NUMBER	CHECK DATE	VENDOR NAME	INVOICE	DESCRIPTION	ORG	OBJECT	AMOUNT
164138	11/13/2026	ACE COAST SERVICES INC	I64389	PLAZA PARK AUG TOILET	1115301	62378	$ 1,506.25
164138 Total							$ 1,506.25
164139	11/13/2026	AFSCME COUNCIL 57	113027	AFSCME DUES PPE 11/07/26	111	21263	$ 301.86
164139 Total							$ 301.86
164140	11/13/2026	ALSCO INC	LSJO1730106	DELIVERY TO 41 MILES AVE	6335423	62351	$ 40.00
164140 Total							$ 40.00
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1CWJCCWNTL41	SUPPLIES	1117202	61192	$ 47.43
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1GT97VDCWC6K	SUPPLIES	1117101	61111	$ 52.47
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1H3VRQQVWN7G	SUPPLIES	2617301	62421	$ 203.99
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1PQF7M97K6F9	SUPPLIES	1117202	61192	$ 166.96
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1WRGGJLLKKJW	SUPPLIES	1117202	61192	$ 38.65
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1X7JRRWFG4X7	SUPPLIES	1117201	61191	$ 130.04
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1XCNDP34QMLG	SUPPLIES	1114101	61111	$ 449.75
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1YHW3NKFJHX3	SUPPLIES	1114101	67503	$ 75.24
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1YN7Q6G6J713	SUPPLIES	1114101	61111	$ 81.02
164141	11/13/2026	AMAZON CAPITAL SERVICES INC	1YW6NKFQRW79	SUPPLIES	1117201	61191	$ 50.59
164141 Total							$ 1,296.14
164142	11/13/2026	AMAZON CAPITAL SERVICES INC	11N1XNPPVLW6	SUPPLIES	1117201	61191	$ 18.67
164142	11/13/2026	AMAZON CAPITAL SERVICES INC	169YCKWQQ7N4	SUPPLIES	1117201	61191	$ 24.83
164142	11/13/2026	AMAZON CAPITAL SERVICES INC	1DNDCGTGRMDL	SUPPLIES	1117202	61192	$ 21.40
164142 Total							$ 64.90
164143	11/13/2026	AT&T CALNET 3	000026009284	092026-101926 SERVICE	1114201	62622	$ 58.41
164143 Total							$ 58.41
164144	11/13/2026	BAY AREA PL SERVICES	35764	093026 SERVICE	1114303	63322	$ 616.00
164144 Total							$ 616.00
164145	11/13/2026	BEAR ELECTRICAL SOLUTIONS, INC	13511	PD26-1798 SL KNOCKDOWN	1115404	63364	$ 220.00
164145 Total							$ 220.00
164146	11/13/2026	BOBBY L DEHERRERA	090426	MILEAGE-IAEI CONFERENCE TRAVEL BACK	1113301	64211	$ 93.40
164146	11/13/2026	BOBBY L DEHERRERA	01/28/26-07/29/26	REIMB-SJPD TRAFFIC REPORT COPY/IAEI MEETING DUES	1113301	64111	$ 60.00
164146	11/13/2026	BOBBY L DEHERRERA	01/28/26-07/29/26	REIMB-SJPD TRAFFIC REPORT COPY/IAEI MEETING DUES	1115404	62378	$ 16.00
164146 Total							$ 169.40
164147	11/13/2026	COMCAST	0185598-102826	110326-120226 SERVICE	1114201	62622	$ 623.77
164147 Total							$ 623.77
164148	11/13/2026	DGDG 16 LLC	270446	AUTO PARTS	1115402	61265	$ 360.11
164148 Total							$ 360.11
164149	11/13/2026	DIXON RESOURCES UNLIMITED	5351	SEPTEMBER 2026 SERVICES	1115201	63264	$ 8,240.00
164149 Total							$ 8,240.00
164150	11/13/2026	DUDEK	202610142	082226-092526 SERVICES	1115401	62354	$ 6,774.80
164150	11/13/2026	DUDEK	202610161	072526-092526 SERVICES	1112105	63219	$ 12,665.00
164150 Total							$ 19,439.80
164151	11/13/2026	ECOSANITATION LLC	1619	102326 SERVICE	1115401	63365	$ 7,500.00
164151 Total							$ 7,500.00
164152	11/13/2026	FRONTIER CALIFORNIA INC	1970013-110626	110626-120526 SERVICE	6212502	62614	$ 770.00
164152	11/13/2026	FRONTIER CALIFORNIA INC	1970036-110226	110226-120126 SERVICE	6212502	62614	$ 414.25

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CHECK NUMBER	CHECK DATE	VENDOR NAME	INVOICE	DESCRIPTION	ORG	OBJECT	AMOUNT
164152	11/13/2026	FRONTIER CALIFORNIA INC	3993048-102826	102826-112726 SERVICE	1114201	62622	$ 130.54
164152 Total							$ 1,314.79
164153	11/13/2026	GOODYEAR AUTO SERVICE CENTER	0000110789	TIRES	1115402	61265	$ 141.27
164153 Total							$ 141.27
164154	11/13/2026	GRAINGER	9122638621	SUPPLIES	1115402	61265	$ 85.16
164154	11/13/2026	GRAINGER	9123437791	SUPPLIES	1115401	61275	$ 1,789.32
164154	11/13/2026	GRAINGER	9123437809	SUPPLIES	1115401	61275	$ 71.86
164154	11/13/2026	GRAINGER	9123437817	SUPPLIES	6335423	61214	$ 84.41
164154	11/13/2026	GRAINGER	9124063935	SUPPLIES	6335423	61214	$ 230.25
164154	11/13/2026	GRAINGER	9125856915	SUPPLIES	6335423	61214	$ 116.11
164154	11/13/2026	GRAINGER	9129402757	SUPPLIES	1115301	61214	$ 12.89
164154	11/13/2026	GRAINGER	9129541976	SUPPLIES	1115301	61214	$ 62.99
164154 Total							$ 2,452.99
164155	11/13/2026	HINDERLITER, DE LLAMAS & ASSOCIATES	SIN067797	JULY-SEPTEMBER 2026 HDL SALES TAX SERVICES	1111201	63211	$ 1,479.66
164155 Total							$ 1,479.66
164156	11/13/2026	JEFFREY CHEUNG	10/11/26-10/16/26	PER DIEM REIMBURSEMENT - RIMSCON 2026	1114101	64111	$ 264.00
164156 Total							$ 264.00
164157	11/13/2026	JOSEPH A ACEVES	21284	BUSINESS CARDS	1111101	61111	$ 76.86
164157 Total							$ 76.86
164158	11/13/2026	KIER & WRIGHT	328260	083126-092726 BILLING PERIOD	1115999	68615	$ 1,689.00
164158 Total							$ 1,689.00
164159	11/13/2026	LISA WISE CONSULTING INC	5413	090126-093026 PERIOD	1113202	63219	$ 1,877.06
164159 Total							$ 1,877.06
164160	11/13/2026	LOS GATOS CHAMBER OF COMMERCE	20104	JUL-SEP26 ADJUSTMENTS AND OCTOBER 2026 SERVICE	1112106	67102	$ 14,000.01
164160 Total							$ 14,000.01
164161	11/13/2026	LOS GATOS SARATOGA DEPT OF	093026TOLG	091826 LIVESCAN SERVICE	1112201	64433	$ 47.00
164161 Total							$ 47.00
164162	11/13/2026	LOS GATOS TOWN EMPLOYEES FOUNDATION	113028	LGTEF PPE 11/07/26	111	21264	$ 456.00
164162 Total							$ 456.00
164163	11/13/2026	MAKE THE SHIFT CONSULTING GROUP LLC	50EF27AB-0006	TEAM COACHING	1115101	64111	$ 2,000.00
164163	11/13/2026	MAKE THE SHIFT CONSULTING GROUP LLC	50EF27AB-0006-01	TEAM COACHING	1115201	64111	$ 1,000.00
164163	11/13/2026	MAKE THE SHIFT CONSULTING GROUP LLC	50EF27AB-0006-02	TEAM COACHING	1115202	64111	$ 1,000.00
164163	11/13/2026	MAKE THE SHIFT CONSULTING GROUP LLC	50EF27AB-0006-03	TEAM COACHING	1115401	64111	$ 1,000.00
164163	11/13/2026	MAKE THE SHIFT CONSULTING GROUP LLC	50EF27AB-0006-03	TEAM COACHING	1115301	64111	$ 500.00
164163 Total							$ 5,500.00
164164	11/13/2026	MONARCH CONSULTING ARBORISTS LLC	1783	14761 LA RINCONADA	1113999	68413	$ 1,925.00
164164	11/13/2026	MONARCH CONSULTING ARBORISTS LLC	1784	15470 SANTELLA DRIVE	1113999	68413	$ 1,925.00
164164	11/13/2026	MONARCH CONSULTING ARBORISTS LLC	1785	200 HAPPY ACRES	1113999	68413	$ 825.00
164164	11/13/2026	MONARCH CONSULTING ARBORISTS LLC	1786	220 BELGATOS ROAD	1113999	68413	$ 4,950.00
164164	11/13/2026	MONARCH CONSULTING ARBORISTS LLC	1788	403 MONTCLAIR ROAD	1113999	68413	$ 1,925.00
164164	11/13/2026	MONARCH CONSULTING ARBORISTS LLC	1789	130 CALLE MAGUERITA	1113999	68413	$ 1,925.00
164164	11/13/2026	MONARCH CONSULTING ARBORISTS LLC	1790	16660 CYPRESS WAY	1113999	68413	$ 1,100.00
164164	11/13/2026	MONARCH CONSULTING ARBORISTS LLC	1791	16765 HICKS ROAD	1113999	68413	$ 1,100.00
164164 Total							$ 15,675.00

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CHECK NUMBER	CHECK DATE	VENDOR NAME	INVOICE	DESCRIPTION	ORG	OBJECT	AMOUNT
164165	11/13/2026	O'BRIEN CODE CONSULTING, INC,	2026001110	B26-0756 16348 AZTEC RIDGE DRIVE	1113999	68416	$ 668.86
164165	11/13/2026	O'BRIEN CODE CONSULTING, INC,	2025001180TM	B25-1329 45 & 45-A RESERVOIR ROAD	1113999	68416	$ 450.00
164165	11/13/2026	O'BRIEN CODE CONSULTING, INC,	2026001116TM	16937 PLACER OAKS ROAD	1113999	68416	$ 300.00
164165 Total							$ 1,418.86
164166	11/13/2026	O'GRADY PAVING INC	9576-3	090926-100526 SERVICE	111	21116	$ (7,194.00)
164166	11/13/2026	O'GRADY PAVING INC	9576-3	090926-100526 SERVICE	4818101	82405	$ 143,880.00
164166 Total							$ 136,686.00
164167	11/13/2026	O'REILLY AUTO ENTERPRISES, LLC	2572-124123	AUTO PARTS	1115402	61265	$ 253.49
164167	11/13/2026	O'REILLY AUTO ENTERPRISES, LLC	2572-124382	AUTO PARTS	1115402	61265	$ 11.98
164167	11/13/2026	O'REILLY AUTO ENTERPRISES, LLC	2572-124385	AUTO PARTS	1115402	61265	$ 204.32
164167	11/13/2026	O'REILLY AUTO ENTERPRISES, LLC	2572-124454	AUTO PARTS	1115402	61265	$ 25.26
164167	11/13/2026	O'REILLY AUTO ENTERPRISES, LLC	2572-124455	AUTO PARTS	1115402	61265	$ 49.41
164167 Total							$ 544.46
164168	11/13/2026	OCCUPATIONAL HEALTH CENTERS OF CA	92901736	101426-102026 SERVICE	1112201	64431	$ 1,564.00
164168 Total							$ 1,564.00
164169	11/13/2026	ODP BUSINESS SOLUTIONS	485908724001	PAPER	1111201	61111	$ 632.11
164169	11/13/2026	ODP BUSINESS SOLUTIONS	485984728001	SUPPLIES	1113201	61111	$ 93.91
164169	11/13/2026	ODP BUSINESS SOLUTIONS	486042705001	SUPPLIES	1113201	61111	$ 122.68
164169	11/13/2026	ODP BUSINESS SOLUTIONS	486616501001	SUPPLIES	1113201	61111	$ 216.30
164169	11/13/2026	ODP BUSINESS SOLUTIONS	486619567001	SUPPLIES	1113301	61111	$ 29.66
164169 Total							$ 1,094.66
164170	11/13/2026	OPERATION FREEDOM PAWS	26366	101526-101826 K9 BOARDING	1114301	64282	$ 221.00
164170 Total							$ 221.00
164171	11/13/2026	PACIFIC GAS & ELECTRIC	02259-110326	092626-102626 SERVICE	1115401	62621	$ 224.24
164171	11/13/2026	PACIFIC GAS & ELECTRIC	09379-110226	092526-102526 SERVICE	6335423	62611	$ 634.30
164171	11/13/2026	PACIFIC GAS & ELECTRIC	09379-110226	092526-102526 SERVICE	6335423	62612	$ 116.89
164171	11/13/2026	PACIFIC GAS & ELECTRIC	09379-110226	092526-102526 SERVICE	1111201	72111	$ 13,002.80
164171	11/13/2026	PACIFIC GAS & ELECTRIC	50296-110226	092526-102526 SERVICE	1115301	62611	$ 85.29
164171	11/13/2026	PACIFIC GAS & ELECTRIC	64101-110526	100126-102926 SERVICE	1115401	62621	$ 159.96
164171	11/13/2026	PACIFIC GAS & ELECTRIC	70739-110626	100226-110126 SERVICE	1115301	62611	$ 13.80
164171	11/13/2026	PACIFIC GAS & ELECTRIC	73832-110326	100326-110226 SERVICE	6335423	62612	$ 13.68
164171	11/13/2026	PACIFIC GAS & ELECTRIC	89638-110526	093026-102826 SERVICE	1115301	62611	$ 365.86
164171 Total							$ 14,616.82
164172	11/13/2026	POLICE MANAGEMENT ASSOCIATION	113029	PMA DUES PPE 11/07/26	111	21265	$ 90.00
164172 Total							$ 90.00
164173	11/13/2026	POLICE OFFICERS ASSOCIATION	113026	POA DUES PPE 11/07/26	111	21262	$ 1,680.00
164173 Total							$ 1,680.00
164174	11/13/2026	RILEY J FRIZZELL	09/22/26-09/24/26R	REIMBURSEMENT - SKYDIO CONF AIRPORT PARKING/LYFTS	1114303	64211	$ 172.99
164174 Total							$ 172.99
164175	11/13/2026	RURAL SUPPLY HARDWARE INC	8595	SUPPLIES	1115401	61275	$ 186.77
164175	11/13/2026	RURAL SUPPLY HARDWARE INC	8597	SUPPLIES	6335423	61214	$ 88.72
164175 Total							$ 275.49
164176	11/13/2026	SAN JOSE WATER COMPANY	12830-110226	090126-103026 SERVICE	2325502	62613	$ 523.62
164176	11/13/2026	SAN JOSE WATER COMPANY	27567-110226	083126-102926 SERVICE	1115301	62613	$ 858.37

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CHECK NUMBER	CHECK DATE	VENDOR NAME	INVOICE	DESCRIPTION	ORG	OBJECT	AMOUNT
164176	11/13/2026	SAN JOSE WATER COMPANY	33918-110226	090126-102926 SERVICE	1115301	62613	$ 875.70
164176	11/13/2026	SAN JOSE WATER COMPANY	47462-110226	083126-103026 SERVICE	1115301	62613	$ 1,642.15
164176	11/13/2026	SAN JOSE WATER COMPANY	49687-103026	081826-102526 SERVICE	6335423	62613	$ 8,157.76
164176	11/13/2026	SAN JOSE WATER COMPANY	63227-110226	090126-102926 SERVICE	6335423	62613	$ 954.41
164176	11/13/2026	SAN JOSE WATER COMPANY	70138-110226	090126-102926 SERVICE	1115301	62613	$ 907.19
164176	11/13/2026	SAN JOSE WATER COMPANY	87531-110226	083126-103026 SERVICE	1115301	62613	$ 1,045.67
164176	11/13/2026	SAN JOSE WATER COMPANY	90007-110226	090126-103026 SERVICE	2365506	62613	$ 642.09
164176	11/13/2026	SAN JOSE WATER COMPANY	93186-110226	083126-102926 SERVICE	1115301	62613	$ 834.78
164176 Total							$ 16,441.74
164177	11/13/2026	SAN JOSE WATER COMPANY	02813-110226	090126-102926 SERVICE	1115301	62613	$ 157.90
164177	11/13/2026	SAN JOSE WATER COMPANY	06000-110226	083126-102926 SERVICE	1115301	62613	$ 262.92
164177	11/13/2026	SAN JOSE WATER COMPANY	17808-110226	083126-102926 SERVICE	1115301	62613	$ 160.62
164177	11/13/2026	SAN JOSE WATER COMPANY	19662-110226	090126-102926 SERVICE	1115301	62613	$ 259.87
164177	11/13/2026	SAN JOSE WATER COMPANY	27251-110226	083126-102926 SERVICE	1115301	62613	$ 343.03
164177	11/13/2026	SAN JOSE WATER COMPANY	27525-110226	083126-102926 SERVICE	1115301	62613	$ 476.82
164177	11/13/2026	SAN JOSE WATER COMPANY	34909-110226	083126-103026 SERVICE	1115301	62613	$ 163.34
164177	11/13/2026	SAN JOSE WATER COMPANY	56189-110226	083126-102926 SERVICE	1115301	62613	$ 264.34
164177	11/13/2026	SAN JOSE WATER COMPANY	76230-110226	083126-102926 SERVICE	2315501	62613	$ 232.94
164177 Total							$ 2,321.78
164178	11/13/2026	SEAN R MULLIN	100627	REIMBURSEMENT - APA CONFERENCE AIRPORT PARKING	1113201	64211	$ 60.00
164178 Total							$ 60.00
164179	11/13/2026	STATE OF CA-DEPT OF TRANSPORTATION	SL270035	JULY-SEPTEMBER 2026 SIGNALS & LIGHTING BILLING	1115401	63364	$ 2,200.20
164179 Total							$ 2,200.20
164180	11/13/2026	SUMMIT UNIFORMS LLC	46990	UNIFORMS	1114301	61165	$ 16.50
164180	11/13/2026	SUMMIT UNIFORMS LLC	48088	UNIFORMS	1114301	61165	$ 117.70
164180	11/13/2026	SUMMIT UNIFORMS LLC	48106	UNIFORMS	1114301	61165	$ 117.70
164180 Total							$ 251.90
164181	11/13/2026	SUN BADGE COMPANY	428833	BADGES	1114301	61165	$ 154.27
164181 Total							$ 154.27
164182	11/13/2026	TOWN EMPLOYEES ASSOCIATION	113025	TEA DUES PPE 11/07/26	111	21261	$ 1,345.90
164182 Total							$ 1,345.90
164183	11/13/2026	URBAN37 INC	2399	102226 SERVICE	1113999	68416	$ 889.04
164183	11/13/2026	URBAN37 INC	2439	102226 SERVICE	1113999	68416	$ 577.50
164183 Total							$ 1,466.54
164184	11/13/2026	VICKI L BLANDIN	LG32-26	101426 PC MEETING	1113201	62310	$ 87.50
164184 Total							$ 87.50
164185	11/13/2026	VISIONSCAPE IMAGERY INC	6037	401 409 ALBERTO WAY	1113999	68428	$ 7,900.00
164185 Total							$ 7,900.00
164186	11/13/2026	YOLANDA R LIRA	10/11/26-10/16/26	PER DIEM REIMBURSEMENT - RIMSCON 2026	1114201	64111	$ 264.00
164186 Total							$ 264.00
Grand Total							$ 276,268.39

Town of Los Gatos Check Date 11/13/26

Location	Total Payroll	Number of Employees
1101 - TOWN COUNCIL	1,425.00	5
1301 - TOWN ATTORNEY	11,983.00	1
2101 - TOWN MANAGER	39,636.00	7
2105 - EMERGENCY PREPAREDNESS	8,720.00	2
2106 - ECONOMIC VITALITY	7,691.00	2
2201 - HUMAN RESOURCES	24,688.00	3
2301 - FINANCE	49,385.00	8
2401 - CLERK ADMINISTRATION	17,090.00	3
2501 - INFORMATION TECHNOLOGY	17,882.00	3
3101 - COMMUNITY DEVELOPMENT	120,721.00	21
4101 - POLICE	443,593.00	59
5101 - PARKS AND PUBLIC WORKS	186,848.00	43
7101 - LIBRARY	66,460.00	24
	996,122.00	181

Attachment 2

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 4

DATE: December 1, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Authorize the Town Manager to Execute a Third Amendment to the Agreement for Consultant Services with BKF Engineers (BKF) to Extend the Performance Period for Design of the Highway 17 Pedestrian/Bicycle Overcrossing Project through December 31, 2029.**

RECOMMENDATION: Authorize the Town Manager to execute a Third Amendment to the Agreement for Consultant Services with BKF Engineers (BKF) to extend the performance period for design of the Highway 17 Pedestrian/Bicycle Overcrossing Project (Project 8510) through December 31, 2029, with no increase to the current not-to-exceed contract amount.

FISCAL IMPACT:

There is no additional fiscal impact associated with the proposed amendment. The amendment extends the agreement's performance period through December 31, 2029, with no increase to the existing not-to-exceed contract amount of $3,087,735. Any future increase in contract compensation would require separate authorization.

STRATEGIC PRIORITY:

This item supports the Town's strategic priority of implementing transportation demand management, traffic calming, and other innovative efforts to mitigate traffic congestion and improve safety. Specifically, the Highway 17 Pedestrian/Bicycle Overcrossing Project provides a safe and accessible bicycle and pedestrian connection across Highway 17 in the vicinity of Blossom Hill Road.

PREPARED BY: Jason Lin
Special Projects Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, Administrative Services Director, and Parks and Public Works Director

BACKGROUND:

On December 1, 2020, the Town Council authorized the Town Manager to execute a consultant agreement in an amount not to exceed $3,000,000. On May 20, 2021, the Town entered into an Agreement for Consultant Services with BKF Engineers for engineering design services related to the Highway 17 Pedestrian/Bicycle Overcrossing Project. The agreement includes project management, preliminary engineering, environmental services, stakeholder and agency coordination, surveying and mapping, geotechnical engineering, structural engineering, final design, contract documents, and assistance with Caltrans project approvals.

On February 20, 2024, the Town Council authorized a First Amendment in the amount of $48,735 for grant writing and engineering support associated with construction grant applications, increasing the not to exceed amount to $3,048,735.

On June 18, 2024, the Town Council authorized a Second Amendment in the amount of $39,000 for additional environmental services, increasing the not to exceed amount to $3,087,735.

The agreement's performance period ends on December 31, 2026, and an amendment is required to extend the performance period through December 31, 2029 to complete the design services.

DISCUSSION:

The Project has continued to advance toward final design. Caltrans has completed the Project Approval and Environmental Document (PA&ED) process, allowing the Project to proceed beyond the 65% design phase to final design. Continued coordination with Caltrans, project stakeholders, utilities, adjacent property interests, and the design team will be required as the Project advances.

The agreement expires on December 31, 2026. Extending the agreement through December 31, 2029, will provide adequate contractual time for BKF to continue performing the services authorized under the agreement as the Project advances through final design and required project approvals. The proposed amendment does not add services, authorize construction support, or increase compensation; it only extends the period in which BKF may complete the services already authorized under the Agreement.

CONCLUSION:

Staff recommends that the Town Council authorize the Town Manager to execute the Third Amendment to the Agreement for Consultant Services with BKF Engineers to extend the performance period through December 31, 2029.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required. The proposed action only extends the term of the existing professional services agreement and does not approve any changes to the physical project.

Attachments:
1. Third Amendment to BKF Engineers to Extend Time
2. Original Agreement, First Amendment, and Second Amendment

AMENDMENT TO AGREEMENT

This THIRD AMENDMENT TO AGREEMENT amends that certain agreement titled Highway 17 Bicycle and Pedestrian Overcrossing Project dated May 20, 2021, made by and between the Town of Los Gatos, ("Town,") and BKF Engineers (“Consultant”), a Corporation and whose address is 2100 Franklin Street, Suite 4C, Oakland, CA 94612.

RECITALS

A. Town and Consultant entered into an Agreement for Consultant Services on May 20, 2021, (“Agreement”).

B. First Amendment to Agreement for Consultant Services on February 20, 2024.

C. Second Amendment to Agreement for Consultant Services on June 4, 2024.

D. The parties desire to amend the Agreement in order to extend the performance period..

AMENDMENT

A. Article IV, Performance Period, Part A is replaced and will read as follows: This contract shall go into effect on May 20, 2021 contingent upon approval by LOCAL AGENCY, and CONSULTANT shall commence work after notification to proceed by LOCAL AGENCY'S Contract Administrator. The contract shall end at the earlier of final Project construction or on December 31, 2029.

B. All other terms and conditions of the Agreement remain in full force and effect.

TOWN OF LOS GATOS	BKF ENGINEERS
SIGNATURE	**SIGNATURE**
Chris Constantin	Jaggi Bhandal
FULL NAME	**CONTRACTOR SIGNATORY'S FULL NAME**
Town Manager	Vice President
TITLE	**CONTRACTOR SIGNATORY'S TITLE**
DATE SIGNED	**DATE SIGNED**

Approved as to form:

SIGNATURE
Gabrielle Whelan
FULL NAME
Town Attorney
TITLE
DATE SIGNED

The execution date is the date on which the last party has signed.

DocuSign Envelope ID: 2642225F-8677-4B97-9D9E-6F792416ADEF

AGREEMENT FOR CONSULTANT SERVICES

HIGHWAY 17 BICYCLE AND PEDESTRIAN OVERCROSSING PROJECT # 19-818-0803

ARTICLE I - INTRODUCTION

A. This AGREEMENT is made and entered into on May 20, 2021 by and between the TOWN OF LOS GATOS, a California municipal corporation, hereinafter referred to as, LOCAL AGENCY and **BKF Engineers**, hereinafter referred to as, CONSULTANT, whose address is **1730 N. First Street, Suite 600, San Jose, CA 95112**. The CONSULTANT is incorporated in the State of California.

The Project Manager for the "CONSULTANT" will be **Natalina V. Bernardi, PE, LEED AP, Principal and Vice President.**

The Contract Administrator for LOCAL AGENCY will be WooJae Kim,Town Engineer.

This Agreement is made with reference to the following facts.

The LOCAL AGENCY desires to engage CONSULTANT to provide professional engineering services for the Highway 17 Bicycle and Pedestrian Overcrossing Project.

The CONSULTANT represents and affirms that it is willing to perform the desired work pursuant to this Agreement.

The CONSULTANT represents and warrants to LOCAL AGENCY that it possesses the distinct professional skills, qualifications, experience, and resources necessary and has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for CONSULTANT to practice its profession and to timely perform the services described in this Agreement. CONSULTANT acknowledges LOCAL AGENCY has relied upon these warranties to retain the CONSULTANT.

CONSULTANT shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws.

CONSULTANT shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.

B. The work to be performed under this AGREEMENT is described in Article II entitled Statement of Work and the approved CONSULTANT's Cost Proposal dated **05-06-21**. The approved CONSULTANT's Scope of Service (Exhibit A) and Cost Proposal (Exhibit B) is attached hereto and incorporated by reference. If there is any conflict between the approved Scope of Services or Cost Proposal and this AGREEMENT, this AGREEMENT shall take precedence.

C. CONSULTANT agrees, to the fullest extent permitted by law, to save, keep, indemnify and hold harmless and defend the LOCAL AGENCY, its officers, agents, employees and volunteers from all damages, claims, demands, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act, errors, or omissions of the CONSULTANT, or any of the CONSULTANT'S officers, employees, or agents or any

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sub-consultant. CONSULTANT will reimburse LOCAL AGENCY for any expenditure, including reasonable attorney fees, incurred by LOCAL AGENCY in defending against claims ultimately determined to be due to negligent acts, errors, or omissions of CONSULTANT.

D. CONSULTANT and the agents and employees of CONSULTANT, in the performance of this contract, shall act in an independent capacity and not as officers or employees or agents of LOCAL AGENCY. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to LOCAL AGENCY employee(s). With prior written consent, the CONSULTANT may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. CONSULTANT shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by CONSULTANT or is based on allegations of CONSULTANT'S negligent performance or wrongdoing.

E. LOCAL AGENCY is not required to make any deductions or withholding from the compensation payable to CONSULTANT under the provisions of this AGREEMENT, and is not required to issue W-2 forms for income and employment tax purposes for any of CONSULTANT'S assigned personnel. CONSULTANT, in the performance of its obligation hereunder, is only subject to the control or direction of the LOCAL AGENCY as to the designation of tasks to be performed and the results to be accomplished.

F. Any third party person(s) employed by CONSULTANT shall be entirely and exclusively under the direction, supervision, and control of CONSULTANT. CONSULTANT hereby indemnifies and holds LOCAL AGENCY harmless from any and all claims that may be made against LOCAL AGENCY based upon any contention by any third party that an employer-employee relationship exists by reason of this AGREEMENT.

G. Except as expressly authorized herein, CONSULTAN'S obligations under this AGREEMENT are not assignable or transferable, and CONSULTANT shall not subcontract any work, without the prior written approval of the LOCAL AGENCY. However, claims for money due or which become due to CONSULTANT from LOCAL AGENCY under this AGREEMENT may be assigned to a financial institution or to a trustee in bankruptcy, without such approval. Notice of any assignment or transfer whether voluntary or involuntary shall be furnished promptly to the LOCAL AGENCY.

H. CONSULTANT shall be as fully responsible to the LOCAL AGENCY for the negligent acts and omissions of its contractors and subcontractors or subconsultants, and of persons either directly or indirectly employed by them, in the same manner as persons directly employed by CONSULTANT.

I. No alteration or variation of the terms of this contract shall be valid, unless made in writing and signed by the parties hereto; and no oral understanding or agreement not incorporated herein, shall be binding on any of the parties hereto.

J. The consideration to be paid to CONSULTANT as provided herein, shall be in compensation for all of CONSULTANT's expenses incurred in the performance hereof, including travel and per diem, unless otherwise expressly so provided.

ARTICLE II STATEMENT OF WORK

CONSULTANT agrees to perform the services as outlined in "Exhibit A –Scope of Services" within the time frames specified therein, and "Exhibit B – Consultant's Cost Proposal" which are hereby

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incorporated by reference and attached. In the performance of the Scope of Services for this contract, the responsible CONSULTANT professional engineer shall sign all plans, specifications and estimates and engineering data furnished under the AGREEMENT, including registration number.

ARTICLE III CONSULTANT'S REPORTS OR MEETINGS

A. CONSULTANT shall submit progress reports at least once a month. The report should be sufficiently detailed for the LOCAL AGENCY'S Contract Administrator to determine, if CONSULTANT is performing to expectations, or is on schedule; to provide communication of interim findings, and to sufficiently address any difficulties or special problems encountered, so remedies can be developed.

B. CONSULTANT's Project Manager shall meet with LOCAL AGENCY's Contract Administrator, as needed, to discuss progress on the AGREEMENT.

C. This AGREEMENT provides for conferences as needed, visits to the site, and inspection of the work by representatives of the LOCAL AGENCY, State, and/or FHWA. Costs incurred by CONSULTANT for meetings, subsequent to the initial meeting shall be included in the CONSULTANTS fee.

ARTICLE IV PERFORMANCE PERIOD

A. This contract shall go into effect on May 20, 2021 contingent upon approval by LOCAL AGENCY, and CONSULTANT shall commence work after notification to proceed by LOCAL AGENCY'S Contract Administrator. The contract shall end at the earlier of final Project construction or on 12/31/26 unless extended by contract amendment.

B. CONSULTANT is advised that any recommendation for contract award is not binding on LOCAL AGENCY until the contract is fully executed and approved by LOCAL AGENCY.

ARTICLE V ALLOWABLE COSTS AND PAYMENTS

TASK 1 -

A. The method of payment for PHASE I of this AGREEMENT will be based on lump sum. The total lump sum price paid to CONSULTANT will include compensation for all work and deliverables, including travel and equipment necessary to provide the services described in Article II Statement of Work. No additional compensation will be paid to CONSULTANT, unless there is a change in the scope of the work or the scope of the Project. In the instance of a change in the scope of work or scope of the Project, adjustment to the total lump sum compensation will be negotiated between CONSULTANT and LOCAL AGENCY. Adjustment in the total lump sum compensation will not be effective until authorized by AGREEMENT amendment and approved by LOCAL AGENCY.

B. Progress payments may be made monthly in arrears based on the percentage of work completed by CONSULTANT. If CONSULTANT fails to submit the required deliverable items according to the schedule set forth in the Statement of Work, LOCAL AGENCY shall have the right to delay payment or terminate this AGREEMENT in accordance with the provisions of Article VI Termination.

C. CONSULTANT shall not commence performance of work or services until this contract has been approved by LOCAL AGENCY and notification to proceed has been issued by LOCAL AGENCY'S Contract Administrator. No payment will be made prior to approval of any work, or for any work performed prior to approval of this AGREEMENT.

D. CONSULTANT will be reimbursed within 30 days upon receipt by LOCAL AGENCY'S Contract Administrator of itemized invoices in duplicate. Invoices shall be submitted no later than 30 calendar days after the performance of work for which CONSULTANT is billing. Invoices shall detail the work performed on each phase and on each task as applicable. Invoices shall follow the format

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stipulated for the approved Cost Proposal and shall reference this AGREEMENT number and Project title. Final invoice must contain the final cost and all credits due LOCAL AGENCY that include any equipment purchased under the provisions of Article XI Equipment Purchase of this contract. The final invoice must be submitted within 60-calendar days after completion of CONSULTANT's work, unless a later date is approved by the LOCAL AGENCY. Invoices shall be mailed to LOCAL AGENCY's Contract Administrator at the following address:

Town of Los Gatos Parks and Public Works Department
ATTN: WooJae Kim, Town Engineer
Highway 17 Bicycle and Pedestrian Overcrossing Project
41 Miles Avenue
Los Gatos, CA 95030

E. The total amount payable by LOCAL AGENCY for PHASE I shall not exceed $3,000,000 (Three million dollars).

PHASE II – PHASE II work shall not be awarded at this time. Future Phase II services, if requested, shall be incorporated to this agreement by contract amendment for approval by LOCAL AGENCY and the CONSULTANT. The following articles shall apply to a future Phase II contract amendment.

A. The method of payment for Phase II shall be at the rate specified for each item, as described in this Article. The specified rate shall include full compensation to CONSULTANT for the item as described, including but not limited to, any repairs, maintenance, or insurance, and no further compensation will be allowed therefore.

B. The specified rate to be paid for vehicle expense for CONSULTANT's field personnel, if any, shall be per approved Cost Proposal. The rates for fully equipped vehicle(s) shall be as specified in Article II Statement of Work, if applicable. The specified rate to be paid for equipment shall be, as listed in the approved Cost Proposal, if applicable.

C. The method of payment for Phase II of this AGREEMENT, except those items to be paid for on a specified rate basis, will be based on cost per unit of work. LOCAL AGENCY will reimburse CONSULTANT for actual costs (including labor costs, employee benefits, travel, equipment-rental costs, overhead and other direct costs) incurred by CONSULTANT in performance of the work. CONSULTANT will not be reimbursed for actual costs that exceed the estimated wage rates, employee benefits, travel, equipment rental, overhead and other estimated costs set forth in the approved Cost Proposal, unless additional reimbursement is provided for, by contract amendment. In no event, will CONSULTANT be reimbursed for overhead costs at a rate that exceeds LOCAL AGENCY approved overhead rate set forth in the approved Cost Proposal. In the event, LOCAL AGENCY determines that changed work from that specified in the approved Cost Proposal and AGREEMENT is required; the actual costs reimbursable by LOCAL AGENCY may be adjusted by AGREEMENT amendment to accommodate the changed work. The maximum total cost as specified in Paragraph "J," shall not be exceeded unless authorized by AGREEMENT amendment.

D. In addition to the allowable costs, LOCAL AGENCY will pay CONSULTANT a fixed fee of $(0) The fixed fee is nonadjustable for the term of the AGREEMENT, except in the event of a significant change in the scope of work and such adjustment is made by AGREEMENT amendment.

E. Reimbursement for transportation and subsistence costs shall not exceed the rates specified in the approved Cost Proposal.

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F. When milestone cost estimates are included in the approved Cost Proposal, CONSULTANT shall obtain prior written approval for a revised milestone cost estimate from the Contract Administrator before exceeding such cost estimate.

G. Progress payments will be made monthly in arrears based on services provided and allowable incurred costs. A pro rata portion of CONSULTANT's fixed fee will be included in the monthly progress payments. If CONSULTANT fails to submit the required deliverable items according to the schedule set forth in the Statement of Work, LOCAL AGENCY shall have the right to delay payment or terminate this AGREEMENT in accordance with the provisions of Article VI Termination.

H. No payment will be made prior to approval of any work, nor for any work performed prior to approval of this AGREEMENT.

I. CONSULTANT will be reimbursed, as promptly as fiscal procedures will permit upon receipt by LOCAL AGENCY's Contract Administrator of itemized invoices in duplicate. Invoices shall be submitted no later than thirty (30) calendar days after the performance of work for which CONSULTANT is billing. Invoices shall detail the work performed on each milestone and each Project as applicable. Invoices shall follow the format stipulated for the approved Cost Proposal and shall reference this AGREEMENT number and Project title. Final invoice must contain the final cost and all credits due LOCAL AGENCY including any equipment purchased under the provisions of Article XI Equipment Purchase of this contract. The final invoice should be submitted within sixty (60) calendar days after completion of CONSULTANT's work. Invoices shall be mailed to LOCAL AGENCY's Contract Administrator at the following address:

Town of Los Gatos Parks and Public Works Department
ATTN: Woo Jae Kim/Town Engineer
Highway 17 Bicycle and Pedestrian Overcrossing Project
41 Miles Avenue
Los Gatos, CA 95030

J. The total amount payable by LOCAL AGENCY for Phase II shall be as specified by a future contract amendment.

K. Salary increases will be reimbursable if the new salary is within the salary range identified in the approved Cost Proposal and is approved by LOCAL AGENCY's Contract Administrator.

L. For personnel subject to prevailing wage rates as described in the California Labor Code, all salary increases, which are the direct result of changes in the prevailing wage rates are reimbursable.

ARTICLE VI TERMINATION

A. This AGREEMENT may be terminated by LOCAL AGENCY provided that LOCAL AGENCY gives not less than thirty (30) calendar days written notice (delivered by certified mail, return receipt requested) of intent to terminate. Upon termination, LOCAL AGENCY shall be entitled to all work, including but not limited to, reports, investigations, appraisals, inventories, studies, analyses, drawing and data estimates performed to that date, whether complete or not.

B. LOCAL AGENCY may temporarily suspend the AGREEMENT, at no additional cost to LOCAL AGENCY, provided that CONSULTANT is given written notice (delivered by certified mail, return receipt requested) of temporary suspension. If LOCAL AGENCY gives such notice of temporary suspension, CONSULTANT shall immediately suspend its activities under this AGREEMENT. A temporary suspension may be issued concurrent with the notice of termination. If the duration of the temporary suspension exceeds 180 calendar days, this AGREEMENT may be terminated by

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CONSULTANT provided that CONSULTANT gives not less than thirty (30) calendar days written notice (delivered by certified mail, return receipt requested) of intent to terminate.

C. Notwithstanding any provisions of this AGREEMENT, CONSULTANT shall not be relieved of liability to LOCAL AGENCY for damages sustained by LOCAL AGENCY by virtue of any breach of this AGREEMENT by CONSULTANT, and LOCAL AGENCY may withhold any payments due to CONSULTANT until such time as the exact amount of damages, if any, due LOCAL AGENCY from CONSULTANT is determined.

D. In the event of termination, CONSULTANT shall be compensated as provided for in this AGREEMENT. Upon termination, LOCAL AGENCY shall be entitled to all work, including but not limited to, reports, investigations, appraisals, inventories, studies, analyses, drawings and data estimates performed to that date, whether completed or not.

E. LOCAL AGENCY may terminate this contract with CONSULTANT should CONSULTANT fail to perform the covenants herein contained at the time and in the manner herein provided. In the event of such termination, LOCAL AGENCY may proceed with the work in any manner deemed proper by LOCAL AGENCY. If LOCAL AGENCY terminates this contract with CONSULTANT, LOCAL AGENCY shall pay CONSULTANT the sum due to CONSULTANT under this contract prior to termination, unless the cost of completion to LOCAL AGENCY exceeds the funds remaining in the contract. In which case the overage shall be deducted from any sum due CONSULTANT under this contract and the balance, if any, shall be paid to CONSULTANT upon demand.

ARTICLE VII COST PRINCIPLES AND ADMINISTRATIVE REQUIREMENTS

A. The CONSULTANT agrees that 48 CFR Part 31, Contract Cost Principles and Procedures, shall be used to determine the allowability of individual terms of cost.
B. CONSULTANT also agrees to comply with Federal procedures in accordance with 2 CFR, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
C. Any costs for which payment has been made to CONSULTANT that are determined by subsequent audit to be unallowable under 2 CFR, Part 200 or 48 CFR Part 31, are subject to repayment by CONSULTANT to LOCAL AGENCY.
D. When a CONSULTANT or Subconsultant is a Non-Profit Organization or an Institution of Higher Education, the Cost Principles for Title 2 CRF Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards shall apply.

ARTICLE VIII RETENTION OF RECORDS/AUDIT

For the purpose of determining compliance with Government Code 8546.7; the CONSULTANT, Subconsultants, and LOCAL AGENCY shall maintain all books, documents, papers, accounting records, Independent CPA Audited Indirect Cost Rate workpapers, and other evidence pertaining to the performance of the AGREEMENT, including but not limited to, the costs of administering the AGREEMENT. All parties, including the CONSULTANT'S Independent CPA, shall make such materials available at their respective offices at all reasonable times during the AGREEMENT period and for five (5) years from the date of final payment under the AGREEMENT. LOCAL AGENCY, Caltrans Auditor, FHWA, VTA, or any duly authorized representative of the Federal Government having jurisdiction under Federal laws or regulations (including the basis of Federal funding in whole or in part) shall have access to any books, records, and documents of CONSULTANT, Subconsultants, and the CONSULTANT'S Independent CPA, that are pertinent to the AGREEMENT for audits, examinations, workpaper review, excerpts, and transactions, and copies thereof shall be furnished if requested without limitation.

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ARTICLE IX AUDIT REVIEW PROCEDURES

A. Any dispute concerning a question of fact arising under an interim or post audit of this AGREEMENT that is not disposed of by AGREEMENT, shall be reviewed by LOCAL AGENCY'S Chief Financial Officer.

B. Not later than thirty (30) calendar days after issuance of the final audit report, CONSULTANT may request a review by LOCAL AGENCY'S Chief Financial Officer of unresolved audit issues. The request for review will be submitted in writing.

C. Neither the pendency of a dispute nor its consideration by LOCAL AGENCY will excuse CONSULTANT from full and timely performance, in accordance with the terms of this AGREEMENT.

D. CONSULTANT and subconsultant AGREEMENTS, including cost proposals and Indirect Cost Rates (ICR), may be subject to audits or reviews such as, but not limited to, an AGREEMENT audit, an incurred cost audit, an ICR Audit, or a CPA ICR audit work paper review. If selected for audit or review, the AGREEMENT, cost proposal and ICR and related work papers, if applicable, will be reviewed to verify compliance with 48 CFR, Part 31 and other related laws and regulations. In the instances of a CPA ICR audit work paper review it is CONSULTANT's responsibility to ensure federal, state, or local government officials are allowed full access to the CPA's work papers including making copies as necessary. The AGREEMENT, cost proposal, and ICR shall be adjusted by CONSULTANT and approved by LOCAL AGENCY contract administrator to conform to the audit or review recommendations. CONSULTANT agrees that individual terms of costs identified in the audit report shall be incorporated into the AGREEMENT by this reference if directed by LOCAL AGENCY at its sole discretion. Refusal by CONSULTANT to incorporate audit or review recommendations, or to ensure that the federal, LOCAL AGENCY or local governments have access to CPA work papers, will be considered a breach of AGREEMENT terms and cause for termination of the contract and disallowance of prior reimbursed costs.

E. CONSULTANT Cost Proposal may be subject to a CPA ICR Audit Work Paper Review and/or audit by the Caltrans' Independent Office of Audits and Investigations (IOAI). IOAI, at its sole discretion, may review and/or audit and approve the CPA ICR documentation. The Cost Proposal shall be adjusted by the CONSULTANT and approved by the LOCAL AGENCY Contract Administrator to conform to the Work Paper Review recommendations included in the management letter or audit recommendations included in the audit report. Refusal by the CONSULTANT to incorporate the Work Paper Review recommendations included in the management letter or audit recommendations included in the audit report will be considered a breach of the AGREEMENT terms and cause for termination of the AGREEMENT and disallowance of prior reimbursed costs.

1. During a Caltrans' review of the ICR audit work papers created by the CONSULTANT's independent CPA, IOAI will work with the CPA and/or CONSULTANT toward a resolution of issues that arise during the review. Each party agrees to use its best efforts to resolve any audit disputes in a timely manner. If IOAI identifies significant issues during the review and is unable to issue a cognizant approval letter, LOCAL AGENCY will reimburse the CONSULTANT at an accepted ICR until a FAR (Federal Acquisition Regulation) compliant ICR {e.g. 48 CFR, part 31; GAGAS (Generally Accepted Auditing Standards); CAS (Cost Accounting Standards), if applicable; in accordance with procedures and guidelines of the American Association of State Highways and Transportation Officials (AASHTO) Audit Guide; and other applicable procedures and guidelines}is received and approved by IOAI.

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Accepted rates will be as follows:

a. If the proposed rate is less than one hundred and fifty percent (150%) - the accepted rate reimbursed will be ninety percent (90%) of the proposed rate.
b. If the proposed rate is between one hundred and fifty percent (150%) and two hundred percent (200%) - the provisional rate will be eighty five percent (85%) of the proposed rate.
c. If the proposed rate is greater than two hundred percent (200%) - the provisional rate will be seventy five percent (75%) of the proposed rate.

2. If IOAI is unable to issue a cognizant letter per paragraph E.1. above, IOAI may require CONSULTANT to submit a revised independent CPA-audited ICR and audit report within three (3) months of the effective date of the management letter. IOAI will then have up to six (6) months to review the CONSULTANT's and/or the independent CPA's revisions.
3. If the CONSULTANT fails to comply with the provisions of this paragraph E, or if IOAI is still unable to issue a cognizant approval letter after the revised independent CPA-audited ICR is submitted, overhead cost reimbursement will be limited to the accepted ICR that was established upon initial rejection of the ICR and set forth in paragraph E.1. above for all rendered services. In this event, this accepted ICR will become the actual and final ICR for reimbursement purposes under this AGREEMENT.
4. CONSULTANT may submit to LOCAL AGENCY final invoice only when all of the following items have occurred: (1) IOAI accepts or adjusts the original or revised independent CPA-audited ICR; (2) all work under this AGREEMENT has been completed to the satisfaction of LOCAL AGENCY; and, (3) IOAI has issued its final ICR review letter. The CONSULTANT MUST SUBMIT ITS FINAL INVOICE TO LOCAL AGENCY no later than sixty (60) calendar days after occurrence of the last of these items. The accepted ICR will apply to this AGREEMENT and all other agreements executed between LOCAL AGENCY and the CONSULTANT, either as a prime or subconsultant, with the same fiscal period ICR.

ARTICLE X SUBCONTRACTING

A. Nothing contained in this AGREEMENT or otherwise, shall create any contractual relation between LOCAL AGENCY and any subconsultant(s), and no subcontract shall relieve the CONSULTANT of its responsibilities and obligations hereunder. The CONSULTANT agrees to be as fully responsible to LOCAL AGENCY for the acts and omissions of its subconsultant(s) and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by CONSULTANT. The CONSULTANT's obligation to pay its subconsultant(s) is an independent obligation from LOCAL AGENCY'S obligation to make payments to the CONSULTANT.
B. The CONSULTANT shall perform the work contemplated with resources available within its own organization and no portion of the work shall be subcontracted without written authorization by LOCAL AGENCY's Contract Administrator, except that, which is expressly identified in the CONSULTANT'S approved Cost Proposal.
C. Any subagreement entered into as a result of this AGREEMENT, shall contain all the provisions stipulated in this entire AGREEMENT to be applicable to Subconsultants unless otherwise noted.
D. CONSULTANT shall pay its subconsultants within fifteen (15) calendar days from receipt of each payment made to CONSULTANT by LOCAL AGENCY..
E. Any substitution of subconsultant(s) must be approved in writing by LOCAL AGENCY's Contract Administrator in advance of assigning work to a subconsultant(s).
F. Prompt Progress Payment

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CONSULTANT or subconsultant shall pay to any subconsultant, not later than fifteen (15) days after receipt of each progress payment, unless otherwise agreed to in writing, the respective amounts allowed CONSULTANT on account of the work performed by the subconsultants, to the extent of each subconsultant's interest therein. In the event that there is a good faith dispute over all or any portion of the amount due on a progress payment from CONSULTANT or subconsultant to a subconsultant, CONSULTANT or subconsultant may withhold no more than 150 percent of the disputed amount. Any violation of this requirement shall constitute a cause for disciplinary action and shall subject the licensee to a penalty, payable to the subconsultant, of 2 percent of the amount due per month for every month that payment is not made. In any action for the collection of funds wrongfully withheld, the prevailing party shall be entitled to his or her attorney's fees and costs. The sanctions authorized under this requirement shall be separate from, and in addition to, all other remedies, either civil, administrative, or criminal. This clause applies to both DBE and non-DBE subconsultants.

G. Prompt Payment of Withheld Funds to Subconsultants

The LOCAL AGENCY may hold retainage from CONSULTANT and shall make prompt and regular incremental acceptances of portions, as determined by the LOCAL AGENCY, of the contract work, and pay retainage to CONSULTANT based on these acceptances. The LOCAL AGENCY designates the method below to ensure prompt and full payment of any retainage kept by CONSULTANT or subconsultant to a subconsultant.

Method 3: The LOCAL AGENCY shall hold retainage from CONSULTANT and shall make prompt and regular incremental acceptances of portions, as determined by the LOCAL AGENCY of the contract work and pay retainage to CONSULTANT based on these acceptances. CONSULTANT or subconsultant shall return all monies withheld in retention from all subconsultants within 15 days after receiving payment for work satisfactorily completed and accepted including incremental acceptances of portions of the contract work by the LOCAL AGENCY. Any delay or postponement of payment may take place only for good cause and with the LOCAL AGENCY's prior written approval. Any violation of these provisions shall subject the violating CONSULTANT or subconsultant to the penalties, sanctions, and other remedies specified in Section 3321 of the California Civil Code. This requirement shall not be construed to limit or impair any contractual, administrative or judicial remedies otherwise available to CONSULTANT or subconsultant in the event of a dispute involving late payment or nonpayment by CONSULTANT; deficient subconsultant performance and/or noncompliance by a subconsultant. This clause applies to both DBE and non-DBE subconsultants.

Any violation of these provisions shall subject the violating CONSULTANT or subconsultant to the penalties, sanctions and other remedies specified therein. These requirements shall not be construed to limit or impair any contractual, administrative, or judicial remedies otherwise available to CONSULTANT or subconsultant in the event of a dispute involving late payment or nonpayment by CONSULTANT, deficient subcontract performance, or noncompliance by a subconsultant.

ARTICLE XI EQUIPMENT PURCHASE

A. Prior authorization in writing, by LOCAL AGENCY's Contract Administrator shall be required before CONSULTANT enters into any unbudgeted purchase order, or subcontract exceeding five thousand dollars ($5,000) for supplies, equipment, or CONSULTANT services. CONSULTANT shall provide an evaluation of the necessity or desirability of incurring such costs.

B. For purchase of any item, service or consulting work not covered in CONSULTANT's approved Cost Proposal and exceeding five thousand dollars ($5,000) prior authorization by LOCAL AGENCY's Contract Administrator; three competitive quotations must be submitted with the request, or the absence of proposal must be adequately justified.

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C. Any equipment purchased with funds provided under the terms of this AGREEMENT is subject to the following:
   1. "CONSULTANT shall maintain an inventory of all nonexpendable property. Nonexpendable property is defined as having a useful life of at least two years and an acquisition cost of $5,000 or more. If the purchased equipment needs replacement and is sold or traded in, LOCAL AGENCY shall receive a proper refund or credit at the conclusion of the AGREEMENT, or if the AGREEMENT is terminated, CONSULTANT may either keep the equipment and credit LOCAL AGENCY in an amount equal to its fair market value, or sell such equipment at the best price obtainable at a public or private sale, in accordance with established LOCAL AGENCY procedures; and credit LOCAL AGENCY in an amount equal to the sales price. If CONSULTANT elects to keep the equipment, fair market value shall be determined at CONSULTANT's expense, on the basis of a competent independent appraisal of such equipment. Appraisals shall be obtained from an appraiser mutually agreeable to by LOCAL AGENCY and CONSULTANT, if it is determined to sell the equipment, the terms and conditions of such sale must be approved in advance by LOCAL AGENCY.
   2. Regulation 2 CFR, Part 200 requires a credit to Federal funds when participating equipment with a fair market value greater than five thousand dollars ($5,000) is credited to the Project.

ARTICLE XII STATE PREVAILING WAGE RATES

A. No CONSULTANT or subconsultant may be awarded an AGREEMENT containing public work elements unless registered with the Department of Industrial Relations (DIR) pursuant to Labor Code §1725.5. Registration with DIR must be maintained throughout the entire term of this AGREEMENT, including any subsequent amendments.

B. The CONSULTANT shall comply with all of the applicable provisions of the California Labor Code requiring the payment of prevailing wages. The General Prevailing Wage Rate Determinations applicable to work under this AGREEMENT are available and on file with the Department of Transportation's Regional/District Labor Compliance Officer (https://dot.ca.gov/programs/construction/labor-compliance). These wage rates are made a specific part of this AGREEMENT by reference pursuant to Labor Code §1773.2 and will be applicable to work performed at a construction Project site. Prevailing wages will be applicable to all inspection work performed at LOCAL AGENCY construction sites, at LOCAL AGENCY facilities and at off-site locations that are set up by the construction contractor or one of its subcontractors solely and specifically to serve LOCAL AGENCY Projects. Prevailing wage requirements do not apply to inspection work performed at the facilities of vendors and commercial materials suppliers that provide goods and services to the general public.

C. General Prevailing Wage Rate Determinations applicable to this Project may also be obtained from the Department of Industrial Relations website at http://www.dir.ca.gov**.**

D. Payroll Records
   1. Each CONSULTANT and subconsultant shall keep accurate certified payroll records and supporting documents as mandated by Labor Code §1776 and as defined in 8 CCR §16000 showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by the CONSULTANT or subconsultant in connection with the public work. Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating both of the following:
      a. The information contained in the payroll record is true and correct.

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b. The employer has complied with the requirements of Labor Code §1771, §1811, and §1815 for any work performed by his or her employees on the public works Project.

2. The payroll records enumerated under paragraph (1) above shall be certified as correct by the CONSULTANT under penalty of perjury. The payroll records and all supporting documents shall be made available for inspection and copying by LOCAL AGENCY representatives at all reasonable hours at the principal office of the CONSULTANT. The CONSULTANT shall provide copies of certified payrolls or permit inspection of its records as follows:
    a. A certified copy of an employee's payroll record shall be made available for inspection or furnished to the employee or the employee's authorized representative on request.
    b. A certified copy of all payroll records enumerated in paragraph (1) above, shall be made available for inspection or furnished upon request to a representative of LOCAL AGENCY, the Division of Labor Standards Enforcement and the Division of Apprenticeship Standards of the Department of Industrial Relations. Certified payrolls submitted to LOCAL AGENCY, the Division of Labor Standards Enforcement and the Division of Apprenticeship Standards shall not be altered or obliterated by the CONSULTANT.
    c. The public shall not be given access to certified payroll records by the CONSULTANT. The CONSULTANT is required to forward any requests for certified payrolls to the LOCAL AGENCY Contract Administrator by both email and regular mail on the business day following receipt of the request.
3. Each CONSULTANT shall submit a certified copy of the records enumerated in paragraph (1) above, to the entity that requested the records within ten (10) calendar days after receipt of a written request.
4. Any copy of records made available for inspection as copies and furnished upon request to the public or any public agency by LOCAL AGENCY shall be marked or obliterated in such a manner as to prevent disclosure of each individual's name, address, and social security number. The name and address of the CONSULTANT or subconsultant performing the work shall not be marked or obliterated.
5. The CONSULTANT shall inform LOCAL AGENCY of the location of the records enumerated under paragraph (1) above, including the street address, city and county, and shall, within five (5) working days, provide a notice of a change of location and address.
6. The CONSULTANT or subconsultant shall have ten (10) calendar days in which to comply subsequent to receipt of written notice requesting the records enumerated in paragraph (1) above. In the event the CONSULTANT or subconsultant fails to comply within the ten (10) day period, he or she shall, as a penalty to LOCAL AGENCY, forfeit one hundred dollars ($100) for each calendar day, or portion thereof, for each worker, until strict compliance is effectuated. Such penalties shall be withheld by LOCAL AGENCY from payments then due. CONSULTANT is not subject to a penalty assessment pursuant to this section due to the failure of a subconsultant to comply with this section.

E. When prevailing wage rates apply, the CONSULTANT is responsible for verifying compliance with certified payroll requirements. Invoice payment will not be made until the invoice is approved by the LOCAL AGENCY Contract Administrator.

F. Penalty
1. The CONSULTANT and any of its Subconsultants shall comply with Labor Code §1774 and §1775. Pursuant to Labor Code §1775, the CONSULTANT and any subconsultant shall forfeit to the LOCAL AGENCY a penalty of not more than two hundred dollars ($200) for each calendar day, or

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portion thereof, for each worker paid less than the prevailing rates as determined by the Director of DIR for the work or craft in which the worker is employed for any public work done under the AGREEMENT by the CONSULTANT or by its subconsultant in violation of the requirements of the Labor Code and in particular, Labor Code §§1770 to 1780, inclusive.

2. The amount of this forfeiture shall be determined by the Labor Commissioner and shall be based on consideration of mistake, inadvertence, or neglect of the CONSULTANT or subconsultant in failing to pay the correct rate of prevailing wages, or the previous record of the CONSULTANT or subconsultant in meeting their respective prevailing wage obligations, or the willful failure by the CONSULTANT or subconsultant to pay the correct rates of prevailing wages. A mistake, inadvertence, or neglect in failing to pay the correct rates of prevailing wages is not excusable if the CONSULTANT or subconsultant had knowledge of the obligations under the Labor Code. The CONSULTANT is responsible for paying the appropriate rate, including any escalations that take place during the term of the AGREEMENT.

3. In addition to the penalty and pursuant to Labor Code §1775, the difference between the prevailing wage rates and the amount paid to each worker for each calendar day or portion thereof for which each worker was paid less than the prevailing wage rate shall be paid to each worker by the CONSULTANT or subconsultant.

4. If a worker employed by a subconsultant on a public works Project is not paid the general prevailing per diem wages by the subconsultant, the prime CONSULTANT of the Project is not liable for the penalties described above unless the prime CONSULTANT had knowledge of that failure of the subconsultant to pay the specified prevailing rate of wages to those workers or unless the prime CONSULTANT fails to comply with all of the following requirements:
   a. The AGREEMENT executed between the CONSULTANT and the subconsultant for the performance of work on public works Projects shall include a copy of the requirements in Labor Code §§ 1771, 1775, 1776, 1777.5, 1813, and 1815.
   b. The CONSULTANT shall monitor the payment of the specified general prevailing rate of per diem wages by the subconsultant to the employees by periodic review of the certified payroll records of the Sub-consultant.
   c. Upon becoming aware of the Sub-consultant's failure to pay the specified prevailing rate of wages to the subconsultant's workers, the CONSULTANT shall diligently take corrective action to halt or rectify the failure, including but not limited to, retaining sufficient funds due the subconsultant for work performed on the public works Project.
   d. Prior to making final payment to the subconsultant for work performed on the public works Project, the CONSULTANT shall obtain an affidavit signed under penalty of perjury from the subconsultant that the subconsultant had paid the specified general prevailing rate of per diem wages to the subconsultant's employees on the public works Project and any amounts due pursuant to Labor Code §1813.
5. Pursuant to Labor Code §1775, LOCAL AGENCY shall notify the CONSULTANT on a public works Project within fifteen (15) calendar days of receipt of a complaint that a subconsultant has failed to pay workers the general prevailing rate of per diem wages.
6. If LOCAL AGENCY determines that employees of a subconsultant were not paid the general prevailing rate of per diem wages and if LOCAL AGENCY did not retain sufficient money under the AGREEMENT to pay those employees the balance of wages owed under the general prevailing rate of per diem wages, the CONSULTANT shall withhold an amount of moneys due

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the subconsultant sufficient to pay those employees the general prevailing rate of per diem wages if requested by LOCAL AGENCY.

G. Hours of Labor
Eight (8) hours labor constitutes a legal day's work. The CONSULTANT shall forfeit, as a penalty to the LOCAL AGENCY, twenty-five dollars ($25) for each worker employed in the execution of the AGREEMENT by the CONSULTANT or any of its Subconsultants for each calendar day during which such worker is required or permitted to work more than eight (8) hours in any one calendar day and forty (40) hours in any one calendar week in violation of the provisions of the Labor Code, and in particular §§1810 to 1815 thereof, inclusive, except that work performed by employees in excess of eight (8) hours per day, and forty (40) hours during any one week, shall be permitted upon compensation for all hours worked in excess of eight (8) hours per day and forty (40) hours in any week, at not less than one and one-half (1.5) times the basic rate of pay, as provided in §1815.

H. Employment of Apprentices
1. Where either the prime AGREEMENT or the subagreement exceeds thirty thousand dollars ($30,000), the CONSULTANT and any subconsultants under him or her shall comply with all applicable requirements of Labor Code §§ 1777.5, 1777.6 and 1777.7 in the employment of apprentices.
2. CONSULTANTs and subconsultants are required to comply with all Labor Code requirements regarding the employment of apprentices, including mandatory ratios of journey level to apprentice workers. Prior to commencement of work, CONSULTANT and subconsultants are advised to contact the DIR Division of Apprenticeship Standards website at https://www.dir.ca.gov/das/, for additional information regarding the employment of apprentices and for the specific journey-to- apprentice ratios for the AGREEMENT work. The CONSULTANT is responsible for all subconsultants' compliance with these requirements. Penalties are specified in Labor Code §1777.7.

ARTICLE XIII CONFLICT OF INTEREST

A. During the term of this AGREEMENT, the CONSULTANT shall disclose any financial, business, or other relationship with LOCAL AGENCY that may have an impact upon the outcome of this AGREEMENT or any ensuing LOCAL AGENCY construction Project. The CONSULTANT shall also list current clients who may have a financial interest in the outcome of this AGREEMENT or any ensuing LOCAL AGENCY construction Project which will follow.

B. CONSULTANT certifies that it has disclosed to LOCAL AGENCY any actual, apparent, or potential conflicts of interest that may exist relative to the services to be provided pursuant to this AGREEMENT. CONSULTANT agrees to advise LOCAL AGENCY of any actual, apparent or potential conflicts of interest that may develop subsequent to the date of execution of this AGREEMENT. CONSULTANT further agrees to complete any statements of economic interest if required by either LOCAL AGENCY ordinance or State law.

C. The CONSULTANT hereby certifies that it does not now have nor shall it acquire any financial or business interest that would conflict with the performance of services under this AGREEMENT.

D. The CONSULTANT hereby certifies that the CONSULTANT or subconsultant and any firm affiliated with the CONSULTANT or subconsultant that bids on any construction contract or on any Agreement to provide construction inspection for any construction Project resulting from this AGREEMENT, has established necessary controls to ensure a conflict of interest does not exist. An affiliated firm is one, which is subject to the control of the same persons, through joint ownership or otherwise.

ARTICLE XIV REBATES, KICKBACKS OR OTHER UNLAWFUL CONSIDERATION

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CONSULTANT warrants that this AGREEMENT was not obtained or secured through rebates kickbacks or other unlawful consideration, either promised or paid to any LOCAL AGENCY employee. For breach or violation of this warranty, LOCAL AGENCY shall have the right in its discretion; to terminate the AGREEMENT without liability; to pay only for the value of the work actually performed; or to deduct from the AGREEMENT price; or otherwise recover the full amount of such rebate, kickback or other unlawful consideration.

ARTICLE XV PROHIBITION OF EXPENDING LOCAL AGENCY STATE OR FEDERAL FUNDS FOR LOBBYING

A. CONSULTANT certifies to the best of his or her knowledge and belief that:
   1. No state, federal or local agency appropriated funds have been paid, or will be paid by-or-on behalf of CONSULTANT to any person for influencing or attempting to influence an officer or employee of any state or federal agency; a Member of the State Legislature or United States Congress; an officer or employee of the Legislature or Congress; or any employee of a Member of the Legislature or Congress, in connection with the awarding of any state or federal contract; the making of any state or federal grant; the making of any state or federal loan; the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any state or federal contract, grant, loan, or cooperative agreement.
   2. If any funds other than federal appropriated funds have been paid, or will be paid to any person for influencing or attempting to influence an officer or employee of any federal agency; a Member of Congress; an officer or employee of Congress, or an employee of a Member of Congress; in connection with this federal contract, grant, loan, or cooperative agreement; CONSULTANT shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.

B. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than ten thousand dollars ($10,000) and not more than one hundred thousand dollars ($100,000) for each such failure.

C. CONSULTANT also agrees by signing this document that he or she shall require that the language of this certification be included in all lower-tier subagreements, which exceed one hundred thousand dollars ($100,000) and that all such sub recipients shall certify and disclose accordingly.

ARTICLE XVI NON DISCRIMINATION CLAUSE AND STATEMENT OF COMPLIANCE

A. The CONSULTANT's signature affixed herein and dated shall constitute a certification under penalty of perjury under the laws of the State of California that the CONSULTANT has, unless exempt, complied with the nondiscrimination program requirements of Gov. Code §12990 and 2 CCR § 8103.

B. During the performance of this AGREEMENT, CONSULTANT and its subconsultants shall not deny the AGREEMENT's benefits to any person on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status, nor shall they unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status. CONSULTANT and subconsultants shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment.

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C. CONSULTANT and subconsultants shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 et seq.), the applicable regulations promulgated there under (2 CCR §11000 et seq.), the provisions of Gov. Code §§11135-11139.5, and the regulations or standards adopted by LOCAL AGENCY to implement such article. The applicable regulations of the Fair Employment and Housing Commission implementing Gov. Code §12990 (a-f), set forth 2 CCR §§8100-8504, are incorporated into this AGREEMENT by reference and made a part hereof as if set forth in full.

D. CONSULTANT shall permit access by representatives of the Department of Fair Employment and Housing and the LOCAL AGENCY upon reasonable notice at any time during the normal business hours, but in no case less than twenty-four (24) hours' notice, to such of its books, records, accounts, and all other sources of information and its facilities as said Department or LOCAL AGENCY shall require to ascertain compliance with this clause.

E. CONSULTANT and its subconsultants shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

F. CONSULTANT shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this AGREEMENT.

G. The CONSULTANT, with regard to the work performed under this AGREEMENT, shall act in accordance with Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d et seq.). Title VI provides that the recipients of federal assistance will implement and maintain a policy of nondiscrimination in which no person in the United States shall, on the basis of race, color, national origin, religion, sex, age, disability, be excluded from participation in, denied the benefits of or subject to discrimination under any program or activity by the recipients of federal assistance or their assignees and successors in interest.

H. The CONSULTANT shall comply with regulations relative to non-discrimination in federally-assisted programs of the U.S. Department of Transportation (49 CFR Part 21 - Effectuation of Title VI of the Civil Rights Act of 1964). Specifically, the CONSULTANT shall not participate either directly or indirectly in the discrimination prohibited by 49 CFR §21.5, including employment practices and the selection and retention of Subconsultants.

I. CONSULTANT, subrecipient or subconsultant will never exclude any person from participation in, deny any person the benefits of, or otherwise discriminate against anyone in connection with the award and performance of any contract covered by 49 CFR 26 on the basis of race, color, sex, or national origin. In administering the LOCAL AGENCY components of the DBE Program Plan, CONSULTANT, subrecipient or subconsultant will not, directly, or through contractual or other arrangements, use criteria or methods of administration that have the effect of defeating or substantially impairing accomplishment of the objectives of the DBE Program Plan with respect to individuals of a particular race, color, sex, or national origin.

ARTICLE XVII DEBARMENT AND SUSPENSION CERTIFICATION

A. The CONSULTANT's signature affixed herein shall constitute a certification under penalty of perjury under the laws of the State of California, that the CONSULTANT or any person associated therewith in the capacity of owner, partner, director, officer or manager:
   1. Is not currently under suspension, debarment, voluntary exclusion, or determination of ineligibility by any federal agency;
   2. Has not been suspended, debarred, voluntarily excluded, or determined ineligible by any federal agency within the past three (3) years;
   3. Does not have a proposed debarment pending; and

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4. Has not been indicted, convicted, or had a civil judgment rendered against it by a court of competent jurisdiction in any matter involving fraud or official misconduct within the past three (3) years.

B. Any exceptions to this certification must be disclosed to LOCAL AGENCY. Exceptions will not necessarily result in denial of recommendation for award, but will be considered in determining responsibility. Disclosures must indicate the party to whom the exceptions apply, the initiating agency, and the dates of agency action.

C. Exceptions to the Federal Government Excluded Parties List System maintained by the U.S. General Services Administration are to be determined by FHWA.

ARTICLE XVIII DISADVANTAGED BUSINESS ENTERPRISES (DBE) PARTICIPATION

A. CONSULTANT, subrecipient (LOCAL AGENCY), or subconsultant shall take necessary and reasonable steps to ensure that DBEs have opportunities to participate in the contract (49 CFR 26). To ensure equal participation of DBEs provided in 49 CFR 26.5, The LOCAL AGENCY shows a contract goal for DBEs. CONSULTANT shall make work available to DBEs and select work parts consistent with available DBE subconsultants and suppliers.

CONSULTANT shall meet the DBE goal shown elsewhere in these special provisions or demonstrate that they made adequate good faith efforts to meet this goal. It is CONSULTANT's responsibility to verify that the DBE firm is certified as DBE at date of proposal opening and document the record by printing out the California Unified Certification Program (CUCP) data for each DBE firm. A list of DBEs certified by the CUCP can be found here.

All DBE participation will count toward the California Department of Transportation's federally mandated statewide overall DBE goal. Credit for materials or supplies CONSULTANT purchases from DBEs counts towards the goal in the following manner:

- 100 percent counts if the materials or supplies are obtained from a DBE manufacturer.
- 60 percent counts if the materials or supplies are purchased from a DBE regular dealer.
- Only fees, commissions, and charges for assistance in the procurement and delivery of materials or supplies count if obtained from a DBE that is neither a manufacturer nor regular dealer. 49CFR26.55 defines "manufacturer" and "regular dealer."

This AGREEMENT is subject to 49 CFR Part 26 entitled "Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs". CONSULTANTs who enter into a federally-funded agreement will assist the LOCAL AGENCY in a good faith effort to achieve California's statewide overall DBE goal.

B. The goal for DBE participation for this AGREEMENT is **12%.** Participation by DBE CONSULTANT or subconsultants shall be in accordance with information contained in Exhibit 10-O2: Consultant Contract DBE Commitment attached hereto and incorporated as part of the AGREEMENT. If a DBE subconsultant is unable to perform, CONSULTANT must make a good faith effort to replace him/her with another DBE subconsultant, if the goal is not otherwise met.

C. CONSULTANT can meet the DBE participation goal by either documenting commitments to DBEs to meet the AGREEMENT goal, or by documenting adequate good faith efforts to meet the AGREEMENT goal. An adequate good faith effort means that the CONSULTANT must show that it took all necessary and reasonable steps to achieve a DBE goal that, by their scope, intensity, and appropriateness to the objective, could reasonably be expected to meet the DBE goal. If CONSULTANT has not met the DBE goal, complete and submit Exhibit 15-H: DBE Information – Good

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Faith Efforts to document efforts to meet the goal. Refer to 49 CFR Part 26 for guidance regarding evaluation of good faith efforts to meet the DBE goal.

D. Contract Assurance Under 49 CFR 26.13(b):
CONSULTANT, subrecipient or subconsultant shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. CONSULTANT shall carry out applicable requirements of 49 CFR 26 in the award and administration of federal-aid contracts.
Failure by the CONSULTANT to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as the recipient deems appropriate, which may include, but is not limited to:
(1) Withholding monthly progress payments;
(2) Assessing sanctions;
(3) Liquidated damages; and/or
(4) Disqualifying CONSULTANT from future proposing as non-responsible

E. Termination and Substitution of DBE Subconsultants
CONSULTANT shall utilize the specific DBEs listed to perform the work and supply the materials for which each is listed unless CONSULTANT or DBE subconsultant obtains the LOCAL AGENCY's written consent. CONSULTANT shall not terminate or substitute a listed DBE for convenience and perform the work with their own forces or obtain materials from other sources without authorization from the LOCAL AGENCY. Unless the LOCAL AGENCY's consent is provided, the CONSULTANT shall not be entitled to any payment for work or material unless it is performed or supplied by the listed DBE on the Exhibit 10-02 Consultant Contract DBE Commitment form, included in the Bid.
The LOCAL AGENCY authorizes a request to use other forces or sources of materials if CONSULTANT shows any of the following justifications:

1. Listed DBE fails or refuses to execute a written contract based on plans and specifications for the Project.
2. The LOCAL AGENCY stipulated that a bond is a condition of executing the subcontract and the listed DBE fails to meet the LOCAL AGENCY's bond requirements.
3. Work requires a consultant's license and listed DBE does not have a valid license under Contractors License Law.
4. Listed DBE fails or refuses to perform the work or furnish the listed materials (failing or refusing to perform is not an allowable reason to remove a DBE if the failure or refusal is a result of bad faith or discrimination).
5. Listed DBE's work is unsatisfactory and not in compliance with the contract.
6. Listed DBE is ineligible to work on the Project because of suspension or debarment.
7. Listed DBE becomes bankrupt or insolvent.
8. Listed DBE voluntarily withdraws with written notice from the Contract
9. Listed DBE is ineligible to receive credit for the type of work required.
10. Listed DBE owner dies or becomes disabled resulting in the inability to perform the work on the Contract.
11. The LOCAL AGENCY determines other documented good cause.

CONSULTANT shall notify the original DBE of the intent to use other forces or material sources and provide the reasons and provide the DBE with 5 days to respond to the notice and advise CONSULTANT and the LOCAL AGENCY of the reasons why the use of other forces or sources of materials should not occur.

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CONSULTANT's request to use other forces or material sources must include:

1. One or more of the reasons listed in the preceding paragraph.
2. Notices from CONSULTANT to the DBE regarding the request.
3. Notices from the DBEs to CONSULTANT regarding the request.

If a listed DBE is terminated or substituted, CONSULTANT must make good faith efforts to find another DBE to substitute for the original DBE. The substitute DBE must perform at least the same amount of work as the original DBE under the contract to the extent needed to meet or exceed the DBE goal.

F. Commitment and Utilization

The LOCAL AGENCY's DBE program must include a monitoring and enforcement mechanism to ensure that DBE commitments reconcile to DBE utilization.

The LOCAL AGENCY shall request CONSULTANT to:

1. Notify the LOCAL AGENCY's contract administrator or designated representative of any changes to its anticipated DBE participation
2. Provide this notification before starting the affected work
3. Maintain records including:
   - Name and business address of each 1st-tier subconsultant
   - Name and business address of each DBE subconsultant, DBE vendor, and DBE trucking company, regardless of tier
   - Date of payment and total amount paid to each business (see Exhibit 9-F *Monthly Disadvantaged Business Enterprise Payment*)

If CONSULTANT is a DBE CONSULTANT, they shall include the date of work performed by their own forces and the corresponding value of the work.

If a DBE is decertified before completing its work, the DBE must notify CONSULTANT in writing of the decertification date. If a business becomes a certified DBE before completing its work, the business must notify CONSULTANT in writing of the certification date. CONSULTANT shall submit the notifications to the LOCAL AGENCY. On work completion, CONSULTANT shall complete a Disadvantaged Business Enterprises (DBE) Certification Status Change, Exhibit 17-O, form and submit the form to the LOCAL AGENCY within 30 days of contract acceptance.

Upon work completion, CONSULTANT shall complete Exhibit 17-F Final Report – Utilization of Disadvantaged Business Enterprises (DBE), First-Tier Subcontractors and submit it to the LOCAL AGENCY within 90 days of contract acceptance. The LOCAL AGENCY will withhold $10,000 until the form is submitted. The LOCAL AGENCY will release the withhold upon submission of the completed form.

In the LOCAL AGENCY's reports of DBE participation to Caltrans, the LOCAL AGENCY must display both commitments and attainments.

G. A DBE is only eligible to be counted toward the AGREEMENT goal if it performs a commercially useful function (CUF) on the AGREEMENT. CUF must be evaluated on an agreement by agreement basis. A DBE performs a Commercially Useful Function (CUF) when it is responsible for execution of the work of the AGREEMENT and is carrying out its responsibilities by actually performing, managing, and supervising the work involved. To perform a CUF, the DBE must also be responsible, with respect to materials and supplies used on the AGREEMENT, for negotiating price, determining

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quality and quantity, ordering the material and installing (where applicable), and paying for the material itself. To determine whether a DBE is performing a CUF, evaluate the amount of work subcontracted, industry practices, whether the amount the firm is to be paid under the AGREEMENT is commensurate with the work it is actually performing, and other relevant factors.

H. A DBE does not perform a CUF if its role is limited to that of an extra participant in a transaction, AGREEMENT, or Project through which funds are passed in order to obtain the appearance of DBE participation. In determining whether a DBE is such an extra participant, examine similar transactions, particularly those in which DBEs do not participate.

I. If a DBE does not perform or exercise responsibility for at least thirty percent (30%) of the total cost of its AGREEMENT with its own work force, or the DBE subcontracts a greater portion of the work of the AGREEMENT than would be expected on the basis of normal industry practice for the type of work involved, it will be presumed that it is not performing a CUF.

J. CONSULTANT shall maintain records of materials purchased or supplied from all subcontracts entered into with certified DBEs. The records shall show the name and business address of each DBE or vendor and the total dollar amount actually paid each DBE or vendor, regardless of tier. The records shall show the date of payment and the total dollar figure paid to all firms. DBE CONSULTANT's shall also show the date of work performed by their own forces along with the corresponding dollar value of the work.

K. If a DBE subconsultant is decertified during the life of the AGREEMENT, the decertified subconsultant shall notify CONSULTANT in writing with the date of decertification. If a subconsultant becomes a certified DBE during the life of the AGREEMENT, the subconsultant shall notify CONSULTANT in writing with the date of certification. Any changes should be reported to LOCAL AGENCY's Contract Administrator within thirty (30) calendar days.

L. After submitting an invoice for reimbursement that includes a payment to a DBE, but no later than the 10th of the following month, the prime contractor/consultant shall complete and email the Exhibit 9- F: Disadvantaged Business Enterprise Running Tally of Payments to business.support.unit@dot.ca.gov with a copy to the Agency.

M. Any subcontract entered into as a result of this AGREEMENT shall contain all of the provisions of this section.

ARTICLE XIX INSURANCE

A. Prior to commencement of the work described herein, CONSULTANT shall furnish LOCAL AGENCY a Certificate of Insurance in compliance with the following:

Minimum Scope of Insurance:

i. Consultant agrees to have and maintain, for the duration of the contract, General Comprehensive Liability insurance policies insuring him/her and his/her firm to an amount not less than: one million dollars ($1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

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ii. Consultant agrees to have and maintain, for the duration of the contract, bodily injury liability insurance herein provided for, which shall be in effect at all times during the term of this AGREEMENT.

iii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars ($1,000,000) combined single limit per accident for bodily injury and property damage.

iv. Consultant shall provide to the LOCAL AGENCY all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the LOCAL AGENCY before work commences. The Certificate of Insurance will provide: 1. That the insurer will not cancel the insured's coverage without thirty (30) calendar days prior written notice to LOCAL AGENCY. 2. That LOCAL AGENCY, its officers, agents, employees, and servants are included as additional insureds, but only insofar as the operations under this AGREEMENT are concerned. 3. That LOCAL AGENCY will not be responsible for any premiums or assessments on the policy.

v. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than $1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

i. The LOCAL AGENCY, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.

ii. The Consultant's insurance coverage shall be primary insurance as respects the LOCAL AGENCY, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the LOCAL AGENCY, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the LOCAL AGENCY, its officers, officials, employees or volunteers.

iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the LOCAL AGENCY. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

In the event said insurance coverage expires at any time or times during the term of this

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AGREEMENT, CONSULTANT agrees to provide a new Certificate of Insurance evidencing insurance coverage as provided for herein, for not less than either the remainder of the term of the AGREEMENT, or for a period of not less than one (1) year. New Certificates of Insurance are subject to the approval of LOCAL AGENCY. In the event CONSULTANT fails to keep in effect at all times insurance coverage as herein provided, LOCAL AGENCY may, in addition to any other remedies it may have, terminate this AGREEMENT upon occurrence of such event.

Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the LOCAL AGENCY before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.

B. CONSULTANT agrees that the insurance herein provided for, shall be in effect at all times during the term of this contract. In the event said insurance coverage expires at any time or times during the term of this contract, CONSULTANT agrees to provide at least thirty (30) days prior notice to said expiration date; and a new Certificate of Insurance evidencing insurance coverage as provided for herein, for not less than either the remainder of the term of the contract, or for a period of not less than one (1) year. New Certificates of Insurance are subject to the approval of LOCAL AGENCY. In the event CONSULTANT fails to keep in effect at all times insurance coverage as herein provided, LOCAL AGENCY may, in addition to any other remedies it may have, terminate this contract upon occurrence of such event.

ARTICLE XX FUNDING REQUIREMENTS

A. It is mutually understood between the parties that this AGREEMENT may have been written before ascertaining the availability of funds or appropriation of funds, for the mutual benefit of both parties, in order to avoid program and fiscal delays that would occur if the AGREEMENT were executed after that determination was made.
B. This AGREEMENT is valid and enforceable only, if sufficient funds are made available to LOCAL AGENCY for the purpose of this AGREEMENT. In addition, this AGREEMENT is subject to any additional restrictions, limitations, conditions, or any statute enacted by the Congress, State Legislature, or LOCAL AGENCY governing board that may affect the provisions, terms, or funding of this AGREEMENT in any manner.
C. It is mutually agreed that if sufficient funds are not appropriated, this AGREEMENT may be amended to reflect any reduction in funds.
D. LOCAL AGENCY has the option to terminate the AGREEMENT pursuant to Article VI, or by mutual agreement to amend the AGREEMENT to reflect any reduction of funds.

ARTICLE XXI CHANGE IN TERMS

A. This AGREEMENT may be amended only by mutual written agreement of the parties.
B. CONSULTANT shall only commence work covered by an amendment after the amendment is executed and notification to proceed has been provided by LOCAL AGENCY'S Contract Administrator.
C. There shall be no change in CONSULTANT's Project Manager or members of the Project team, as listed in the approved Cost Proposal, which is a part of this AGREEMENT without prior written approval by LOCAL AGENCY'S Contract Administrator.

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ARTICLE XXII CONTINGENT FEE

CONSULTANT warrants, by execution of this AGREEMENT that no person or selling agency has been employed, or retained, to solicit or secure this AGREEMENT upon an agreement or understanding, for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees, or bona fide established commercial or selling agencies maintained by CONSULTANT for the purpose of securing business. For breach or violation of this warranty, LOCAL AGENCY has the right to annul this contract without liability; pay only for the value of the work actually performed, or in its discretion to deduct from the contract price or consideration, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

ARTICLE XXII DISPUTES

Prior to either party commencing any legal action under this AGREEMENT, the parties agree to try in good faith, to settle any dispute amicably between them. If a dispute has not been settled after forty-five (45) days of good-faith negotiations and as may be otherwise provided herein, then either party may commence legal action against the other.

A. Any dispute, other than audit, concerning a question of fact arising under this AGREEMENT that is not disposed of by agreement shall be decided by a committee consisting of LOCAL AGENCY's Contract Administrator and Parks and Public Works Director, who may consider written or verbal information submitted by CONSULTANT.
B. Not later than thirty (30) calendar days after completion of all deliverables necessary to complete the plans, specifications and estimate, CONSULTANT may request review by LOCAL AGENCY Governing Board of unresolved claims or disputes, other than audit. The request for review will be submitted in writing.
C. Neither the pendency of a dispute, nor its consideration by the committee will excuse CONSULTANT from full and timely performance in accordance with the terms of this AGREEMENT.

ARTICLE XXIV INSPECTION OF WORK

CONSULTANT and any subconsultant shall permit LOCAL AGENCY, the State, and the FHWA if federal participating funds are used in this AGREEMENT; to review and inspect the Project activities and files at all reasonable times during the performance period of this AGREEMENT.

ARTICLE XXV SAFETY

A. CONSULTANT shall comply with OSHA regulations applicable to CONSULTANT regarding necessary safety equipment or procedures. CONSULTANT shall comply with safety instructions issued by LOCAL AGENCY Safety Officer and other LOCAL AGENCY representatives. CONSULTANT personnel shall wear hard hats and safety vests at all times while working on the construction Project site.
B. Pursuant to the authority contained in Vehicle Code §591, LOCAL AGENCY has determined that such areas are within the limits of the Project and are open to public traffic. CONSULTANT shall comply with all of the requirements set forth in Divisions 11, 12, 13, 14, and 15 of the Vehicle Code. CONSULTANT shall take all reasonably necessary precautions for safe operation of its vehicles and the protection of the traveling public from injury and damage from such vehicles.
C. Any subcontract entered into as a result of this contract, shall contain all of the provisions of this Article.
D. CONSULTANT must have a Division of Occupational Safety and Health (CAL-OSHA) permit(s), as outlined in California Labor Code Sections 6500 and 6705, prior to the initiation of any practices,

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work, method, operation, or process related to the construction or excavation of trenches which are five feet or deeper

ARTICLE XXVI OWNERSHIP OF DATA

A. It is mutually agreed that all materials prepared by CONSULTANT under this AGREEMENT shall become the property of City, and CONSULTANT shall have no property right therein whatsoever. Immediately upon termination, City shall be entitled to, and CONSULTANT shall deliver to City, reports, investigations, appraisals, inventories, studies, analyses, drawings and data estimates performed to that date, whether completed or not, and other such materials as may have been prepared or accumulated to date by CONSULTANT in performing this AGREEMENT which is not CONSULTANT's privileged information, as defined by law, or CONSULTANT's personnel information, along with all other property belonging exclusively to City which is in CONSULTANT's possession. Publication of the information derived from work performed or data obtained in connection with services rendered under this AGREEMENT must be approved in writing by City.

B. Additionally, it is agreed that the Parties intend this to be an AGREEMENT for services and each considers the products and results of the services to be rendered by CONSULTANT hereunder to be work made for hire. CONSULTANT acknowledges and agrees that the work (and all rights therein, including, without limitation, copyright) belongs to and shall be the sole and exclusive property of City without restriction or limitation upon its use or dissemination by City.

C. Nothing herein shall constitute or be construed to be any representation by CONSULTANT that the work product is suitable in any way for any other Project except the one detailed in this Contract. Any reuse by City for another Project or Project location shall be at City's sole risk.

D. Applicable patent rights provisions regarding rights to inventions shall be included in the contracts as appropriate (48 CFR 27 Subpart 27.3 - Patent Rights under Government Contracts for federal-aid contracts).

E. LOCAL AGENCY may permit copyrighting reports or other agreement products. If copyrights are permitted; the AGREEMENT shall provide that the FHWA shall have the royalty-free nonexclusive and irrevocable right to reproduce, publish, or otherwise use; and to authorize others to use, the work for government purposes.

ARTICLE XXVII CLAIMS FILED BY LOCAL AGENCY's CONSTRUCTION CONTRACTOR

A. If claims are filed by LOCAL AGENCY's construction contractor relating to work performed by CONSULTANT's personnel, and additional information or assistance from CONSULTANT's personnel is required in order to evaluate or defend against such claims; CONSULTANT agrees to make its personnel available for consultation with LOCAL AGENCY'S construction contract administration and legal staff and for testimony, if necessary, at depositions and at trial or arbitration proceedings.

B. CONSULTANT's personnel that LOCAL AGENCY considers essential to assist in defending against construction contractor claims will be made available on reasonable notice from LOCAL AGENCY. Consultation or testimony will be reimbursed at the same rates, including travel costs that are being paid for CONSULTANT's personnel services under this AGREEMENT.

C. Services of CONSULTANT's personnel in connection with LOCAL AGENCY's construction contractor claims will be performed pursuant to a written contract amendment, if necessary, extending the termination date of this AGREEMENT in order to resolve the construction claims.

ARTICLE XXVIII CONFIDENTIALITY OF DATA

A. All financial, statistical, personal, technical, or other data and information relative to LOCAL AGENCY's operations, which are designated confidential by LOCAL AGENCY and made available to

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CONSULTANT in order to carry out this AGREEMENT, shall be protected by CONSULTANT from unauthorized use and disclosure.

B. Permission to disclose information on one occasion, or public hearing held by LOCAL AGENCY relating to the AGREEMENT, shall not authorize CONSULTANT to further disclose such information, or disseminate the same on any other occasion.
C. CONSULTANT shall not comment publicly to the press or any other media regarding the AGREEMENT or LOCAL AGENCY's actions on the same, except to LOCAL AGENCY's staff, CONSULTANT's own personnel involved in the performance of this AGREEMENT, at public hearings, or in response to questions from a Legislative committee.
D. CONSULTANT shall not issue any news release or public relations item of any nature, whatsoever, regarding work performed or to be performed under this AGREEMENT without prior review of the contents thereof by LOCAL AGENCY, and receipt of LOCAL AGENCY'S written permission.
E. All information related to the construction estimate is confidential, and shall not be disclosed by CONSULTANT to any entity, other than LOCAL AGENCY, Caltrans, and/or FHWA. All of the materials prepared or assembled by CONSULTANT pursuant to performance of this Contract are confidential and CONSULTANT agrees that they shall not be made available to any individual or organization without the prior written approval of City or except by court order. If CONSULTANT or any of its officers, employees, or subcontractors does voluntarily provide information in violation of this Contract, City has the right to reimbursement and indemnity from CONSULTANT for any damages caused by CONSULTANT releasing the information, including, but not limited to, City's attorney's fees and disbursements, including without limitation experts' fees and disbursements.

ARTICLE XXIX NATIONAL LABOR RELATIONS BOARD CERTIFICATION

In accordance with Public Contract Code Section 10296, CONSULTANT hereby states under penalty of perjury that no more than one final unappealable finding of contempt of court by a federal court has been issued against CONSULTANT within the immediately preceding two-year period, because of CONSULTANT's failure to comply with an order of a federal court that orders CONSULTANT to comply with an order of the National Labor Relations Board.

ARTICLE XXX EVALUATION OF CONSULTANT

CONSULTANT's performance will be evaluated by LOCAL AGENCY. A copy of the evaluation will be sent to CONSULTANT for comments. The evaluation together with the comments shall be retained as part of the contract record.

ARTICLE XXXI PROMPT PAYMENT FROM THE LOCAL AGENCY TO CONSULTANT

The LOCAL AGENCY shall make any progress payment within 30 days after receipt of an undisputed and properly submitted payment request from CONSULTANT on a professional service contract. If the LOCAL AGENCY fails to pay promptly, the LOCAL AGENCY shall pay interest to the contractor, which accrues at the rate of 10 percent per annum on the principal amount of a money judgment remaining unsatisfied. Upon receipt of a payment request, the LOCAL AGENCY shall act in accordance with both of the following:

1) Each payment request shall be reviewed by the LOCAL AGENCY as soon as practicable after receipt for the purpose of determining that the payment request is a proper payment request.
2) Any payment request determined not to be a proper payment request suitable for payment shall be returned to CONSULTANT as soon as practicable, but not later than seven (7) days, after receipt. A request returned pursuant to this paragraph shall be accompanied by a document setting forth in writing the reasons why the payment request is not proper.

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ARTICLE XXXII NOTIFICATION

All notices hereunder and communications regarding interpretation of the terms of this AGREEMENT and changes thereto, shall be effected by the mailing thereof by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

CONSULTANT: ____Natalina V. Bernardi, PE_____
(NAME)
ATTN:__Jaggi Bhandal_____
(Project Manager)

_____1730 N. First Street, Suite 600_____

_____San Jose, CA 95112_____
(ADDRESS)

LOCAL AGENCY: Parks and Public Works Department
ATTN: WooJae Kim, Town Engineer, Contract Administrator
41 Miles Avenue
Los Gatos, CA 95030

ARTICLE XXXIII CONTRACT

The two parties to this AGREEMENT, who are the before named CONSULTANT and the before named LOCAL AGENCY, hereby agree that this AGREEMENT constitutes the entire AGREEMENT which is made and concluded in duplicate between the two parties. Both of these parties for and in consideration of the payments to be made, conditions mentioned, and work to be performed; each agree to diligently perform in accordance with the terms and conditions of this AGREEMENT as evidenced by the signatures below.

ATTACHMENTS:

EXHIBIT A – SCOPE OF SERVICES
EXHIBIT B – CONSULTANT'S COST PROPOSAL
EXHIBIT 10-O2 - Consultant Contract DBE Information

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ARTICLE XXXIV SIGNATURES

Recommended by Department Head:

DocuSigned by:
Matt Morley 5/13/2021
BBA0B3B0D8F4484...
Matt Morley, Parks and Public Works Director

IN WITNESS WHEREOF, THE LOCAL AGENCY AND CONSULTANT HAVE EXECUTED THIS AGREEMENT.

TOWN OF LOS GATOS by:

DocuSigned by:
Laurel Prevetti 5/20/2021
853FEEA2EB39470...
Laurel Prevetti, Town Manager

CONSULTANT by:

DocuSigned by:
Natalina V. Bernardi 5/12/2021
79C153E5D32246A...
Signature

Natalina V. Bernardi, Principal / Vice President
Printed Name and Title

Approved as to Form:

DocuSigned by:
Robert W. Schultz 5/18/2021
Robert W. Schultz, Town Attorney

Attest:

DocuSigned by:
Shelley Neis 5/20/2021
B9666F65B1F34F6...
Shelley Neis, CMC, Town Clerk

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PROJECT SCOPE OF SERVICES

PHASE I - ENGINEERING DESIGN SERVICES AND ENVIRONMENTAL CLEARANCES:

The BKF Team will provide all design services, including but not limited to: Project management; preliminary engineering; environmental studies and clearances; utility coordination and right-of-way; permits and coordination with other agencies; surveys and mapping; geotechnical investigations and reports; structural and final design and development of all contract documents; bid support and obtaining the authorization to proceed to construction from Caltrans for the Highway 17 Bicycle and Pedestrian Overcrossing Project as more specifically described as follows. Where appropriate professional engineer shall sign all plans, specifications and estimates and engineering data furnished under the scope of services, including registration number.

- **Task A.1 Project Management -** The BKF Team will provide the necessary Project coordination, administration, management and interfacing with the Town, Caltrans, and other internal/external stakeholders to achieve Project objective. The BKF Team will proactively provide direction to the Town regarding the Project tasks necessary to deliver the federally funded Project consistent with Caltrans permitting requirements and federal reimbursement requirements. The BKF Team will be responsible for Project management activities throughout the life of the contract. The scope of these activities includes, but is not limited to,
  - provide, distribute, and maintain contact information for all Project team members
  - coordinate and schedule meetings/conference calls as needed
  - prepare and distribute meeting minutes
  - itemize, track, and pursue all Project action items to completion
  - develop and maintain the Project schedule, report on Project progress
  - manage Subconsultant activities to remain on schedule,
  - supervise, coordinate, and monitor design for conformance with all current applicable design standards from the Town, AASHTO, Caltrans Design Standards and Specifications, California Building Code, and any affected utilities
  - supervise, coordinate, and monitor the design for conformance with permit requirements from Caltrans, VTA, and utility companies
  - conduct field reviews as needed
  - prepare and track Town's submissions to Caltrans
  - provide internal quality control checks and document quality control actions conducted for the Project
  - conduct cross-checking to avoid potential conflicts between various subconsultant's work
  - develop Project filing and record keeping system for Project files for a period of 5 years
  - develop a list of Project stakeholders for coordination during Project design
  - assist the Town with grant funding pursuits for project construction. BKF understands that the Town will lead these funding pursuit efforts, but will provide minimal support (project information, exhibits, etc).

Deliverables: Meeting minutes, schedule, progress reports, action item logs, tracking spreadsheets, Caltrans submissions and other items resulting from the BKF Team's Project management duties

- **Task A.2 Data Collection and Review -** The BKF Team will obtain and collect data as needed to develop general Project design concepts and related activities needed to establish the parameters for final design, such as, existing topography/geometrics, grading and drainage considerations, geotechnical/retaining wall considerations, structural engineering and proposed bridge structure, ADA considerations, extent of required demolition activities, construction phasing/staging, environmental and future maintenance considerations. The scope of these activities includes, but is not limited to, (items to be provided by the Town or items on the Town's Project webpage are as indicated below).

  - Complete an extensive site review/existing conditions assessment of the Project area
  - Collect and review existing background information regarding the Project including:
    - Town's adopted Bicycle and Pedestrian Master Plan and Update (see Attachment 3)
    - Highway 17 Bicycle and Pedestrian Overcrossing Feasibility Analysis (see Attachment 3)

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- Funding Agreement between the Town of Los Gatos and Santa Clara Valley Transportation Agency for the Bicycle and Pedestrian Overcrossing Over Highway 17 (see Attachment 3)
- Caltrans Local Procedures Manual
- Plans for existing utilities in Project area
- Development plans for adjacent properties – (Town to provide)
- Proposed developments in the Project vicinity (Town to provide) and potential Project impacts
- Street improvement plans, including signalized intersections (Town to provide)
- Aerial photos and any available mapping, including digitized topography
- Survey control data
- ROW information, including Caltrans right of way documents, existing easements, etc.
- Existing as-built information from the Town, Caltrans, property owners, local agencies, utility companies, and other organizations
- Existing Blossom Hill Road Highway 17 Overcrossing bridge structure plans and geotechnical information
- Geologic and soil literature in the Project vicinity
- Design standards and codes applicable to the Project
- Town's Standard Specifications and Details for Construction, 2010 Caltrans Standard Specifications and Standard Plans, and applicable portions of the MUTCD and California MUTCD, and other controlling design standards as appropriate
- Americans with Disabilities Act (ADA) requirements
- Connect Los Gatos webpage and Highway 17 Bicycle and Pedestrian Overcrossing Project page
- Minutes from Project related community meetings

- Based on existing conditions and Project objectives, determine required permits and permit requirements necessary for successful completion of Project and review permit applications and requirements
- Based on the data collected and site evaluations, review the preliminary layout as presented in the feasibility study, verify assumptions, and confirm consistency with the Project's objectives and budget.
- Based on information collected, prepare a summary or diagram of existing conditions highlighting any special/potential conditions that may affect the final design (opportunities and constraints diagram)

Deliverables: Video of existing site conditions, listing of all potentially required permits, opportunities and constraints diagram

- **Task A.3 Surveys and Base Mapping -** The BKF Team will be responsible for data collection, and all mapping and surveying necessary to complete a comprehensive base map and other plans as indicated below. The scope of a comprehensive base map and survey includes setting Project benchmarks and establishing control for Project layout and construction, aerial photogrammetry, design level topographic surveys, identification of all public right-of-way, adjacent parcels, property lines, easements, and existing utility locations. The extent of the topographical surveying and mapping shall extend a minimum of 10' or more beyond the existing Blossom Hill Road right of way to show adequate conforms to existing conditions and proper future drainage. Existing conditions mapping shall include appropriate data collected in Task A.2.

  - The BKF Team shall conduct a detailed field survey to review and record existing conditions in the Project area and shall identify any unusual or special conditions that may affect the design or construction of the Project. The field survey for the Project area shall include at a minimum, the location of all existing above and below grade facilities, including but not limited to, roadways, signing/striping, medians, traffic signals and appurtenances, fire hydrants, street lights, retaining walls, sidewalks, curbs, gutters, ramps, SR 17 overcrossing structure including the embankments and structural components, fences, gates, utilities, flood control facilities, waterways, outfalls, trees

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greater than 6" DBH, and any existing irrigation facilities.

- The BKF Team shall review data and survey information collected with proposed Project layout and shall complete physical verification of utility locations in areas of potential conflict. The BKF Team shall obtain all permits and approvals necessary to complete the potholing operations. Results of potholing shall be included on the Utilities Base Map.
- Based on the survey and data collected, the BKF Team shall prepare one or more existing conditions base maps, at a scale of 1"=20' for use in the Project design and community meetings, including
  - Existing Conditions Base Map
  - Existing Utilities Base Map
  - Existing Tree Plan - the BKF Team shall prepare a separate plan showing the location and number of existing trees over 6" DBH, including size, species, and location.
  - Right of Way Map – showing location of all property lines and easements within or immediately adjacent to the Project area.

Deliverables: Survey data sheets, base map(s) and plans in AutoCAD format– including Existing Conditions Base Map, Existing Utilities Base Map, Tree Locations and Right of Way Map

- **Task A.4 Stakeholder Coordination and Project Permits -** The BKF Team shall identify all Project stakeholders and shall take actions necessary to coordinate Project design with the Town and Project stakeholders. Meetings with the stakeholders, including the Town, Town Council and Commissions, community members, Caltrans, VTA, any affected utilities, and any affected private properties will be included in this scope of work and shall include preparing and providing supporting documents, reports, and exhibits. The BKF Team shall determine the need for permits to allow for the ultimate construction of the Project, including a Caltrans encroachment permit, and any other permits deemed necessary for construction access and staging areas and shall prepare required applications, documents, and reports to allow the Town to obtain the Project permits in a timely manner. Design of the Project is to remain within the existing public and Caltrans right of way, however, the BKF Team will identify any conform or other activities that may need to temporarily take place on private property, and will coordinate with adjacent property owners to obtain clearances for such activities. The BKF Team shall coordination permits necessary for geotechnical drilling operations and USA clearances.

  Caltrans Coordination: The BKF Team will take the lead and coordinate with Caltrans and the Town to prepare a Project Initiation Document (PID), Project Study Report-Project Development Study (PSR-PSD), Project Approval & Environmental Document (PA&ED), and final PS&E including all reports and documentation required by Caltrans in order to obtain a Caltrans encroachment permit for the Project. To start the coordination process, BKF will assist the Town in obtaining a Cooperative Agreement with Caltrans to start the PID phase. The PID shall comply with the Caltrans standard PSR-PDS requirements and will include the overall site plan and typical conceptual cross-sections for the alternatives identified in the feasibility study. The BKF Team will assist the Town in the development of the necessary Cooperative Agreements with Caltrans for the PID, PA/ED, and PS&E phases. The BKF Team will schedule and hold meetings as needed with Caltrans and shall also schedule and hold regular Project team coordination meetings with Caltrans and shall prepare the meeting agendas, minutes, and action items. It will be the BKF Team's responsibility to prepare, implement and monitor a realistic schedule of the activities necessary, to lead the Town through the PID, PA/ED, and PS&E phases of the Project. BKF will also assist the Town in the execution of a Maintenance Agreement for the proposed project improvements and supporting exhibits necessary to complete the agreement.

Deliverables: Approved PID, PA/ED, and PS&E; Project team meeting agendas, minutes, action item lists, Caltrans encroachment permit for Project construction.

Selection of Preferred Bridge Type: The feasibility study has identified three feasible types of bridge structures for consideration. The BKF Team understands that the Town

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plans to only move forward with the concrete and steel truss bridge options identified in the feasibility study. BKF will develop each concept further and shall assist the Town in the presentation of these two alternatives to the community, the Town's Complete Streets and Transportation Commission and the Town Council. The BKF Team will lead the Town's effort to develop a consensus regarding the final bridge type for advancing into the final design process. This process is to take place concurrently with the development of the Project Initiation Document (PID), and shall result in the Town Council's selection of the final bridge type prior to the completion of the PID phase. The following tasks are anticipated for the selection of the preferred bridge structure:

- Prepare a Principal Span Structure Selection Matrix including structure type, anticipated costs, key opportunities and constraints for each bridge type
- Define embankments (if any), retaining walls/sound walls (if any), supports, main span and approach structure geometrics
- Geometric alignment and clearances, including bridge and approaches with a focus on geometric plans through Caltrans right of way. The geometric design for the bridge and approaches through Caltrans right of way will be developed based on project objectives, the constraints and the Town's and Caltrans design standards. Adequate detail will be provided so that assessments and evaluations can be made and discussed.
- Refine each alternative to show impacts to adjacent properties and relationship to adjacent property lines
- Provide diagrams and plans showing the movement of bicycle and pedestrians across the structures and through the adjacent intersections and across bridge structure
- Develop additional perspectives for each bridge structure showing:
  - Viewer friendly plans showing proposed alignment, profiles, and cross-sections of each bridge alternative
  - Visual simulation/view of each bridge structure from both south and northbound SR 17
  - Visual simulation/view of each bridge from the user's perspective both east and west bound directions
  - Potential additional architectural features or opportunities for each bridge type including pedestrian and bicycle railings, lighting concepts, and potential incorporation of public art features.
  - Landscape and urban design concepts
  - Refine basic cost estimate for each bridge type
- Assist the Town in a community workshop(s) to review bridge types and determine community preference
- Assist the Town in presentations to the Parks and Recreation Commission, the Complete Streets and Transportation Commission, and Town Council to determine the final bridge type.

In advance of the 35% phase, the BKF Team will develop Bridge APS submittal for the Town's and Caltrans review and approval. The team will perform necessary modeling and analysis to support member sizing. The Bridge APS shall be performed in accordance with Caltrans Bridge Memo to Designers 1-8. The APS shall consist of one structure plan sheet showing general structure layout details and estimated cost, preliminary geotechnical memorandum, APS checklists, design memorandum, and itemized cost estimates. There will be no APS sheets developed for the retaining structures unless these walls are very unusual in characteristic and type.

Deliverables: Opportunities and constraints diagrams, visual simulations, plans, profiles, cross-section, meeting presentations, cost estimates, APS.

Community Engagement: With assistance from the BKF Team, Town staff will implement and lead the Project's Community Engagement Plan. The BKF Team shall develop and implement a robust community engagement process, attend and provide support to Town staff in public outreach efforts, and facilitate community meetings to obtain input on the proposed design. The BKF Team will develop all necessary meeting materials including graphics, presentations slides, handouts, drawings, graphic boards, etc. for each meeting, as

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appropriate. BKF will conduct a "pre-meeting planning session" with the Town via teleconference before each meeting to review materials. The BKF Team will provide minutes for all meetings. A minimum of eighteen (18) public outreach activities are anticipated per the RFP. The following public activities are preliminary proposed into three broad phases: 1) Technical Translation Phase to build and test educational materials, 2) Stakeholder Engagement Phase to interact directly with specific key groups such as adjacent homeowners, nearby schools, and other specific organizations, to address their key concerns and 3) General Public Phase to engage the broader public to ensure understanding of the project, the community preferences, and forthcoming design and construction schedule. The following list includes public meetings and other engagement activities anticipated during and after the Structural Design and Aesthetic Evaluation Study. Specific community engagement activities required of the BKF Team are anticipated to include the following:

- Stakeholder Engagement Materials: The BKF Team will provide supporting documents and exhibits for the Town's use in stakeholder notifications.
- Stakeholder and Contact Database: The BKF Team shall collaborate with Town staff to build onto any existing contact list to include key individuals, organizations, and agencies to engage.
- Community Engagement Strategy: Working with Town staff, the BKF Team shall define key outreach activities, their sequence, and their likely schedule.
- Project Informational Materials: The BKF Team shall develop materials to help educate the community about the project and potentially promote input activities, typically including a Project Fact Sheet, FAQ sheet, and flyer template, or other information that can be posted to the Town's website.
- Stakeholder Interviews: The BKF Team shall interview specific individuals and community champions representing key stakeholder groups or constituencies early in the process to identify concerns and early design preferences or parameters.
- Stakeholder Group Meetings: The BKF Team shall coordinate and present at stakeholder meetings. Among the possibilities include advisory group meetings, neighborhood group meetings, the chamber of commerce, school PTA meetings, service clubs (Kiwanis, Rotary, Lions, etc.), or employee groups.
- Community Meeting and Workshops: The BKF Team and Town shall develop a list of key Project milestones for community input and workshops. The Town shall arrange venues – if health guidelines allow - for workshops and shall notify stakeholders of meetings and workshops, however the BKF Team will be prepared to facilitate the community discussion/workshops and Commission/Council presentations and shall provide supporting documentation and visual aids. Workshops and meetings will be conducted as virtual events if shelter in place protocols remain. Visual aids shall include renderings and visual simulations of major Project elements. All Project materials shall include the appropriate Measure B logo and acknowledgements. The BKF Team will provide meeting summaries and follow up on outstanding comments or issues. It is anticipated that the community meetings, workshops, and presentations will be required at the following Project milestones:
  - Preferred Bridge Type Selection – Two (2) community workshops, plus four (4) Council or other Commission presentations
  - Community/Commission Design Reviews– minimum of two (2) each at PID, PA/ED, 35% design, 65% design, and 95% design
  - Town Council presentation at 35% and at 100% complete PS&E
- On-line Engagement: the BKF Team shall provide periodic progress updates for the Town to post on the Project web-page.
- Online Preference Setting Activity: To reach the broader Los Gatos community beyond those attending in-person, an online activity, potentially a graphics – or map-based survey is proposed to help garner community input and ideas, and to help hone in on a design alternative.
- Town Council Meetings: The BKF Team shall attend and assist in presentations in up to a total of two (2) Town Council meetings. These meetings shall be planned at the Town's staff's discretion.

Deliverables: Workshops and presentations (18 total), agendas, visual aids/visual simulations, renderings, meeting summaries, follow-up as needed,

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VTA Coordination: the BKF Team assumes the Town will facilitate all coordination efforts with the VTA for this Project, however, BKF will provide support as outlined below:

- Include insurance coverage and endorsements as required by VTA funding agreement. The Project must include Measure B branding/logo in work released to the public and in project construction/specifications.
- The BKF Team shall allow VTA a minimum of thirty (30) calendar days to review and provide comments and shall include such review time in the master Project schedule. VTA's comments must be considered in the final design phase of the Project. The BKF Team shall provide back-up information as necessary for any VTA comment that will not be incorporated into the final design documents. BKF assumes that the Town will lead/facilitate reviews with the VTA.
- Submit to the Town all records including invoices, miscellaneous invoices, and force account charges as substantiation for invoices submitted to VTA for reimbursement hereunder.
- Maintain financial records, books, documents, papers, accounting records, and other evidence pertaining to costs related to the Project for five (5) years. The BKF Team shall make such records available to VTA and the Town upon written request for review and audit purposes. Financial audits may be performed at VTA's sole discretion.

Deliverables: Written responses to VTA review comments.

Utility Coordination – The complete effort for utility coordination is to include accurately identifying and mapping of existing utilities, identifying and defining any relocations or modifications required by the Project, and documenting utilities in accordance with Caltrans policies, and coordinating any future utility requirements for the Project.

- Coordinate with all utility companies early in Project to identify and confirm any potential conflicts with the Project.
- Submit proposed plans to utility companies as necessary for review in accordance with utility requirements.
- Complete potholing to verify location of utilities in potential conflict areas.
- Coordinate any necessary utility relocations, including and temporary relocation of the utility facilities, as needed, for bridge installation or other construction considerations.
- Coordinate with PG&E and the SJWC for future power and water service points needed for the Project.
- Develop and maintain a list of utility contacts and relocation tracking database for the Project design and construction activities.
- Prepare Utility A, B, and C letters.
- Conduct utility coordination meetings, prepare agendas, minutes, and track action items.
- Prepare utility conflict maps clearly delineating existing and proposed utilities in current and final locations.
- Provide support to the Town for the utility relocation process, determining liability for the costs associated with necessary relocations.
- Prepare necessary Utility Agreements.
- Incorporate relocation activities into Project schedule.
- Certify that all utility conflicts are addressed and other actions necessary to obtain the Utility Certification as part of the ROW Certification.

Deliverables: A, B, C, letters and utility certifications, agreements, permits, clearances as required to obtain the Caltrans encroachment permit and for construction of the Project, meeting minutes, utility contact list.

- **Task A.5 Environmental Studies and Documentation – CEQA and NEPA**
  The BKF Team will complete all required environmental reviews and obtain all environmental clearances to allow the Project to move forward into construction. All environmental documents and reports, studies and public noticing shall be conducted according to the

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provisions of the California Environmental Quality Act (CEQA) and the National Environmental Protection Act (NEPA).

For CEQA clearance, David J. Powers & Associates, Inc. (DJP&A) will prepare an Initial Study pursuant to the requirements of CEQA and the Town of Los Gatos. This scope assumes the Initial Study will not be circulated for public review; instead, upon completion of the Initial Study, the Town will determine the project is categorically or statutorily exempt from the provisions of CEQA. In addition, with the recent passing of Senate Bill 288, Public Resources Code Section 21080.20 now exempts bicycle and pedestrian facility projects. Therefore, DJP&A believes the project would be statutorily exempt under CEQA. For the purposes of this proposal, the BKF Team assumes the Town will be designated as the CEQA lead agency.

NEPA clearance will be required due to the future federal funding for construction of the Project. The BKF Team will work with Caltrans (the lead for the NEPA process) and the Town, and complete all technical memorandums and studies as identified by Caltrans through the Preliminary Environmental Studies (PES) and Field Review process. For the purpose of this proposal, the BKF Team assumes the appropriate filing for NEPA will be a Categorical Exclusion under NEPA (23 CFR 771.117; (c) (3): Construction of bicycle and pedestrian lanes, paths, and facilities.

Based on the DJP&A's recent experience working on Caltrans Local Assistance Projects in the greater Bay Area, DJP&A believes Caltrans will require preparation of the following technical memos for the bicycle and pedestrian overcrossing. The actual studies to be completed will be determined by Caltrans upon completion of the PES and field review meeting:

- Traffic Technical Memo
- Air Quality PM2.5 Exemption
- Water Quality Technical Memo
- Natural Environmental Study (Minimal Impact)
- Archaeological Survey Report
- Equipment Staging Technical Memo
- Initial Site Assessment
- Visual Impact Assessment (Moderate Impact)

DJP&A will prepare the air quality, traffic, equipment staging, and water quality memos based on information provided by the Town and BKF.

The Natural Environmental Study (Minimal Impact), Archaeological Survey Report and Historic Property Survey Report, and Visual Impact Assessment (Moderate Impact) will be prepared by H.T. Harvey & Associates, Archaeological Historic Consultants, and Earthview Sciences, respectively, under contract to DJP&A.

The Natural Environmental Study (Minimal Impact) will characterize the existing conditions, and determine the potential project impacts to sensitive biological resources. A wetland delineation is not included in this scope.

The Archeological Survey Report will include a summary of records search results and Native American consultations. The Historic Property Survey Report (HPSR) will report the findings of any documented historic resources located within the project limits and a summary of the findings of the Archeological Survey Report, which will be included as an attachment to the HPSR.

The Visual Impact Assessment will evaluate up to three views, based on photosimulations to be prepared under separate contract and provided to DJP&A. Earthview Sciences will participate in consultation with Caltrans and Town staff for viewpoint selection.

The Phase I Initial Site Assessment will be prepared by Parikh for the proposed project. ASTM recommends a 1.0-mile radius for the data search. Environmental Data Research Inc. (EDR Inc.) report study will be ordered using an approximate center of the project. The ISA

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study will be prepared to identify potential hazardous waste sites and evaluate environmental factors that may have impacted the soil groundwater quality within the project limits. The study will include data collection and documents research including historical land use based on study of aerial photographs and other relevant documents. No field exploration and/or testing are included in this phase of the work.

The studies and memos will be prepared based on Caltrans' Standard Environmental Reference (SER) and submitted to the Town and BKF for review. DJP&A will revise the memos once and submit them back to the Town for submittal to Caltrans. Based upon review comments by Caltrans, DJP&A and its subconsultants (H.T. Harvey & Associates, Archaeological Historic Consultants, and Earthview Sciences), with concurrence from the Town, will revise the memos once for resubmittal to Caltrans. Once the memos are deemed complete by Caltrans, Caltrans will issue the NEPA Categorical Exclusion for use by the Town in obtaining federal funding.

Note the technical memos and reports will also be used to support the CEQA Categorical Exemption.

For the purpose of this proposal, the BKF Team assumes the following:

- The Project will not include work outside of existing Town or Caltrans right-of-way.
- The NEPA and CEQA process will be limited to the evaluation of one build alternative.
- The Project description will not change.
- The Project will not impact threatened or endangered plant or animal species, or habitat utilized by such species.
- No private property will be affected by the Project.
- The Project will use Tier 4 construction equipment and construction air quality analysis will be qualitative.
- All construction staging will occur on paved surfaces within Town right-of-way.
- BKF will provide information on tree location and diameter.
- BKF will provide information on construction staging, duration, equipment use, etc.
- Completion of an Extended Phase I (i.e., subsurface archaeological testing) will not be required.

Regulatory Agency Permits – The BKF Team assumes the project will not need regulatory agency permits from the San Francisco Regional Water Quality Control Board or California Department of Fish and Wildlife because there are no wetlands or riparian habitat within or immediately adjacent to the project alignment.

Deliverables to include: Initial Study, Notice of Exemption, Preliminary Environmental Studies form, traffic technical memo, air quality PM2.5 exemption confirmation, water quality technical memo, Natural Environmental Study (Minimal Impact), Archaeological Survey Report, Equipment Staging Technical Memo, Initial Site Assessment Visual Impact Assessment (Moderate Impact).

- **Task A.6 Geotechnical Investigations and Reports -** The BKF Team will conduct geotechnical investigations as necessary to ensure that all geotechnical data within the Project area that may affect the final design and construction of the Project are identified and addressed per the Caltrans encroachment permit requirements and in the final design of the Project. The specific project elements that will require geotechnical studies are listed below:
  - New bridge POC structure, Caltrans Review
  - Retaining Walls, embankments, slopes and trail pavement (Non-Caltrans ROW)

The following proposed geotechnical studies are planned to be performed during PA/ED Phase:

- **Preliminary Foundation Report (PFR)**: Preliminary Foundation Report will be prepared for the POC over Highway 17. The PFR will be prepared in accordance with Caltrans guidelines and will include discussions on potential

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geotechnical/geologic impacts and mitigations on a broad basis including but not limited to slope stability, geology, seismic impacts, erosion, groundwater conditions, etc. for the proposed bridge structure. Certain design assumptions are made as to the type of foundations, approximate pile length. Generally, the geotechnical issues relevant to the proposed project are presented in a qualitative manner with no specific design recommendations. Subsequently, during the PS&E phase a more detailed Foundation Report will be prepared for the bridge.

- **Preliminary Geotechnical Design Report (PGDR)**: The project proposes to include retaining walls and slope cuts, embankments and pavement for the trail work. However, this work is outside of the Caltrans ROW. To simplify the process, Parikh will prepare a combined report that covers these elements as a PGDR.

  A Preliminary Geotechnical Design Report is proposed for the roadway pavement, retaining walls, slopes and other civil design features. The review will be based on readily available data including as-built Log of Test Borings from the previous geotechnical reports and other Agency records. The potential geotechnical/geologic impacts and mitigations will be discussed on a broad basis including but not limited to slope stability, geology, seismic impacts, erosion, groundwater conditions, etc. for the proposed project. Wall foundation types will be based on Caltrans standard design guidelines. Generally, the geotechnical issues relevant to the proposed project are presented in a qualitative manner with no specific design recommendations.

Overall scope of work during PS&E Phase will include preparation of a Geotechnical Design Report for the roadway work, slopes, retaining walls and embankments. A separate foundation report will be prepared for the overcrossing of Highway 17. The proposed retaining walls are not located within the Caltrans right-of-way; therefore, separate foundation reports are NOT proposed for each of these walls.

The following proposed geotechnical studies are planned to be performed during PS&E Phase:

- **Foundation Report and Log of Test Borings (Bridge)**: Parikh will prepare foundation report and log of test borings for the POC structure. Existing borings and CPT data from the Caltrans database will be used as a reference. Additional borings will be required for the new structure. Following is a task breakdown for the proposed work.
  - Research and Data Collection: Review of readily available geologic and soil literature in the vicinity of the site including review of any as-builts drawings and existing LOTB.
  - Permits/USA Clearances: Comply with the Caltrans Permit requirements. Encroachment permits will be processed with Caltrans for field investigations within Caltrans R/W. The BKF Team assumes encroachments within the Town will follow is streamlined process with fees waived.
  - Field locate the borings and call for USA clearance.
  - Field Exploration: Due to limited access, steep terrain and need for deeper exploration portable rigs are not feasible. There are three potential locations identified for the bridge project. One median boring will be included in this program that will require potentially night work and lane closures. This will be dictated by the Permit Engineer. The borings are proposed to a depth of 100’ or refusal. One exploration per working shift is assumed. These explorations will provide an evaluation of subsurface conditions for the proposed structures. Traffic control is assumed for 1 shift.
  - The boring locations will depend upon the available access and the boring data from previous studies. We anticipate using a truck-mounted rig for majority of the work. Coordination and encroachment/permit to enter is to be provided by the client. Some private access and permits may be required.
  - Classify and continuously log subsurface soil conditions encountered in

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each test boring at the time of drilling. Obtain "relatively undisturbed" and bulk samples of substrata from test borings. The borings will be drilled and capped in accordance with the permit requirements.

- Laboratory Testing: Perform laboratory tests on representative soil samples such as moisture density, consolidation tests, unconfined compression, gradation analyses, corrosion tests and Plasticity Index test, as necessary.
- Soils Analysis/Evaluation: Perform engineering analyses and develop design recommendations for the proposed structure foundation design. The design should follow AASHTO LRFD specifications (8th edition, September 2017) with California amendment 2019.
- Prepare Draft Preliminary Foundation Reports (Type Selection) for the bridge structure. Prepare preliminary recommendations for the overcrossing and provide Draft Foundation Report with the LOTB. The foundation design will be based on analyses using Caltrans seismic design and LRFD guidelines.
- Discuss seismic considerations, evaluate the liquefaction potential and comment on the site soil conditions from this standpoint. Information related to Caltrans Seismic design criteria (SDC v 2.0) shall be provided. Information related to the recently revised Seismic design guidelines (2019) and the ARS curves (using Caltrans ARS online tool) will be provided.
- Prepare Foundation Report for the overcrossing structure. LOTB will be prepared using the general plan as a base map.

- **Geotechnical Design Report (one report within Town right-of-way)**: PARIKH will prepare a separate Geotechnical Design Report (GDR). The GDR will include retaining walls, slope stability analyses and trail. Detail scope for preparing this report is as follows:
  - Research and Data Collection: Review of additional available geologic and soil literature in the vicinity of the site.
  - Permits/USA Clearances: Work will comply with the Town's Permit requirements. Encroachment permits (Town/private) will be provided by the client.
  - Boring locations will be located for USA clearance.
  - Field Exploration: The boring program will include 4 explorations to 30 feet deep for the proposed walls and the slopes. These are planned with track mounted field equipment. These explorations will provide an evaluation of subsurface conditions for the proposed cut and fill walls and slopes. The boring locations will depend upon the available access and any permit conditions. No traffic control is assumed at this time as most of the work will be off the travel areas.
  - Classify and log subsurface soil conditions encountered in each test boring at the time of drilling. Obtain "relatively undisturbed" and bulk samples of substrata from test borings. The borings will be drilled and capped in accordance with the permit requirements. Generally, the borings are required to be backfilled with cement grout.
  - Laboratory Testing: Perform laboratory tests on representative soil samples such as moisture density, unconfined compression, gradation analyses, corrosion tests and Plasticity Index test, as necessary.
  - Soils Analysis/Evaluation: Perform engineering analyses and develop design recommendations for the proposed retaining walls, slopes, embankments, and pavement design.
  - Prepare Draft Geotechnical Design Report: Prepare preliminary recommendations including retaining wall design parameters, possible MSE wall option, slope stability recommendations and pavement section. Draft LOTB will be included in the report.
  - Prepare final Geotechnical Design Report: Final GDR will include response to review comments from agency. Final design recommendations will be based on the updated design requirements. Log of Test Borings will be prepared using the general plan as a base map.

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- **Prepare Phase II ISA:** The Phase II ISA will include the following field activities and laboratory analysis:
  - Field Activities will include the following:
    - Advance up to 8 hand-auger borings to 2.5 ft bgs.
    - Collect 3 soil samples per boring (total 24 samples)
  - Analytical Laboratory Analyses (Standard Laboratory Turnaround Time):
    - 18 soil samples for Total Lead
    - 6 soil samples for CAM 17 Metals
    - 8 samples for TPHg
    - 8 samples for TPHd/mo
    - 4 samples for Organochlorine Pesticides
    - 1 sample for Volatile Organic Compounds
    - 1 sample for Semi-Volatile Organic Compounds
    - 1 sample for Polychlorinated Biphenyls
    - 4 samples for Naturally Occurring Asbestos
  - Prepare Site Investigation Report

Deliverables: Draft and Final Preliminary Geotechnical Design Report (PGDR), Draft and Final Preliminary Foundation Report (PFR), Draft Geotechnical Design Report (Town right-of-way), Draft Foundation Report for POC (Caltrans), Final Geotechnical Design Report (Town right-of-way), Final Foundation Report for POC (Caltrans).

- **Task A.7 35% PS&E** – The preliminary 35% design is intended to allow the Town, Caltrans, the community, and other stakeholders to review and comment based upon the basic design concepts early in the design process to minimize change in subsequent tasks. Plan development shall be based on the base mapping, data collection, and other determinations that are developed through the Environmental and PID and PA/ED phases. The BKF Team shall prepare the 35% design and submit to stakeholders for review and comment at community, commission, and Council meetings. Stakeholder comments shall be addressed in writing by the BKF Team prior to continuation of the design to the next level.

  For scoping purposes, the BKF Team assumes that the basic structural configuration and concept, is limited to the concrete box girder and steel truss options identified in the Feasibility Study will be the preferred bridge type over Highway 17. The preliminary 35% design will include the following:

  Preliminary Transportation Management Plan (TMP): TJKM will prepare a TMP Data Sheet to include proper cost, scope, and scheduling of the TMP activities at this early stage of development as required by the Caltrans PSR-PDS guidelines.

  Basis of Design Memorandum: The BKF Team will confirm the applicable Town, Caltrans, other applicable jurisdictional standards and guidelines to be implemented and considered for the design of the pedestrian and bicycle overcrossing. The applicable standards and criteria set for the Project design will be described and culminated in a Design Basis Memorandum.

  Preliminary Plans: The BKF Team shall refine the initial concept designs and prepare preliminary design plans (35%) for the preferred alternative based on community and Town input showing architectural and civil plans, structure elevations, sections, any artwork, lighting, and fence/railing elements, horizontal control lines, vertical profiles and super-elevations, grading and drainage, structure location and wall limits, utility impacts, and right-of-way/construction easement impacts.

  Preliminary Cost Estimates: The BKF Team shall prepare preliminary construction cost estimate for the project in accordance with Caltrans guidelines including Caltrans Bridge Memo to Designers 1-8 and Section 11 of the Caltrans Bridge Design Aids. Use Caltrans Cost Estimate form for bridge item.

  Bridge Type Selection Report: The BKF Team will analyze the structure type selection before extensive structural design work is performed and prepare a Bridge Type Selection

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Report (TSR) in accordance with Caltrans guidelines. The TSR will include a Bridge General Plan, Bridge Site Data Submittal, Foundation Plan, Construction Cost Estimate and Type Selection Memo. This work will be developed using Section 10, "Type Selection," of the Caltrans Bridge Design Aids, and Section 1-29, "Type Selection Review Meeting," of the Caltrans Bridge Memo to Designers. The BKF Team will submit the TSR for Caltrans review, and will present the proposed structure to Caltrans at a Bridge Type Selection Meeting. The BKF Team will conduct one (1) "pre-meeting planning session" teleconference with the Town. The BKF Team will finalize the TSR based on input received in the meeting. The TSR General Plan and Foundation Plan will be incorporated into the 35% Plan Submittal.

35% submittal, at a minimum, is anticipated to include the following:

- **PSR-PDS and Supporting Documents**
  - Purpose and Need
  - Geometric Approval Plans (Typicals and Horizontal and Vertical Alignments)
  - Identify Design Exceptions
  - Preliminary Drainage Report
  - PID Level Storm Water Data Report (SWDR)
  - Preliminary Transportation Management Plan (TMP)
  - Traffic Engineering Performance Assessment (TEPA) – The BKF Team assumes a formal TEPA is not required and minimal efforts to address the Traffic section in the PSR-PDS will suffice since the Project does not propose to alter traffic operations. Although a formal traffic analysis will not be required by Caltrans, BKF assumes a traffic memo to address the anticipated traffic signal modifications at West and East Roberts Road intersections will be required as part of the project scope. This analysis would be limited to Town review only and opening year operations.
  - Preliminary Geotechnical Memo and Preliminary Site Investigation
  - Biological/Cultural Records Searches
  - Preliminary Environmental Assessment Report (PEAR)
  - Construction and Support Cost Estimates
  - PID Draft Narratives/Sections
  - Administrative Draft PSR/PDS
  - Draft PSR/PDS with comments incorporated
  - Final PSR/PDS

- **PR and Supporting Documents** – For scoping purposes, the BKF Team assumes only one (1) alignment alternative and one (1) bridge type will be evaluated in the Project Report and supporting documents, which will include the following:
  - Geometric Approval Plans (Typicals and Horizontal and Vertical Alignments)
  - Design Exception Report
  - Utility Policy Exception
  - Preliminary Drainage Report
  - Storm Water Data Report (SWDR)
  - Transportation Management Plan (TMP)
  - Traffic Operations Analysis Report (TOAR) - The BKF Team assumes a formal TOAR is not required and minimal efforts to address the Traffic section in the PR will suffice since the Project does not propose to alter traffic operations. Although a formal traffic analysis will not be required by Caltrans, BKF assumes a traffic memo to address the anticipated traffic signal modifications at West and East Roberts Road intersections will be required as part of the project scope. This analysis would be limited to Town review only and opening year operations.
  - Right of Way Data Sheet (R/W Data Sheet)
  - Structures Advance Planning Study (APS)
  - Cost Estimate
  - Risk Management Plan
  - PR Draft Narrative/Sections
  - Administrative Draft Project Report
  - Updated/Finalized Supporting Documents
  - Draft Project Report with comments incorporated

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- Final Draft Project Report

- **35% PS&E** – The 35% PS&E submittal will be limited to the development of the Geometric Approval Drawings to obtain Caltrans Design approval of the Project's alignment design and features, including nonstandard design features.
  - Horizontal and vertical alignment plans
  -
  - Typical trail cross sections
  - Preliminary bridge plans (structural and architectural), typical cross sections, and details
  - Preliminary and Final Type Selection Reports
  - Preliminary retaining wall plans, details, and cross sections
  - Tree removal/Tree Protection plan
  - Independent quality control check including a review of the 35% plans and specifications for accuracy and conformance to applicable design standards and codes, constructability, and potential for value engineering/cost savings measures.

- **Task A.8 Final Design** – Based on the 35% PS&E documents and resolved comments, and following Caltrans approval of the PA/ED, the BKF Team will prepare the PS&E for the 65%, 95% and Final 100% submittals. PS&E shall be submitted to the Town of Los Gatos - Parks and Public Works Department at 65%, 95% and 100% complete. At each submittal stage, the items listed in Task A.7 shall be completed to the appropriate level of design. At each state, 3 hard copy sets of D-size (24"x36") plans and 3 hard copy sets of B-size (11"x17") plans shall be submitted along with electronic copies prepared in PDF format. At each stage 3 hard copies of the Specifications, Special Provisions, and Cost Estimates shall be provided along with electronic copies in MS Word/Excel. After each submittal, the BKF Team will allow appropriate time frames for identified stakeholders to review the submittal and return comments. All comments provided shall be addressed in writing prior to beginning work on the following submittal.

  Based on the work from the previous 35% PS&E, and upon review and approval of the same by the Town, the BKF Team shall prepare and submit 65% design plans and updated cost estimates. The BKF Team will prepare the necessary design plan sheets for the 65% PS&E submittal, which includes the following:
  - Title Sheet, Vicinity Map, and Key Map
  - Typical Sections
  - Layout Plans
  - Profiles/Superelevations
  - Grading Plans
  - Demolition Plans
  - Drainage Plans and Profiles
  - Stormwater Management Plans and Details
  - Temporary Water Pollution Control Plans and Details
  - Utility Plans, Profiles, and Details – BKF assumes water line design work will not be required as part of this scope. BKF recognizes the San Jose Water Company (SJWC) has expressed a desire to relocate their line onto the new bridge and will coordinate with SJWC to accommodate this line on the new structure, however, all design details to include this on the structure and any specific reinforcement/attachment details will be completed by SJWC.
  - Construction Details
  - Stage Construction Plans
  - Traffic Handling Plans
  - Pavement Delineation Plans
  - Signing Plans
  - Electrical Plans and Details
  - Traffic Signal Plans and Conductor Schedules – modifications are assumed at the Roberts Road West and East intersections. BKF assumes the Town can provide existing as-built drawings for these existing traffic signals.

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- Tree Removal/Protection Plans
- Planting and Irrigation Plans

Anticipated structural design drawings include but are not limited to:

- General Plan
- Structure Plan
- Deck Contours
- Foundation Plan
- Abutment Layout and Details
- Retaining Wall Layout and Details
- Bent Layout and Details
- Typical Sections
- Girder Layout and Details
- Approach Ramp Details
- Log of Test Borings
- Project specifications, special provisions and estimates

The Structural PS&E packages will be prepared in accordance with Caltrans processes/procedures. The structural design calculations will be performed in accordance with the most current California bridge practices and the following bridge design codes and manuals:

- Caltrans Standard Plans and Specifications
- Caltrans Bridge Design and Detailing Manuals
- American Association of State Highway and Transportation Officials Load and Resistance Factor Design (AASHTO LRFD) Bridge Design Specifications
- California Amendments to the AASHTO LRFD Bridge Design Specifications
- AASHTO LRFD Guide Specifications for the Design of Pedestrian Bridges
- Caltrans Seismic Design Criteria (SDC)

The proposed design will be coordinated with anticipated projects (i.e. Senior Housing Center northeast of existing Blossom Hill Overcrossing, SJWC Water line upgrade, Public Art Program, etc) located within the Project site limits, assuming their schedule progresses on a similar timeline as the proposed project design.

BKF assumes the Town of Los Gatos will Advertise, Award, and Administer (AAA) the construction of the proposed structure. As a result, BKF will not prepare additional Caltrans documents (Quantity Sheets, Survey files, RE files, etc.) that are typically required by Caltrans when Caltrans AAA's a construction contract.

BKF's subconsultant, TJKM, will prepare a TMP report to support construction activities proposed in the PS&E phase. The TMP is a method for minimizing activity-related traffic delay and accidents by the effective application of traditional traffic handling practices and an innovative combination of public and motorist information, demand management, incident management, system management, construction strategies, alternate route, and other strategies. During the final design phase, TJKM will propose lane closures on both Highway 17 and Blossom Hill Road, if needed, to support the construction of the bike and pedestrian overcrossing structure. The TMP report will be started at 65% PS&E and will be updated accordingly during 95% PS&E, and 100% PS&E. The BKF Team assumes no substantial impacts will be created with a full closure on Highway 17 and no detour will be needed during construction in the scope of work given the scope of work assumes the construction of a cast-in-place concrete structure with falsework, or steel truss structure. As a result, an approval or formal presentation with the Caltrans District Lane Closure Review Committee (DLCRC) will not be required and design approval can occur solely with the Caltrans TMP group during design approval.

Project Specifications and Special Provisions: The BKF Team shall prepare technical specifications and special provisions for all bid items including bid alternates. Documents shall be developed in accordance with federal, state and local requirements in all subsequent final design tasks. General conditions shall follow the Town and Caltrans requirements. The BKF Team shall prepare special provisions based on Caltrans Standard

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Special Provisions, Caltrans Standard Specifications, and Town construction contract standards. Special provisions shall follow the 2018 format of the Caltrans Standard Specifications and Standard Special provisions (SSP's)

Cost Estimate: The BKF Team shall prepare an engineer's estimate of probable construction cost for 65% design using both Caltrans and the Team's professional experience. Estimate shall include construction costs that reflect current market conditions, the bid items, utility relocation costs (if any), environmental mitigation costs, and contingencies.

65% submittal shall include all plan sheets developed to a minimum 65% complete stage and shall have been reviewed by the BKF Team for quality control, and coordination and consistency between plan sheets. Specifications and Special Provisions at the 65% level shall include a complete table of contents with all special provisions necessary for the construction of the Project identified. The construction cost estimate shall be prepared and shall include an appropriate estimating contingency.

It is the BKF Team's understanding that the 65% structural submittal package that consists of structural plans and specifications, and structural calculations will be reviewed by a Structural Engineer registered in the State of California and hired by the Town outside of this proposal.

BKF Team's Independent Structures Check of PS&E: As required by the Caltrans Office of Specially Funded Projects (OSFP), an independent check of the bridge design and drawings will be performed. The independent check will include independent structural calculations and independent quantities calculations and will be performed by an engineer who was not involved in the design of the bridge. The independent check will be performed concurrently with the Caltrans review of the 65% PS&E.

The BKF Team shall ensure all activities necessary to comply with regulations of the State Water Resources Control Board, including the requirements for the National Pollutant Discharge Elimination System permitting process, preparation of Project Registration Documents (PRDs) by a licensed qualified stormwater pollution prevention plan (SWPPP) developer (QSD), submittal of information to the Stormwater Multi Application Permit Tracking System (SMARTS), preparing landscape plans in accordance with Model Water Efficient Landscape Ordinance (MWELO), obtaining the WDID Project number, processing any other applicable documents, studies, waivers, and payment of all fees is addressed by the BKF Team and/or included in the construction Project specifications for completion during construction.

Once the Town receives the final 65% PS&E submittal, the BKF Team shall schedule a meeting with the Town and PDT members to review the revisions on the final 65% PS&E submittal package. Following this review session, the BKF Team shall prepare the 95% PS&E submittal. All comments from the 65% PS&E submittal review shall have been addressed.

95% submittal shall be the fully developed set of contract documents including all plans sheets, Specifications and Special Provisions, details, and other contract documents necessary for the construction of the Project. The construction cost estimate shall be finalized and shall include a 10% estimating contingency. The BKF Team will have conducted an internal quality control review of the plans, Specifications, Special Provisions, and construction cost estimate prior to submitting the 95% complete set and shall ensure that the contract documents are well coordinated, and information is consistent between all documents.

Following submission and review of the 95% submittal, The BKF Team will prepare and provide the Town with the final contract documents 100% for use in the construction bid process. All contract documents (plans, Specifications, Special Provisions, and estimates) are to be signed by the appropriately licensed professional engineer in responsible charge of the design.

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Once the Town receives the final 95% PS&E submittal, the BKF Team shall schedule a meeting with the Town and PDT members to review the revisions on the final 95% PS&E package. Following this review session, the Team shall prepare the 100% PS&E package.

The BKF Team shall also ensure that all design calculations, deliverables, and other works are independently verified to ensure accuracy. All exhibits, plans, and reports should be checked, corrected, and backed checked for accuracy and completeness prior to submitting documents to the Town and other agencies for review.

The PS&E must be approved prior to submission to Caltrans District Local Assistance. The BKF Team shall assist the Town in obtaining Caltrans approval of the Project PS&E for compliance with all applicable federal and state regulations and procedures. A preliminary "PS&E Checklist" form, included as Exhibit 12-D in Chapter 12 (Plans, Specifications & Estimate) of Caltrans' Local Assistance Procedures Manual, which summarizes the items requiring local agency compliance and identifies critical federal requirements shall be prepared by the BKF Team. With prior approval and consent from the Town, the BKF Team shall prepare the final Project PS&E Checklist, PS&E approval letter (Exhibit 12-C, LAPM Chapter 12), and preliminary estimate to be submitted to the Caltrans District Local Assistance Engineer (DLAE) along with a completed E-76 – "Request for Authorization" to proceed with construction.

The BKF Team shall provide an electronic copy of the final contract documents, a signed and stamped mylar copy of the final approved plans, and a hard copy of the final signed, approved, and stamped Specifications, Special Provisions, and construction cost estimate. The electronic copy of the plans shall be provided as both AutoCAD files and PDF files, and the electronic copy of the specifications and estimate shall be provided in both Microsoft Word/Excel format and PDF format. Town of Los Gatos - Parks and Public Works Department will be responsible for making copies of contract documents and will distribute to plan rooms and contractors in advance of the bid phase.

Deliverables: Plans, Specifications, Special Provisions, and estimates for Town review at 35%, 65%, 95% design stages; final contract documents, SWPPP, WDID Project number

Right of Way, Utility and ADA Certifications – BKF assumes that temporary and permanent right of way will not be required for the Project. The BKF Team shall verify and prepare the appropriate Right of Way, Utility, and ADA certifications to advance the Project to the construction phase using procedures outlined in the Caltrans Local Assistance Procedures Manual. All property lines are to be shown on the design and construction documents.

Deliverables:Utility Clearance, Right of Way and ADA Certifications

- **Task A.9 Construction Phase Authorization** – The BKF Team shall assist the Town in the preparation of the Request for Authorization to advance Project to Construction using procedures outlined in the Caltrans Local Assistance Procedures Manual and shall complete any items necessary to obtain authorization for the Town to proceed with construction.

*Deliverables: Caltrans Encroachment Permit, Authorization from Caltrans to proceed with construction (E-*76)

PHASE II – CONSTRUCTION SUPPORT SERVICES (FUTURE SCOPE OF SERVICES):

As part of Phase II, the BKF Team will provide design support services to the Town during construction of the Project as noted below. The scope of work outlined below assumes the Town will advertise, award, and administer (AAA) construction of the project.

- **Task B.1 Project Management**
  The BKF Team will provide all the necessary Project coordination, administration, management and interfacing with the Town, Caltrans, and other internal/external stakeholders to achieve Project objective. The BKF Team shall proactively provide direction

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to the Town regarding the Project tasks necessary to deliver the federally funded Project consistent with Caltrans permitting requirements and federal reimbursement requirements. The BKF Team will be responsible for Project management activities throughout the life of the contract. The scope of these activities includes, but is not limited to,

- provide, distribute, and maintain contact information for all Project team members
- coordinate and schedule meetings/conference calls as needed
- prepare and distribute meeting minutes
- itemize, track, and pursue all Project action items to completion
- develop and maintain the Project schedule, report on Project progress
- supervise, coordinate, and monitor the construction for conformance with permit requirements from Caltrans, VTA, and utility companies
- conduct field reviews as needed,
- prepare all submissions for the Town's submittal to Caltrans
- provide internal quality control checks and document quality control actions conducted for the Project
- conduct cross-checking to avoid potential conflicts between various subconsultant's work
- develop Project filing and record keeping system for Project files for a period of 5 years
- develop a list of Project stakeholders for coordination during Project design
- provide the Town with required documents required for compliance with the Measure B funding Agreement between the Town and VTA, Including but not limited to progress reports, reimbursement forms, etc.)
- provide monthly Project updates for posting on the Project page of the Town's website

Deliverables: Meeting minutes, schedule, progress reports, action item logs, tracking spreadsheets, Caltrans submissions and other items resulting from the BKF Team's Project management duties

- **Task B.2 Bid Support Services** –The BKF Team shall respond in writing to questions that arise during the bid phase and shall prepare addendums, if necessary, which will be distributed by the Town of Los Gatos - Parks and Public Works Department. Each addendum shall also address cost implications to the Project construction cost estimate. The BKF Team shall prepare written responses to questions received and addenda in a format that can be easily posted to the Towns website. Following completion of bid stage, The BKF Team shall incorporate any addenda into the final contract documents and shall prepare the final "Conformed Contract Documents". The BKF Team shall provide an electronic copy of the final Conformed Contract Documents, a signed and stamped mylar copy of the final conformed plans, and a hard copy of the final signed, approved, and stamped conformed Specifications, Special Provisions, and cost estimate. The electronic copy of the plans shall be provided as both AutoCAD files and PDF files, and the electronic copy of the specifications and estimate shall be provided in both Microsoft Word/Excel format and PDF format.

- **Task B.3 Construction Support Services –** The BKF Team shall be prepared to provide the following construction support services:
  - Review of submittals and shop drawings for compliance with Contract Documents
  - Review and response to Requests for Information, Requests for Change Orders, Quotes from Contractor
  - Review of Contract Change Orders
  - Review and tracking of results from materials testing for conformation to Contract Documents
  - Field review and geotechnical monitoring during bridge installation
  - Structural review and field monitoring during bridge installation
  - Prepare design modifications if necessary due to unforeseen conditions

Assumptions:

1. The BKF Team assumes a formal Traffic Engineering Performance Assessment (TEPA) will not be needed for PSR/PDS phase.
2. It is assumed that a formal Traffic Operation Report (TOAR) will not be needed for

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PA/ED phase. In the event that lane modifications are needed to accommodate the new pathway where roadway widths are constrained, the BKF Team will analyze intersection delay/level of service for two intersections of Blossom Hill Road/Roberts Road West/Vasona Park Road and Blossom Hill Road/Roberts Road East in the Town of Los Gatos with and without project (up to one build alternative) for existing conditions. Travel demand forecasting and future analysis are NOT included in this scope and fee under this task. If a more comprehensive TOAR is required, additional work will be required warranting a fee amendment.

3. PS&E Submittals will be provided at 35%, 65%, 95%, and 100% completion levels. Agency reviews are limited to one round of comments consolidated to one set of redline plan, specification and estimate redline comments per agency. BKF understands minor comments may be received outside of these formal reviews and will do its best to incorporate comments into the noted completion levels when reasonable. Substantial comments not received within reasonable timeframes will be evaluated on a case-by-case basis with the Town as they may require additional efforts not identified within this proposal. Project Reports will be limited to one draft and one final version of each report.
4. For planning and budgeting purposes the 35% and Final design scope of services have been estimated assuming the basic structural configuration and concept outlined in the conceptual Study for a concrete and structural steel truss bridge option. These design scope will be reviewed with the Town at the completion of Task A.6 to ensure that all required design services are adequately addressed.
5. The Construction Support Services scope will be reviewed with the Town at the completion of Final Design to ensure that all required services are adequately addressed.
6. Formal Caltrans Value Engineering services will not be required since the project is projected to be less than the $40 million per bridge project threshold.
7. The Town will assign a Resident Engineer (RE) to the project that will be responsible for day to day oversight of the Town's Contractor and all inspections required by the Project Documents. It is assumed that the Town RE will have all of the necessary experience, expertise and authority to manage the day to day oversight of the project, coordinate with outside agencies (such as Caltrans, County, Utilities, etc.) and to perform all necessary inspections and shop drawing reviews not otherwise identified as being performed by the Design Team.
8. In addition to the quality assurance and control measures required as part of this scope, BKF Team recommends that the Town retain their RE prior to completion of the 95% PS&E submittal and that the Town RE perform a constructability, bidability, and cost verification of the 95% plans, specifications, and estimates.
9. Structural construction support work is limited to major items of work only as outlined herein. Minor and construction management and administration elements will be reviewed by the Town RE.
10. All correspondence, shop drawing submittals and RFIs for Design Team review will be routed and coordinated through the RE to BKF and then BCA.
11. As outlined in the Caltrans Standard Specification requirements, shop drawing reviews are provided for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details such as dimensions and quantities or for substantiating instructions for installation or performance of equipment or systems designed by the Contractor all of which remain the responsibility of the Contractor to the extent required by the Contract Documents. The BKF Team review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the BKF Team, of construction means, methods, techniques, sequences or procedures. The BKF Team's review of a specific item shall not indicate approval of an assembly of which the item is a component. The contract documents prepared by BKF will clearly identify the Contractor's responsibilities in these areas.
12. Record Drawings will be prepared from one consolidated master mark-up set of Town RE red line comments provided to the BKF Team by the Town RE. Record Drawings will be prepared per project drafting standards in AutoCad format and it is assumed that Caltrans will not require transition of Record Drawings into Microstation format.
13. Construction staking, construction inspection, and post-construction survey of the

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proposed improvements are excluded from this proposal.

14. Phase I shall be completed within a reasonable timeframe. Following the notice to proceed, the assumed timeframe for completing Phase I scope as outlined within the proposal is approximately 40 months (Preliminary Engineering/Environmental Approval – 24 months; Final Design – 12 months; Construction Phase Authorization – 4 months). Key milestones and their approximate durations are further outlined below:
    a. Task 5 Environmental Studies and Documentation – 16 months
    b. Task 7 Preliminary Design - 35% PS&E Submittal – 24 months
        i. PSR-PDS – 10 months
        ii. PR – 14 months
    c. Task 8 Final Design – 12 months
        i. 65% PS&E – 6 months
        ii. 95% PS&E – 4 months
        iii. 100% PS&E – 2 months
    d. Task 9 Construction Phase Authorization – 4 months

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EXHIBIT B - COST PROPOSAL

Highway 17 Bicycle and Pedestrian Overcrossing Project

BKF Engineers, 5/6/2021

Phase I - Engineering Design Services and Environmental Approval	TOTAL NOT TO EXCEED
Task A.1 Project Management and Administration	$ 176,115
Task A.2 Data Collection and Review	$ 57,281
Task A.3 Surveying and Base Mapping	$ 119,790
Task A.4 Stakeholder Coordination and Project Permits	$ 453,756
Task A.5 Environmental Studies and Documentation - CEQA and NEPA	$ 138,883
Task A.6 Geotechnical Engineering	$ 202,215
Task A.7 Preliminary Design - 35% PS&E Submittal	$ 655,460
Task A.8 Final Design	$ 1,146,561
Task A.9 Construction Phase Authorization	$ 49,939
Total Not To Exceed	**$ 3,000,000**
Phase II - Construction Support - (FUTURE SCOPE OF SERVICES)	
Task B.1 Project Management and Administration	*$ 192,013*
Task B.2 Bidding Phase	*$ 37,545*
Task B.3 Additional Reports and Services	*$ 482,426*
Total	*$ 711,984*

Phase I Assumptions:

1. Town will be the CEQA Lead Agency.
2. Scope does not identify any community or public hearing meetings for environmental process.
3. No ABC Mapping Process will be required.
4. Utility Potholing budget identified is an allowance; potholing fees exceeding this balance will be reimbursed by the Town.
5. Permit Application and Filing Fees will be borne by the Town.
6. Town will hire a firm to perform the structural independent check.
7. PG&E and CPUC Encroachment Processing is not required.
8. All proposed project improvements are located within the public right of way.
9. Town will provide Title Reports if required.
10. Town will administer the construction contract; Caltrans will not RTL the project and thus DOE review not required.
11. A three year project schedule has been assumed for the Preliminary Engineering, Environmental Approval and Final Design Phase.
12. Design effort is based on a concrete or steel structure within the Caltrans right of way.
13. 401/404 Regulatory Permits are not required.
14. Only one round of comment response will be received from each agency at each milestone submittal. BKF understands minor comments may be received outside of these formal reviews and will do its best to incorporate comments into the noted design completion levels when reasonable. Substantial comments not received within reasonable timeframes will be evaluated on a case-by-case basis with the Town as they may require additional efforts not identified within this scope of services.
15. There will only be one iteration on the 100% PS&E package, which will serve as the Final PS&E package

Phase II Assumptions:

1. Construction Support Services are provided for reference only. Future construction support services will be negotiated following completion of design and are not a part of the current contract scope of services..

2. The estimated effort for Design Services During Construction is an estimated allowance only and will depend on final design of the bridge and project improvements.

3. Construction Inspection services are excluded. BKF assumes the Town will hire a Resident Engineer to administer construction and inspection.

4. Contractor will provide red lined mark-ups for as-built record drawings

5. A one and half year construction schedule has been assumed for Construction.

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Reset Form

EXHIBIT 10-O2 CONSULTANT CONTRACT DBE COMMITMENT

1. Local Agency: Town of Los Gatos 2. Contract DBE Goal: 12%
3. Highway 17 Bicycle and Pedestrian Overcrossing Project
4. Project Location: Town of Los Gatos
5. Consultant's Name: BKF Engineers 6. Prime Certified DBE: No 7. Total Contract Award Amount: $3,000,000
8. Total Dollar Amount for **ALL** Subconsultants: $1,340,016 9. Total Number of **ALL** Subconsultants: 8 Tier 1 Subs (+1 ODC Subs)

7. Description of Work, Service, or Materials Supplied	8. DBE Certification Number	9. DBE Contact Information	10. DBE $
Environmental Engineering- CEQA/NEPA	VTA #38205	Akoni Danielsen - David J. Powers & Associates, Inc, 1871 The Alameda, Ste 200, CA 95126	$97,227.73
Geotechnical Engineering Services	20259	Gary Parkh - Parikh Consultants Inc, 1497 N Milpitas Blvd., Milpitas, CA 95035	$198,986.89
Traffic Engineering	40772	Nayan Amin - TJKM Transportation Consultants, 2055 Gateway Pl #400, Sann Jose, CA 95110	$62,926.53
Traffic Control	38321	Kellie Avila - Avila Traffic Safety, 8365 El Camino Real, Atascadero, CA 93422	$4,000.00
Local Agency to Complete this Section		**11. TOTAL CLAIMED DBE PARTICIPATION**	**$363,141.15**

17. Local Agency Contract Number: 19-818-0803
18. Federal-Aid Project Number:
19. Proposed Contract Execution Date: April 16, 2021
20. Consultant's Ranking after Evaluation: #1

Local Agency certifies that all DBE certifications are valid and information on this form is complete and accurate.

IMPORTANT: Identify all DBE firms being claimed for credit, regardless of tier. Written confirmation of each listed DBE is required.

12. Preparer's Signature 13. Date: 01/14/2021
14. Preparer's Name 15. Phone: 408-467-1932
16. Preparer's Title

Natalina Bernardi 408-467-1932

Principal and Vice President

ADA Notice: For individuals with sensory disabilities, this document is available in alternate formats. For information call (916) 654-6410 or TDD (916) 654- 3880 or write Records and Forms Management, 1120 N Street, MS-89, Sacramento, CA 95814.

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FIRST AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES

This FIRST AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES is dated for identification this 20th day of February 2024 and amends that certain AGREEMENT FOR CONSULTANT SERVICES FOR THE HIGHWAY 17 BICYCLE AND PEDESTRIAN OVERCROSSING PROJECT #19-818-0803, dated May 20, 2021, made by and between the Town of Los Gatos, ("Town,") and BKF Engineers Inc. (“CONSULTANT”) identified as a C Corporation and whose address is 2100 Franklin Street, Suite 4C, Oakland, CA 94612.

RECITALS

A. Town and CONSULTANT entered into an agreement for Consultant Services on May 20, 2021 (“Agreement”), a copy of which is attached hereto and incorporated by reference as Exhibit A to this Amendment.

B. Town desires to amend the Agreement to add to the scope of work to include grant writing services for construction phase grant applications for the Highway 17 Bicycle/Pedestrian Overcrossing Project.

AMENDMENT

1. ARTICLE II STATEMENT OF WORK is amended to ADD the following text:

   Consultant shall provide services as described in that certain Proposal dated January 17, 2024, which is hereby incorporated by reference and attached hereto as Exhibit B.

2. ARTICLE V ALLOWABLE COSTS AND PAYMENTS, PART E. is amended to read as follows:

   The total amount payable by LOCAL AGENCY for PHASE I shall not exceed $3,048,735. The original not-to-exceed amount of the agreement of $3,000,000 was increased by $48,735 as compensation for the First Amendment.

3. All other terms and conditions of the Agreement remain in full force and effect.

Exhibit A Agreement for Consulting Services for the Highway 17 Bicycle and Pedestrian Overcrossing Project #19-818-0803 dated May 20, 2021

Exhibit B Proposal by BKF for Grant Writing Services for ATP and SS4A Grant Applications dated January 17, 2024

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IN WITNESS WHEREOF, the Town and CONSULTANT have executed this Amendment.

Town of Los Gatos, by:

DocuSigned by:
Laurel Prevetti 3/1/2024
853FEEA2EB39470...
Laurel Prevetti
Town Manager

CONSULTANT, by:

DocuSigned by:
Jaggi Bhandal 2/26/2024
7D73EF7F8923420...
Jaggi Bhandal, Vice President, BKF

Department Approval:

DocuSigned by:
Nicolle Burnham 2/26/2024
0E978313496 44C3...
Nicolle Burnham
Director of Parks and Public Works

Approved as to Form:

DocuSigned by:
Gabrielle Whelan 2/29/2024
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Gabrielle Whelan
Town Attorney

Attest:

DocuSigned by:
Wendy Wood 3/1/2024
BF6EBCBE2C214F8...
Wendy Wood, CMC
Town Clerk

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EXHIBIT A

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AGREEMENT FOR CONSULTANT SERVICES

HIGHWAY 17 BICYCLE AND PEDESTRIAN OVERCROSSING PROJECT # 19-818-0803

ARTICLE I - INTRODUCTION

A. This AGREEMENT is made and entered into on May 20, 2021 by and between the TOWN OF LOS GATOS, a California municipal corporation, hereinafter referred to as, LOCAL AGENCY and **BKF Engineers**, hereinafter referred to as, CONSULTANT, whose address is **1730 N. First Street, Suite 600, San Jose, CA 95112**. The CONSULTANT is incorporated in the State of California.

The Project Manager for the "CONSULTANT" will be **Natalina V. Bernardi, PE, LEED AP, Principal and Vice President.**

The Contract Administrator for LOCAL AGENCY will be WooJae Kim,Town Engineer.

This Agreement is made with reference to the following facts.

The LOCAL AGENCY desires to engage CONSULTANT to provide professional engineering services for the Highway 17 Bicycle and Pedestrian Overcrossing Project.

The CONSULTANT represents and affirms that it is willing to perform the desired work pursuant to this Agreement.

The CONSULTANT represents and warrants to LOCAL AGENCY that it possesses the distinct professional skills, qualifications, experience, and resources necessary and has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for CONSULTANT to practice its profession and to timely perform the services described in this Agreement. CONSULTANT acknowledges LOCAL AGENCY has relied upon these warranties to retain the CONSULTANT.

CONSULTANT shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws.

CONSULTANT shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.

B. The work to be performed under this AGREEMENT is described in Article II entitled Statement of Work and the approved CONSULTANT's Cost Proposal dated **05-06-21**. The approved CONSULTANT's Scope of Service (Exhibit A) and Cost Proposal (Exhibit B) is attached hereto and incorporated by reference. If there is any conflict between the approved Scope of Services or Cost Proposal and this AGREEMENT, this AGREEMENT shall take precedence.

C. CONSULTANT agrees, to the fullest extent permitted by law, to save, keep, indemnify and hold harmless and defend the LOCAL AGENCY, its officers, agents, employees and volunteers from all damages, claims, demands, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act, errors, or omissions of the CONSULTANT, or any of the CONSULTANT'S officers, employees, or agents or any

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sub-consultant. CONSULTANT will reimburse LOCAL AGENCY for any expenditure, including reasonable attorney fees, incurred by LOCAL AGENCY in defending against claims ultimately determined to be due to negligent acts, errors, or omissions of CONSULTANT.

D. CONSULTANT and the agents and employees of CONSULTANT, in the performance of this contract, shall act in an independent capacity and not as officers or employees or agents of LOCAL AGENCY. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to LOCAL AGENCY employee(s). With prior written consent, the CONSULTANT may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. CONSULTANT shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by CONSULTANT or is based on allegations of CONSULTANT'S negligent performance or wrongdoing.

E. LOCAL AGENCY is not required to make any deductions or withholding from the compensation payable to CONSULTANT under the provisions of this AGREEMENT, and is not required to issue W-2 forms for income and employment tax purposes for any of CONSULTANT'S assigned personnel. CONSULTANT, in the performance of its obligation hereunder, is only subject to the control or direction of the LOCAL AGENCY as to the designation of tasks to be performed and the results to be accomplished.

F. Any third party person(s) employed by CONSULTANT shall be entirely and exclusively under the direction, supervision, and control of CONSULTANT. CONSULTANT hereby indemnifies and holds LOCAL AGENCY harmless from any and all claims that may be made against LOCAL AGENCY based upon any contention by any third party that an employer-employee relationship exists by reason of this AGREEMENT.

G. Except as expressly authorized herein, CONSULTAN'S obligations under this AGREEMENT are not assignable or transferable, and CONSULTANT shall not subcontract any work, without the prior written approval of the LOCAL AGENCY. However, claims for money due or which become due to CONSULTANT from LOCAL AGENCY under this AGREEMENT may be assigned to a financial institution or to a trustee in bankruptcy, without such approval. Notice of any assignment or transfer whether voluntary or involuntary shall be furnished promptly to the LOCAL AGENCY.

H. CONSULTANT shall be as fully responsible to the LOCAL AGENCY for the negligent acts and omissions of its contractors and subcontractors or subconsultants, and of persons either directly or indirectly employed by them, in the same manner as persons directly employed by CONSULTANT.

I. No alteration or variation of the terms of this contract shall be valid, unless made in writing and signed by the parties hereto; and no oral understanding or agreement not incorporated herein, shall be binding on any of the parties hereto.

J. The consideration to be paid to CONSULTANT as provided herein, shall be in compensation for all of CONSULTANT's expenses incurred in the performance hereof, including travel and per diem, unless otherwise expressly so provided.

ARTICLE II STATEMENT OF WORK

CONSULTANT agrees to perform the services as outlined in "Exhibit A –Scope of Services" within the time frames specified therein, and "Exhibit B – Consultant's Cost Proposal" which are hereby

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incorporated by reference and attached. In the performance of the Scope of Services for this contract, the responsible CONSULTANT professional engineer shall sign all plans, specifications and estimates and engineering data furnished under the AGREEMENT, including registration number.

ARTICLE III CONSULTANT'S REPORTS OR MEETINGS

A. CONSULTANT shall submit progress reports at least once a month. The report should be sufficiently detailed for the LOCAL AGENCY'S Contract Administrator to determine, if CONSULTANT is performing to expectations, or is on schedule; to provide communication of interim findings, and to sufficiently address any difficulties or special problems encountered, so remedies can be developed.

B. CONSULTANT's Project Manager shall meet with LOCAL AGENCY's Contract Administrator, as needed, to discuss progress on the AGREEMENT.

C. This AGREEMENT provides for conferences as needed, visits to the site, and inspection of the work by representatives of the LOCAL AGENCY, State, and/or FHWA. Costs incurred by CONSULTANT for meetings, subsequent to the initial meeting shall be included in the CONSULTANTS fee.

ARTICLE IV PERFORMANCE PERIOD

A. This contract shall go into effect on May 20, 2021 contingent upon approval by LOCAL AGENCY, and CONSULTANT shall commence work after notification to proceed by LOCAL AGENCY'S Contract Administrator. The contract shall end at the earlier of final Project construction or on 12/31/26 unless extended by contract amendment.

B. CONSULTANT is advised that any recommendation for contract award is not binding on LOCAL AGENCY until the contract is fully executed and approved by LOCAL AGENCY.

ARTICLE V ALLOWABLE COSTS AND PAYMENTS

TASK 1 -

A. The method of payment for PHASE I of this AGREEMENT will be based on lump sum. The total lump sum price paid to CONSULTANT will include compensation for all work and deliverables, including travel and equipment necessary to provide the services described in Article II Statement of Work. No additional compensation will be paid to CONSULTANT, unless there is a change in the scope of the work or the scope of the Project. In the instance of a change in the scope of work or scope of the Project, adjustment to the total lump sum compensation will be negotiated between CONSULTANT and LOCAL AGENCY. Adjustment in the total lump sum compensation will not be effective until authorized by AGREEMENT amendment and approved by LOCAL AGENCY.

B. Progress payments may be made monthly in arrears based on the percentage of work completed by CONSULTANT. If CONSULTANT fails to submit the required deliverable items according to the schedule set forth in the Statement of Work, LOCAL AGENCY shall have the right to delay payment or terminate this AGREEMENT in accordance with the provisions of Article VI Termination.

C. CONSULTANT shall not commence performance of work or services until this contract has been approved by LOCAL AGENCY and notification to proceed has been issued by LOCAL AGENCY'S Contract Administrator. No payment will be made prior to approval of any work, or for any work performed prior to approval of this AGREEMENT.

D. CONSULTANT will be reimbursed within 30 days upon receipt by LOCAL AGENCY'S Contract Administrator of itemized invoices in duplicate. Invoices shall be submitted no later than 30 calendar days after the performance of work for which CONSULTANT is billing. Invoices shall detail the work performed on each phase and on each task as applicable. Invoices shall follow the format

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stipulated for the approved Cost Proposal and shall reference this AGREEMENT number and Project title. Final invoice must contain the final cost and all credits due LOCAL AGENCY that include any equipment purchased under the provisions of Article XI Equipment Purchase of this contract. The final invoice must be submitted within 60-calendar days after completion of CONSULTANT's work, unless a later date is approved by the LOCAL AGENCY. Invoices shall be mailed to LOCAL AGENCY's Contract Administrator at the following address:

Town of Los Gatos Parks and Public Works Department
ATTN: WooJae Kim, Town Engineer
Highway 17 Bicycle and Pedestrian Overcrossing Project
41 Miles Avenue
Los Gatos, CA 95030

E. The total amount payable by LOCAL AGENCY for PHASE I shall not exceed $3,000,000 (Three million dollars).

PHASE II – PHASE II work shall not be awarded at this time. Future Phase II services, if requested, shall be incorporated to this agreement by contract amendment for approval by LOCAL AGENCY and the CONSULTANT. The following articles shall apply to a future Phase II contract amendment.

A. The method of payment for Phase II shall be at the rate specified for each item, as described in this Article. The specified rate shall include full compensation to CONSULTANT for the item as described, including but not limited to, any repairs, maintenance, or insurance, and no further compensation will be allowed therefore.

B. The specified rate to be paid for vehicle expense for CONSULTANT's field personnel, if any, shall be per approved Cost Proposal. The rates for fully equipped vehicle(s) shall be as specified in Article II Statement of Work, if applicable. The specified rate to be paid for equipment shall be, as listed in the approved Cost Proposal, if applicable.

C. The method of payment for Phase II of this AGREEMENT, except those items to be paid for on a specified rate basis, will be based on cost per unit of work. LOCAL AGENCY will reimburse CONSULTANT for actual costs (including labor costs, employee benefits, travel, equipment-rental costs, overhead and other direct costs) incurred by CONSULTANT in performance of the work. CONSULTANT will not be reimbursed for actual costs that exceed the estimated wage rates, employee benefits, travel, equipment rental, overhead and other estimated costs set forth in the approved Cost Proposal, unless additional reimbursement is provided for, by contract amendment. In no event, will CONSULTANT be reimbursed for overhead costs at a rate that exceeds LOCAL AGENCY approved overhead rate set forth in the approved Cost Proposal. In the event, LOCAL AGENCY determines that changed work from that specified in the approved Cost Proposal and AGREEMENT is required; the actual costs reimbursable by LOCAL AGENCY may be adjusted by AGREEMENT amendment to accommodate the changed work. The maximum total cost as specified in Paragraph "J," shall not be exceeded unless authorized by AGREEMENT amendment.

D. In addition to the allowable costs, LOCAL AGENCY will pay CONSULTANT a fixed fee of $(0) The fixed fee is nonadjustable for the term of the AGREEMENT, except in the event of a significant change in the scope of work and such adjustment is made by AGREEMENT amendment.

E. Reimbursement for transportation and subsistence costs shall not exceed the rates specified in the approved Cost Proposal.

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F. When milestone cost estimates are included in the approved Cost Proposal, CONSULTANT shall obtain prior written approval for a revised milestone cost estimate from the Contract Administrator before exceeding such cost estimate.

G. Progress payments will be made monthly in arrears based on services provided and allowable incurred costs. A pro rata portion of CONSULTANT's fixed fee will be included in the monthly progress payments. If CONSULTANT fails to submit the required deliverable items according to the schedule set forth in the Statement of Work, LOCAL AGENCY shall have the right to delay payment or terminate this AGREEMENT in accordance with the provisions of Article VI Termination.

H. No payment will be made prior to approval of any work, nor for any work performed prior to approval of this AGREEMENT.

I. CONSULTANT will be reimbursed, as promptly as fiscal procedures will permit upon receipt by LOCAL AGENCY's Contract Administrator of itemized invoices in duplicate. Invoices shall be submitted no later than thirty (30) calendar days after the performance of work for which CONSULTANT is billing. Invoices shall detail the work performed on each milestone and each Project as applicable. Invoices shall follow the format stipulated for the approved Cost Proposal and shall reference this AGREEMENT number and Project title. Final invoice must contain the final cost and all credits due LOCAL AGENCY including any equipment purchased under the provisions of Article XI Equipment Purchase of this contract. The final invoice should be submitted within sixty (60) calendar days after completion of CONSULTANT's work. Invoices shall be mailed to LOCAL AGENCY's Contract Administrator at the following address:

Town of Los Gatos Parks and Public Works Department
ATTN: Woo Jae Kim/Town Engineer
Highway 17 Bicycle and Pedestrian Overcrossing Project
41 Miles Avenue
Los Gatos, CA 95030

J. The total amount payable by LOCAL AGENCY for Phase II shall be as specified by a future contract amendment.

K. Salary increases will be reimbursable if the new salary is within the salary range identified in the approved Cost Proposal and is approved by LOCAL AGENCY's Contract Administrator.

L. For personnel subject to prevailing wage rates as described in the California Labor Code, all salary increases, which are the direct result of changes in the prevailing wage rates are reimbursable.

ARTICLE VI TERMINATION

A. This AGREEMENT may be terminated by LOCAL AGENCY provided that LOCAL AGENCY gives not less than thirty (30) calendar days written notice (delivered by certified mail, return receipt requested) of intent to terminate. Upon termination, LOCAL AGENCY shall be entitled to all work, including but not limited to, reports, investigations, appraisals, inventories, studies, analyses, drawing and data estimates performed to that date, whether complete or not.

B. LOCAL AGENCY may temporarily suspend the AGREEMENT, at no additional cost to LOCAL AGENCY, provided that CONSULTANT is given written notice (delivered by certified mail, return receipt requested) of temporary suspension. If LOCAL AGENCY gives such notice of temporary suspension, CONSULTANT shall immediately suspend its activities under this AGREEMENT. A temporary suspension may be issued concurrent with the notice of termination. If the duration of the temporary suspension exceeds 180 calendar days, this AGREEMENT may be terminated by

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CONSULTANT provided that CONSULTANT gives not less than thirty (30) calendar days written notice (delivered by certified mail, return receipt requested) of intent to terminate.

C. Notwithstanding any provisions of this AGREEMENT, CONSULTANT shall not be relieved of liability to LOCAL AGENCY for damages sustained by LOCAL AGENCY by virtue of any breach of this AGREEMENT by CONSULTANT, and LOCAL AGENCY may withhold any payments due to CONSULTANT until such time as the exact amount of damages, if any, due LOCAL AGENCY from CONSULTANT is determined.

D. In the event of termination, CONSULTANT shall be compensated as provided for in this AGREEMENT. Upon termination, LOCAL AGENCY shall be entitled to all work, including but not limited to, reports, investigations, appraisals, inventories, studies, analyses, drawings and data estimates performed to that date, whether completed or not.

E. LOCAL AGENCY may terminate this contract with CONSULTANT should CONSULTANT fail to perform the covenants herein contained at the time and in the manner herein provided. In the event of such termination, LOCAL AGENCY may proceed with the work in any manner deemed proper by LOCAL AGENCY. If LOCAL AGENCY terminates this contract with CONSULTANT, LOCAL AGENCY shall pay CONSULTANT the sum due to CONSULTANT under this contract prior to termination, unless the cost of completion to LOCAL AGENCY exceeds the funds remaining in the contract. In which case the overage shall be deducted from any sum due CONSULTANT under this contract and the balance, if any, shall be paid to CONSULTANT upon demand.

ARTICLE VII COST PRINCIPLES AND ADMINISTRATIVE REQUIREMENTS

A. The CONSULTANT agrees that 48 CFR Part 31, Contract Cost Principles and Procedures, shall be used to determine the allowability of individual terms of cost.
B. CONSULTANT also agrees to comply with Federal procedures in accordance with 2 CFR, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
C. Any costs for which payment has been made to CONSULTANT that are determined by subsequent audit to be unallowable under 2 CFR, Part 200 or 48 CFR Part 31, are subject to repayment by CONSULTANT to LOCAL AGENCY.
D. When a CONSULTANT or Subconsultant is a Non-Profit Organization or an Institution of Higher Education, the Cost Principles for Title 2 CRF Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards shall apply.

ARTICLE VIII RETENTION OF RECORDS/AUDIT

For the purpose of determining compliance with Government Code 8546.7; the CONSULTANT, Subconsultants, and LOCAL AGENCY shall maintain all books, documents, papers, accounting records, Independent CPA Audited Indirect Cost Rate workpapers, and other evidence pertaining to the performance of the AGREEMENT, including but not limited to, the costs of administering the AGREEMENT. All parties, including the CONSULTANT'S Independent CPA, shall make such materials available at their respective offices at all reasonable times during the AGREEMENT period and for five (5) years from the date of final payment under the AGREEMENT. LOCAL AGENCY, Caltrans Auditor, FHWA, VTA, or any duly authorized representative of the Federal Government having jurisdiction under Federal laws or regulations (including the basis of Federal funding in whole or in part) shall have access to any books, records, and documents of CONSULTANT, Subconsultants, and the CONSULTANT'S Independent CPA, that are pertinent to the AGREEMENT for audits, examinations, workpaper review, excerpts, and transactions, and copies thereof shall be furnished if requested without limitation.

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ARTICLE IX AUDIT REVIEW PROCEDURES

A. Any dispute concerning a question of fact arising under an interim or post audit of this AGREEMENT that is not disposed of by AGREEMENT, shall be reviewed by LOCAL AGENCY'S Chief Financial Officer.

B. Not later than thirty (30) calendar days after issuance of the final audit report, CONSULTANT may request a review by LOCAL AGENCY'S Chief Financial Officer of unresolved audit issues. The request for review will be submitted in writing.

C. Neither the pendency of a dispute nor its consideration by LOCAL AGENCY will excuse CONSULTANT from full and timely performance, in accordance with the terms of this AGREEMENT.

D. CONSULTANT and subconsultant AGREEMENTS, including cost proposals and Indirect Cost Rates (ICR), may be subject to audits or reviews such as, but not limited to, an AGREEMENT audit, an incurred cost audit, an ICR Audit, or a CPA ICR audit work paper review. If selected for audit or review, the AGREEMENT, cost proposal and ICR and related work papers, if applicable, will be reviewed to verify compliance with 48 CFR, Part 31 and other related laws and regulations. In the instances of a CPA ICR audit work paper review it is CONSULTANT's responsibility to ensure federal, state, or local government officials are allowed full access to the CPA's work papers including making copies as necessary. The AGREEMENT, cost proposal, and ICR shall be adjusted by CONSULTANT and approved by LOCAL AGENCY contract administrator to conform to the audit or review recommendations. CONSULTANT agrees that individual terms of costs identified in the audit report shall be incorporated into the AGREEMENT by this reference if directed by LOCAL AGENCY at its sole discretion. Refusal by CONSULTANT to incorporate audit or review recommendations, or to ensure that the federal, LOCAL AGENCY or local governments have access to CPA work papers, will be considered a breach of AGREEMENT terms and cause for termination of the contract and disallowance of prior reimbursed costs.

E. CONSULTANT Cost Proposal may be subject to a CPA ICR Audit Work Paper Review and/or audit by the Caltrans' Independent Office of Audits and Investigations (IOAI). IOAI, at its sole discretion, may review and/or audit and approve the CPA ICR documentation. The Cost Proposal shall be adjusted by the CONSULTANT and approved by the LOCAL AGENCY Contract Administrator to conform to the Work Paper Review recommendations included in the management letter or audit recommendations included in the audit report. Refusal by the CONSULTANT to incorporate the Work Paper Review recommendations included in the management letter or audit recommendations included in the audit report will be considered a breach of the AGREEMENT terms and cause for termination of the AGREEMENT and disallowance of prior reimbursed costs.

1. During a Caltrans' review of the ICR audit work papers created by the CONSULTANT's independent CPA, IOAI will work with the CPA and/or CONSULTANT toward a resolution of issues that arise during the review. Each party agrees to use its best efforts to resolve any audit disputes in a timely manner. If IOAI identifies significant issues during the review and is unable to issue a cognizant approval letter, LOCAL AGENCY will reimburse the CONSULTANT at an accepted ICR until a FAR (Federal Acquisition Regulation) compliant ICR {e.g. 48 CFR, part 31; GAGAS (Generally Accepted Auditing Standards); CAS (Cost Accounting Standards), if applicable; in accordance with procedures and guidelines of the American Association of State Highways and Transportation Officials (AASHTO) Audit Guide; and other applicable procedures and guidelines}is received and approved by IOAI.

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Accepted rates will be as follows:

a. If the proposed rate is less than one hundred and fifty percent (150%) - the accepted rate reimbursed will be ninety percent (90%) of the proposed rate.
b. If the proposed rate is between one hundred and fifty percent (150%) and two hundred percent (200%) - the provisional rate will be eighty five percent (85%) of the proposed rate.
c. If the proposed rate is greater than two hundred percent (200%) - the provisional rate will be seventy five percent (75%) of the proposed rate.

2. If IOAI is unable to issue a cognizant letter per paragraph E.1. above, IOAI may require CONSULTANT to submit a revised independent CPA-audited ICR and audit report within three (3) months of the effective date of the management letter. IOAI will then have up to six (6) months to review the CONSULTANT's and/or the independent CPA's revisions.
3. If the CONSULTANT fails to comply with the provisions of this paragraph E, or if IOAI is still unable to issue a cognizant approval letter after the revised independent CPA-audited ICR is submitted, overhead cost reimbursement will be limited to the accepted ICR that was established upon initial rejection of the ICR and set forth in paragraph E.1. above for all rendered services. In this event, this accepted ICR will become the actual and final ICR for reimbursement purposes under this AGREEMENT.
4. CONSULTANT may submit to LOCAL AGENCY final invoice only when all of the following items have occurred: (1) IOAI accepts or adjusts the original or revised independent CPA-audited ICR; (2) all work under this AGREEMENT has been completed to the satisfaction of LOCAL AGENCY; and, (3) IOAI has issued its final ICR review letter. The CONSULTANT MUST SUBMIT ITS FINAL INVOICE TO LOCAL AGENCY no later than sixty (60) calendar days after occurrence of the last of these items. The accepted ICR will apply to this AGREEMENT and all other agreements executed between LOCAL AGENCY and the CONSULTANT, either as a prime or subconsultant, with the same fiscal period ICR.

ARTICLE X SUBCONTRACTING

A. Nothing contained in this AGREEMENT or otherwise, shall create any contractual relation between LOCAL AGENCY and any subconsultant(s), and no subcontract shall relieve the CONSULTANT of its responsibilities and obligations hereunder. The CONSULTANT agrees to be as fully responsible to LOCAL AGENCY for the acts and omissions of its subconsultant(s) and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by CONSULTANT. The CONSULTANT's obligation to pay its subconsultant(s) is an independent obligation from LOCAL AGENCY'S obligation to make payments to the CONSULTANT.
B. The CONSULTANT shall perform the work contemplated with resources available within its own organization and no portion of the work shall be subcontracted without written authorization by LOCAL AGENCY's Contract Administrator, except that, which is expressly identified in the CONSULTANT'S approved Cost Proposal.
C. Any subagreement entered into as a result of this AGREEMENT, shall contain all the provisions stipulated in this entire AGREEMENT to be applicable to Subconsultants unless otherwise noted.
D. CONSULTANT shall pay its subconsultants within fifteen (15) calendar days from receipt of each payment made to CONSULTANT by LOCAL AGENCY..
E. Any substitution of subconsultant(s) must be approved in writing by LOCAL AGENCY's Contract Administrator in advance of assigning work to a subconsultant(s).
F. Prompt Progress Payment

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CONSULTANT or subconsultant shall pay to any subconsultant, not later than fifteen (15) days after receipt of each progress payment, unless otherwise agreed to in writing, the respective amounts allowed CONSULTANT on account of the work performed by the subconsultants, to the extent of each subconsultant's interest therein. In the event that there is a good faith dispute over all or any portion of the amount due on a progress payment from CONSULTANT or subconsultant to a subconsultant, CONSULTANT or subconsultant may withhold no more than 150 percent of the disputed amount. Any violation of this requirement shall constitute a cause for disciplinary action and shall subject the licensee to a penalty, payable to the subconsultant, of 2 percent of the amount due per month for every month that payment is not made. In any action for the collection of funds wrongfully withheld, the prevailing party shall be entitled to his or her attorney's fees and costs. The sanctions authorized under this requirement shall be separate from, and in addition to, all other remedies, either civil, administrative, or criminal. This clause applies to both DBE and non-DBE subconsultants.

G. Prompt Payment of Withheld Funds to Subconsultants

The LOCAL AGENCY may hold retainage from CONSULTANT and shall make prompt and regular incremental acceptances of portions, as determined by the LOCAL AGENCY, of the contract work, and pay retainage to CONSULTANT based on these acceptances. The LOCAL AGENCY designates the method below to ensure prompt and full payment of any retainage kept by CONSULTANT or subconsultant to a subconsultant.

Method 3: The LOCAL AGENCY shall hold retainage from CONSULTANT and shall make prompt and regular incremental acceptances of portions, as determined by the LOCAL AGENCY of the contract work and pay retainage to CONSULTANT based on these acceptances. CONSULTANT or subconsultant shall return all monies withheld in retention from all subconsultants within 15 days after receiving payment for work satisfactorily completed and accepted including incremental acceptances of portions of the contract work by the LOCAL AGENCY. Any delay or postponement of payment may take place only for good cause and with the LOCAL AGENCY's prior written approval. Any violation of these provisions shall subject the violating CONSULTANT or subconsultant to the penalties, sanctions, and other remedies specified in Section 3321 of the California Civil Code. This requirement shall not be construed to limit or impair any contractual, administrative or judicial remedies otherwise available to CONSULTANT or subconsultant in the event of a dispute involving late payment or nonpayment by CONSULTANT; deficient subconsultant performance and/or noncompliance by a subconsultant. This clause applies to both DBE and non-DBE subconsultants.

Any violation of these provisions shall subject the violating CONSULTANT or subconsultant to the penalties, sanctions and other remedies specified therein. These requirements shall not be construed to limit or impair any contractual, administrative, or judicial remedies otherwise available to CONSULTANT or subconsultant in the event of a dispute involving late payment or nonpayment by CONSULTANT, deficient subcontract performance, or noncompliance by a subconsultant.

ARTICLE XI EQUIPMENT PURCHASE

A. Prior authorization in writing, by LOCAL AGENCY's Contract Administrator shall be required before CONSULTANT enters into any unbudgeted purchase order, or subcontract exceeding five thousand dollars ($5,000) for supplies, equipment, or CONSULTANT services. CONSULTANT shall provide an evaluation of the necessity or desirability of incurring such costs.

B. For purchase of any item, service or consulting work not covered in CONSULTANT's approved Cost Proposal and exceeding five thousand dollars ($5,000) prior authorization by LOCAL AGENCY's Contract Administrator; three competitive quotations must be submitted with the request, or the absence of proposal must be adequately justified.

C. Any equipment purchased with funds provided under the terms of this AGREEMENT is subject to the following:
   1. "CONSULTANT shall maintain an inventory of all nonexpendable property. Nonexpendable property is defined as having a useful life of at least two years and an acquisition cost of $5,000 or more. If the purchased equipment needs replacement and is sold or traded in, LOCAL AGENCY shall receive a proper refund or credit at the conclusion of the AGREEMENT, or if the AGREEMENT is terminated, CONSULTANT may either keep the equipment and credit LOCAL AGENCY in an amount equal to its fair market value, or sell such equipment at the best price obtainable at a public or private sale, in accordance with established LOCAL AGENCY procedures; and credit LOCAL AGENCY in an amount equal to the sales price. If CONSULTANT elects to keep the equipment, fair market value shall be determined at CONSULTANT's expense, on the basis of a competent independent appraisal of such equipment. Appraisals shall be obtained from an appraiser mutually agreeable to by LOCAL AGENCY and CONSULTANT, if it is determined to sell the equipment, the terms and conditions of such sale must be approved in advance by LOCAL AGENCY.
   2. Regulation 2 CFR, Part 200 requires a credit to Federal funds when participating equipment with a fair market value greater than five thousand dollars ($5,000) is credited to the Project.

ARTICLE XII STATE PREVAILING WAGE RATES

A. No CONSULTANT or subconsultant may be awarded an AGREEMENT containing public work elements unless registered with the Department of Industrial Relations (DIR) pursuant to Labor Code §1725.5. Registration with DIR must be maintained throughout the entire term of this AGREEMENT, including any subsequent amendments.

B. The CONSULTANT shall comply with all of the applicable provisions of the California Labor Code requiring the payment of prevailing wages. The General Prevailing Wage Rate Determinations applicable to work under this AGREEMENT are available and on file with the Department of Transportation's Regional/District Labor Compliance Officer (https://dot.ca.gov/programs/construction/labor-compliance). These wage rates are made a specific part of this AGREEMENT by reference pursuant to Labor Code §1773.2 and will be applicable to work performed at a construction Project site. Prevailing wages will be applicable to all inspection work performed at LOCAL AGENCY construction sites, at LOCAL AGENCY facilities and at off-site locations that are set up by the construction contractor or one of its subcontractors solely and specifically to serve LOCAL AGENCY Projects. Prevailing wage requirements do not apply to inspection work performed at the facilities of vendors and commercial materials suppliers that provide goods and services to the general public.

C. General Prevailing Wage Rate Determinations applicable to this Project may also be obtained from the Department of Industrial Relations website at http://www.dir.ca.gov**.**

D. Payroll Records
   1. Each CONSULTANT and subconsultant shall keep accurate certified payroll records and supporting documents as mandated by Labor Code §1776 and as defined in 8 CCR §16000 showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by the CONSULTANT or subconsultant in connection with the public work. Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating both of the following:
      a. The information contained in the payroll record is true and correct.

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b. The employer has complied with the requirements of Labor Code §1771, §1811, and §1815 for any work performed by his or her employees on the public works Project.

2. The payroll records enumerated under paragraph (1) above shall be certified as correct by the CONSULTANT under penalty of perjury. The payroll records and all supporting documents shall be made available for inspection and copying by LOCAL AGENCY representatives at all reasonable hours at the principal office of the CONSULTANT. The CONSULTANT shall provide copies of certified payrolls or permit inspection of its records as follows:
    a. A certified copy of an employee's payroll record shall be made available for inspection or furnished to the employee or the employee's authorized representative on request.
    b. A certified copy of all payroll records enumerated in paragraph (1) above, shall be made available for inspection or furnished upon request to a representative of LOCAL AGENCY, the Division of Labor Standards Enforcement and the Division of Apprenticeship Standards of the Department of Industrial Relations. Certified payrolls submitted to LOCAL AGENCY, the Division of Labor Standards Enforcement and the Division of Apprenticeship Standards shall not be altered or obliterated by the CONSULTANT.
    c. The public shall not be given access to certified payroll records by the CONSULTANT. The CONSULTANT is required to forward any requests for certified payrolls to the LOCAL AGENCY Contract Administrator by both email and regular mail on the business day following receipt of the request.
3. Each CONSULTANT shall submit a certified copy of the records enumerated in paragraph (1) above, to the entity that requested the records within ten (10) calendar days after receipt of a written request.
4. Any copy of records made available for inspection as copies and furnished upon request to the public or any public agency by LOCAL AGENCY shall be marked or obliterated in such a manner as to prevent disclosure of each individual's name, address, and social security number. The name and address of the CONSULTANT or subconsultant performing the work shall not be marked or obliterated.
5. The CONSULTANT shall inform LOCAL AGENCY of the location of the records enumerated under paragraph (1) above, including the street address, city and county, and shall, within five (5) working days, provide a notice of a change of location and address.
6. The CONSULTANT or subconsultant shall have ten (10) calendar days in which to comply subsequent to receipt of written notice requesting the records enumerated in paragraph (1) above. In the event the CONSULTANT or subconsultant fails to comply within the ten (10) day period, he or she shall, as a penalty to LOCAL AGENCY, forfeit one hundred dollars ($100) for each calendar day, or portion thereof, for each worker, until strict compliance is effectuated. Such penalties shall be withheld by LOCAL AGENCY from payments then due. CONSULTANT is not subject to a penalty assessment pursuant to this section due to the failure of a subconsultant to comply with this section.

E. When prevailing wage rates apply, the CONSULTANT is responsible for verifying compliance with certified payroll requirements. Invoice payment will not be made until the invoice is approved by the LOCAL AGENCY Contract Administrator.

F. Penalty
1. The CONSULTANT and any of its Subconsultants shall comply with Labor Code §1774 and §1775. Pursuant to Labor Code §1775, the CONSULTANT and any subconsultant shall forfeit to the LOCAL AGENCY a penalty of not more than two hundred dollars ($200) for each calendar day, or

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portion thereof, for each worker paid less than the prevailing rates as determined by the Director of DIR for the work or craft in which the worker is employed for any public work done under the AGREEMENT by the CONSULTANT or by its subconsultant in violation of the requirements of the Labor Code and in particular, Labor Code §§1770 to 1780, inclusive.

2. The amount of this forfeiture shall be determined by the Labor Commissioner and shall be based on consideration of mistake, inadvertence, or neglect of the CONSULTANT or subconsultant in failing to pay the correct rate of prevailing wages, or the previous record of the CONSULTANT or subconsultant in meeting their respective prevailing wage obligations, or the willful failure by the CONSULTANT or subconsultant to pay the correct rates of prevailing wages. A mistake, inadvertence, or neglect in failing to pay the correct rates of prevailing wages is not excusable if the CONSULTANT or subconsultant had knowledge of the obligations under the Labor Code. The CONSULTANT is responsible for paying the appropriate rate, including any escalations that take place during the term of the AGREEMENT.

3. In addition to the penalty and pursuant to Labor Code §1775, the difference between the prevailing wage rates and the amount paid to each worker for each calendar day or portion thereof for which each worker was paid less than the prevailing wage rate shall be paid to each worker by the CONSULTANT or subconsultant.

4. If a worker employed by a subconsultant on a public works Project is not paid the general prevailing per diem wages by the subconsultant, the prime CONSULTANT of the Project is not liable for the penalties described above unless the prime CONSULTANT had knowledge of that failure of the subconsultant to pay the specified prevailing rate of wages to those workers or unless the prime CONSULTANT fails to comply with all of the following requirements:
   a. The AGREEMENT executed between the CONSULTANT and the subconsultant for the performance of work on public works Projects shall include a copy of the requirements in Labor Code §§ 1771, 1775, 1776, 1777.5, 1813, and 1815.
   b. The CONSULTANT shall monitor the payment of the specified general prevailing rate of per diem wages by the subconsultant to the employees by periodic review of the certified payroll records of the Sub-consultant.
   c. Upon becoming aware of the Sub-consultant's failure to pay the specified prevailing rate of wages to the subconsultant's workers, the CONSULTANT shall diligently take corrective action to halt or rectify the failure, including but not limited to, retaining sufficient funds due the subconsultant for work performed on the public works Project.
   d. Prior to making final payment to the subconsultant for work performed on the public works Project, the CONSULTANT shall obtain an affidavit signed under penalty of perjury from the subconsultant that the subconsultant had paid the specified general prevailing rate of per diem wages to the subconsultant's employees on the public works Project and any amounts due pursuant to Labor Code §1813.
5. Pursuant to Labor Code §1775, LOCAL AGENCY shall notify the CONSULTANT on a public works Project within fifteen (15) calendar days of receipt of a complaint that a subconsultant has failed to pay workers the general prevailing rate of per diem wages.
6. If LOCAL AGENCY determines that employees of a subconsultant were not paid the general prevailing rate of per diem wages and if LOCAL AGENCY did not retain sufficient money under the AGREEMENT to pay those employees the balance of wages owed under the general prevailing rate of per diem wages, the CONSULTANT shall withhold an amount of moneys due

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the subconsultant sufficient to pay those employees the general prevailing rate of per diem wages if requested by LOCAL AGENCY.

G. Hours of Labor
Eight (8) hours labor constitutes a legal day's work. The CONSULTANT shall forfeit, as a penalty to the LOCAL AGENCY, twenty-five dollars ($25) for each worker employed in the execution of the AGREEMENT by the CONSULTANT or any of its Subconsultants for each calendar day during which such worker is required or permitted to work more than eight (8) hours in any one calendar day and forty (40) hours in any one calendar week in violation of the provisions of the Labor Code, and in particular §§1810 to 1815 thereof, inclusive, except that work performed by employees in excess of eight (8) hours per day, and forty (40) hours during any one week, shall be permitted upon compensation for all hours worked in excess of eight (8) hours per day and forty (40) hours in any week, at not less than one and one-half (1.5) times the basic rate of pay, as provided in §1815.

H. Employment of Apprentices
1. Where either the prime AGREEMENT or the subagreement exceeds thirty thousand dollars ($30,000), the CONSULTANT and any subconsultants under him or her shall comply with all applicable requirements of Labor Code §§ 1777.5, 1777.6 and 1777.7 in the employment of apprentices.
2. CONSULTANTs and subconsultants are required to comply with all Labor Code requirements regarding the employment of apprentices, including mandatory ratios of journey level to apprentice workers. Prior to commencement of work, CONSULTANT and subconsultants are advised to contact the DIR Division of Apprenticeship Standards website at https://www.dir.ca.gov/das/, for additional information regarding the employment of apprentices and for the specific journey-to- apprentice ratios for the AGREEMENT work. The CONSULTANT is responsible for all subconsultants' compliance with these requirements. Penalties are specified in Labor Code §1777.7.

ARTICLE XIII CONFLICT OF INTEREST

A. During the term of this AGREEMENT, the CONSULTANT shall disclose any financial, business, or other relationship with LOCAL AGENCY that may have an impact upon the outcome of this AGREEMENT or any ensuing LOCAL AGENCY construction Project. The CONSULTANT shall also list current clients who may have a financial interest in the outcome of this AGREEMENT or any ensuing LOCAL AGENCY construction Project which will follow.

B. CONSULTANT certifies that it has disclosed to LOCAL AGENCY any actual, apparent, or potential conflicts of interest that may exist relative to the services to be provided pursuant to this AGREEMENT. CONSULTANT agrees to advise LOCAL AGENCY of any actual, apparent or potential conflicts of interest that may develop subsequent to the date of execution of this AGREEMENT. CONSULTANT further agrees to complete any statements of economic interest if required by either LOCAL AGENCY ordinance or State law.

C. The CONSULTANT hereby certifies that it does not now have nor shall it acquire any financial or business interest that would conflict with the performance of services under this AGREEMENT.

D. The CONSULTANT hereby certifies that the CONSULTANT or subconsultant and any firm affiliated with the CONSULTANT or subconsultant that bids on any construction contract or on any Agreement to provide construction inspection for any construction Project resulting from this AGREEMENT, has established necessary controls to ensure a conflict of interest does not exist. An affiliated firm is one, which is subject to the control of the same persons, through joint ownership or otherwise.

ARTICLE XIV REBATES, KICKBACKS OR OTHER UNLAWFUL CONSIDERATION

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CONSULTANT warrants that this AGREEMENT was not obtained or secured through rebates kickbacks or other unlawful consideration, either promised or paid to any LOCAL AGENCY employee. For breach or violation of this warranty, LOCAL AGENCY shall have the right in its discretion; to terminate the AGREEMENT without liability; to pay only for the value of the work actually performed; or to deduct from the AGREEMENT price; or otherwise recover the full amount of such rebate, kickback or other unlawful consideration.

ARTICLE XV PROHIBITION OF EXPENDING LOCAL AGENCY STATE OR FEDERAL FUNDS FOR LOBBYING

A. CONSULTANT certifies to the best of his or her knowledge and belief that:
   1. No state, federal or local agency appropriated funds have been paid, or will be paid by-or-on behalf of CONSULTANT to any person for influencing or attempting to influence an officer or employee of any state or federal agency; a Member of the State Legislature or United States Congress; an officer or employee of the Legislature or Congress; or any employee of a Member of the Legislature or Congress, in connection with the awarding of any state or federal contract; the making of any state or federal grant; the making of any state or federal loan; the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any state or federal contract, grant, loan, or cooperative agreement.
   2. If any funds other than federal appropriated funds have been paid, or will be paid to any person for influencing or attempting to influence an officer or employee of any federal agency; a Member of Congress; an officer or employee of Congress, or an employee of a Member of Congress; in connection with this federal contract, grant, loan, or cooperative agreement; CONSULTANT shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.

B. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than ten thousand dollars ($10,000) and not more than one hundred thousand dollars ($100,000) for each such failure.

C. CONSULTANT also agrees by signing this document that he or she shall require that the language of this certification be included in all lower-tier subagreements, which exceed one hundred thousand dollars ($100,000) and that all such sub recipients shall certify and disclose accordingly.

ARTICLE XVI NON DISCRIMINATION CLAUSE AND STATEMENT OF COMPLIANCE

A. The CONSULTANT's signature affixed herein and dated shall constitute a certification under penalty of perjury under the laws of the State of California that the CONSULTANT has, unless exempt, complied with the nondiscrimination program requirements of Gov. Code §12990 and 2 CCR § 8103.

B. During the performance of this AGREEMENT, CONSULTANT and its subconsultants shall not deny the AGREEMENT's benefits to any person on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status, nor shall they unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status. CONSULTANT and subconsultants shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment.

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C. CONSULTANT and subconsultants shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 et seq.), the applicable regulations promulgated there under (2 CCR §11000 et seq.), the provisions of Gov. Code §§11135-11139.5, and the regulations or standards adopted by LOCAL AGENCY to implement such article. The applicable regulations of the Fair Employment and Housing Commission implementing Gov. Code §12990 (a-f), set forth 2 CCR §§8100-8504, are incorporated into this AGREEMENT by reference and made a part hereof as if set forth in full.

D. CONSULTANT shall permit access by representatives of the Department of Fair Employment and Housing and the LOCAL AGENCY upon reasonable notice at any time during the normal business hours, but in no case less than twenty-four (24) hours' notice, to such of its books, records, accounts, and all other sources of information and its facilities as said Department or LOCAL AGENCY shall require to ascertain compliance with this clause.

E. CONSULTANT and its subconsultants shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

F. CONSULTANT shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this AGREEMENT.

G. The CONSULTANT, with regard to the work performed under this AGREEMENT, shall act in accordance with Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d et seq.). Title VI provides that the recipients of federal assistance will implement and maintain a policy of nondiscrimination in which no person in the United States shall, on the basis of race, color, national origin, religion, sex, age, disability, be excluded from participation in, denied the benefits of or subject to discrimination under any program or activity by the recipients of federal assistance or their assignees and successors in interest.

H. The CONSULTANT shall comply with regulations relative to non-discrimination in federally-assisted programs of the U.S. Department of Transportation (49 CFR Part 21 - Effectuation of Title VI of the Civil Rights Act of 1964). Specifically, the CONSULTANT shall not participate either directly or indirectly in the discrimination prohibited by 49 CFR §21.5, including employment practices and the selection and retention of Subconsultants.

I. CONSULTANT, subrecipient or subconsultant will never exclude any person from participation in, deny any person the benefits of, or otherwise discriminate against anyone in connection with the award and performance of any contract covered by 49 CFR 26 on the basis of race, color, sex, or national origin. In administering the LOCAL AGENCY components of the DBE Program Plan, CONSULTANT, subrecipient or subconsultant will not, directly, or through contractual or other arrangements, use criteria or methods of administration that have the effect of defeating or substantially impairing accomplishment of the objectives of the DBE Program Plan with respect to individuals of a particular race, color, sex, or national origin.

ARTICLE XVII DEBARMENT AND SUSPENSION CERTIFICATION

A. The CONSULTANT's signature affixed herein shall constitute a certification under penalty of perjury under the laws of the State of California, that the CONSULTANT or any person associated therewith in the capacity of owner, partner, director, officer or manager:
   1. Is not currently under suspension, debarment, voluntary exclusion, or determination of ineligibility by any federal agency;
   2. Has not been suspended, debarred, voluntarily excluded, or determined ineligible by any federal agency within the past three (3) years;
   3. Does not have a proposed debarment pending; and

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4. Has not been indicted, convicted, or had a civil judgment rendered against it by a court of competent jurisdiction in any matter involving fraud or official misconduct within the past three (3) years.

B. Any exceptions to this certification must be disclosed to LOCAL AGENCY. Exceptions will not necessarily result in denial of recommendation for award, but will be considered in determining responsibility. Disclosures must indicate the party to whom the exceptions apply, the initiating agency, and the dates of agency action.

C. Exceptions to the Federal Government Excluded Parties List System maintained by the U.S. General Services Administration are to be determined by FHWA.

ARTICLE XVIII DISADVANTAGED BUSINESS ENTERPRISES (DBE) PARTICIPATION

A. CONSULTANT, subrecipient (LOCAL AGENCY), or subconsultant shall take necessary and reasonable steps to ensure that DBEs have opportunities to participate in the contract (49 CFR 26). To ensure equal participation of DBEs provided in 49 CFR 26.5, The LOCAL AGENCY shows a contract goal for DBEs. CONSULTANT shall make work available to DBEs and select work parts consistent with available DBE subconsultants and suppliers.

CONSULTANT shall meet the DBE goal shown elsewhere in these special provisions or demonstrate that they made adequate good faith efforts to meet this goal. It is CONSULTANT's responsibility to verify that the DBE firm is certified as DBE at date of proposal opening and document the record by printing out the California Unified Certification Program (CUCP) data for each DBE firm. A list of DBEs certified by the CUCP can be found here.

All DBE participation will count toward the California Department of Transportation's federally mandated statewide overall DBE goal. Credit for materials or supplies CONSULTANT purchases from DBEs counts towards the goal in the following manner:

- 100 percent counts if the materials or supplies are obtained from a DBE manufacturer.
- 60 percent counts if the materials or supplies are purchased from a DBE regular dealer.
- Only fees, commissions, and charges for assistance in the procurement and delivery of materials or supplies count if obtained from a DBE that is neither a manufacturer nor regular dealer. 49CFR26.55 defines "manufacturer" and "regular dealer."

This AGREEMENT is subject to 49 CFR Part 26 entitled "Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs". CONSULTANTs who enter into a federally-funded agreement will assist the LOCAL AGENCY in a good faith effort to achieve California's statewide overall DBE goal.

B. The goal for DBE participation for this AGREEMENT is **12%.** Participation by DBE CONSULTANT or subconsultants shall be in accordance with information contained in Exhibit 10-O2: Consultant Contract DBE Commitment attached hereto and incorporated as part of the AGREEMENT. If a DBE subconsultant is unable to perform, CONSULTANT must make a good faith effort to replace him/her with another DBE subconsultant, if the goal is not otherwise met.

C. CONSULTANT can meet the DBE participation goal by either documenting commitments to DBEs to meet the AGREEMENT goal, or by documenting adequate good faith efforts to meet the AGREEMENT goal. An adequate good faith effort means that the CONSULTANT must show that it took all necessary and reasonable steps to achieve a DBE goal that, by their scope, intensity, and appropriateness to the objective, could reasonably be expected to meet the DBE goal. If CONSULTANT has not met the DBE goal, complete and submit Exhibit 15-H: DBE Information – Good

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Faith Efforts to document efforts to meet the goal. Refer to 49 CFR Part 26 for guidance regarding evaluation of good faith efforts to meet the DBE goal.

D. Contract Assurance Under 49 CFR 26.13(b):
CONSULTANT, subrecipient or subconsultant shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. CONSULTANT shall carry out applicable requirements of 49 CFR 26 in the award and administration of federal-aid contracts.
Failure by the CONSULTANT to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as the recipient deems appropriate, which may include, but is not limited to:
(1) Withholding monthly progress payments;
(2) Assessing sanctions;
(3) Liquidated damages; and/or
(4) Disqualifying CONSULTANT from future proposing as non-responsible

E. Termination and Substitution of DBE Subconsultants
CONSULTANT shall utilize the specific DBEs listed to perform the work and supply the materials for which each is listed unless CONSULTANT or DBE subconsultant obtains the LOCAL AGENCY's written consent. CONSULTANT shall not terminate or substitute a listed DBE for convenience and perform the work with their own forces or obtain materials from other sources without authorization from the LOCAL AGENCY. Unless the LOCAL AGENCY's consent is provided, the CONSULTANT shall not be entitled to any payment for work or material unless it is performed or supplied by the listed DBE on the Exhibit 10-02 Consultant Contract DBE Commitment form, included in the Bid.
The LOCAL AGENCY authorizes a request to use other forces or sources of materials if CONSULTANT shows any of the following justifications:

1. Listed DBE fails or refuses to execute a written contract based on plans and specifications for the Project.
2. The LOCAL AGENCY stipulated that a bond is a condition of executing the subcontract and the listed DBE fails to meet the LOCAL AGENCY's bond requirements.
3. Work requires a consultant's license and listed DBE does not have a valid license under Contractors License Law.
4. Listed DBE fails or refuses to perform the work or furnish the listed materials (failing or refusing to perform is not an allowable reason to remove a DBE if the failure or refusal is a result of bad faith or discrimination).
5. Listed DBE's work is unsatisfactory and not in compliance with the contract.
6. Listed DBE is ineligible to work on the Project because of suspension or debarment.
7. Listed DBE becomes bankrupt or insolvent.
8. Listed DBE voluntarily withdraws with written notice from the Contract
9. Listed DBE is ineligible to receive credit for the type of work required.
10. Listed DBE owner dies or becomes disabled resulting in the inability to perform the work on the Contract.
11. The LOCAL AGENCY determines other documented good cause.

CONSULTANT shall notify the original DBE of the intent to use other forces or material sources and provide the reasons and provide the DBE with 5 days to respond to the notice and advise CONSULTANT and the LOCAL AGENCY of the reasons why the use of other forces or sources of materials should not occur.

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CONSULTANT's request to use other forces or material sources must include:

1. One or more of the reasons listed in the preceding paragraph.
2. Notices from CONSULTANT to the DBE regarding the request.
3. Notices from the DBEs to CONSULTANT regarding the request.

If a listed DBE is terminated or substituted, CONSULTANT must make good faith efforts to find another DBE to substitute for the original DBE. The substitute DBE must perform at least the same amount of work as the original DBE under the contract to the extent needed to meet or exceed the DBE goal.

F. Commitment and Utilization

The LOCAL AGENCY's DBE program must include a monitoring and enforcement mechanism to ensure that DBE commitments reconcile to DBE utilization.

The LOCAL AGENCY shall request CONSULTANT to:

1. Notify the LOCAL AGENCY's contract administrator or designated representative of any changes to its anticipated DBE participation
2. Provide this notification before starting the affected work
3. Maintain records including:
   - Name and business address of each 1st-tier subconsultant
   - Name and business address of each DBE subconsultant, DBE vendor, and DBE trucking company, regardless of tier
   - Date of payment and total amount paid to each business (see Exhibit 9-F *Monthly Disadvantaged Business Enterprise Payment*)

If CONSULTANT is a DBE CONSULTANT, they shall include the date of work performed by their own forces and the corresponding value of the work.

If a DBE is decertified before completing its work, the DBE must notify CONSULTANT in writing of the decertification date. If a business becomes a certified DBE before completing its work, the business must notify CONSULTANT in writing of the certification date. CONSULTANT shall submit the notifications to the LOCAL AGENCY. On work completion, CONSULTANT shall complete a Disadvantaged Business Enterprises (DBE) Certification Status Change, Exhibit 17-O, form and submit the form to the LOCAL AGENCY within 30 days of contract acceptance.

Upon work completion, CONSULTANT shall complete Exhibit 17-F Final Report – Utilization of Disadvantaged Business Enterprises (DBE), First-Tier Subcontractors and submit it to the LOCAL AGENCY within 90 days of contract acceptance. The LOCAL AGENCY will withhold $10,000 until the form is submitted. The LOCAL AGENCY will release the withhold upon submission of the completed form.

In the LOCAL AGENCY's reports of DBE participation to Caltrans, the LOCAL AGENCY must display both commitments and attainments.

G. A DBE is only eligible to be counted toward the AGREEMENT goal if it performs a commercially useful function (CUF) on the AGREEMENT. CUF must be evaluated on an agreement by agreement basis. A DBE performs a Commercially Useful Function (CUF) when it is responsible for execution of the work of the AGREEMENT and is carrying out its responsibilities by actually performing, managing, and supervising the work involved. To perform a CUF, the DBE must also be responsible, with respect to materials and supplies used on the AGREEMENT, for negotiating price, determining

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quality and quantity, ordering the material and installing (where applicable), and paying for the material itself. To determine whether a DBE is performing a CUF, evaluate the amount of work subcontracted, industry practices, whether the amount the firm is to be paid under the AGREEMENT is commensurate with the work it is actually performing, and other relevant factors.

H. A DBE does not perform a CUF if its role is limited to that of an extra participant in a transaction, AGREEMENT, or Project through which funds are passed in order to obtain the appearance of DBE participation. In determining whether a DBE is such an extra participant, examine similar transactions, particularly those in which DBEs do not participate.

I. If a DBE does not perform or exercise responsibility for at least thirty percent (30%) of the total cost of its AGREEMENT with its own work force, or the DBE subcontracts a greater portion of the work of the AGREEMENT than would be expected on the basis of normal industry practice for the type of work involved, it will be presumed that it is not performing a CUF.

J. CONSULTANT shall maintain records of materials purchased or supplied from all subcontracts entered into with certified DBEs. The records shall show the name and business address of each DBE or vendor and the total dollar amount actually paid each DBE or vendor, regardless of tier. The records shall show the date of payment and the total dollar figure paid to all firms. DBE CONSULTANT's shall also show the date of work performed by their own forces along with the corresponding dollar value of the work.

K. If a DBE subconsultant is decertified during the life of the AGREEMENT, the decertified subconsultant shall notify CONSULTANT in writing with the date of decertification. If a subconsultant becomes a certified DBE during the life of the AGREEMENT, the subconsultant shall notify CONSULTANT in writing with the date of certification. Any changes should be reported to LOCAL AGENCY's Contract Administrator within thirty (30) calendar days.

L. After submitting an invoice for reimbursement that includes a payment to a DBE, but no later than the 10th of the following month, the prime contractor/consultant shall complete and email the Exhibit 9- F: Disadvantaged Business Enterprise Running Tally of Payments to business.support.unit@dot.ca.gov with a copy to the Agency.

M. Any subcontract entered into as a result of this AGREEMENT shall contain all of the provisions of this section.

ARTICLE XIX INSURANCE

A. Prior to commencement of the work described herein, CONSULTANT shall furnish LOCAL AGENCY a Certificate of Insurance in compliance with the following:

Minimum Scope of Insurance:

i. Consultant agrees to have and maintain, for the duration of the contract, General Comprehensive Liability insurance policies insuring him/her and his/her firm to an amount not less than: one million dollars ($1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

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ii. Consultant agrees to have and maintain, for the duration of the contract, bodily injury liability insurance herein provided for, which shall be in effect at all times during the term of this AGREEMENT.

iii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars ($1,000,000) combined single limit per accident for bodily injury and property damage.

iv. Consultant shall provide to the LOCAL AGENCY all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the LOCAL AGENCY before work commences. The Certificate of Insurance will provide: 1. That the insurer will not cancel the insured's coverage without thirty (30) calendar days prior written notice to LOCAL AGENCY. 2. That LOCAL AGENCY, its officers, agents, employees, and servants are included as additional insureds, but only insofar as the operations under this AGREEMENT are concerned. 3. That LOCAL AGENCY will not be responsible for any premiums or assessments on the policy.

v. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than $1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

i. The LOCAL AGENCY, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.

ii. The Consultant's insurance coverage shall be primary insurance as respects the LOCAL AGENCY, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the LOCAL AGENCY, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the LOCAL AGENCY, its officers, officials, employees or volunteers.

iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the LOCAL AGENCY. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

In the event said insurance coverage expires at any time or times during the term of this

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AGREEMENT, CONSULTANT agrees to provide a new Certificate of Insurance evidencing insurance coverage as provided for herein, for not less than either the remainder of the term of the AGREEMENT, or for a period of not less than one (1) year. New Certificates of Insurance are subject to the approval of LOCAL AGENCY. In the event CONSULTANT fails to keep in effect at all times insurance coverage as herein provided, LOCAL AGENCY may, in addition to any other remedies it may have, terminate this AGREEMENT upon occurrence of such event.

Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the LOCAL AGENCY before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.

B. CONSULTANT agrees that the insurance herein provided for, shall be in effect at all times during the term of this contract. In the event said insurance coverage expires at any time or times during the term of this contract, CONSULTANT agrees to provide at least thirty (30) days prior notice to said expiration date; and a new Certificate of Insurance evidencing insurance coverage as provided for herein, for not less than either the remainder of the term of the contract, or for a period of not less than one (1) year. New Certificates of Insurance are subject to the approval of LOCAL AGENCY. In the event CONSULTANT fails to keep in effect at all times insurance coverage as herein provided, LOCAL AGENCY may, in addition to any other remedies it may have, terminate this contract upon occurrence of such event.

ARTICLE XX FUNDING REQUIREMENTS

A. It is mutually understood between the parties that this AGREEMENT may have been written before ascertaining the availability of funds or appropriation of funds, for the mutual benefit of both parties, in order to avoid program and fiscal delays that would occur if the AGREEMENT were executed after that determination was made.
B. This AGREEMENT is valid and enforceable only, if sufficient funds are made available to LOCAL AGENCY for the purpose of this AGREEMENT. In addition, this AGREEMENT is subject to any additional restrictions, limitations, conditions, or any statute enacted by the Congress, State Legislature, or LOCAL AGENCY governing board that may affect the provisions, terms, or funding of this AGREEMENT in any manner.
C. It is mutually agreed that if sufficient funds are not appropriated, this AGREEMENT may be amended to reflect any reduction in funds.
D. LOCAL AGENCY has the option to terminate the AGREEMENT pursuant to Article VI, or by mutual agreement to amend the AGREEMENT to reflect any reduction of funds.

ARTICLE XXI CHANGE IN TERMS

A. This AGREEMENT may be amended only by mutual written agreement of the parties.
B. CONSULTANT shall only commence work covered by an amendment after the amendment is executed and notification to proceed has been provided by LOCAL AGENCY'S Contract Administrator.
C. There shall be no change in CONSULTANT's Project Manager or members of the Project team, as listed in the approved Cost Proposal, which is a part of this AGREEMENT without prior written approval by LOCAL AGENCY'S Contract Administrator.

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ARTICLE XXII CONTINGENT FEE

CONSULTANT warrants, by execution of this AGREEMENT that no person or selling agency has been employed, or retained, to solicit or secure this AGREEMENT upon an agreement or understanding, for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees, or bona fide established commercial or selling agencies maintained by CONSULTANT for the purpose of securing business. For breach or violation of this warranty, LOCAL AGENCY has the right to annul this contract without liability; pay only for the value of the work actually performed, or in its discretion to deduct from the contract price or consideration, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

ARTICLE XXII DISPUTES

Prior to either party commencing any legal action under this AGREEMENT, the parties agree to try in good faith, to settle any dispute amicably between them. If a dispute has not been settled after forty-five (45) days of good-faith negotiations and as may be otherwise provided herein, then either party may commence legal action against the other.

A. Any dispute, other than audit, concerning a question of fact arising under this AGREEMENT that is not disposed of by agreement shall be decided by a committee consisting of LOCAL AGENCY's Contract Administrator and Parks and Public Works Director, who may consider written or verbal information submitted by CONSULTANT.
B. Not later than thirty (30) calendar days after completion of all deliverables necessary to complete the plans, specifications and estimate, CONSULTANT may request review by LOCAL AGENCY Governing Board of unresolved claims or disputes, other than audit. The request for review will be submitted in writing.
C. Neither the pendency of a dispute, nor its consideration by the committee will excuse CONSULTANT from full and timely performance in accordance with the terms of this AGREEMENT.

ARTICLE XXIV INSPECTION OF WORK

CONSULTANT and any subconsultant shall permit LOCAL AGENCY, the State, and the FHWA if federal participating funds are used in this AGREEMENT; to review and inspect the Project activities and files at all reasonable times during the performance period of this AGREEMENT.

ARTICLE XXV SAFETY

A. CONSULTANT shall comply with OSHA regulations applicable to CONSULTANT regarding necessary safety equipment or procedures. CONSULTANT shall comply with safety instructions issued by LOCAL AGENCY Safety Officer and other LOCAL AGENCY representatives. CONSULTANT personnel shall wear hard hats and safety vests at all times while working on the construction Project site.
B. Pursuant to the authority contained in Vehicle Code §591, LOCAL AGENCY has determined that such areas are within the limits of the Project and are open to public traffic. CONSULTANT shall comply with all of the requirements set forth in Divisions 11, 12, 13, 14, and 15 of the Vehicle Code. CONSULTANT shall take all reasonably necessary precautions for safe operation of its vehicles and the protection of the traveling public from injury and damage from such vehicles.
C. Any subcontract entered into as a result of this contract, shall contain all of the provisions of this Article.
D. CONSULTANT must have a Division of Occupational Safety and Health (CAL-OSHA) permit(s), as outlined in California Labor Code Sections 6500 and 6705, prior to the initiation of any practices,

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work, method, operation, or process related to the construction or excavation of trenches which are five feet or deeper

ARTICLE XXVI OWNERSHIP OF DATA

A. It is mutually agreed that all materials prepared by CONSULTANT under this AGREEMENT shall become the property of City, and CONSULTANT shall have no property right therein whatsoever. Immediately upon termination, City shall be entitled to, and CONSULTANT shall deliver to City, reports, investigations, appraisals, inventories, studies, analyses, drawings and data estimates performed to that date, whether completed or not, and other such materials as may have been prepared or accumulated to date by CONSULTANT in performing this AGREEMENT which is not CONSULTANT's privileged information, as defined by law, or CONSULTANT's personnel information, along with all other property belonging exclusively to City which is in CONSULTANT's possession. Publication of the information derived from work performed or data obtained in connection with services rendered under this AGREEMENT must be approved in writing by City.

B. Additionally, it is agreed that the Parties intend this to be an AGREEMENT for services and each considers the products and results of the services to be rendered by CONSULTANT hereunder to be work made for hire. CONSULTANT acknowledges and agrees that the work (and all rights therein, including, without limitation, copyright) belongs to and shall be the sole and exclusive property of City without restriction or limitation upon its use or dissemination by City.

C. Nothing herein shall constitute or be construed to be any representation by CONSULTANT that the work product is suitable in any way for any other Project except the one detailed in this Contract. Any reuse by City for another Project or Project location shall be at City's sole risk.

D. Applicable patent rights provisions regarding rights to inventions shall be included in the contracts as appropriate (48 CFR 27 Subpart 27.3 - Patent Rights under Government Contracts for federal-aid contracts).

E. LOCAL AGENCY may permit copyrighting reports or other agreement products. If copyrights are permitted; the AGREEMENT shall provide that the FHWA shall have the royalty-free nonexclusive and irrevocable right to reproduce, publish, or otherwise use; and to authorize others to use, the work for government purposes.

ARTICLE XXVII CLAIMS FILED BY LOCAL AGENCY's CONSTRUCTION CONTRACTOR

A. If claims are filed by LOCAL AGENCY's construction contractor relating to work performed by CONSULTANT's personnel, and additional information or assistance from CONSULTANT's personnel is required in order to evaluate or defend against such claims; CONSULTANT agrees to make its personnel available for consultation with LOCAL AGENCY'S construction contract administration and legal staff and for testimony, if necessary, at depositions and at trial or arbitration proceedings.

B. CONSULTANT's personnel that LOCAL AGENCY considers essential to assist in defending against construction contractor claims will be made available on reasonable notice from LOCAL AGENCY. Consultation or testimony will be reimbursed at the same rates, including travel costs that are being paid for CONSULTANT's personnel services under this AGREEMENT.

C. Services of CONSULTANT's personnel in connection with LOCAL AGENCY's construction contractor claims will be performed pursuant to a written contract amendment, if necessary, extending the termination date of this AGREEMENT in order to resolve the construction claims.

ARTICLE XXVIII CONFIDENTIALITY OF DATA

A. All financial, statistical, personal, technical, or other data and information relative to LOCAL AGENCY's operations, which are designated confidential by LOCAL AGENCY and made available to

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CONSULTANT in order to carry out this AGREEMENT, shall be protected by CONSULTANT from unauthorized use and disclosure.

B. Permission to disclose information on one occasion, or public hearing held by LOCAL AGENCY relating to the AGREEMENT, shall not authorize CONSULTANT to further disclose such information, or disseminate the same on any other occasion.
C. CONSULTANT shall not comment publicly to the press or any other media regarding the AGREEMENT or LOCAL AGENCY's actions on the same, except to LOCAL AGENCY's staff, CONSULTANT's own personnel involved in the performance of this AGREEMENT, at public hearings, or in response to questions from a Legislative committee.
D. CONSULTANT shall not issue any news release or public relations item of any nature, whatsoever, regarding work performed or to be performed under this AGREEMENT without prior review of the contents thereof by LOCAL AGENCY, and receipt of LOCAL AGENCY'S written permission.
E. All information related to the construction estimate is confidential, and shall not be disclosed by CONSULTANT to any entity, other than LOCAL AGENCY, Caltrans, and/or FHWA. All of the materials prepared or assembled by CONSULTANT pursuant to performance of this Contract are confidential and CONSULTANT agrees that they shall not be made available to any individual or organization without the prior written approval of City or except by court order. If CONSULTANT or any of its officers, employees, or subcontractors does voluntarily provide information in violation of this Contract, City has the right to reimbursement and indemnity from CONSULTANT for any damages caused by CONSULTANT releasing the information, including, but not limited to, City's attorney's fees and disbursements, including without limitation experts' fees and disbursements.

ARTICLE XXIX NATIONAL LABOR RELATIONS BOARD CERTIFICATION

In accordance with Public Contract Code Section 10296, CONSULTANT hereby states under penalty of perjury that no more than one final unappealable finding of contempt of court by a federal court has been issued against CONSULTANT within the immediately preceding two-year period, because of CONSULTANT's failure to comply with an order of a federal court that orders CONSULTANT to comply with an order of the National Labor Relations Board.

ARTICLE XXX EVALUATION OF CONSULTANT

CONSULTANT's performance will be evaluated by LOCAL AGENCY. A copy of the evaluation will be sent to CONSULTANT for comments. The evaluation together with the comments shall be retained as part of the contract record.

ARTICLE XXXI PROMPT PAYMENT FROM THE LOCAL AGENCY TO CONSULTANT

The LOCAL AGENCY shall make any progress payment within 30 days after receipt of an undisputed and properly submitted payment request from CONSULTANT on a professional service contract. If the LOCAL AGENCY fails to pay promptly, the LOCAL AGENCY shall pay interest to the contractor, which accrues at the rate of 10 percent per annum on the principal amount of a money judgment remaining unsatisfied. Upon receipt of a payment request, the LOCAL AGENCY shall act in accordance with both of the following:

1) Each payment request shall be reviewed by the LOCAL AGENCY as soon as practicable after receipt for the purpose of determining that the payment request is a proper payment request.
2) Any payment request determined not to be a proper payment request suitable for payment shall be returned to CONSULTANT as soon as practicable, but not later than seven (7) days, after receipt. A request returned pursuant to this paragraph shall be accompanied by a document setting forth in writing the reasons why the payment request is not proper.

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ARTICLE XXXII NOTIFICATION

All notices hereunder and communications regarding interpretation of the terms of this AGREEMENT and changes thereto, shall be effected by the mailing thereof by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

CONSULTANT: ____Natalina V. Bernardi, PE_____
(NAME)
ATTN:__Jaggi Bhandal_____
(Project Manager)

_____1730 N. First Street, Suite 600_____

_____San Jose, CA 95112_____
(ADDRESS)

LOCAL AGENCY: Parks and Public Works Department
ATTN: WooJae Kim, Town Engineer, Contract Administrator
41 Miles Avenue
Los Gatos, CA 95030

ARTICLE XXXIII CONTRACT

The two parties to this AGREEMENT, who are the before named CONSULTANT and the before named LOCAL AGENCY, hereby agree that this AGREEMENT constitutes the entire AGREEMENT which is made and concluded in duplicate between the two parties. Both of these parties for and in consideration of the payments to be made, conditions mentioned, and work to be performed; each agree to diligently perform in accordance with the terms and conditions of this AGREEMENT as evidenced by the signatures below.

ATTACHMENTS:

EXHIBIT A – SCOPE OF SERVICES
EXHIBIT B – CONSULTANT'S COST PROPOSAL
EXHIBIT 10-O2 - Consultant Contract DBE Information

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ARTICLE XXXIV SIGNATURES

Recommended by Department Head:

DocuSigned by:
Matt Morley 5/13/2021
BBA0B3B0D8F4484...
Matt Morley, Parks and Public Works Director

IN WITNESS WHEREOF, THE LOCAL AGENCY AND CONSULTANT HAVE EXECUTED THIS AGREEMENT.

TOWN OF LOS GATOS by:

DocuSigned by:
Laurel Prevetti 5/20/2021
853FEEA2EB39470...
Laurel Prevetti, Town Manager

CONSULTANT by:

DocuSigned by:
Natalina V. Bernardi 5/12/2021
79C153E5D32246A...
Signature

Natalina V. Bernardi, Principal / Vice President
Printed Name and Title

Approved as to Form:

DocuSigned by:
Robert W. Schultz 5/18/2021
Robert Schultz, Town Attorney

Attest:

DocuSigned by:
Shelley Neis 5/20/2021
B9666F65B1F34F6...
Shelley Neis, CMC, Town Clerk

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PROJECT SCOPE OF SERVICES

PHASE I - ENGINEERING DESIGN SERVICES AND ENVIRONMENTAL CLEARANCES:

The BKF Team will provide all design services, including but not limited to: Project management; preliminary engineering; environmental studies and clearances; utility coordination and right-of-way; permits and coordination with other agencies; surveys and mapping; geotechnical investigations and reports; structural and final design and development of all contract documents; bid support and obtaining the authorization to proceed to construction from Caltrans for the Highway 17 Bicycle and Pedestrian Overcrossing Project as more specifically described as follows. Where appropriate professional engineer shall sign all plans, specifications and estimates and engineering data furnished under the scope of services, including registration number.

- **Task A.1 Project Management -** The BKF Team will provide the necessary Project coordination, administration, management and interfacing with the Town, Caltrans, and other internal/external stakeholders to achieve Project objective. The BKF Team will proactively provide direction to the Town regarding the Project tasks necessary to deliver the federally funded Project consistent with Caltrans permitting requirements and federal reimbursement requirements. The BKF Team will be responsible for Project management activities throughout the life of the contract. The scope of these activities includes, but is not limited to,
  - provide, distribute, and maintain contact information for all Project team members
  - coordinate and schedule meetings/conference calls as needed
  - prepare and distribute meeting minutes
  - itemize, track, and pursue all Project action items to completion
  - develop and maintain the Project schedule, report on Project progress
  - manage Subconsultant activities to remain on schedule,
  - supervise, coordinate, and monitor design for conformance with all current applicable design standards from the Town, AASHTO, Caltrans Design Standards and Specifications, California Building Code, and any affected utilities
  - supervise, coordinate, and monitor the design for conformance with permit requirements from Caltrans, VTA, and utility companies
  - conduct field reviews as needed
  - prepare and track Town's submissions to Caltrans
  - provide internal quality control checks and document quality control actions conducted for the Project
  - conduct cross-checking to avoid potential conflicts between various subconsultant's work
  - develop Project filing and record keeping system for Project files for a period of 5 years
  - develop a list of Project stakeholders for coordination during Project design
  - assist the Town with grant funding pursuits for project construction. BKF understands that the Town will lead these funding pursuit efforts, but will provide minimal support (project information, exhibits, etc).

Deliverables: Meeting minutes, schedule, progress reports, action item logs, tracking spreadsheets, Caltrans submissions and other items resulting from the BKF Team's Project management duties

- **Task A.2 Data Collection and Review -** The BKF Team will obtain and collect data as needed to develop general Project design concepts and related activities needed to establish the parameters for final design, such as, existing topography/geometrics, grading and drainage considerations, geotechnical/retaining wall considerations, structural engineering and proposed bridge structure, ADA considerations, extent of required demolition activities, construction phasing/staging, environmental and future maintenance considerations. The scope of these activities includes, but is not limited to, (items to be provided by the Town or items on the Town's Project webpage are as indicated below).

  - Complete an extensive site review/existing conditions assessment of the Project area
  - Collect and review existing background information regarding the Project including:
    - Town's adopted Bicycle and Pedestrian Master Plan and Update (see Attachment 3)
    - Highway 17 Bicycle and Pedestrian Overcrossing Feasibility Analysis (see Attachment 3)

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- Funding Agreement between the Town of Los Gatos and Santa Clara Valley Transportation Agency for the Bicycle and Pedestrian Overcrossing Over Highway 17 (see Attachment 3)
- Caltrans Local Procedures Manual
- Plans for existing utilities in Project area
- Development plans for adjacent properties – (Town to provide)
- Proposed developments in the Project vicinity (Town to provide) and potential Project impacts
- Street improvement plans, including signalized intersections (Town to provide)
- Aerial photos and any available mapping, including digitized topography
- Survey control data
- ROW information, including Caltrans right of way documents, existing easements, etc.
- Existing as-built information from the Town, Caltrans, property owners, local agencies, utility companies, and other organizations
- Existing Blossom Hill Road Highway 17 Overcrossing bridge structure plans and geotechnical information
- Geologic and soil literature in the Project vicinity
- Design standards and codes applicable to the Project
- Town's Standard Specifications and Details for Construction, 2010 Caltrans Standard Specifications and Standard Plans, and applicable portions of the MUTCD and California MUTCD, and other controlling design standards as appropriate
- Americans with Disabilities Act (ADA) requirements
- Connect Los Gatos webpage and Highway 17 Bicycle and Pedestrian Overcrossing Project page
- Minutes from Project related community meetings

- Based on existing conditions and Project objectives, determine required permits and permit requirements necessary for successful completion of Project and review permit applications and requirements
- Based on the data collected and site evaluations, review the preliminary layout as presented in the feasibility study, verify assumptions, and confirm consistency with the Project's objectives and budget.
- Based on information collected, prepare a summary or diagram of existing conditions highlighting any special/potential conditions that may affect the final design (opportunities and constraints diagram)

Deliverables: Video of existing site conditions, listing of all potentially required permits, opportunities and constraints diagram

- **Task A.3 Surveys and Base Mapping -** The BKF Team will be responsible for data collection, and all mapping and surveying necessary to complete a comprehensive base map and other plans as indicated below. The scope of a comprehensive base map and survey includes setting Project benchmarks and establishing control for Project layout and construction, aerial photogrammetry, design level topographic surveys, identification of all public right-of-way, adjacent parcels, property lines, easements, and existing utility locations. The extent of the topographical surveying and mapping shall extend a minimum of 10' or more beyond the existing Blossom Hill Road right of way to show adequate conforms to existing conditions and proper future drainage. Existing conditions mapping shall include appropriate data collected in Task A.2.

  - The BKF Team shall conduct a detailed field survey to review and record existing conditions in the Project area and shall identify any unusual or special conditions that may affect the design or construction of the Project. The field survey for the Project area shall include at a minimum, the location of all existing above and below grade facilities, including but not limited to, roadways, signing/striping, medians, traffic signals and appurtenances, fire hydrants, street lights, retaining walls, sidewalks, curbs, gutters, ramps, SR 17 overcrossing structure including the embankments and structural components, fences, gates, utilities, flood control facilities, waterways, outfalls, trees

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greater than 6" DBH, and any existing irrigation facilities.

- The BKF Team shall review data and survey information collected with proposed Project layout and shall complete physical verification of utility locations in areas of potential conflict. The BKF Team shall obtain all permits and approvals necessary to complete the potholing operations. Results of potholing shall be included on the Utilities Base Map.
- Based on the survey and data collected, the BKF Team shall prepare one or more existing conditions base maps, at a scale of 1"=20' for use in the Project design and community meetings, including
  - Existing Conditions Base Map
  - Existing Utilities Base Map
  - Existing Tree Plan - the BKF Team shall prepare a separate plan showing the location and number of existing trees over 6" DBH, including size, species, and location.
  - Right of Way Map – showing location of all property lines and easements within or immediately adjacent to the Project area.

Deliverables: Survey data sheets, base map(s) and plans in AutoCAD format– including Existing Conditions Base Map, Existing Utilities Base Map, Tree Locations and Right of Way Map

- **Task A.4 Stakeholder Coordination and Project Permits -** The BKF Team shall identify all Project stakeholders and shall take actions necessary to coordinate Project design with the Town and Project stakeholders. Meetings with the stakeholders, including the Town, Town Council and Commissions, community members, Caltrans, VTA, any affected utilities, and any affected private properties will be included in this scope of work and shall include preparing and providing supporting documents, reports, and exhibits. The BKF Team shall determine the need for permits to allow for the ultimate construction of the Project, including a Caltrans encroachment permit, and any other permits deemed necessary for construction access and staging areas and shall prepare required applications, documents, and reports to allow the Town to obtain the Project permits in a timely manner. Design of the Project is to remain within the existing public and Caltrans right of way, however, the BKF Team will identify any conform or other activities that may need to temporarily take place on private property, and will coordinate with adjacent property owners to obtain clearances for such activities. The BKF Team shall coordination permits necessary for geotechnical drilling operations and USA clearances.

  Caltrans Coordination: The BKF Team will take the lead and coordinate with Caltrans and the Town to prepare a Project Initiation Document (PID), Project Study Report-Project Development Study (PSR-PSD), Project Approval & Environmental Document (PA&ED), and final PS&E including all reports and documentation required by Caltrans in order to obtain a Caltrans encroachment permit for the Project. To start the coordination process, BKF will assist the Town in obtaining a Cooperative Agreement with Caltrans to start the PID phase. The PID shall comply with the Caltrans standard PSR-PDS requirements and will include the overall site plan and typical conceptual cross-sections for the alternatives identified in the feasibility study. The BKF Team will assist the Town in the development of the necessary Cooperative Agreements with Caltrans for the PID, PA/ED, and PS&E phases. The BKF Team will schedule and hold meetings as needed with Caltrans and shall also schedule and hold regular Project team coordination meetings with Caltrans and shall prepare the meeting agendas, minutes, and action items. It will be the BKF Team's responsibility to prepare, implement and monitor a realistic schedule of the activities necessary, to lead the Town through the PID, PA/ED, and PS&E phases of the Project. BKF will also assist the Town in the execution of a Maintenance Agreement for the proposed project improvements and supporting exhibits necessary to complete the agreement.

Deliverables: Approved PID, PA/ED, and PS&E; Project team meeting agendas, minutes, action item lists, Caltrans encroachment permit for Project construction.

Selection of Preferred Bridge Type: The feasibility study has identified three feasible types of bridge structures for consideration. The BKF Team understands that the Town

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plans to only move forward with the concrete and steel truss bridge options identified in the feasibility study. BKF will develop each concept further and shall assist the Town in the presentation of these two alternatives to the community, the Town's Complete Streets and Transportation Commission and the Town Council. The BKF Team will lead the Town's effort to develop a consensus regarding the final bridge type for advancing into the final design process. This process is to take place concurrently with the development of the Project Initiation Document (PID), and shall result in the Town Council's selection of the final bridge type prior to the completion of the PID phase. The following tasks are anticipated for the selection of the preferred bridge structure:

- Prepare a Principal Span Structure Selection Matrix including structure type, anticipated costs, key opportunities and constraints for each bridge type
- Define embankments (if any), retaining walls/sound walls (if any), supports, main span and approach structure geometrics
- Geometric alignment and clearances, including bridge and approaches with a focus on geometric plans through Caltrans right of way. The geometric design for the bridge and approaches through Caltrans right of way will be developed based on project objectives, the constraints and the Town's and Caltrans design standards. Adequate detail will be provided so that assessments and evaluations can be made and discussed.
- Refine each alternative to show impacts to adjacent properties and relationship to adjacent property lines
- Provide diagrams and plans showing the movement of bicycle and pedestrians across the structures and through the adjacent intersections and across bridge structure
- Develop additional perspectives for each bridge structure showing:
  - Viewer friendly plans showing proposed alignment, profiles, and cross-sections of each bridge alternative
  - Visual simulation/view of each bridge structure from both south and northbound SR 17
  - Visual simulation/view of each bridge from the user's perspective both east and west bound directions
  - Potential additional architectural features or opportunities for each bridge type including pedestrian and bicycle railings, lighting concepts, and potential incorporation of public art features.
  - Landscape and urban design concepts
  - Refine basic cost estimate for each bridge type
- Assist the Town in a community workshop(s) to review bridge types and determine community preference
- Assist the Town in presentations to the Parks and Recreation Commission, the Complete Streets and Transportation Commission, and Town Council to determine the final bridge type.

In advance of the 35% phase, the BKF Team will develop Bridge APS submittal for the Town's and Caltrans review and approval. The team will perform necessary modeling and analysis to support member sizing. The Bridge APS shall be performed in accordance with Caltrans Bridge Memo to Designers 1-8. The APS shall consist of one structure plan sheet showing general structure layout details and estimated cost, preliminary geotechnical memorandum, APS checklists, design memorandum, and itemized cost estimates. There will be no APS sheets developed for the retaining structures unless these walls are very unusual in characteristic and type.

Deliverables: Opportunities and constraints diagrams, visual simulations, plans, profiles, cross-section, meeting presentations, cost estimates, APS.

Community Engagement: With assistance from the BKF Team, Town staff will implement and lead the Project's Community Engagement Plan. The BKF Team shall develop and implement a robust community engagement process, attend and provide support to Town staff in public outreach efforts, and facilitate community meetings to obtain input on the proposed design. The BKF Team will develop all necessary meeting materials including graphics, presentations slides, handouts, drawings, graphic boards, etc. for each meeting, as

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appropriate. BKF will conduct a "pre-meeting planning session" with the Town via teleconference before each meeting to review materials. The BKF Team will provide minutes for all meetings. A minimum of eighteen (18) public outreach activities are anticipated per the RFP. The following public activities are preliminary proposed into three broad phases: 1) Technical Translation Phase to build and test educational materials, 2) Stakeholder Engagement Phase to interact directly with specific key groups such as adjacent homeowners, nearby schools, and other specific organizations, to address their key concerns and 3) General Public Phase to engage the broader public to ensure understanding of the project, the community preferences, and forthcoming design and construction schedule. The following list includes public meetings and other engagement activities anticipated during and after the Structural Design and Aesthetic Evaluation Study. Specific community engagement activities required of the BKF Team are anticipated to include the following:

- Stakeholder Engagement Materials: The BKF Team will provide supporting documents and exhibits for the Town's use in stakeholder notifications.
- Stakeholder and Contact Database: The BKF Team shall collaborate with Town staff to build onto any existing contact list to include key individuals, organizations, and agencies to engage.
- Community Engagement Strategy: Working with Town staff, the BKF Team shall define key outreach activities, their sequence, and their likely schedule.
- Project Informational Materials: The BKF Team shall develop materials to help educate the community about the project and potentially promote input activities, typically including a Project Fact Sheet, FAQ sheet, and flyer template, or other information that can be posted to the Town's website.
- Stakeholder Interviews: The BKF Team shall interview specific individuals and community champions representing key stakeholder groups or constituencies early in the process to identify concerns and early design preferences or parameters.
- Stakeholder Group Meetings: The BKF Team shall coordinate and present at stakeholder meetings. Among the possibilities include advisory group meetings, neighborhood group meetings, the chamber of commerce, school PTA meetings, service clubs (Kiwanis, Rotary, Lions, etc.), or employee groups.
- Community Meeting and Workshops: The BKF Team and Town shall develop a list of key Project milestones for community input and workshops. The Town shall arrange venues – if health guidelines allow - for workshops and shall notify stakeholders of meetings and workshops, however the BKF Team will be prepared to facilitate the community discussion/workshops and Commission/Council presentations and shall provide supporting documentation and visual aids. Workshops and meetings will be conducted as virtual events if shelter in place protocols remain. Visual aids shall include renderings and visual simulations of major Project elements. All Project materials shall include the appropriate Measure B logo and acknowledgements. The BKF Team will provide meeting summaries and follow up on outstanding comments or issues. It is anticipated that the community meetings, workshops, and presentations will be required at the following Project milestones:
  - Preferred Bridge Type Selection – Two (2) community workshops, plus four (4) Council or other Commission presentations
  - Community/Commission Design Reviews– minimum of two (2) each at PID, PA/ED, 35% design, 65% design, and 95% design
  - Town Council presentation at 35% and at 100% complete PS&E
- On-line Engagement: the BKF Team shall provide periodic progress updates for the Town to post on the Project web-page.
- Online Preference Setting Activity: To reach the broader Los Gatos community beyond those attending in-person, an online activity, potentially a graphics – or map-based survey is proposed to help garner community input and ideas, and to help hone in on a design alternative.
- Town Council Meetings: The BKF Team shall attend and assist in presentations in up to a total of two (2) Town Council meetings. These meetings shall be planned at the Town's staff's discretion.

Deliverables: Workshops and presentations (18 total), agendas, visual aids/visual simulations, renderings, meeting summaries, follow-up as needed,

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VTA Coordination: the BKF Team assumes the Town will facilitate all coordination efforts with the VTA for this Project, however, BKF will provide support as outlined below:

- Include insurance coverage and endorsements as required by VTA funding agreement. The Project must include Measure B branding/logo in work released to the public and in project construction/specifications.
- The BKF Team shall allow VTA a minimum of thirty (30) calendar days to review and provide comments and shall include such review time in the master Project schedule. VTA's comments must be considered in the final design phase of the Project. The BKF Team shall provide back-up information as necessary for any VTA comment that will not be incorporated into the final design documents. BKF assumes that the Town will lead/facilitate reviews with the VTA.
- Submit to the Town all records including invoices, miscellaneous invoices, and force account charges as substantiation for invoices submitted to VTA for reimbursement hereunder.
- Maintain financial records, books, documents, papers, accounting records, and other evidence pertaining to costs related to the Project for five (5) years. The BKF Team shall make such records available to VTA and the Town upon written request for review and audit purposes. Financial audits may be performed at VTA's sole discretion.

Deliverables: Written responses to VTA review comments.

Utility Coordination – The complete effort for utility coordination is to include accurately identifying and mapping of existing utilities, identifying and defining any relocations or modifications required by the Project, and documenting utilities in accordance with Caltrans policies, and coordinating any future utility requirements for the Project.

- Coordinate with all utility companies early in Project to identify and confirm any potential conflicts with the Project.
- Submit proposed plans to utility companies as necessary for review in accordance with utility requirements.
- Complete potholing to verify location of utilities in potential conflict areas.
- Coordinate any necessary utility relocations, including and temporary relocation of the utility facilities, as needed, for bridge installation or other construction considerations.
- Coordinate with PG&E and the SJWC for future power and water service points needed for the Project.
- Develop and maintain a list of utility contacts and relocation tracking database for the Project design and construction activities.
- Prepare Utility A, B, and C letters.
- Conduct utility coordination meetings, prepare agendas, minutes, and track action items.
- Prepare utility conflict maps clearly delineating existing and proposed utilities in current and final locations.
- Provide support to the Town for the utility relocation process, determining liability for the costs associated with necessary relocations.
- Prepare necessary Utility Agreements.
- Incorporate relocation activities into Project schedule.
- Certify that all utility conflicts are addressed and other actions necessary to obtain the Utility Certification as part of the ROW Certification.

Deliverables: A, B, C, letters and utility certifications, agreements, permits, clearances as required to obtain the Caltrans encroachment permit and for construction of the Project, meeting minutes, utility contact list.

- **Task A.5 Environmental Studies and Documentation – CEQA and NEPA**

The BKF Team will complete all required environmental reviews and obtain all environmental clearances to allow the Project to move forward into construction. All environmental documents and reports, studies and public noticing shall be conducted according to the

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provisions of the California Environmental Quality Act (CEQA) and the National Environmental Protection Act (NEPA).

For CEQA clearance, David J. Powers & Associates, Inc. (DJP&A) will prepare an Initial Study pursuant to the requirements of CEQA and the Town of Los Gatos. This scope assumes the Initial Study will not be circulated for public review; instead, upon completion of the Initial Study, the Town will determine the project is categorically or statutorily exempt from the provisions of CEQA. In addition, with the recent passing of Senate Bill 288, Public Resources Code Section 21080.20 now exempts bicycle and pedestrian facility projects. Therefore, DJP&A believes the project would be statutorily exempt under CEQA. For the purposes of this proposal, the BKF Team assumes the Town will be designated as the CEQA lead agency.

NEPA clearance will be required due to the future federal funding for construction of the Project. The BKF Team will work with Caltrans (the lead for the NEPA process) and the Town, and complete all technical memorandums and studies as identified by Caltrans through the Preliminary Environmental Studies (PES) and Field Review process. For the purpose of this proposal, the BKF Team assumes the appropriate filing for NEPA will be a Categorical Exclusion under NEPA (23 CFR 771.117; (c) (3): Construction of bicycle and pedestrian lanes, paths, and facilities.

Based on the DJP&A's recent experience working on Caltrans Local Assistance Projects in the greater Bay Area, DJP&A believes Caltrans will require preparation of the following technical memos for the bicycle and pedestrian overcrossing. The actual studies to be completed will be determined by Caltrans upon completion of the PES and field review meeting:

- Traffic Technical Memo
- Air Quality PM2.5 Exemption
- Water Quality Technical Memo
- Natural Environmental Study (Minimal Impact)
- Archaeological Survey Report
- Equipment Staging Technical Memo
- Initial Site Assessment
- Visual Impact Assessment (Moderate Impact)

DJP&A will prepare the air quality, traffic, equipment staging, and water quality memos based on information provided by the Town and BKF.

The Natural Environmental Study (Minimal Impact), Archaeological Survey Report and Historic Property Survey Report, and Visual Impact Assessment (Moderate Impact) will be prepared by H.T. Harvey & Associates, Archaeological Historic Consultants, and Earthview Sciences, respectively, under contract to DJP&A.

The Natural Environmental Study (Minimal Impact) will characterize the existing conditions, and determine the potential project impacts to sensitive biological resources. A wetland delineation is not included in this scope.

The Archeological Survey Report will include a summary of records search results and Native American consultations. The Historic Property Survey Report (HPSR) will report the findings of any documented historic resources located within the project limits and a summary of the findings of the Archeological Survey Report, which will be included as an attachment to the HPSR.

The Visual Impact Assessment will evaluate up to three views, based on photosimulations to be prepared under separate contract and provided to DJP&A. Earthview Sciences will participate in consultation with Caltrans and Town staff for viewpoint selection.

The Phase I Initial Site Assessment will be prepared by Parikh for the proposed project. ASTM recommends a 1.0-mile radius for the data search. Environmental Data Research Inc. (EDR Inc.) report study will be ordered using an approximate center of the project. The ISA

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study will be prepared to identify potential hazardous waste sites and evaluate environmental factors that may have impacted the soil groundwater quality within the project limits. The study will include data collection and documents research including historical land use based on study of aerial photographs and other relevant documents. No field exploration and/or testing are included in this phase of the work.

The studies and memos will be prepared based on Caltrans' Standard Environmental Reference (SER) and submitted to the Town and BKF for review. DJP&A will revise the memos once and submit them back to the Town for submittal to Caltrans. Based upon review comments by Caltrans, DJP&A and its subconsultants (H.T. Harvey & Associates, Archaeological Historic Consultants, and Earthview Sciences), with concurrence from the Town, will revise the memos once for resubmittal to Caltrans. Once the memos are deemed complete by Caltrans, Caltrans will issue the NEPA Categorical Exclusion for use by the Town in obtaining federal funding.

Note the technical memos and reports will also be used to support the CEQA Categorical Exemption.

For the purpose of this proposal, the BKF Team assumes the following:

- The Project will not include work outside of existing Town or Caltrans right-of-way.
- The NEPA and CEQA process will be limited to the evaluation of one build alternative.
- The Project description will not change.
- The Project will not impact threatened or endangered plant or animal species, or habitat utilized by such species.
- No private property will be affected by the Project.
- The Project will use Tier 4 construction equipment and construction air quality analysis will be qualitative.
- All construction staging will occur on paved surfaces within Town right-of-way.
- BKF will provide information on tree location and diameter.
- BKF will provide information on construction staging, duration, equipment use, etc.
- Completion of an Extended Phase I (i.e., subsurface archaeological testing) will not be required.

Regulatory Agency Permits – The BKF Team assumes the project will not need regulatory agency permits from the San Francisco Regional Water Quality Control Board or California Department of Fish and Wildlife because there are no wetlands or riparian habitat within or immediately adjacent to the project alignment.

Deliverables to include: Initial Study, Notice of Exemption, Preliminary Environmental Studies form, traffic technical memo, air quality PM2.5 exemption confirmation, water quality technical memo, Natural Environmental Study (Minimal Impact), Archaeological Survey Report, Equipment Staging Technical Memo, Initial Site Assessment Visual Impact Assessment (Moderate Impact).

- **Task A.6 Geotechnical Investigations and Reports -** The BKF Team will conduct geotechnical investigations as necessary to ensure that all geotechnical data within the Project area that may affect the final design and construction of the Project are identified and addressed per the Caltrans encroachment permit requirements and in the final design of the Project. The specific project elements that will require geotechnical studies are listed below:
  - New bridge POC structure, Caltrans Review
  - Retaining Walls, embankments, slopes and trail pavement (Non-Caltrans ROW)

The following proposed geotechnical studies are planned to be performed during PA/ED Phase:

- **Preliminary Foundation Report (PFR)**: Preliminary Foundation Report will be prepared for the POC over Highway 17. The PFR will be prepared in accordance with Caltrans guidelines and will include discussions on potential

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geotechnical/geologic impacts and mitigations on a broad basis including but not limited to slope stability, geology, seismic impacts, erosion, groundwater conditions, etc. for the proposed bridge structure. Certain design assumptions are made as to the type of foundations, approximate pile length. Generally, the geotechnical issues relevant to the proposed project are presented in a qualitative manner with no specific design recommendations. Subsequently, during the PS&E phase a more detailed Foundation Report will be prepared for the bridge.

- **Preliminary Geotechnical Design Report (PGDR)**: The project proposes to include retaining walls and slope cuts, embankments and pavement for the trail work. However, this work is outside of the Caltrans ROW. To simplify the process, Parikh will prepare a combined report that covers these elements as a PGDR.

  A Preliminary Geotechnical Design Report is proposed for the roadway pavement, retaining walls, slopes and other civil design features. The review will be based on readily available data including as-built Log of Test Borings from the previous geotechnical reports and other Agency records. The potential geotechnical/geologic impacts and mitigations will be discussed on a broad basis including but not limited to slope stability, geology, seismic impacts, erosion, groundwater conditions, etc. for the proposed project. Wall foundation types will be based on Caltrans standard design guidelines. Generally, the geotechnical issues relevant to the proposed project are presented in a qualitative manner with no specific design recommendations.

Overall scope of work during PS&E Phase will include preparation of a Geotechnical Design Report for the roadway work, slopes, retaining walls and embankments. A separate foundation report will be prepared for the overcrossing of Highway 17. The proposed retaining walls are not located within the Caltrans right-of-way; therefore, separate foundation reports are NOT proposed for each of these walls.

The following proposed geotechnical studies are planned to be performed during PS&E Phase:

- **Foundation Report and Log of Test Borings (Bridge)**: Parikh will prepare foundation report and log of test borings for the POC structure. Existing borings and CPT data from the Caltrans database will be used as a reference. Additional borings will be required for the new structure. Following is a task breakdown for the proposed work.
  - Research and Data Collection: Review of readily available geologic and soil literature in the vicinity of the site including review of any as-builts drawings and existing LOTB.
  - Permits/USA Clearances: Comply with the Caltrans Permit requirements. Encroachment permits will be processed with Caltrans for field investigations within Caltrans R/W. The BKF Team assumes encroachments within the Town will follow is streamlined process with fees waived.
  - Field locate the borings and call for USA clearance.
  - Field Exploration: Due to limited access, steep terrain and need for deeper exploration portable rigs are not feasible. There are three potential locations identified for the bridge project. One median boring will be included in this program that will require potentially night work and lane closures. This will be dictated by the Permit Engineer. The borings are proposed to a depth of 100’ or refusal. One exploration per working shift is assumed. These explorations will provide an evaluation of subsurface conditions for the proposed structures. Traffic control is assumed for 1 shift.
  - The boring locations will depend upon the available access and the boring data from previous studies. We anticipate using a truck-mounted rig for majority of the work. Coordination and encroachment/permit to enter is to be provided by the client. Some private access and permits may be required.
  - Classify and continuously log subsurface soil conditions encountered in

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each test boring at the time of drilling. Obtain "relatively undisturbed" and bulk samples of substrata from test borings. The borings will be drilled and capped in accordance with the permit requirements.

- Laboratory Testing: Perform laboratory tests on representative soil samples such as moisture density, consolidation tests, unconfined compression, gradation analyses, corrosion tests and Plasticity Index test, as necessary.
- Soils Analysis/Evaluation: Perform engineering analyses and develop design recommendations for the proposed structure foundation design. The design should follow AASHTO LRFD specifications (8th edition, September 2017) with California amendment 2019.
- Prepare Draft Preliminary Foundation Reports (Type Selection) for the bridge structure. Prepare preliminary recommendations for the overcrossing and provide Draft Foundation Report with the LOTB. The foundation design will be based on analyses using Caltrans seismic design and LRFD guidelines.
- Discuss seismic considerations, evaluate the liquefaction potential and comment on the site soil conditions from this standpoint. Information related to Caltrans Seismic design criteria (SDC v 2.0) shall be provided. Information related to the recently revised Seismic design guidelines (2019) and the ARS curves (using Caltrans ARS online tool) will be provided.
- Prepare Foundation Report for the overcrossing structure. LOTB will be prepared using the general plan as a base map.

- **Geotechnical Design Report (one report within Town right-of-way)**: PARIKH will prepare a separate Geotechnical Design Report (GDR). The GDR will include retaining walls, slope stability analyses and trail. Detail scope for preparing this report is as follows:
  - Research and Data Collection: Review of additional available geologic and soil literature in the vicinity of the site.
  - Permits/USA Clearances: Work will comply with the Town's Permit requirements. Encroachment permits (Town/private) will be provided by the client.
  - Boring locations will be located for USA clearance.
  - Field Exploration: The boring program will include 4 explorations to 30 feet deep for the proposed walls and the slopes. These are planned with track mounted field equipment. These explorations will provide an evaluation of subsurface conditions for the proposed cut and fill walls and slopes. The boring locations will depend upon the available access and any permit conditions. No traffic control is assumed at this time as most of the work will be off the travel areas.
  - Classify and log subsurface soil conditions encountered in each test boring at the time of drilling. Obtain "relatively undisturbed" and bulk samples of substrata from test borings. The borings will be drilled and capped in accordance with the permit requirements. Generally, the borings are required to be backfilled with cement grout.
  - Laboratory Testing: Perform laboratory tests on representative soil samples such as moisture density, unconfined compression, gradation analyses, corrosion tests and Plasticity Index test, as necessary.
  - Soils Analysis/Evaluation: Perform engineering analyses and develop design recommendations for the proposed retaining walls, slopes, embankments, and pavement design.
  - Prepare Draft Geotechnical Design Report: Prepare preliminary recommendations including retaining wall design parameters, possible MSE wall option, slope stability recommendations and pavement section. Draft LOTB will be included in the report.
  - Prepare final Geotechnical Design Report: Final GDR will include response to review comments from agency. Final design recommendations will be based on the updated design requirements. Log of Test Borings will be prepared using the general plan as a base map.

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- **Prepare Phase II ISA:** The Phase II ISA will include the following field activities and laboratory analysis:
  - Field Activities will include the following:
    - Advance up to 8 hand-auger borings to 2.5 ft bgs.
    - Collect 3 soil samples per boring (total 24 samples)
  - Analytical Laboratory Analyses (Standard Laboratory Turnaround Time):
    - 18 soil samples for Total Lead
    - 6 soil samples for CAM 17 Metals
    - 8 samples for TPHg
    - 8 samples for TPHd/mo
    - 4 samples for Organochlorine Pesticides
    - 1 sample for Volatile Organic Compounds
    - 1 sample for Semi-Volatile Organic Compounds
    - 1 sample for Polychlorinated Biphenyls
    - 4 samples for Naturally Occurring Asbestos
  - Prepare Site Investigation Report

Deliverables: Draft and Final Preliminary Geotechnical Design Report (PGDR), Draft and Final Preliminary Foundation Report (PFR), Draft Geotechnical Design Report (Town right-of-way), Draft Foundation Report for POC (Caltrans), Final Geotechnical Design Report (Town right-of-way), Final Foundation Report for POC (Caltrans).

- **Task A.7 35% PS&E** – The preliminary 35% design is intended to allow the Town, Caltrans, the community, and other stakeholders to review and comment based upon the basic design concepts early in the design process to minimize change in subsequent tasks. Plan development shall be based on the base mapping, data collection, and other determinations that are developed through the Environmental and PID and PA/ED phases. The BKF Team shall prepare the 35% design and submit to stakeholders for review and comment at community, commission, and Council meetings. Stakeholder comments shall be addressed in writing by the BKF Team prior to continuation of the design to the next level.

  For scoping purposes, the BKF Team assumes that the basic structural configuration and concept, is limited to the concrete box girder and steel truss options identified in the Feasibility Study will be the preferred bridge type over Highway 17. The preliminary 35% design will include the following:

  Preliminary Transportation Management Plan (TMP): TJKM will prepare a TMP Data Sheet to include proper cost, scope, and scheduling of the TMP activities at this early stage of development as required by the Caltrans PSR-PDS guidelines.

  Basis of Design Memorandum: The BKF Team will confirm the applicable Town, Caltrans, other applicable jurisdictional standards and guidelines to be implemented and considered for the design of the pedestrian and bicycle overcrossing. The applicable standards and criteria set for the Project design will be described and culminated in a Design Basis Memorandum.

  Preliminary Plans: The BKF Team shall refine the initial concept designs and prepare preliminary design plans (35%) for the preferred alternative based on community and Town input showing architectural and civil plans, structure elevations, sections, any artwork, lighting, and fence/railing elements, horizontal control lines, vertical profiles and super-elevations, grading and drainage, structure location and wall limits, utility impacts, and right-of-way/construction easement impacts.

  Preliminary Cost Estimates: The BKF Team shall prepare preliminary construction cost estimate for the project in accordance with Caltrans guidelines including Caltrans Bridge Memo to Designers 1-8 and Section 11 of the Caltrans Bridge Design Aids. Use Caltrans Cost Estimate form for bridge item.

  Bridge Type Selection Report: The BKF Team will analyze the structure type selection before extensive structural design work is performed and prepare a Bridge Type Selection

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Report (TSR) in accordance with Caltrans guidelines. The TSR will include a Bridge General Plan, Bridge Site Data Submittal, Foundation Plan, Construction Cost Estimate and Type Selection Memo. This work will be developed using Section 10, "Type Selection," of the Caltrans Bridge Design Aids, and Section 1-29, "Type Selection Review Meeting," of the Caltrans Bridge Memo to Designers. The BKF Team will submit the TSR for Caltrans review, and will present the proposed structure to Caltrans at a Bridge Type Selection Meeting. The BKF Team will conduct one (1) "pre-meeting planning session" teleconference with the Town. The BKF Team will finalize the TSR based on input received in the meeting. The TSR General Plan and Foundation Plan will be incorporated into the 35% Plan Submittal.

35% submittal, at a minimum, is anticipated to include the following:

- **PSR-PDS and Supporting Documents**
  - Purpose and Need
  - Geometric Approval Plans (Typicals and Horizontal and Vertical Alignments)
  - Identify Design Exceptions
  - Preliminary Drainage Report
  - PID Level Storm Water Data Report (SWDR)
  - Preliminary Transportation Management Plan (TMP)
  - Traffic Engineering Performance Assessment (TEPA) – The BKF Team assumes a formal TEPA is not required and minimal efforts to address the Traffic section in the PSR-PDS will suffice since the Project does not propose to alter traffic operations. Although a formal traffic analysis will not be required by Caltrans, BKF assumes a traffic memo to address the anticipated traffic signal modifications at West and East Roberts Road intersections will be required as part of the project scope. This analysis would be limited to Town review only and opening year operations.
  - Preliminary Geotechnical Memo and Preliminary Site Investigation
  - Biological/Cultural Records Searches
  - Preliminary Environmental Assessment Report (PEAR)
  - Construction and Support Cost Estimates
  - PID Draft Narratives/Sections
  - Administrative Draft PSR/PDS
  - Draft PSR/PDS with comments incorporated
  - Final PSR/PDS

- **PR and Supporting Documents** – For scoping purposes, the BKF Team assumes only one (1) alignment alternative and one (1) bridge type will be evaluated in the Project Report and supporting documents, which will include the following:
  - Geometric Approval Plans (Typicals and Horizontal and Vertical Alignments)
  - Design Exception Report
  - Utility Policy Exception
  - Preliminary Drainage Report
  - Storm Water Data Report (SWDR)
  - Transportation Management Plan (TMP)
  - Traffic Operations Analysis Report (TOAR) - The BKF Team assumes a formal TOAR is not required and minimal efforts to address the Traffic section in the PR will suffice since the Project does not propose to alter traffic operations. Although a formal traffic analysis will not be required by Caltrans, BKF assumes a traffic memo to address the anticipated traffic signal modifications at West and East Roberts Road intersections will be required as part of the project scope. This analysis would be limited to Town review only and opening year operations.
  - Right of Way Data Sheet (R/W Data Sheet)
  - Structures Advance Planning Study (APS)
  - Cost Estimate
  - Risk Management Plan
  - PR Draft Narrative/Sections
  - Administrative Draft Project Report
  - Updated/Finalized Supporting Documents
  - Draft Project Report with comments incorporated

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- Final Draft Project Report

- **35% PS&E** – The 35% PS&E submittal will be limited to the development of the Geometric Approval Drawings to obtain Caltrans Design approval of the Project's alignment design and features, including nonstandard design features.
  - Horizontal and vertical alignment plans
  -
  - Typical trail cross sections
  - Preliminary bridge plans (structural and architectural), typical cross sections, and details
  - Preliminary and Final Type Selection Reports
  - Preliminary retaining wall plans, details, and cross sections
  - Tree removal/Tree Protection plan
  - Independent quality control check including a review of the 35% plans and specifications for accuracy and conformance to applicable design standards and codes, constructability, and potential for value engineering/cost savings measures.

- **Task A.8 Final Design** – Based on the 35% PS&E documents and resolved comments, and following Caltrans approval of the PA/ED, the BKF Team will prepare the PS&E for the 65%, 95% and Final 100% submittals. PS&E shall be submitted to the Town of Los Gatos - Parks and Public Works Department at 65%, 95% and 100% complete. At each submittal stage, the items listed in Task A.7 shall be completed to the appropriate level of design. At each state, 3 hard copy sets of D-size (24"x36") plans and 3 hard copy sets of B-size (11"x17") plans shall be submitted along with electronic copies prepared in PDF format. At each stage 3 hard copies of the Specifications, Special Provisions, and Cost Estimates shall be provided along with electronic copies in MS Word/Excel. After each submittal, the BKF Team will allow appropriate time frames for identified stakeholders to review the submittal and return comments. All comments provided shall be addressed in writing prior to beginning work on the following submittal.

  Based on the work from the previous 35% PS&E, and upon review and approval of the same by the Town, the BKF Team shall prepare and submit 65% design plans and updated cost estimates. The BKF Team will prepare the necessary design plan sheets for the 65% PS&E submittal, which includes the following:
  - Title Sheet, Vicinity Map, and Key Map
  - Typical Sections
  - Layout Plans
  - Profiles/Superelevations
  - Grading Plans
  - Demolition Plans
  - Drainage Plans and Profiles
  - Stormwater Management Plans and Details
  - Temporary Water Pollution Control Plans and Details
  - Utility Plans, Profiles, and Details – BKF assumes water line design work will not be required as part of this scope. BKF recognizes the San Jose Water Company (SJWC) has expressed a desire to relocate their line onto the new bridge and will coordinate with SJWC to accommodate this line on the new structure, however, all design details to include this on the structure and any specific reinforcement/attachment details will be completed by SJWC.
  - Construction Details
  - Stage Construction Plans
  - Traffic Handling Plans
  - Pavement Delineation Plans
  - Signing Plans
  - Electrical Plans and Details
  - Traffic Signal Plans and Conductor Schedules – modifications are assumed at the Roberts Road West and East intersections. BKF assumes the Town can provide existing as-built drawings for these existing traffic signals.

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- Tree Removal/Protection Plans
- Planting and Irrigation Plans

Anticipated structural design drawings include but are not limited to:

- General Plan
- Structure Plan
- Deck Contours
- Foundation Plan
- Abutment Layout and Details
- Retaining Wall Layout and Details
- Bent Layout and Details
- Typical Sections
- Girder Layout and Details
- Approach Ramp Details
- Log of Test Borings
- Project specifications, special provisions and estimates

The Structural PS&E packages will be prepared in accordance with Caltrans processes/procedures. The structural design calculations will be performed in accordance with the most current California bridge practices and the following bridge design codes and manuals:

- Caltrans Standard Plans and Specifications
- Caltrans Bridge Design and Detailing Manuals
- American Association of State Highway and Transportation Officials Load and Resistance Factor Design (AASHTO LRFD) Bridge Design Specifications
- California Amendments to the AASHTO LRFD Bridge Design Specifications
- AASHTO LRFD Guide Specifications for the Design of Pedestrian Bridges
- Caltrans Seismic Design Criteria (SDC)

The proposed design will be coordinated with anticipated projects (i.e. Senior Housing Center northeast of existing Blossom Hill Overcrossing, SJWC Water line upgrade, Public Art Program, etc) located within the Project site limits, assuming their schedule progresses on a similar timeline as the proposed project design.

BKF assumes the Town of Los Gatos will Advertise, Award, and Administer (AAA) the construction of the proposed structure. As a result, BKF will not prepare additional Caltrans documents (Quantity Sheets, Survey files, RE files, etc.) that are typically required by Caltrans when Caltrans AAA's a construction contract.

BKF's subconsultant, TJKM, will prepare a TMP report to support construction activities proposed in the PS&E phase. The TMP is a method for minimizing activity-related traffic delay and accidents by the effective application of traditional traffic handling practices and an innovative combination of public and motorist information, demand management, incident management, system management, construction strategies, alternate route, and other strategies. During the final design phase, TJKM will propose lane closures on both Highway 17 and Blossom Hill Road, if needed, to support the construction of the bike and pedestrian overcrossing structure. The TMP report will be started at 65% PS&E and will be updated accordingly during 95% PS&E, and 100% PS&E. The BKF Team assumes no substantial impacts will be created with a full closure on Highway 17 and no detour will be needed during construction in the scope of work given the scope of work assumes the construction of a cast-in-place concrete structure with falsework, or steel truss structure. As a result, an approval or formal presentation with the Caltrans District Lane Closure Review Committee (DLCRC) will not be required and design approval can occur solely with the Caltrans TMP group during design approval.

Project Specifications and Special Provisions: The BKF Team shall prepare technical specifications and special provisions for all bid items including bid alternates. Documents shall be developed in accordance with federal, state and local requirements in all subsequent final design tasks. General conditions shall follow the Town and Caltrans requirements. The BKF Team shall prepare special provisions based on Caltrans Standard

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Special Provisions, Caltrans Standard Specifications, and Town construction contract standards. Special provisions shall follow the 2018 format of the Caltrans Standard Specifications and Standard Special provisions (SSP's)

Cost Estimate: The BKF Team shall prepare an engineer's estimate of probable construction cost for 65% design using both Caltrans and the Team's professional experience. Estimate shall include construction costs that reflect current market conditions, the bid items, utility relocation costs (if any), environmental mitigation costs, and contingencies.

65% submittal shall include all plan sheets developed to a minimum 65% complete stage and shall have been reviewed by the BKF Team for quality control, and coordination and consistency between plan sheets. Specifications and Special Provisions at the 65% level shall include a complete table of contents with all special provisions necessary for the construction of the Project identified. The construction cost estimate shall be prepared and shall include an appropriate estimating contingency.

It is the BKF Team's understanding that the 65% structural submittal package that consists of structural plans and specifications, and structural calculations will be reviewed by a Structural Engineer registered in the State of California and hired by the Town outside of this proposal.

BKF Team's Independent Structures Check of PS&E: As required by the Caltrans Office of Specially Funded Projects (OSFP), an independent check of the bridge design and drawings will be performed. The independent check will include independent structural calculations and independent quantities calculations and will be performed by an engineer who was not involved in the design of the bridge. The independent check will be performed concurrently with the Caltrans review of the 65% PS&E.

The BKF Team shall ensure all activities necessary to comply with regulations of the State Water Resources Control Board, including the requirements for the National Pollutant Discharge Elimination System permitting process, preparation of Project Registration Documents (PRDs) by a licensed qualified stormwater pollution prevention plan (SWPPP) developer (QSD), submittal of information to the Stormwater Multi Application Permit Tracking System (SMARTS), preparing landscape plans in accordance with Model Water Efficient Landscape Ordinance (MWELO), obtaining the WDID Project number, processing any other applicable documents, studies, waivers, and payment of all fees is addressed by the BKF Team and/or included in the construction Project specifications for completion during construction.

Once the Town receives the final 65% PS&E submittal, the BKF Team shall schedule a meeting with the Town and PDT members to review the revisions on the final 65% PS&E submittal package. Following this review session, the BKF Team shall prepare the 95% PS&E submittal. All comments from the 65% PS&E submittal review shall have been addressed.

95% submittal shall be the fully developed set of contract documents including all plans sheets, Specifications and Special Provisions, details, and other contract documents necessary for the construction of the Project. The construction cost estimate shall be finalized and shall include a 10% estimating contingency. The BKF Team will have conducted an internal quality control review of the plans, Specifications, Special Provisions, and construction cost estimate prior to submitting the 95% complete set and shall ensure that the contract documents are well coordinated, and information is consistent between all documents.

Following submission and review of the 95% submittal, The BKF Team will prepare and provide the Town with the final contract documents 100% for use in the construction bid process. All contract documents (plans, Specifications, Special Provisions, and estimates) are to be signed by the appropriately licensed professional engineer in responsible charge of the design.

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Once the Town receives the final 95% PS&E submittal, the BKF Team shall schedule a meeting with the Town and PDT members to review the revisions on the final 95% PS&E package. Following this review session, the Team shall prepare the 100% PS&E package.

The BKF Team shall also ensure that all design calculations, deliverables, and other works are independently verified to ensure accuracy. All exhibits, plans, and reports should be checked, corrected, and backed checked for accuracy and completeness prior to submitting documents to the Town and other agencies for review.

The PS&E must be approved prior to submission to Caltrans District Local Assistance. The BKF Team shall assist the Town in obtaining Caltrans approval of the Project PS&E for compliance with all applicable federal and state regulations and procedures. A preliminary "PS&E Checklist" form, included as Exhibit 12-D in Chapter 12 (Plans, Specifications & Estimate) of Caltrans' Local Assistance Procedures Manual, which summarizes the items requiring local agency compliance and identifies critical federal requirements shall be prepared by the BKF Team. With prior approval and consent from the Town, the BKF Team shall prepare the final Project PS&E Checklist, PS&E approval letter (Exhibit 12-C, LAPM Chapter 12), and preliminary estimate to be submitted to the Caltrans District Local Assistance Engineer (DLAE) along with a completed E-76 – "Request for Authorization" to proceed with construction.

The BKF Team shall provide an electronic copy of the final contract documents, a signed and stamped mylar copy of the final approved plans, and a hard copy of the final signed, approved, and stamped Specifications, Special Provisions, and construction cost estimate. The electronic copy of the plans shall be provided as both AutoCAD files and PDF files, and the electronic copy of the specifications and estimate shall be provided in both Microsoft Word/Excel format and PDF format. Town of Los Gatos - Parks and Public Works Department will be responsible for making copies of contract documents and will distribute to plan rooms and contractors in advance of the bid phase.

Deliverables: Plans, Specifications, Special Provisions, and estimates for Town review at 35%, 65%, 95% design stages; final contract documents, SWPPP, WDID Project number

Right of Way, Utility and ADA Certifications – BKF assumes that temporary and permanent right of way will not be required for the Project. The BKF Team shall verify and prepare the appropriate Right of Way, Utility, and ADA certifications to advance the Project to the construction phase using procedures outlined in the Caltrans Local Assistance Procedures Manual. All property lines are to be shown on the design and construction documents.

Deliverables:Utility Clearance, Right of Way and ADA Certifications

- **Task A.9 Construction Phase Authorization** – The BKF Team shall assist the Town in the preparation of the Request for Authorization to advance Project to Construction using procedures outlined in the Caltrans Local Assistance Procedures Manual and shall complete any items necessary to obtain authorization for the Town to proceed with construction.

*Deliverables: Caltrans Encroachment Permit, Authorization from Caltrans to proceed with construction (E-*76)

PHASE II – CONSTRUCTION SUPPORT SERVICES (FUTURE SCOPE OF SERVICES):

As part of Phase II, the BKF Team will provide design support services to the Town during construction of the Project as noted below. The scope of work outlined below assumes the Town will advertise, award, and administer (AAA) construction of the project.

- **Task B.1 Project Management**
  The BKF Team will provide all the necessary Project coordination, administration, management and interfacing with the Town, Caltrans, and other internal/external stakeholders to achieve Project objective. The BKF Team shall proactively provide direction

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to the Town regarding the Project tasks necessary to deliver the federally funded Project consistent with Caltrans permitting requirements and federal reimbursement requirements. The BKF Team will be responsible for Project management activities throughout the life of the contract. The scope of these activities includes, but is not limited to,

- provide, distribute, and maintain contact information for all Project team members
- coordinate and schedule meetings/conference calls as needed
- prepare and distribute meeting minutes
- itemize, track, and pursue all Project action items to completion
- develop and maintain the Project schedule, report on Project progress
- supervise, coordinate, and monitor the construction for conformance with permit requirements from Caltrans, VTA, and utility companies
- conduct field reviews as needed,
- prepare all submissions for the Town's submittal to Caltrans
- provide internal quality control checks and document quality control actions conducted for the Project
- conduct cross-checking to avoid potential conflicts between various subconsultant's work
- develop Project filing and record keeping system for Project files for a period of 5 years
- develop a list of Project stakeholders for coordination during Project design
- provide the Town with required documents required for compliance with the Measure B funding Agreement between the Town and VTA, Including but not limited to progress reports, reimbursement forms, etc.)
- provide monthly Project updates for posting on the Project page of the Town's website

Deliverables: Meeting minutes, schedule, progress reports, action item logs, tracking spreadsheets, Caltrans submissions and other items resulting from the BKF Team's Project management duties

- **Task B.2 Bid Support Services** –The BKF Team shall respond in writing to questions that arise during the bid phase and shall prepare addendums, if necessary, which will be distributed by the Town of Los Gatos - Parks and Public Works Department. Each addendum shall also address cost implications to the Project construction cost estimate. The BKF Team shall prepare written responses to questions received and addenda in a format that can be easily posted to the Towns website. Following completion of bid stage, The BKF Team shall incorporate any addenda into the final contract documents and shall prepare the final "Conformed Contract Documents". The BKF Team shall provide an electronic copy of the final Conformed Contract Documents, a signed and stamped mylar copy of the final conformed plans, and a hard copy of the final signed, approved, and stamped conformed Specifications, Special Provisions, and cost estimate. The electronic copy of the plans shall be provided as both AutoCAD files and PDF files, and the electronic copy of the specifications and estimate shall be provided in both Microsoft Word/Excel format and PDF format.

- **Task B.3 Construction Support Services –** The BKF Team shall be prepared to provide the following construction support services:
  - Review of submittals and shop drawings for compliance with Contract Documents
  - Review and response to Requests for Information, Requests for Change Orders, Quotes from Contractor
  - Review of Contract Change Orders
  - Review and tracking of results from materials testing for conformation to Contract Documents
  - Field review and geotechnical monitoring during bridge installation
  - Structural review and field monitoring during bridge installation
  - Prepare design modifications if necessary due to unforeseen conditions

Assumptions:

1. The BKF Team assumes a formal Traffic Engineering Performance Assessment (TEPA) will not be needed for PSR/PDS phase.
2. It is assumed that a formal Traffic Operation Report (TOAR) will not be needed for

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PA/ED phase. In the event that lane modifications are needed to accommodate the new pathway where roadway widths are constrained, the BKF Team will analyze intersection delay/level of service for two intersections of Blossom Hill Road/Roberts Road West/Vasona Park Road and Blossom Hill Road/Roberts Road East in the Town of Los Gatos with and without project (up to one build alternative) for existing conditions. Travel demand forecasting and future analysis are NOT included in this scope and fee under this task. If a more comprehensive TOAR is required, additional work will be required warranting a fee amendment.

3. PS&E Submittals will be provided at 35%, 65%, 95%, and 100% completion levels. Agency reviews are limited to one round of comments consolidated to one set of redline plan, specification and estimate redline comments per agency. BKF understands minor comments may be received outside of these formal reviews and will do its best to incorporate comments into the noted completion levels when reasonable. Substantial comments not received within reasonable timeframes will be evaluated on a case-by-case basis with the Town as they may require additional efforts not identified within this proposal. Project Reports will be limited to one draft and one final version of each report.
4. For planning and budgeting purposes the 35% and Final design scope of services have been estimated assuming the basic structural configuration and concept outlined in the conceptual Study for a concrete and structural steel truss bridge option. These design scope will be reviewed with the Town at the completion of Task A.6 to ensure that all required design services are adequately addressed.
5. The Construction Support Services scope will be reviewed with the Town at the completion of Final Design to ensure that all required services are adequately addressed.
6. Formal Caltrans Value Engineering services will not be required since the project is projected to be less than the $40 million per bridge project threshold.
7. The Town will assign a Resident Engineer (RE) to the project that will be responsible for day to day oversight of the Town's Contractor and all inspections required by the Project Documents. It is assumed that the Town RE will have all of the necessary experience, expertise and authority to manage the day to day oversight of the project, coordinate with outside agencies (such as Caltrans, County, Utilities, etc.) and to perform all necessary inspections and shop drawing reviews not otherwise identified as being performed by the Design Team.
8. In addition to the quality assurance and control measures required as part of this scope, BKF Team recommends that the Town retain their RE prior to completion of the 95% PS&E submittal and that the Town RE perform a constructability, bidability, and cost verification of the 95% plans, specifications, and estimates.
9. Structural construction support work is limited to major items of work only as outlined herein. Minor and construction management and administration elements will be reviewed by the Town RE.
10. All correspondence, shop drawing submittals and RFIs for Design Team review will be routed and coordinated through the RE to BKF and then BCA.
11. As outlined in the Caltrans Standard Specification requirements, shop drawing reviews are provided for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details such as dimensions and quantities or for substantiating instructions for installation or performance of equipment or systems designed by the Contractor all of which remain the responsibility of the Contractor to the extent required by the Contract Documents. The BKF Team review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the BKF Team, of construction means, methods, techniques, sequences or procedures. The BKF Team's review of a specific item shall not indicate approval of an assembly of which the item is a component. The contract documents prepared by BKF will clearly identify the Contractor's responsibilities in these areas.
12. Record Drawings will be prepared from one consolidated master mark-up set of Town RE red line comments provided to the BKF Team by the Town RE. Record Drawings will be prepared per project drafting standards in AutoCad format and it is assumed that Caltrans will not require transition of Record Drawings into Microstation format.
13. Construction staking, construction inspection, and post-construction survey of the

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proposed improvements are excluded from this proposal.

14. Phase I shall be completed within a reasonable timeframe. Following the notice to proceed, the assumed timeframe for completing Phase I scope as outlined within the proposal is approximately 40 months (Preliminary Engineering/Environmental Approval – 24 months; Final Design – 12 months; Construction Phase Authorization – 4 months). Key milestones and their approximate durations are further outlined below:
    a. Task 5 Environmental Studies and Documentation – 16 months
    b. Task 7 Preliminary Design - 35% PS&E Submittal – 24 months
        i. PSR-PDS – 10 months
        ii. PR – 14 months
    c. Task 8 Final Design – 12 months
        i. 65% PS&E – 6 months
        ii. 95% PS&E – 4 months
        iii. 100% PS&E – 2 months
    d. Task 9 Construction Phase Authorization – 4 months

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EXHIBIT B - COST PROPOSAL

Highway 17 Bicycle and Pedestrian Overcrossing Project

BKF Engineers, 5/6/2021

Phase I - Engineering Design Services and Environmental Approval	TOTAL NOT TO EXCEED
Task A.1 Project Management and Administration	$ 176,115
Task A.2 Data Collection and Review	$ 57,281
Task A.3 Surveying and Base Mapping	$ 119,790
Task A.4 Stakeholder Coordination and Project Permits	$ 453,756
Task A.5 Environmental Studies and Documentation - CEQA and NEPA	$ 138,883
Task A.6 Geotechnical Engineering	$ 202,215
Task A.7 Preliminary Design - 35% PS&E Submittal	$ 655,460
Task A.8 Final Design	$ 1,146,561
Task A.9 Construction Phase Authorization	$ 49,939
Total Not To Exceed	**$ 3,000,000**
Phase II - Construction Support - (FUTURE SCOPE OF SERVICES)	
Task B.1 Project Management and Administration	*$ 192,013*
Task B.2 Bidding Phase	*$ 37,545*
Task B.3 Additional Reports and Services	*$ 482,426*
Total	*$ 711,984*

Phase I Assumptions:

1. Town will be the CEQA Lead Agency.
2. Scope does not identify any community or public hearing meetings for environmental process.
3. No ABC Mapping Process will be required.
4. Utility Potholing budget identified is an allowance; potholing fees exceeding this balance will be reimbursed by the Town.
5. Permit Application and Filing Fees will be borne by the Town.
6. Town will hire a firm to perform the structural independent check.
7. PG&E and CPUC Encroachment Processing is not required.
8. All proposed project improvements are located within the public right of way.
9. Town will provide Title Reports if required.
10. Town will administer the construction contract; Caltrans will not RTL the project and thus DOE review not required.
11. A three year project schedule has been assumed for the Preliminary Engineering, Environmental Approval and Final Design Phase.
12. Design effort is based on a concrete or steel structure within the Caltrans right of way.
13. 401/404 Regulatory Permits are not required.
14. Only one round of comment response will be received from each agency at each milestone submittal. BKF understands minor comments may be received outside of these formal reviews and will do its best to incorporate comments into the noted design completion levels when reasonable. Substantial comments not received within reasonable timeframes will be evaluated on a case-by-case basis with the Town as they may require additional efforts not identified within this scope of services.
15. There will only be one iteration on the 100% PS&E package, which will serve as the Final PS&E package

Phase II Assumptions:

1. Construction Support Services are provided for reference only. Future construction support services will be negotiated following completion of design and are not a part of the current contract scope of services..

2. The estimated effort for Design Services During Construction is an estimated allowance only and will depend on final design of the bridge and project improvements.

3. Construction Inspection services are excluded. BKF assumes the Town will hire a Resident Engineer to administer construction and inspection.

4. Contractor will provide red lined mark-ups for as-built record drawings

5. A one and half year construction schedule has been assumed for Construction.

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Reset Form

EXHIBIT 10-O2 CONSULTANT CONTRACT DBE COMMITMENT

1. Local Agency: Town of Los Gatos 2. Contract DBE Goal: 12%
3. Highway 17 Bicycle and Pedestrian Overcrossing Project
4. Project Location: Town of Los Gatos
5. Consultant's Name: BKF Engineers 6. Prime Certified DBE: No 7. Total Contract Award Amount: $3,000,000
8. Total Dollar Amount for **ALL** Subconsultants: $1,340,016 9. Total Number of **ALL** Subconsultants: 8 Tier 1 Subs (+1 ODC Subs)

7. Description of Work, Service, or Materials Supplied	8. DBE Certification Number	9. DBE Contact Information	10. DBE $
Environmental Engineering- CEQA/NEPA	VTA #38205	Akoni Danielsen - David J. Powers & Associates, Inc, 1871 The Alameda, Ste 200, CA 95126	$97,227.73
Geotechnical Engineering Services	20259	Gary Parkh - Parikh Consultants Inc, 1497 N Milpitas Blvd., Milpitas, CA 95035	$198,986.89
Traffic Engineering	40772	Nayan Amin - TJKM Transportation Consultants, 2055 Gateway Pl #400, Sann Jose, CA 95110	$62,926.53
Traffic Control	38321	Kellie Avila - Avila Traffic Safety, 8365 El Camino Real, Atascadero, CA 93422	$4,000.00
Local Agency to Complete this Section		**11. TOTAL CLAIMED DBE PARTICIPATION**	**$363,141.15**

17. Local Agency Contract Number: 19-818-0803
18. Federal-Aid Project Number:
19. Proposed Contract Execution Date: April 16, 2021
20. Consultant's Ranking after Evaluation: #1

Local Agency certifies that all DBE certifications are valid and information on this form is complete and accurate.

IMPORTANT: Identify all DBE firms being claimed for credit, regardless of tier. Written confirmation of each listed DBE is required.

12. Preparer's Signature 13. Date: 01/14/2021
14. Preparer's Name 15. Phone: 408-467-1932
16. Preparer's Title

Natalina Bernardi 408-467-1932

Principal and Vice President

ADA Notice: For individuals with sensory disabilities, this document is available in alternate formats. For information call (916) 654-6410 or TDD (916) 654- 3880 or write Records and Forms Management, 1120 N Street, MS-89, Sacramento, CA 95814.

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EXHIBIT B

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January 17, 2024

Sean Rose, Special Projects Manager
Town of Los Gatos, Parks & Public Works Department
41 Miles Avenue, Los Gatos CA 95030
Transmitted Via Email: SRose@losgatosca.gov

Subject: **Proposal for Grant Writing Services for SS4A and ATP Grant Applications for the - Highway 17 Bicycle and Pedestrian Overcrossing (BPOC) Project (Project)**

Dear Sean:

BKF Engineers is excited to submit this proposal to provide grant writing services for of the Town of Los Gatos' (Client, Town) applications to the Department of Transportation's (DOT) Safe Streets for All (SS4A) program, and Caltrans' Active Transportation Program (ATP). Our Grants and Funding Services Team (Team) has extensive experience in preparing successful federal and state grant applications and looks forward to working with the Town to develop compelling grant applications that effectively highlight the Project's many benefits and positions them for success. The Team recently submitted an SS4A application and is proud to have secured $17.5 million for a Bikeway and Streetscape Improvement Project.

These services will involve utilizing our experience and training to produce well-written grant proposals according to the conditions outlined in **Exhibit A - Terms** and costs listed herein and in **Exhibit B - Fees**. BKF will diligently gather information and craft the proposals in accordance with the goals and objectives provided by Client, as well as the guidelines and requirements of the funding agencies (DOT and Caltrans).

If requested, BKF will provide Grant Reporting and/or Grant Compliance services once this grant has been submitted and/or approved for funding. These additional services are not included in this proposal and will be the subject of a separate agreement.

PROJECT UNDERSTANDING

BKF understands that Client is asking BKF's Grants Team to develop, write and submit the next cycle of the SS4A and ATP grant applications. The Highway 17 Bicycle and Pedestrian Overcrossing Project (BPOC) aims to enhance safety and connectivity for pedestrians and bicyclists in Los Gatos. This involves constructing a new bridge over Highway 17, thus uniting the East and West parts of the town. The project is pivotal in providing a safe route to school, promoting sustainable transportation, and ensuring public safety. Despite its critical role, the project currently faces a funding shortfall for construction, making the pursuit of grant opportunities essential.

SCOPE OF SERVICES

Task 1: Grant Writing – BKF will provide comprehensive grant writing services to Client, encompassing all necessary activities to develop well-structured and compelling grant proposals for both the SS4A and the ATP applications. These grant writing services include, but are not limited to providing, the following subtasks:

- **Action Plan:** The preparation of an Action Plan is a critical part of our grant application process. The Action Plan will serve as a roadmap, outlining all tasks, responsibilities, and deliverables for each grant. This will ensure that both parties have a clear understanding of their roles and expectations, facilitating a smooth and efficient grant application process.

BKF ENGINEERS
1730 N. First Street, Suite 600, San Jose, CA 95112 | 408.467.9100

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- **Narrative/Deliverables Content:** This includes preparing grant application narratives and assisting Client in compiling and organizing all required deliverables, attachments, supporting documents, letters of support, board resolutions and other requested attachments.
- **Project Maps:** GIS team will prepare the project maps to reflect conditions and plans.
- **Engineering Support:** BKF's engineers will provide additional engineering support for both applications. This can include performing traffic safety data analysis and collision assessments to demonstrate safety needs; and developing project plans, exhibits, schedules, updated cost data, and other technical documents required for the applications.
- **Additional Improvements:** In our review for additional improvements, we will meticulously evaluate every section of the application, cross-referencing with the latest guidelines and requirements. This ensures that the application not only meets the minimum requirements but also stands out in areas like innovation, sustainability, and community impact.
- **Analyzing the SS4A and ATP grants:** Review guidelines requirements, scoring and evaluation criteria to ensure compliance and maximize the proposal's competitiveness.
- **Collaborating with Client:** to gather relevant project details, goals, outcomes, and supporting documentation for all deliverables required for the grant application.
- **Letter of Support:** BKF assumes the Town will coordinate with supporting public agencies (Caltrans, VTA, MTC, etc.) to obtain Letters of Support to include with the grant applications. BKF will prepare an LOS template for Client to send to the relevant stakeholders.
- **Reviewing and Revising:** Revising the draft proposal based on Client's feedback and incorporating any necessary revisions to enhance its quality and effectiveness. BKF will provide up to three iterations of each narrative as requested, including a final, polished draft for submission.
- **Budget and Financial Analysis:** Assisting Client in developing a comprehensive budget that accurately reflects the project's financial needs and aligns with grant guidelines. While BKF will assist Client in developing the budget and related items, Client is ultimately responsible for providing accurate and complete supporting data, and approving final budget for submission.
- **Packaging:** Providing guidance and recommendations on packaging the grant proposal for submission, including submission procedures, deadlines, and any additional requirements specified by the funding agency. Packaging the grant proposal for timely submission to the funding agency on behalf of Client after Client approves final narrative, budget and deliverables.
- **PROFESSIONAL SERVICES FEE**

BKF will conduct the Task outlined herein, billed as a Lump Sum, not to exceed as follows:

Task	Description	Fee
1	~SS4A Grant Writing and Proposal Development ~Engineering Technical Support for applications: Timeline, Milestones, Maps, Budget, Feasibility, etc.	$21,215 $2,500
	~ATP Grant Writing and Proposal Development ~Engineering Technical Support for applications: Timeline, Milestones, Maps, Budget, Feasibility, etc.	$22,520 $2,500
Total Fee		**$48,735**

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Thank you for the opportunity to present this proposal and Letter Agreement. We look forward to assisting in the funding development of this project. Please contact me at 323.309.9728 if you have any questions. Otherwise, please sign below to authorize us to proceed.

Sincerely,

BKF Engineers



Doug Fleming
Director of Funding Strategies

Authorized to proceed per the terms described herein:

Print Name	Signature
Title	Date

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Exhibit A – Terms

TERMS:

Grant Writing – Once the notice-to-proceed is given, BKF will create an Action Plan (Plan) for each grant application, outlining tasks, deliverables, expectations, and both internal and external due dates. Our Action Plan promotes effective collaboration and timely submissions. The Plan will detail expectations of both parties, as required to develop and submit a complete application package prior to the grant deadline. Client acknowledges and agrees to provide BKF with accurate and timely information, relevant project details, and any additional materials necessary for the completion of the grant proposal. Client shall also review and provide feedback on draft versions of the proposal in a timely manner. BKF's ability to prepare a complete application package outlined in the Plan will depend on deliverables needed from Client within the timeframes agreed upon. Client's failure to provide the requested materials by the agreed dates in the Action Plan may hinder BKF's ability to submit the completed application package by the final due date.

Additional Terms – BKF's services are limited to those expressly set forth in this letter. It is understood that BKF will have no other obligations or responsibilities except as provided herein, or as otherwise agreed to in writing. For any additional services, such as grant reporting or grant compliance, BKF will provide a written addendum outlining the revised scope along with any necessary adjustments to the retainer. Additional services will not be performed until formally authorized in writing (e.g. signed agreement, e-mail recognition) by Client.

In providing services under this agreement, BKF shall perform in a manner consistent with that degree of care and skill ordinarily exercised by members of the same profession currently practicing under similar circumstances at the same time and in the same or similar locality. In executing these Tasks, BKF will operate as independently as requested, while also maintaining close communication with staff to ensure seamless coordination throughout the proposal development process. While BKF is committed to delivering a high-quality grant proposal, it is important to acknowledge that the success of the grant application and the awarding of funds are dependent on many factors beyond the control of a grant writer or firm. BKF cannot guarantee the ultimate success or outcome of the grant application process, including the approval or funding of the grant.

This agreement may be terminated by either party at any time for any reason with 7 days written notice. If client elects to terminate this agreement before our services are complete, BKF will issue a final invoice proportional to the services which were provided up to the date which services were terminated and client agrees to pay said invoice within 30 days of receipt. This Agreement shall be governed by and construed in accordance with the laws of California. Any disputes arising out of or in connection with this Agreement shall be subject to the exclusive jurisdiction of the courts of California.

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Exhibit B – Fees

FEES AND PAYMENT:

Grant Writing – BKF's grant writing services are subject to the referenced fee structure. The fees cover the comprehensive grant writing services specified in Task 1 of this Agreement. For each grant, BKF has formulated a not-to-exceed cost estimate that outlines the steps required to complete the grant application and produce and submit a complete grant proposal package. Each grant application preparation and submittal will be billed on a lump sum/flat fee basis. Payment will be invoiced upon submission of the final grant package to the funding agency and due within 30 days upon receipt. Any additional services outside of this Task will be billed on an hourly basis and subject to a separate agreement.

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SECOND AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES

This SECOND AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES is dated for identification this 4th day of June 2024 and amends that certain AGREEMENT FOR CONSULTANT SERVICES FOR THE HIGHWAY 17 BICYCLE AND PEDESTRIAN OVERCROSSING PROJECT #19-818-0803, dated May 20, 2021, made by and between the Town of Los Gatos, ("Town,") and BKF Engineers Inc. (“CONSULTANT”) identified as a California corporation and whose address is 1730 N. First Street, Suite 600, San Jose, CA 95112.

RECITALS

A. Town and CONSULTANT entered into an agreement for Consultant Services on May 20, 2021 (“Agreement”), a copy of which is attached hereto and incorporated by reference as Exhibit A to this Second Amendment.

B. On February 20, 2024, Town and CONSULTANT amended the Agreement (First Amendment) to add to the scope of work to include grant writing services for ATP and SS4A grant applications for the Highway 17 Bicycle/Pedestrian Overcrossing Project, a copy of which is attached hereto and incorporated by reference as Exhibit B to this Amendment.

C. Town desires to amend the Agreement to add to the scope of work to include additional environmental services for the Highway 17 Bicycle/Pedestrian Overcrossing Project.

AMENDMENT

1. ARTICLE II STATEMENT OF WORK is amended to ADD the following text:

   Consultant shall provide services as described in that certain Proposal dated May 9, 2024, which is hereby incorporated by reference and attached hereto as Exhibit C.

2. ARTICLE V ALLOWABLE COSTS AND PAYMENTS, PART E. is amended to read as follows:

   The total amount payable by LOCAL AGENCY for PHASE I shall not exceed $3,000,000.

   Compensation for Consultant’s professional services shall be increased by $48,735 for grant writing services specified in the First Amendment, for a total agreement not to exceed amount of $3,048,735.

   Compensation for Consultant’s professional services shall be increased by $39,000 for additional environmental services specified in the Second Amendment, for a total agreement not to exceed amount of $3,087,735.

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3. All other terms and conditions of the Agreement remain in full force and effect.

Exhibit A Agreement for Consulting Services for the Highway 17 Bicycle and Pedestrian Overcrossing Project #19-818-0803 dated May 20, 2021

Exhibit B First Amendment by BKF for Grant Writing Services for ATP and SS4A Grant Applications dated February 20, 2024

Exhibit C Proposal by BKF for Additional Environmental Services for dated May 9, 2024

IN WITNESS WHEREOF, the Town and CONSULTANT have executed this Amendment.

Town of Los Gatos, by:

DocuSigned by:
Laurel Prevetti 6/28/2024
853FEEA2EB39470...
Laurel Prevetti
Town Manager

CONSULTANT, by:

DocuSigned by:
Jaggi Bhandal 6/26/2024
7D73EF7F8923420...
Jaggi Bhandal, Vice President, BKF

Department Approval:

DocuSigned by:
Nicolle Burnham 6/26/2024
0E978313490 44C3...
Nicolle Burnham
Director of Parks and Public Works

Approved as to Form:

DocuSigned by:
Gabrielle Whelan 6/26/2024
EFD6738A5534428...
Gabrielle Whelan
Town Attorney

Attest:

DocuSigned by:
Wendy Wood 7/1/2024
BF0EBCBE2C214F8...
Wendy Wood, CMC
Town Clerk

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Exhibit A

Original Agreement

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AGREEMENT FOR CONSULTANT SERVICES

HIGHWAY 17 BICYCLE AND PEDESTRIAN OVERCROSSING PROJECT # 19-818-0803

ARTICLE I - INTRODUCTION

A. This AGREEMENT is made and entered into on May 20, 2021 by and between the TOWN OF LOS GATOS, a California municipal corporation, hereinafter referred to as, LOCAL AGENCY and **BKF Engineers**, hereinafter referred to as, CONSULTANT, whose address is **1730 N. First Street, Suite 600, San Jose, CA 95112**. The CONSULTANT is incorporated in the State of California.

The Project Manager for the "CONSULTANT" will be **Natalina V. Bernardi, PE, LEED AP, Principal and Vice President.**

The Contract Administrator for LOCAL AGENCY will be WooJae Kim,Town Engineer.

This Agreement is made with reference to the following facts.

The LOCAL AGENCY desires to engage CONSULTANT to provide professional engineering services for the Highway 17 Bicycle and Pedestrian Overcrossing Project.

The CONSULTANT represents and affirms that it is willing to perform the desired work pursuant to this Agreement.

The CONSULTANT represents and warrants to LOCAL AGENCY that it possesses the distinct professional skills, qualifications, experience, and resources necessary and has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for CONSULTANT to practice its profession and to timely perform the services described in this Agreement. CONSULTANT acknowledges LOCAL AGENCY has relied upon these warranties to retain the CONSULTANT.

CONSULTANT shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws.

CONSULTANT shall maintain a Town of Los Gatos business license pursuant to Chapter 14 of the Code of the Town of Los Gatos.

B. The work to be performed under this AGREEMENT is described in Article II entitled Statement of Work and the approved CONSULTANT's Cost Proposal dated **05-06-21**. The approved CONSULTANT's Scope of Service (Exhibit A) and Cost Proposal (Exhibit B) is attached hereto and incorporated by reference. If there is any conflict between the approved Scope of Services or Cost Proposal and this AGREEMENT, this AGREEMENT shall take precedence.

C. CONSULTANT agrees, to the fullest extent permitted by law, to save, keep, indemnify and hold harmless and defend the LOCAL AGENCY, its officers, agents, employees and volunteers from all damages, claims, demands, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by a willful or negligent act, errors, or omissions of the CONSULTANT, or any of the CONSULTANT'S officers, employees, or agents or any

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sub-consultant. CONSULTANT will reimburse LOCAL AGENCY for any expenditure, including reasonable attorney fees, incurred by LOCAL AGENCY in defending against claims ultimately determined to be due to negligent acts, errors, or omissions of CONSULTANT.

D. CONSULTANT and the agents and employees of CONSULTANT, in the performance of this contract, shall act in an independent capacity and not as officers or employees or agents of LOCAL AGENCY. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to LOCAL AGENCY employee(s). With prior written consent, the CONSULTANT may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. CONSULTANT shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by CONSULTANT or is based on allegations of CONSULTANT'S negligent performance or wrongdoing.

E. LOCAL AGENCY is not required to make any deductions or withholding from the compensation payable to CONSULTANT under the provisions of this AGREEMENT, and is not required to issue W-2 forms for income and employment tax purposes for any of CONSULTANT'S assigned personnel. CONSULTANT, in the performance of its obligation hereunder, is only subject to the control or direction of the LOCAL AGENCY as to the designation of tasks to be performed and the results to be accomplished.

F. Any third party person(s) employed by CONSULTANT shall be entirely and exclusively under the direction, supervision, and control of CONSULTANT. CONSULTANT hereby indemnifies and holds LOCAL AGENCY harmless from any and all claims that may be made against LOCAL AGENCY based upon any contention by any third party that an employer-employee relationship exists by reason of this AGREEMENT.

G. Except as expressly authorized herein, CONSULTAN'S obligations under this AGREEMENT are not assignable or transferable, and CONSULTANT shall not subcontract any work, without the prior written approval of the LOCAL AGENCY. However, claims for money due or which become due to CONSULTANT from LOCAL AGENCY under this AGREEMENT may be assigned to a financial institution or to a trustee in bankruptcy, without such approval. Notice of any assignment or transfer whether voluntary or involuntary shall be furnished promptly to the LOCAL AGENCY.

H. CONSULTANT shall be as fully responsible to the LOCAL AGENCY for the negligent acts and omissions of its contractors and subcontractors or subconsultants, and of persons either directly or indirectly employed by them, in the same manner as persons directly employed by CONSULTANT.

I. No alteration or variation of the terms of this contract shall be valid, unless made in writing and signed by the parties hereto; and no oral understanding or agreement not incorporated herein, shall be binding on any of the parties hereto.

J. The consideration to be paid to CONSULTANT as provided herein, shall be in compensation for all of CONSULTANT's expenses incurred in the performance hereof, including travel and per diem, unless otherwise expressly so provided.

ARTICLE II STATEMENT OF WORK

CONSULTANT agrees to perform the services as outlined in "Exhibit A –Scope of Services" within the time frames specified therein, and "Exhibit B – Consultant's Cost Proposal" which are hereby

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incorporated by reference and attached. In the performance of the Scope of Services for this contract, the responsible CONSULTANT professional engineer shall sign all plans, specifications and estimates and engineering data furnished under the AGREEMENT, including registration number.

ARTICLE III CONSULTANT'S REPORTS OR MEETINGS

A. CONSULTANT shall submit progress reports at least once a month. The report should be sufficiently detailed for the LOCAL AGENCY'S Contract Administrator to determine, if CONSULTANT is performing to expectations, or is on schedule; to provide communication of interim findings, and to sufficiently address any difficulties or special problems encountered, so remedies can be developed.

B. CONSULTANT's Project Manager shall meet with LOCAL AGENCY's Contract Administrator, as needed, to discuss progress on the AGREEMENT.

C. This AGREEMENT provides for conferences as needed, visits to the site, and inspection of the work by representatives of the LOCAL AGENCY, State, and/or FHWA. Costs incurred by CONSULTANT for meetings, subsequent to the initial meeting shall be included in the CONSULTANTS fee.

ARTICLE IV PERFORMANCE PERIOD

A. This contract shall go into effect on May 20, 2021 contingent upon approval by LOCAL AGENCY, and CONSULTANT shall commence work after notification to proceed by LOCAL AGENCY'S Contract Administrator. The contract shall end at the earlier of final Project construction or on 12/31/26 unless extended by contract amendment.

B. CONSULTANT is advised that any recommendation for contract award is not binding on LOCAL AGENCY until the contract is fully executed and approved by LOCAL AGENCY.

ARTICLE V ALLOWABLE COSTS AND PAYMENTS

TASK 1 -

A. The method of payment for PHASE I of this AGREEMENT will be based on lump sum. The total lump sum price paid to CONSULTANT will include compensation for all work and deliverables, including travel and equipment necessary to provide the services described in Article II Statement of Work. No additional compensation will be paid to CONSULTANT, unless there is a change in the scope of the work or the scope of the Project. In the instance of a change in the scope of work or scope of the Project, adjustment to the total lump sum compensation will be negotiated between CONSULTANT and LOCAL AGENCY. Adjustment in the total lump sum compensation will not be effective until authorized by AGREEMENT amendment and approved by LOCAL AGENCY.

B. Progress payments may be made monthly in arrears based on the percentage of work completed by CONSULTANT. If CONSULTANT fails to submit the required deliverable items according to the schedule set forth in the Statement of Work, LOCAL AGENCY shall have the right to delay payment or terminate this AGREEMENT in accordance with the provisions of Article VI Termination.

C. CONSULTANT shall not commence performance of work or services until this contract has been approved by LOCAL AGENCY and notification to proceed has been issued by LOCAL AGENCY'S Contract Administrator. No payment will be made prior to approval of any work, or for any work performed prior to approval of this AGREEMENT.

D. CONSULTANT will be reimbursed within 30 days upon receipt by LOCAL AGENCY'S Contract Administrator of itemized invoices in duplicate. Invoices shall be submitted no later than 30 calendar days after the performance of work for which CONSULTANT is billing. Invoices shall detail the work performed on each phase and on each task as applicable. Invoices shall follow the format

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stipulated for the approved Cost Proposal and shall reference this AGREEMENT number and Project title. Final invoice must contain the final cost and all credits due LOCAL AGENCY that include any equipment purchased under the provisions of Article XI Equipment Purchase of this contract. The final invoice must be submitted within 60-calendar days after completion of CONSULTANT's work, unless a later date is approved by the LOCAL AGENCY. Invoices shall be mailed to LOCAL AGENCY's Contract Administrator at the following address:

Town of Los Gatos Parks and Public Works Department
ATTN: WooJae Kim, Town Engineer
Highway 17 Bicycle and Pedestrian Overcrossing Project
41 Miles Avenue
Los Gatos, CA 95030

E. The total amount payable by LOCAL AGENCY for PHASE I shall not exceed $3,000,000 (Three million dollars).

PHASE II – PHASE II work shall not be awarded at this time. Future Phase II services, if requested, shall be incorporated to this agreement by contract amendment for approval by LOCAL AGENCY and the CONSULTANT. The following articles shall apply to a future Phase II contract amendment.

A. The method of payment for Phase II shall be at the rate specified for each item, as described in this Article. The specified rate shall include full compensation to CONSULTANT for the item as described, including but not limited to, any repairs, maintenance, or insurance, and no further compensation will be allowed therefore.

B. The specified rate to be paid for vehicle expense for CONSULTANT's field personnel, if any, shall be per approved Cost Proposal. The rates for fully equipped vehicle(s) shall be as specified in Article II Statement of Work, if applicable. The specified rate to be paid for equipment shall be, as listed in the approved Cost Proposal, if applicable.

C. The method of payment for Phase II of this AGREEMENT, except those items to be paid for on a specified rate basis, will be based on cost per unit of work. LOCAL AGENCY will reimburse CONSULTANT for actual costs (including labor costs, employee benefits, travel, equipment-rental costs, overhead and other direct costs) incurred by CONSULTANT in performance of the work. CONSULTANT will not be reimbursed for actual costs that exceed the estimated wage rates, employee benefits, travel, equipment rental, overhead and other estimated costs set forth in the approved Cost Proposal, unless additional reimbursement is provided for, by contract amendment. In no event, will CONSULTANT be reimbursed for overhead costs at a rate that exceeds LOCAL AGENCY approved overhead rate set forth in the approved Cost Proposal. In the event, LOCAL AGENCY determines that changed work from that specified in the approved Cost Proposal and AGREEMENT is required; the actual costs reimbursable by LOCAL AGENCY may be adjusted by AGREEMENT amendment to accommodate the changed work. The maximum total cost as specified in Paragraph "J," shall not be exceeded unless authorized by AGREEMENT amendment.

D. In addition to the allowable costs, LOCAL AGENCY will pay CONSULTANT a fixed fee of $(0) The fixed fee is nonadjustable for the term of the AGREEMENT, except in the event of a significant change in the scope of work and such adjustment is made by AGREEMENT amendment.

E. Reimbursement for transportation and subsistence costs shall not exceed the rates specified in the approved Cost Proposal.

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F. When milestone cost estimates are included in the approved Cost Proposal, CONSULTANT shall obtain prior written approval for a revised milestone cost estimate from the Contract Administrator before exceeding such cost estimate.

G. Progress payments will be made monthly in arrears based on services provided and allowable incurred costs. A pro rata portion of CONSULTANT's fixed fee will be included in the monthly progress payments. If CONSULTANT fails to submit the required deliverable items according to the schedule set forth in the Statement of Work, LOCAL AGENCY shall have the right to delay payment or terminate this AGREEMENT in accordance with the provisions of Article VI Termination.

H. No payment will be made prior to approval of any work, nor for any work performed prior to approval of this AGREEMENT.

I. CONSULTANT will be reimbursed, as promptly as fiscal procedures will permit upon receipt by LOCAL AGENCY's Contract Administrator of itemized invoices in duplicate. Invoices shall be submitted no later than thirty (30) calendar days after the performance of work for which CONSULTANT is billing. Invoices shall detail the work performed on each milestone and each Project as applicable. Invoices shall follow the format stipulated for the approved Cost Proposal and shall reference this AGREEMENT number and Project title. Final invoice must contain the final cost and all credits due LOCAL AGENCY including any equipment purchased under the provisions of Article XI Equipment Purchase of this contract. The final invoice should be submitted within sixty (60) calendar days after completion of CONSULTANT's work. Invoices shall be mailed to LOCAL AGENCY's Contract Administrator at the following address:

Town of Los Gatos Parks and Public Works Department
ATTN: Woo Jae Kim/Town Engineer
Highway 17 Bicycle and Pedestrian Overcrossing Project
41 Miles Avenue
Los Gatos, CA 95030

J. The total amount payable by LOCAL AGENCY for Phase II shall be as specified by a future contract amendment.

K. Salary increases will be reimbursable if the new salary is within the salary range identified in the approved Cost Proposal and is approved by LOCAL AGENCY's Contract Administrator.

L. For personnel subject to prevailing wage rates as described in the California Labor Code, all salary increases, which are the direct result of changes in the prevailing wage rates are reimbursable.

ARTICLE VI TERMINATION

A. This AGREEMENT may be terminated by LOCAL AGENCY provided that LOCAL AGENCY gives not less than thirty (30) calendar days written notice (delivered by certified mail, return receipt requested) of intent to terminate. Upon termination, LOCAL AGENCY shall be entitled to all work, including but not limited to, reports, investigations, appraisals, inventories, studies, analyses, drawing and data estimates performed to that date, whether complete or not.

B. LOCAL AGENCY may temporarily suspend the AGREEMENT, at no additional cost to LOCAL AGENCY, provided that CONSULTANT is given written notice (delivered by certified mail, return receipt requested) of temporary suspension. If LOCAL AGENCY gives such notice of temporary suspension, CONSULTANT shall immediately suspend its activities under this AGREEMENT. A temporary suspension may be issued concurrent with the notice of termination. If the duration of the temporary suspension exceeds 180 calendar days, this AGREEMENT may be terminated by

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CONSULTANT provided that CONSULTANT gives not less than thirty (30) calendar days written notice (delivered by certified mail, return receipt requested) of intent to terminate.

C. Notwithstanding any provisions of this AGREEMENT, CONSULTANT shall not be relieved of liability to LOCAL AGENCY for damages sustained by LOCAL AGENCY by virtue of any breach of this AGREEMENT by CONSULTANT, and LOCAL AGENCY may withhold any payments due to CONSULTANT until such time as the exact amount of damages, if any, due LOCAL AGENCY from CONSULTANT is determined.

D. In the event of termination, CONSULTANT shall be compensated as provided for in this AGREEMENT. Upon termination, LOCAL AGENCY shall be entitled to all work, including but not limited to, reports, investigations, appraisals, inventories, studies, analyses, drawings and data estimates performed to that date, whether completed or not.

E. LOCAL AGENCY may terminate this contract with CONSULTANT should CONSULTANT fail to perform the covenants herein contained at the time and in the manner herein provided. In the event of such termination, LOCAL AGENCY may proceed with the work in any manner deemed proper by LOCAL AGENCY. If LOCAL AGENCY terminates this contract with CONSULTANT, LOCAL AGENCY shall pay CONSULTANT the sum due to CONSULTANT under this contract prior to termination, unless the cost of completion to LOCAL AGENCY exceeds the funds remaining in the contract. In which case the overage shall be deducted from any sum due CONSULTANT under this contract and the balance, if any, shall be paid to CONSULTANT upon demand.

ARTICLE VII COST PRINCIPLES AND ADMINISTRATIVE REQUIREMENTS

A. The CONSULTANT agrees that 48 CFR Part 31, Contract Cost Principles and Procedures, shall be used to determine the allowability of individual terms of cost.
B. CONSULTANT also agrees to comply with Federal procedures in accordance with 2 CFR, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.
C. Any costs for which payment has been made to CONSULTANT that are determined by subsequent audit to be unallowable under 2 CFR, Part 200 or 48 CFR Part 31, are subject to repayment by CONSULTANT to LOCAL AGENCY.
D. When a CONSULTANT or Subconsultant is a Non-Profit Organization or an Institution of Higher Education, the Cost Principles for Title 2 CRF Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards shall apply.

ARTICLE VIII RETENTION OF RECORDS/AUDIT

For the purpose of determining compliance with Government Code 8546.7; the CONSULTANT, Subconsultants, and LOCAL AGENCY shall maintain all books, documents, papers, accounting records, Independent CPA Audited Indirect Cost Rate workpapers, and other evidence pertaining to the performance of the AGREEMENT, including but not limited to, the costs of administering the AGREEMENT. All parties, including the CONSULTANT'S Independent CPA, shall make such materials available at their respective offices at all reasonable times during the AGREEMENT period and for five (5) years from the date of final payment under the AGREEMENT. LOCAL AGENCY, Caltrans Auditor, FHWA, VTA, or any duly authorized representative of the Federal Government having jurisdiction under Federal laws or regulations (including the basis of Federal funding in whole or in part) shall have access to any books, records, and documents of CONSULTANT, Subconsultants, and the CONSULTANT'S Independent CPA, that are pertinent to the AGREEMENT for audits, examinations, workpaper review, excerpts, and transactions, and copies thereof shall be furnished if requested without limitation.

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ARTICLE IX AUDIT REVIEW PROCEDURES

A. Any dispute concerning a question of fact arising under an interim or post audit of this AGREEMENT that is not disposed of by AGREEMENT, shall be reviewed by LOCAL AGENCY'S Chief Financial Officer.

B. Not later than thirty (30) calendar days after issuance of the final audit report, CONSULTANT may request a review by LOCAL AGENCY'S Chief Financial Officer of unresolved audit issues. The request for review will be submitted in writing.

C. Neither the pendency of a dispute nor its consideration by LOCAL AGENCY will excuse CONSULTANT from full and timely performance, in accordance with the terms of this AGREEMENT.

D. CONSULTANT and subconsultant AGREEMENTS, including cost proposals and Indirect Cost Rates (ICR), may be subject to audits or reviews such as, but not limited to, an AGREEMENT audit, an incurred cost audit, an ICR Audit, or a CPA ICR audit work paper review. If selected for audit or review, the AGREEMENT, cost proposal and ICR and related work papers, if applicable, will be reviewed to verify compliance with 48 CFR, Part 31 and other related laws and regulations. In the instances of a CPA ICR audit work paper review it is CONSULTANT's responsibility to ensure federal, state, or local government officials are allowed full access to the CPA's work papers including making copies as necessary. The AGREEMENT, cost proposal, and ICR shall be adjusted by CONSULTANT and approved by LOCAL AGENCY contract administrator to conform to the audit or review recommendations. CONSULTANT agrees that individual terms of costs identified in the audit report shall be incorporated into the AGREEMENT by this reference if directed by LOCAL AGENCY at its sole discretion. Refusal by CONSULTANT to incorporate audit or review recommendations, or to ensure that the federal, LOCAL AGENCY or local governments have access to CPA work papers, will be considered a breach of AGREEMENT terms and cause for termination of the contract and disallowance of prior reimbursed costs.

E. CONSULTANT Cost Proposal may be subject to a CPA ICR Audit Work Paper Review and/or audit by the Caltrans' Independent Office of Audits and Investigations (IOAI). IOAI, at its sole discretion, may review and/or audit and approve the CPA ICR documentation. The Cost Proposal shall be adjusted by the CONSULTANT and approved by the LOCAL AGENCY Contract Administrator to conform to the Work Paper Review recommendations included in the management letter or audit recommendations included in the audit report. Refusal by the CONSULTANT to incorporate the Work Paper Review recommendations included in the management letter or audit recommendations included in the audit report will be considered a breach of the AGREEMENT terms and cause for termination of the AGREEMENT and disallowance of prior reimbursed costs.

1. During a Caltrans' review of the ICR audit work papers created by the CONSULTANT's independent CPA, IOAI will work with the CPA and/or CONSULTANT toward a resolution of issues that arise during the review. Each party agrees to use its best efforts to resolve any audit disputes in a timely manner. If IOAI identifies significant issues during the review and is unable to issue a cognizant approval letter, LOCAL AGENCY will reimburse the CONSULTANT at an accepted ICR until a FAR (Federal Acquisition Regulation) compliant ICR {e.g. 48 CFR, part 31; GAGAS (Generally Accepted Auditing Standards); CAS (Cost Accounting Standards), if applicable; in accordance with procedures and guidelines of the American Association of State Highways and Transportation Officials (AASHTO) Audit Guide; and other applicable procedures and guidelines}is received and approved by IOAI.

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Accepted rates will be as follows:

a. If the proposed rate is less than one hundred and fifty percent (150%) - the accepted rate reimbursed will be ninety percent (90%) of the proposed rate.
b. If the proposed rate is between one hundred and fifty percent (150%) and two hundred percent (200%) - the provisional rate will be eighty five percent (85%) of the proposed rate.
c. If the proposed rate is greater than two hundred percent (200%) - the provisional rate will be seventy five percent (75%) of the proposed rate.

2. If IOAI is unable to issue a cognizant letter per paragraph E.1. above, IOAI may require CONSULTANT to submit a revised independent CPA-audited ICR and audit report within three (3) months of the effective date of the management letter. IOAI will then have up to six (6) months to review the CONSULTANT's and/or the independent CPA's revisions.
3. If the CONSULTANT fails to comply with the provisions of this paragraph E, or if IOAI is still unable to issue a cognizant approval letter after the revised independent CPA-audited ICR is submitted, overhead cost reimbursement will be limited to the accepted ICR that was established upon initial rejection of the ICR and set forth in paragraph E.1. above for all rendered services. In this event, this accepted ICR will become the actual and final ICR for reimbursement purposes under this AGREEMENT.
4. CONSULTANT may submit to LOCAL AGENCY final invoice only when all of the following items have occurred: (1) IOAI accepts or adjusts the original or revised independent CPA-audited ICR; (2) all work under this AGREEMENT has been completed to the satisfaction of LOCAL AGENCY; and, (3) IOAI has issued its final ICR review letter. The CONSULTANT MUST SUBMIT ITS FINAL INVOICE TO LOCAL AGENCY no later than sixty (60) calendar days after occurrence of the last of these items. The accepted ICR will apply to this AGREEMENT and all other agreements executed between LOCAL AGENCY and the CONSULTANT, either as a prime or subconsultant, with the same fiscal period ICR.

ARTICLE X SUBCONTRACTING

A. Nothing contained in this AGREEMENT or otherwise, shall create any contractual relation between LOCAL AGENCY and any subconsultant(s), and no subcontract shall relieve the CONSULTANT of its responsibilities and obligations hereunder. The CONSULTANT agrees to be as fully responsible to LOCAL AGENCY for the acts and omissions of its subconsultant(s) and of persons either directly or indirectly employed by any of them as it is for the acts and omissions of persons directly employed by CONSULTANT. The CONSULTANT's obligation to pay its subconsultant(s) is an independent obligation from LOCAL AGENCY'S obligation to make payments to the CONSULTANT.
B. The CONSULTANT shall perform the work contemplated with resources available within its own organization and no portion of the work shall be subcontracted without written authorization by LOCAL AGENCY's Contract Administrator, except that, which is expressly identified in the CONSULTANT'S approved Cost Proposal.
C. Any subagreement entered into as a result of this AGREEMENT, shall contain all the provisions stipulated in this entire AGREEMENT to be applicable to Subconsultants unless otherwise noted.
D. CONSULTANT shall pay its subconsultants within fifteen (15) calendar days from receipt of each payment made to CONSULTANT by LOCAL AGENCY..
E. Any substitution of subconsultant(s) must be approved in writing by LOCAL AGENCY's Contract Administrator in advance of assigning work to a subconsultant(s).
F. Prompt Progress Payment

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CONSULTANT or subconsultant shall pay to any subconsultant, not later than fifteen (15) days after receipt of each progress payment, unless otherwise agreed to in writing, the respective amounts allowed CONSULTANT on account of the work performed by the subconsultants, to the extent of each subconsultant's interest therein. In the event that there is a good faith dispute over all or any portion of the amount due on a progress payment from CONSULTANT or subconsultant to a subconsultant, CONSULTANT or subconsultant may withhold no more than 150 percent of the disputed amount. Any violation of this requirement shall constitute a cause for disciplinary action and shall subject the licensee to a penalty, payable to the subconsultant, of 2 percent of the amount due per month for every month that payment is not made. In any action for the collection of funds wrongfully withheld, the prevailing party shall be entitled to his or her attorney's fees and costs. The sanctions authorized under this requirement shall be separate from, and in addition to, all other remedies, either civil, administrative, or criminal. This clause applies to both DBE and non-DBE subconsultants.

G. Prompt Payment of Withheld Funds to Subconsultants

The LOCAL AGENCY may hold retainage from CONSULTANT and shall make prompt and regular incremental acceptances of portions, as determined by the LOCAL AGENCY, of the contract work, and pay retainage to CONSULTANT based on these acceptances. The LOCAL AGENCY designates the method below to ensure prompt and full payment of any retainage kept by CONSULTANT or subconsultant to a subconsultant.

Method 3: The LOCAL AGENCY shall hold retainage from CONSULTANT and shall make prompt and regular incremental acceptances of portions, as determined by the LOCAL AGENCY of the contract work and pay retainage to CONSULTANT based on these acceptances. CONSULTANT or subconsultant shall return all monies withheld in retention from all subconsultants within 15 days after receiving payment for work satisfactorily completed and accepted including incremental acceptances of portions of the contract work by the LOCAL AGENCY. Any delay or postponement of payment may take place only for good cause and with the LOCAL AGENCY's prior written approval. Any violation of these provisions shall subject the violating CONSULTANT or subconsultant to the penalties, sanctions, and other remedies specified in Section 3321 of the California Civil Code. This requirement shall not be construed to limit or impair any contractual, administrative or judicial remedies otherwise available to CONSULTANT or subconsultant in the event of a dispute involving late payment or nonpayment by CONSULTANT; deficient subconsultant performance and/or noncompliance by a subconsultant. This clause applies to both DBE and non-DBE subconsultants.

Any violation of these provisions shall subject the violating CONSULTANT or subconsultant to the penalties, sanctions and other remedies specified therein. These requirements shall not be construed to limit or impair any contractual, administrative, or judicial remedies otherwise available to CONSULTANT or subconsultant in the event of a dispute involving late payment or nonpayment by CONSULTANT, deficient subcontract performance, or noncompliance by a subconsultant.

ARTICLE XI EQUIPMENT PURCHASE

A. Prior authorization in writing, by LOCAL AGENCY's Contract Administrator shall be required before CONSULTANT enters into any unbudgeted purchase order, or subcontract exceeding five thousand dollars ($5,000) for supplies, equipment, or CONSULTANT services. CONSULTANT shall provide an evaluation of the necessity or desirability of incurring such costs.

B. For purchase of any item, service or consulting work not covered in CONSULTANT's approved Cost Proposal and exceeding five thousand dollars ($5,000) prior authorization by LOCAL AGENCY's Contract Administrator; three competitive quotations must be submitted with the request, or the absence of proposal must be adequately justified.

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C. Any equipment purchased with funds provided under the terms of this AGREEMENT is subject to the following:
   1. "CONSULTANT shall maintain an inventory of all nonexpendable property. Nonexpendable property is defined as having a useful life of at least two years and an acquisition cost of $5,000 or more. If the purchased equipment needs replacement and is sold or traded in, LOCAL AGENCY shall receive a proper refund or credit at the conclusion of the AGREEMENT, or if the AGREEMENT is terminated, CONSULTANT may either keep the equipment and credit LOCAL AGENCY in an amount equal to its fair market value, or sell such equipment at the best price obtainable at a public or private sale, in accordance with established LOCAL AGENCY procedures; and credit LOCAL AGENCY in an amount equal to the sales price. If CONSULTANT elects to keep the equipment, fair market value shall be determined at CONSULTANT's expense, on the basis of a competent independent appraisal of such equipment. Appraisals shall be obtained from an appraiser mutually agreeable to by LOCAL AGENCY and CONSULTANT, if it is determined to sell the equipment, the terms and conditions of such sale must be approved in advance by LOCAL AGENCY.
   2. Regulation 2 CFR, Part 200 requires a credit to Federal funds when participating equipment with a fair market value greater than five thousand dollars ($5,000) is credited to the Project.

ARTICLE XII STATE PREVAILING WAGE RATES

A. No CONSULTANT or subconsultant may be awarded an AGREEMENT containing public work elements unless registered with the Department of Industrial Relations (DIR) pursuant to Labor Code §1725.5. Registration with DIR must be maintained throughout the entire term of this AGREEMENT, including any subsequent amendments.

B. The CONSULTANT shall comply with all of the applicable provisions of the California Labor Code requiring the payment of prevailing wages. The General Prevailing Wage Rate Determinations applicable to work under this AGREEMENT are available and on file with the Department of Transportation's Regional/District Labor Compliance Officer (https://dot.ca.gov/programs/construction/labor-compliance). These wage rates are made a specific part of this AGREEMENT by reference pursuant to Labor Code §1773.2 and will be applicable to work performed at a construction Project site. Prevailing wages will be applicable to all inspection work performed at LOCAL AGENCY construction sites, at LOCAL AGENCY facilities and at off-site locations that are set up by the construction contractor or one of its subcontractors solely and specifically to serve LOCAL AGENCY Projects. Prevailing wage requirements do not apply to inspection work performed at the facilities of vendors and commercial materials suppliers that provide goods and services to the general public.

C. General Prevailing Wage Rate Determinations applicable to this Project may also be obtained from the Department of Industrial Relations website at http://www.dir.ca.gov**.**

D. Payroll Records
   1. Each CONSULTANT and subconsultant shall keep accurate certified payroll records and supporting documents as mandated by Labor Code §1776 and as defined in 8 CCR §16000 showing the name, address, social security number, work classification, straight time and overtime hours worked each day and week, and the actual per diem wages paid to each journeyman, apprentice, worker, or other employee employed by the CONSULTANT or subconsultant in connection with the public work. Each payroll record shall contain or be verified by a written declaration that it is made under penalty of perjury, stating both of the following:
      a. The information contained in the payroll record is true and correct.

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b. The employer has complied with the requirements of Labor Code §1771, §1811, and §1815 for any work performed by his or her employees on the public works Project.

2. The payroll records enumerated under paragraph (1) above shall be certified as correct by the CONSULTANT under penalty of perjury. The payroll records and all supporting documents shall be made available for inspection and copying by LOCAL AGENCY representatives at all reasonable hours at the principal office of the CONSULTANT. The CONSULTANT shall provide copies of certified payrolls or permit inspection of its records as follows:
    a. A certified copy of an employee's payroll record shall be made available for inspection or furnished to the employee or the employee's authorized representative on request.
    b. A certified copy of all payroll records enumerated in paragraph (1) above, shall be made available for inspection or furnished upon request to a representative of LOCAL AGENCY, the Division of Labor Standards Enforcement and the Division of Apprenticeship Standards of the Department of Industrial Relations. Certified payrolls submitted to LOCAL AGENCY, the Division of Labor Standards Enforcement and the Division of Apprenticeship Standards shall not be altered or obliterated by the CONSULTANT.
    c. The public shall not be given access to certified payroll records by the CONSULTANT. The CONSULTANT is required to forward any requests for certified payrolls to the LOCAL AGENCY Contract Administrator by both email and regular mail on the business day following receipt of the request.
3. Each CONSULTANT shall submit a certified copy of the records enumerated in paragraph (1) above, to the entity that requested the records within ten (10) calendar days after receipt of a written request.
4. Any copy of records made available for inspection as copies and furnished upon request to the public or any public agency by LOCAL AGENCY shall be marked or obliterated in such a manner as to prevent disclosure of each individual's name, address, and social security number. The name and address of the CONSULTANT or subconsultant performing the work shall not be marked or obliterated.
5. The CONSULTANT shall inform LOCAL AGENCY of the location of the records enumerated under paragraph (1) above, including the street address, city and county, and shall, within five (5) working days, provide a notice of a change of location and address.
6. The CONSULTANT or subconsultant shall have ten (10) calendar days in which to comply subsequent to receipt of written notice requesting the records enumerated in paragraph (1) above. In the event the CONSULTANT or subconsultant fails to comply within the ten (10) day period, he or she shall, as a penalty to LOCAL AGENCY, forfeit one hundred dollars ($100) for each calendar day, or portion thereof, for each worker, until strict compliance is effectuated. Such penalties shall be withheld by LOCAL AGENCY from payments then due. CONSULTANT is not subject to a penalty assessment pursuant to this section due to the failure of a subconsultant to comply with this section.

E. When prevailing wage rates apply, the CONSULTANT is responsible for verifying compliance with certified payroll requirements. Invoice payment will not be made until the invoice is approved by the LOCAL AGENCY Contract Administrator.

F. Penalty
1. The CONSULTANT and any of its Subconsultants shall comply with Labor Code §1774 and §1775. Pursuant to Labor Code §1775, the CONSULTANT and any subconsultant shall forfeit to the LOCAL AGENCY a penalty of not more than two hundred dollars ($200) for each calendar day, or

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portion thereof, for each worker paid less than the prevailing rates as determined by the Director of DIR for the work or craft in which the worker is employed for any public work done under the AGREEMENT by the CONSULTANT or by its subconsultant in violation of the requirements of the Labor Code and in particular, Labor Code §§1770 to 1780, inclusive.

2. The amount of this forfeiture shall be determined by the Labor Commissioner and shall be based on consideration of mistake, inadvertence, or neglect of the CONSULTANT or subconsultant in failing to pay the correct rate of prevailing wages, or the previous record of the CONSULTANT or subconsultant in meeting their respective prevailing wage obligations, or the willful failure by the CONSULTANT or subconsultant to pay the correct rates of prevailing wages. A mistake, inadvertence, or neglect in failing to pay the correct rates of prevailing wages is not excusable if the CONSULTANT or subconsultant had knowledge of the obligations under the Labor Code. The CONSULTANT is responsible for paying the appropriate rate, including any escalations that take place during the term of the AGREEMENT.

3. In addition to the penalty and pursuant to Labor Code §1775, the difference between the prevailing wage rates and the amount paid to each worker for each calendar day or portion thereof for which each worker was paid less than the prevailing wage rate shall be paid to each worker by the CONSULTANT or subconsultant.

4. If a worker employed by a subconsultant on a public works Project is not paid the general prevailing per diem wages by the subconsultant, the prime CONSULTANT of the Project is not liable for the penalties described above unless the prime CONSULTANT had knowledge of that failure of the subconsultant to pay the specified prevailing rate of wages to those workers or unless the prime CONSULTANT fails to comply with all of the following requirements:
   a. The AGREEMENT executed between the CONSULTANT and the subconsultant for the performance of work on public works Projects shall include a copy of the requirements in Labor Code §§ 1771, 1775, 1776, 1777.5, 1813, and 1815.
   b. The CONSULTANT shall monitor the payment of the specified general prevailing rate of per diem wages by the subconsultant to the employees by periodic review of the certified payroll records of the Sub-consultant.
   c. Upon becoming aware of the Sub-consultant's failure to pay the specified prevailing rate of wages to the subconsultant's workers, the CONSULTANT shall diligently take corrective action to halt or rectify the failure, including but not limited to, retaining sufficient funds due the subconsultant for work performed on the public works Project.
   d. Prior to making final payment to the subconsultant for work performed on the public works Project, the CONSULTANT shall obtain an affidavit signed under penalty of perjury from the subconsultant that the subconsultant had paid the specified general prevailing rate of per diem wages to the subconsultant's employees on the public works Project and any amounts due pursuant to Labor Code §1813.
5. Pursuant to Labor Code §1775, LOCAL AGENCY shall notify the CONSULTANT on a public works Project within fifteen (15) calendar days of receipt of a complaint that a subconsultant has failed to pay workers the general prevailing rate of per diem wages.
6. If LOCAL AGENCY determines that employees of a subconsultant were not paid the general prevailing rate of per diem wages and if LOCAL AGENCY did not retain sufficient money under the AGREEMENT to pay those employees the balance of wages owed under the general prevailing rate of per diem wages, the CONSULTANT shall withhold an amount of moneys due

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the subconsultant sufficient to pay those employees the general prevailing rate of per diem wages if requested by LOCAL AGENCY.

G. Hours of Labor
Eight (8) hours labor constitutes a legal day's work. The CONSULTANT shall forfeit, as a penalty to the LOCAL AGENCY, twenty-five dollars ($25) for each worker employed in the execution of the AGREEMENT by the CONSULTANT or any of its Subconsultants for each calendar day during which such worker is required or permitted to work more than eight (8) hours in any one calendar day and forty (40) hours in any one calendar week in violation of the provisions of the Labor Code, and in particular §§1810 to 1815 thereof, inclusive, except that work performed by employees in excess of eight (8) hours per day, and forty (40) hours during any one week, shall be permitted upon compensation for all hours worked in excess of eight (8) hours per day and forty (40) hours in any week, at not less than one and one-half (1.5) times the basic rate of pay, as provided in §1815.

H. Employment of Apprentices
1. Where either the prime AGREEMENT or the subagreement exceeds thirty thousand dollars ($30,000), the CONSULTANT and any subconsultants under him or her shall comply with all applicable requirements of Labor Code §§ 1777.5, 1777.6 and 1777.7 in the employment of apprentices.
2. CONSULTANTs and subconsultants are required to comply with all Labor Code requirements regarding the employment of apprentices, including mandatory ratios of journey level to apprentice workers. Prior to commencement of work, CONSULTANT and subconsultants are advised to contact the DIR Division of Apprenticeship Standards website at https://www.dir.ca.gov/das/, for additional information regarding the employment of apprentices and for the specific journey-to- apprentice ratios for the AGREEMENT work. The CONSULTANT is responsible for all subconsultants' compliance with these requirements. Penalties are specified in Labor Code §1777.7.

ARTICLE XIII CONFLICT OF INTEREST

A. During the term of this AGREEMENT, the CONSULTANT shall disclose any financial, business, or other relationship with LOCAL AGENCY that may have an impact upon the outcome of this AGREEMENT or any ensuing LOCAL AGENCY construction Project. The CONSULTANT shall also list current clients who may have a financial interest in the outcome of this AGREEMENT or any ensuing LOCAL AGENCY construction Project which will follow.

B. CONSULTANT certifies that it has disclosed to LOCAL AGENCY any actual, apparent, or potential conflicts of interest that may exist relative to the services to be provided pursuant to this AGREEMENT. CONSULTANT agrees to advise LOCAL AGENCY of any actual, apparent or potential conflicts of interest that may develop subsequent to the date of execution of this AGREEMENT. CONSULTANT further agrees to complete any statements of economic interest if required by either LOCAL AGENCY ordinance or State law.

C. The CONSULTANT hereby certifies that it does not now have nor shall it acquire any financial or business interest that would conflict with the performance of services under this AGREEMENT.

D. The CONSULTANT hereby certifies that the CONSULTANT or subconsultant and any firm affiliated with the CONSULTANT or subconsultant that bids on any construction contract or on any Agreement to provide construction inspection for any construction Project resulting from this AGREEMENT, has established necessary controls to ensure a conflict of interest does not exist. An affiliated firm is one, which is subject to the control of the same persons, through joint ownership or otherwise.

ARTICLE XIV REBATES, KICKBACKS OR OTHER UNLAWFUL CONSIDERATION

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CONSULTANT warrants that this AGREEMENT was not obtained or secured through rebates kickbacks or other unlawful consideration, either promised or paid to any LOCAL AGENCY employee. For breach or violation of this warranty, LOCAL AGENCY shall have the right in its discretion; to terminate the AGREEMENT without liability; to pay only for the value of the work actually performed; or to deduct from the AGREEMENT price; or otherwise recover the full amount of such rebate, kickback or other unlawful consideration.

ARTICLE XV PROHIBITION OF EXPENDING LOCAL AGENCY STATE OR FEDERAL FUNDS FOR LOBBYING

A. CONSULTANT certifies to the best of his or her knowledge and belief that:
    1. No state, federal or local agency appropriated funds have been paid, or will be paid by-or-on behalf of CONSULTANT to any person for influencing or attempting to influence an officer or employee of any state or federal agency; a Member of the State Legislature or United States Congress; an officer or employee of the Legislature or Congress; or any employee of a Member of the Legislature or Congress, in connection with the awarding of any state or federal contract; the making of any state or federal grant; the making of any state or federal loan; the entering into of any cooperative agreement, and the extension, continuation, renewal, amendment, or modification of any state or federal contract, grant, loan, or cooperative agreement.
    2. If any funds other than federal appropriated funds have been paid, or will be paid to any person for influencing or attempting to influence an officer or employee of any federal agency; a Member of Congress; an officer or employee of Congress, or an employee of a Member of Congress; in connection with this federal contract, grant, loan, or cooperative agreement; CONSULTANT shall complete and submit Standard Form-LLL, "Disclosure Form to Report Lobbying", in accordance with its instructions.
B. This certification is a material representation of fact upon which reliance was placed when this transaction was made or entered into. Submission of this certification is a prerequisite for making or entering into this transaction imposed by Section 1352, Title 31, U.S. Code. Any person who fails to file the required certification shall be subject to a civil penalty of not less than ten thousand dollars ($10,000) and not more than one hundred thousand dollars ($100,000) for each such failure.
C. CONSULTANT also agrees by signing this document that he or she shall require that the language of this certification be included in all lower-tier subagreements, which exceed one hundred thousand dollars ($100,000) and that all such sub recipients shall certify and disclose accordingly.

ARTICLE XVI NON DISCRIMINATION CLAUSE AND STATEMENT OF COMPLIANCE

A. The CONSULTANT's signature affixed herein and dated shall constitute a certification under penalty of perjury under the laws of the State of California that the CONSULTANT has, unless exempt, complied with the nondiscrimination program requirements of Gov. Code §12990 and 2 CCR § 8103.
B. During the performance of this AGREEMENT, CONSULTANT and its subconsultants shall not deny the AGREEMENT's benefits to any person on the basis of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status, nor shall they unlawfully discriminate, harass, or allow harassment against any employee or applicant for employment because of race, religious creed, color, national origin, ancestry, physical disability, mental disability, medical condition, genetic information, marital status, sex, gender, gender identity, gender expression, age, sexual orientation, or military and veteran status. CONSULTANT and subconsultants shall insure that the evaluation and treatment of their employees and applicants for employment are free from such discrimination and harassment.

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C. CONSULTANT and subconsultants shall comply with the provisions of the Fair Employment and Housing Act (Gov. Code §12990 et seq.), the applicable regulations promulgated there under (2 CCR §11000 et seq.), the provisions of Gov. Code §§11135-11139.5, and the regulations or standards adopted by LOCAL AGENCY to implement such article. The applicable regulations of the Fair Employment and Housing Commission implementing Gov. Code §12990 (a-f), set forth 2 CCR §§8100-8504, are incorporated into this AGREEMENT by reference and made a part hereof as if set forth in full.

D. CONSULTANT shall permit access by representatives of the Department of Fair Employment and Housing and the LOCAL AGENCY upon reasonable notice at any time during the normal business hours, but in no case less than twenty-four (24) hours' notice, to such of its books, records, accounts, and all other sources of information and its facilities as said Department or LOCAL AGENCY shall require to ascertain compliance with this clause.

E. CONSULTANT and its subconsultants shall give written notice of their obligations under this clause to labor organizations with which they have a collective bargaining or other Agreement.

F. CONSULTANT shall include the nondiscrimination and compliance provisions of this clause in all subcontracts to perform work under this AGREEMENT.

G. The CONSULTANT, with regard to the work performed under this AGREEMENT, shall act in accordance with Title VI of the Civil Rights Act of 1964 (42 U.S.C. §2000d et seq.). Title VI provides that the recipients of federal assistance will implement and maintain a policy of nondiscrimination in which no person in the United States shall, on the basis of race, color, national origin, religion, sex, age, disability, be excluded from participation in, denied the benefits of or subject to discrimination under any program or activity by the recipients of federal assistance or their assignees and successors in interest.

H. The CONSULTANT shall comply with regulations relative to non-discrimination in federally-assisted programs of the U.S. Department of Transportation (49 CFR Part 21 - Effectuation of Title VI of the Civil Rights Act of 1964). Specifically, the CONSULTANT shall not participate either directly or indirectly in the discrimination prohibited by 49 CFR §21.5, including employment practices and the selection and retention of Subconsultants.

I. CONSULTANT, subrecipient or subconsultant will never exclude any person from participation in, deny any person the benefits of, or otherwise discriminate against anyone in connection with the award and performance of any contract covered by 49 CFR 26 on the basis of race, color, sex, or national origin. In administering the LOCAL AGENCY components of the DBE Program Plan, CONSULTANT, subrecipient or subconsultant will not, directly, or through contractual or other arrangements, use criteria or methods of administration that have the effect of defeating or substantially impairing accomplishment of the objectives of the DBE Program Plan with respect to individuals of a particular race, color, sex, or national origin.

ARTICLE XVII DEBARMENT AND SUSPENSION CERTIFICATION

A. The CONSULTANT's signature affixed herein shall constitute a certification under penalty of perjury under the laws of the State of California, that the CONSULTANT or any person associated therewith in the capacity of owner, partner, director, officer or manager:
   1. Is not currently under suspension, debarment, voluntary exclusion, or determination of ineligibility by any federal agency;
   2. Has not been suspended, debarred, voluntarily excluded, or determined ineligible by any federal agency within the past three (3) years;
   3. Does not have a proposed debarment pending; and

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4. Has not been indicted, convicted, or had a civil judgment rendered against it by a court of competent jurisdiction in any matter involving fraud or official misconduct within the past three (3) years.

B. Any exceptions to this certification must be disclosed to LOCAL AGENCY. Exceptions will not necessarily result in denial of recommendation for award, but will be considered in determining responsibility. Disclosures must indicate the party to whom the exceptions apply, the initiating agency, and the dates of agency action.

C. Exceptions to the Federal Government Excluded Parties List System maintained by the U.S. General Services Administration are to be determined by FHWA.

ARTICLE XVIII DISADVANTAGED BUSINESS ENTERPRISES (DBE) PARTICIPATION

A. CONSULTANT, subrecipient (LOCAL AGENCY), or subconsultant shall take necessary and reasonable steps to ensure that DBEs have opportunities to participate in the contract (49 CFR 26). To ensure equal participation of DBEs provided in 49 CFR 26.5, The LOCAL AGENCY shows a contract goal for DBEs. CONSULTANT shall make work available to DBEs and select work parts consistent with available DBE subconsultants and suppliers.

CONSULTANT shall meet the DBE goal shown elsewhere in these special provisions or demonstrate that they made adequate good faith efforts to meet this goal. It is CONSULTANT's responsibility to verify that the DBE firm is certified as DBE at date of proposal opening and document the record by printing out the California Unified Certification Program (CUCP) data for each DBE firm. A list of DBEs certified by the CUCP can be found here.

All DBE participation will count toward the California Department of Transportation's federally mandated statewide overall DBE goal. Credit for materials or supplies CONSULTANT purchases from DBEs counts towards the goal in the following manner:

- 100 percent counts if the materials or supplies are obtained from a DBE manufacturer.
- 60 percent counts if the materials or supplies are purchased from a DBE regular dealer.
- Only fees, commissions, and charges for assistance in the procurement and delivery of materials or supplies count if obtained from a DBE that is neither a manufacturer nor regular dealer. 49CFR26.55 defines "manufacturer" and "regular dealer."

This AGREEMENT is subject to 49 CFR Part 26 entitled "Participation by Disadvantaged Business Enterprises in Department of Transportation Financial Assistance Programs". CONSULTANTs who enter into a federally-funded agreement will assist the LOCAL AGENCY in a good faith effort to achieve California's statewide overall DBE goal.

B. The goal for DBE participation for this AGREEMENT is **12%.** Participation by DBE CONSULTANT or subconsultants shall be in accordance with information contained in Exhibit 10-O2: Consultant Contract DBE Commitment attached hereto and incorporated as part of the AGREEMENT. If a DBE subconsultant is unable to perform, CONSULTANT must make a good faith effort to replace him/her with another DBE subconsultant, if the goal is not otherwise met.

C. CONSULTANT can meet the DBE participation goal by either documenting commitments to DBEs to meet the AGREEMENT goal, or by documenting adequate good faith efforts to meet the AGREEMENT goal. An adequate good faith effort means that the CONSULTANT must show that it took all necessary and reasonable steps to achieve a DBE goal that, by their scope, intensity, and appropriateness to the objective, could reasonably be expected to meet the DBE goal. If CONSULTANT has not met the DBE goal, complete and submit Exhibit 15-H: DBE Information – Good

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Faith Efforts to document efforts to meet the goal. Refer to 49 CFR Part 26 for guidance regarding evaluation of good faith efforts to meet the DBE goal.

D. Contract Assurance Under 49 CFR 26.13(b):
CONSULTANT, subrecipient or subconsultant shall not discriminate on the basis of race, color, national origin, or sex in the performance of this contract. CONSULTANT shall carry out applicable requirements of 49 CFR 26 in the award and administration of federal-aid contracts.
Failure by the CONSULTANT to carry out these requirements is a material breach of this contract, which may result in the termination of this contract or such other remedy as the recipient deems appropriate, which may include, but is not limited to:
(1) Withholding monthly progress payments;
(2) Assessing sanctions;
(3) Liquidated damages; and/or
(4) Disqualifying CONSULTANT from future proposing as non-responsible

E. Termination and Substitution of DBE Subconsultants
CONSULTANT shall utilize the specific DBEs listed to perform the work and supply the materials for which each is listed unless CONSULTANT or DBE subconsultant obtains the LOCAL AGENCY's written consent. CONSULTANT shall not terminate or substitute a listed DBE for convenience and perform the work with their own forces or obtain materials from other sources without authorization from the LOCAL AGENCY. Unless the LOCAL AGENCY's consent is provided, the CONSULTANT shall not be entitled to any payment for work or material unless it is performed or supplied by the listed DBE on the Exhibit 10-02 Consultant Contract DBE Commitment form, included in the Bid.
The LOCAL AGENCY authorizes a request to use other forces or sources of materials if CONSULTANT shows any of the following justifications:

1. Listed DBE fails or refuses to execute a written contract based on plans and specifications for the Project.
2. The LOCAL AGENCY stipulated that a bond is a condition of executing the subcontract and the listed DBE fails to meet the LOCAL AGENCY's bond requirements.
3. Work requires a consultant's license and listed DBE does not have a valid license under Contractors License Law.
4. Listed DBE fails or refuses to perform the work or furnish the listed materials (failing or refusing to perform is not an allowable reason to remove a DBE if the failure or refusal is a result of bad faith or discrimination).
5. Listed DBE's work is unsatisfactory and not in compliance with the contract.
6. Listed DBE is ineligible to work on the Project because of suspension or debarment.
7. Listed DBE becomes bankrupt or insolvent.
8. Listed DBE voluntarily withdraws with written notice from the Contract
9. Listed DBE is ineligible to receive credit for the type of work required.
10. Listed DBE owner dies or becomes disabled resulting in the inability to perform the work on the Contract.
11. The LOCAL AGENCY determines other documented good cause.

CONSULTANT shall notify the original DBE of the intent to use other forces or material sources and provide the reasons and provide the DBE with 5 days to respond to the notice and advise CONSULTANT and the LOCAL AGENCY of the reasons why the use of other forces or sources of materials should not occur.

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CONSULTANT's request to use other forces or material sources must include:

1. One or more of the reasons listed in the preceding paragraph.
2. Notices from CONSULTANT to the DBE regarding the request.
3. Notices from the DBEs to CONSULTANT regarding the request.

If a listed DBE is terminated or substituted, CONSULTANT must make good faith efforts to find another DBE to substitute for the original DBE. The substitute DBE must perform at least the same amount of work as the original DBE under the contract to the extent needed to meet or exceed the DBE goal.

F. Commitment and Utilization

The LOCAL AGENCY's DBE program must include a monitoring and enforcement mechanism to ensure that DBE commitments reconcile to DBE utilization.

The LOCAL AGENCY shall request CONSULTANT to:

1. Notify the LOCAL AGENCY's contract administrator or designated representative of any changes to its anticipated DBE participation
2. Provide this notification before starting the affected work
3. Maintain records including:
   - Name and business address of each 1st-tier subconsultant
   - Name and business address of each DBE subconsultant, DBE vendor, and DBE trucking company, regardless of tier
   - Date of payment and total amount paid to each business (see Exhibit 9-F *Monthly Disadvantaged Business Enterprise Payment*)

If CONSULTANT is a DBE CONSULTANT, they shall include the date of work performed by their own forces and the corresponding value of the work.

If a DBE is decertified before completing its work, the DBE must notify CONSULTANT in writing of the decertification date. If a business becomes a certified DBE before completing its work, the business must notify CONSULTANT in writing of the certification date. CONSULTANT shall submit the notifications to the LOCAL AGENCY. On work completion, CONSULTANT shall complete a Disadvantaged Business Enterprises (DBE) Certification Status Change, Exhibit 17-O, form and submit the form to the LOCAL AGENCY within 30 days of contract acceptance.

Upon work completion, CONSULTANT shall complete Exhibit 17-F Final Report – Utilization of Disadvantaged Business Enterprises (DBE), First-Tier Subcontractors and submit it to the LOCAL AGENCY within 90 days of contract acceptance. The LOCAL AGENCY will withhold $10,000 until the form is submitted. The LOCAL AGENCY will release the withhold upon submission of the completed form.

In the LOCAL AGENCY's reports of DBE participation to Caltrans, the LOCAL AGENCY must display both commitments and attainments.

G. A DBE is only eligible to be counted toward the AGREEMENT goal if it performs a commercially useful function (CUF) on the AGREEMENT. CUF must be evaluated on an agreement by agreement basis. A DBE performs a Commercially Useful Function (CUF) when it is responsible for execution of the work of the AGREEMENT and is carrying out its responsibilities by actually performing, managing, and supervising the work involved. To perform a CUF, the DBE must also be responsible, with respect to materials and supplies used on the AGREEMENT, for negotiating price, determining

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quality and quantity, ordering the material and installing (where applicable), and paying for the material itself. To determine whether a DBE is performing a CUF, evaluate the amount of work subcontracted, industry practices, whether the amount the firm is to be paid under the AGREEMENT is commensurate with the work it is actually performing, and other relevant factors.

H. A DBE does not perform a CUF if its role is limited to that of an extra participant in a transaction, AGREEMENT, or Project through which funds are passed in order to obtain the appearance of DBE participation. In determining whether a DBE is such an extra participant, examine similar transactions, particularly those in which DBEs do not participate.

I. If a DBE does not perform or exercise responsibility for at least thirty percent (30%) of the total cost of its AGREEMENT with its own work force, or the DBE subcontracts a greater portion of the work of the AGREEMENT than would be expected on the basis of normal industry practice for the type of work involved, it will be presumed that it is not performing a CUF.

J. CONSULTANT shall maintain records of materials purchased or supplied from all subcontracts entered into with certified DBEs. The records shall show the name and business address of each DBE or vendor and the total dollar amount actually paid each DBE or vendor, regardless of tier. The records shall show the date of payment and the total dollar figure paid to all firms. DBE CONSULTANT's shall also show the date of work performed by their own forces along with the corresponding dollar value of the work.

K. If a DBE subconsultant is decertified during the life of the AGREEMENT, the decertified subconsultant shall notify CONSULTANT in writing with the date of decertification. If a subconsultant becomes a certified DBE during the life of the AGREEMENT, the subconsultant shall notify CONSULTANT in writing with the date of certification. Any changes should be reported to LOCAL AGENCY's Contract Administrator within thirty (30) calendar days.

L. After submitting an invoice for reimbursement that includes a payment to a DBE, but no later than the 10th of the following month, the prime contractor/consultant shall complete and email the Exhibit 9- F: Disadvantaged Business Enterprise Running Tally of Payments to business.support.unit@dot.ca.gov with a copy to the Agency.

M. Any subcontract entered into as a result of this AGREEMENT shall contain all of the provisions of this section.

ARTICLE XIX INSURANCE

A. Prior to commencement of the work described herein, CONSULTANT shall furnish LOCAL AGENCY a Certificate of Insurance in compliance with the following:

Minimum Scope of Insurance:

i. Consultant agrees to have and maintain, for the duration of the contract, General Comprehensive Liability insurance policies insuring him/her and his/her firm to an amount not less than: one million dollars ($1,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

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ii. Consultant agrees to have and maintain, for the duration of the contract, bodily injury liability insurance herein provided for, which shall be in effect at all times during the term of this AGREEMENT.

iii. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars ($1,000,000) combined single limit per accident for bodily injury and property damage.

iv. Consultant shall provide to the LOCAL AGENCY all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the LOCAL AGENCY before work commences. The Certificate of Insurance will provide: 1. That the insurer will not cancel the insured's coverage without thirty (30) calendar days prior written notice to LOCAL AGENCY. 2. That LOCAL AGENCY, its officers, agents, employees, and servants are included as additional insureds, but only insofar as the operations under this AGREEMENT are concerned. 3. That LOCAL AGENCY will not be responsible for any premiums or assessments on the policy.

v. Consultant agrees to have and maintain, for the duration of the contract, professional liability insurance in amounts not less than $1,000,000 which is sufficient to insure Consultant for professional errors or omissions in the performance of the particular scope of work under this agreement.

General Liability:

i. The LOCAL AGENCY, its officers, officials, employees and volunteers are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of Consultant, premises owned or used by the Consultant. This requirement does not apply to the professional liability insurance required for professional errors and omissions.

ii. The Consultant's insurance coverage shall be primary insurance as respects the LOCAL AGENCY, its officers, officials, employees and volunteers. Any insurance or self-insurances maintained by the LOCAL AGENCY, its officers, officials, employees or volunteers shall be excess of the Consultant's insurance and shall not contribute with it.

iii. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the LOCAL AGENCY, its officers, officials, employees or volunteers.

iv. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the LOCAL AGENCY. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

In the event said insurance coverage expires at any time or times during the term of this

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AGREEMENT, CONSULTANT agrees to provide a new Certificate of Insurance evidencing insurance coverage as provided for herein, for not less than either the remainder of the term of the AGREEMENT, or for a period of not less than one (1) year. New Certificates of Insurance are subject to the approval of LOCAL AGENCY. In the event CONSULTANT fails to keep in effect at all times insurance coverage as herein provided, LOCAL AGENCY may, in addition to any other remedies it may have, terminate this AGREEMENT upon occurrence of such event.

Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the LOCAL AGENCY before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees.

B. CONSULTANT agrees that the insurance herein provided for, shall be in effect at all times during the term of this contract. In the event said insurance coverage expires at any time or times during the term of this contract, CONSULTANT agrees to provide at least thirty (30) days prior notice to said expiration date; and a new Certificate of Insurance evidencing insurance coverage as provided for herein, for not less than either the remainder of the term of the contract, or for a period of not less than one (1) year. New Certificates of Insurance are subject to the approval of LOCAL AGENCY. In the event CONSULTANT fails to keep in effect at all times insurance coverage as herein provided, LOCAL AGENCY may, in addition to any other remedies it may have, terminate this contract upon occurrence of such event.

ARTICLE XX FUNDING REQUIREMENTS

A. It is mutually understood between the parties that this AGREEMENT may have been written before ascertaining the availability of funds or appropriation of funds, for the mutual benefit of both parties, in order to avoid program and fiscal delays that would occur if the AGREEMENT were executed after that determination was made.
B. This AGREEMENT is valid and enforceable only, if sufficient funds are made available to LOCAL AGENCY for the purpose of this AGREEMENT. In addition, this AGREEMENT is subject to any additional restrictions, limitations, conditions, or any statute enacted by the Congress, State Legislature, or LOCAL AGENCY governing board that may affect the provisions, terms, or funding of this AGREEMENT in any manner.
C. It is mutually agreed that if sufficient funds are not appropriated, this AGREEMENT may be amended to reflect any reduction in funds.
D. LOCAL AGENCY has the option to terminate the AGREEMENT pursuant to Article VI, or by mutual agreement to amend the AGREEMENT to reflect any reduction of funds.

ARTICLE XXI CHANGE IN TERMS

A. This AGREEMENT may be amended only by mutual written agreement of the parties.
B. CONSULTANT shall only commence work covered by an amendment after the amendment is executed and notification to proceed has been provided by LOCAL AGENCY'S Contract Administrator.
C. There shall be no change in CONSULTANT's Project Manager or members of the Project team, as listed in the approved Cost Proposal, which is a part of this AGREEMENT without prior written approval by LOCAL AGENCY'S Contract Administrator.

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ARTICLE XXII CONTINGENT FEE

CONSULTANT warrants, by execution of this AGREEMENT that no person or selling agency has been employed, or retained, to solicit or secure this AGREEMENT upon an agreement or understanding, for a commission, percentage, brokerage, or contingent fee, excepting bona fide employees, or bona fide established commercial or selling agencies maintained by CONSULTANT for the purpose of securing business. For breach or violation of this warranty, LOCAL AGENCY has the right to annul this contract without liability; pay only for the value of the work actually performed, or in its discretion to deduct from the contract price or consideration, or otherwise recover the full amount of such commission, percentage, brokerage, or contingent fee.

ARTICLE XXII DISPUTES

Prior to either party commencing any legal action under this AGREEMENT, the parties agree to try in good faith, to settle any dispute amicably between them. If a dispute has not been settled after forty-five (45) days of good-faith negotiations and as may be otherwise provided herein, then either party may commence legal action against the other.

A. Any dispute, other than audit, concerning a question of fact arising under this AGREEMENT that is not disposed of by agreement shall be decided by a committee consisting of LOCAL AGENCY's Contract Administrator and Parks and Public Works Director, who may consider written or verbal information submitted by CONSULTANT.
B. Not later than thirty (30) calendar days after completion of all deliverables necessary to complete the plans, specifications and estimate, CONSULTANT may request review by LOCAL AGENCY Governing Board of unresolved claims or disputes, other than audit. The request for review will be submitted in writing.
C. Neither the pendency of a dispute, nor its consideration by the committee will excuse CONSULTANT from full and timely performance in accordance with the terms of this AGREEMENT.

ARTICLE XXIV INSPECTION OF WORK

CONSULTANT and any subconsultant shall permit LOCAL AGENCY, the State, and the FHWA if federal participating funds are used in this AGREEMENT; to review and inspect the Project activities and files at all reasonable times during the performance period of this AGREEMENT.

ARTICLE XXV SAFETY

A. CONSULTANT shall comply with OSHA regulations applicable to CONSULTANT regarding necessary safety equipment or procedures. CONSULTANT shall comply with safety instructions issued by LOCAL AGENCY Safety Officer and other LOCAL AGENCY representatives. CONSULTANT personnel shall wear hard hats and safety vests at all times while working on the construction Project site.
B. Pursuant to the authority contained in Vehicle Code §591, LOCAL AGENCY has determined that such areas are within the limits of the Project and are open to public traffic. CONSULTANT shall comply with all of the requirements set forth in Divisions 11, 12, 13, 14, and 15 of the Vehicle Code. CONSULTANT shall take all reasonably necessary precautions for safe operation of its vehicles and the protection of the traveling public from injury and damage from such vehicles.
C. Any subcontract entered into as a result of this contract, shall contain all of the provisions of this Article.
D. CONSULTANT must have a Division of Occupational Safety and Health (CAL-OSHA) permit(s), as outlined in California Labor Code Sections 6500 and 6705, prior to the initiation of any practices,

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work, method, operation, or process related to the construction or excavation of trenches which are five feet or deeper

ARTICLE XXVI OWNERSHIP OF DATA

A. It is mutually agreed that all materials prepared by CONSULTANT under this AGREEMENT shall become the property of City, and CONSULTANT shall have no property right therein whatsoever. Immediately upon termination, City shall be entitled to, and CONSULTANT shall deliver to City, reports, investigations, appraisals, inventories, studies, analyses, drawings and data estimates performed to that date, whether completed or not, and other such materials as may have been prepared or accumulated to date by CONSULTANT in performing this AGREEMENT which is not CONSULTANT's privileged information, as defined by law, or CONSULTANT's personnel information, along with all other property belonging exclusively to City which is in CONSULTANT's possession. Publication of the information derived from work performed or data obtained in connection with services rendered under this AGREEMENT must be approved in writing by City.

B. Additionally, it is agreed that the Parties intend this to be an AGREEMENT for services and each considers the products and results of the services to be rendered by CONSULTANT hereunder to be work made for hire. CONSULTANT acknowledges and agrees that the work (and all rights therein, including, without limitation, copyright) belongs to and shall be the sole and exclusive property of City without restriction or limitation upon its use or dissemination by City.

C. Nothing herein shall constitute or be construed to be any representation by CONSULTANT that the work product is suitable in any way for any other Project except the one detailed in this Contract. Any reuse by City for another Project or Project location shall be at City's sole risk.

D. Applicable patent rights provisions regarding rights to inventions shall be included in the contracts as appropriate (48 CFR 27 Subpart 27.3 - Patent Rights under Government Contracts for federal-aid contracts).

E. LOCAL AGENCY may permit copyrighting reports or other agreement products. If copyrights are permitted; the AGREEMENT shall provide that the FHWA shall have the royalty-free nonexclusive and irrevocable right to reproduce, publish, or otherwise use; and to authorize others to use, the work for government purposes.

ARTICLE XXVII CLAIMS FILED BY LOCAL AGENCY's CONSTRUCTION CONTRACTOR

A. If claims are filed by LOCAL AGENCY's construction contractor relating to work performed by CONSULTANT's personnel, and additional information or assistance from CONSULTANT's personnel is required in order to evaluate or defend against such claims; CONSULTANT agrees to make its personnel available for consultation with LOCAL AGENCY'S construction contract administration and legal staff and for testimony, if necessary, at depositions and at trial or arbitration proceedings.

B. CONSULTANT's personnel that LOCAL AGENCY considers essential to assist in defending against construction contractor claims will be made available on reasonable notice from LOCAL AGENCY. Consultation or testimony will be reimbursed at the same rates, including travel costs that are being paid for CONSULTANT's personnel services under this AGREEMENT.

C. Services of CONSULTANT's personnel in connection with LOCAL AGENCY's construction contractor claims will be performed pursuant to a written contract amendment, if necessary, extending the termination date of this AGREEMENT in order to resolve the construction claims.

ARTICLE XXVIII CONFIDENTIALITY OF DATA

A. All financial, statistical, personal, technical, or other data and information relative to LOCAL AGENCY's operations, which are designated confidential by LOCAL AGENCY and made available to

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CONSULTANT in order to carry out this AGREEMENT, shall be protected by CONSULTANT from unauthorized use and disclosure.

B. Permission to disclose information on one occasion, or public hearing held by LOCAL AGENCY relating to the AGREEMENT, shall not authorize CONSULTANT to further disclose such information, or disseminate the same on any other occasion.
C. CONSULTANT shall not comment publicly to the press or any other media regarding the AGREEMENT or LOCAL AGENCY's actions on the same, except to LOCAL AGENCY's staff, CONSULTANT's own personnel involved in the performance of this AGREEMENT, at public hearings, or in response to questions from a Legislative committee.
D. CONSULTANT shall not issue any news release or public relations item of any nature, whatsoever, regarding work performed or to be performed under this AGREEMENT without prior review of the contents thereof by LOCAL AGENCY, and receipt of LOCAL AGENCY'S written permission.
E. All information related to the construction estimate is confidential, and shall not be disclosed by CONSULTANT to any entity, other than LOCAL AGENCY, Caltrans, and/or FHWA. All of the materials prepared or assembled by CONSULTANT pursuant to performance of this Contract are confidential and CONSULTANT agrees that they shall not be made available to any individual or organization without the prior written approval of City or except by court order. If CONSULTANT or any of its officers, employees, or subcontractors does voluntarily provide information in violation of this Contract, City has the right to reimbursement and indemnity from CONSULTANT for any damages caused by CONSULTANT releasing the information, including, but not limited to, City's attorney's fees and disbursements, including without limitation experts' fees and disbursements.

ARTICLE XXIX NATIONAL LABOR RELATIONS BOARD CERTIFICATION

In accordance with Public Contract Code Section 10296, CONSULTANT hereby states under penalty of perjury that no more than one final unappealable finding of contempt of court by a federal court has been issued against CONSULTANT within the immediately preceding two-year period, because of CONSULTANT's failure to comply with an order of a federal court that orders CONSULTANT to comply with an order of the National Labor Relations Board.

ARTICLE XXX EVALUATION OF CONSULTANT

CONSULTANT's performance will be evaluated by LOCAL AGENCY. A copy of the evaluation will be sent to CONSULTANT for comments. The evaluation together with the comments shall be retained as part of the contract record.

ARTICLE XXXI PROMPT PAYMENT FROM THE LOCAL AGENCY TO CONSULTANT

The LOCAL AGENCY shall make any progress payment within 30 days after receipt of an undisputed and properly submitted payment request from CONSULTANT on a professional service contract. If the LOCAL AGENCY fails to pay promptly, the LOCAL AGENCY shall pay interest to the contractor, which accrues at the rate of 10 percent per annum on the principal amount of a money judgment remaining unsatisfied. Upon receipt of a payment request, the LOCAL AGENCY shall act in accordance with both of the following:

1) Each payment request shall be reviewed by the LOCAL AGENCY as soon as practicable after receipt for the purpose of determining that the payment request is a proper payment request.
2) Any payment request determined not to be a proper payment request suitable for payment shall be returned to CONSULTANT as soon as practicable, but not later than seven (7) days, after receipt. A request returned pursuant to this paragraph shall be accompanied by a document setting forth in writing the reasons why the payment request is not proper.

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ARTICLE XXXII NOTIFICATION

All notices hereunder and communications regarding interpretation of the terms of this AGREEMENT and changes thereto, shall be effected by the mailing thereof by registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

CONSULTANT: Natalina V. Bernardi, PE
(NAME)
ATTN: Jaggi Bhandal
(Project Manager)

1730 N. First Street, Suite 600

San Jose, CA 95112
(ADDRESS)

LOCAL AGENCY: Parks and Public Works Department
ATTN: WooJae Kim, Town Engineer, Contract Administrator
41 Miles Avenue
Los Gatos, CA 95030

ARTICLE XXXIII CONTRACT

The two parties to this AGREEMENT, who are the before named CONSULTANT and the before named LOCAL AGENCY, hereby agree that this AGREEMENT constitutes the entire AGREEMENT which is made and concluded in duplicate between the two parties. Both of these parties for and in consideration of the payments to be made, conditions mentioned, and work to be performed; each agree to diligently perform in accordance with the terms and conditions of this AGREEMENT as evidenced by the signatures below.

ATTACHMENTS:

EXHIBIT A – SCOPE OF SERVICES
EXHIBIT B – CONSULTANT'S COST PROPOSAL
EXHIBIT 10-O2 - Consultant Contract DBE Information

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ARTICLE XXXIV SIGNATURES

Recommended by Department Head:

DocuSigned by:
Matt Morley 5/13/2021
BBA0B3B0D8F4484...
Matt Morley, Parks and Public Works Director

IN WITNESS WHEREOF, THE LOCAL AGENCY AND CONSULTANT HAVE EXECUTED THIS AGREEMENT.

TOWN OF LOS GATOS by:

DocuSigned by:
Laurel Prevetti 5/20/2021
853FEEA2EB39470...
Laurel Prevetti, Town Manager

CONSULTANT by:

DocuSigned by:
Natalina V. Bernardi 5/12/2021
79C153E5D32246A...
Signature

Natalina V. Bernardi, Principal / Vice President
Printed Name and Title

Approved as to Form:

DocuSigned by:
Robert W. Schultz 5/18/2021
Robert Schultz, Town Attorney

Attest:

DocuSigned by:
Shelley Neis 5/20/2021
B9666F65B1F34F6...
Shelley Neis, CMC, Town Clerk

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PROJECT SCOPE OF SERVICES

PHASE I - ENGINEERING DESIGN SERVICES AND ENVIRONMENTAL CLEARANCES:

The BKF Team will provide all design services, including but not limited to: Project management; preliminary engineering; environmental studies and clearances; utility coordination and right-of-way; permits and coordination with other agencies; surveys and mapping; geotechnical investigations and reports; structural and final design and development of all contract documents; bid support and obtaining the authorization to proceed to construction from Caltrans for the Highway 17 Bicycle and Pedestrian Overcrossing Project as more specifically described as follows. Where appropriate professional engineer shall sign all plans, specifications and estimates and engineering data furnished under the scope of services, including registration number.

- **Task A.1 Project Management -** The BKF Team will provide the necessary Project coordination, administration, management and interfacing with the Town, Caltrans, and other internal/external stakeholders to achieve Project objective. The BKF Team will proactively provide direction to the Town regarding the Project tasks necessary to deliver the federally funded Project consistent with Caltrans permitting requirements and federal reimbursement requirements. The BKF Team will be responsible for Project management activities throughout the life of the contract. The scope of these activities includes, but is not limited to,
  - provide, distribute, and maintain contact information for all Project team members
  - coordinate and schedule meetings/conference calls as needed
  - prepare and distribute meeting minutes
  - itemize, track, and pursue all Project action items to completion
  - develop and maintain the Project schedule, report on Project progress
  - manage Subconsultant activities to remain on schedule,
  - supervise, coordinate, and monitor design for conformance with all current applicable design standards from the Town, AASHTO, Caltrans Design Standards and Specifications, California Building Code, and any affected utilities
  - supervise, coordinate, and monitor the design for conformance with permit requirements from Caltrans, VTA, and utility companies
  - conduct field reviews as needed
  - prepare and track Town's submissions to Caltrans
  - provide internal quality control checks and document quality control actions conducted for the Project
  - conduct cross-checking to avoid potential conflicts between various subconsultant's work
  - develop Project filing and record keeping system for Project files for a period of 5 years
  - develop a list of Project stakeholders for coordination during Project design
  - assist the Town with grant funding pursuits for project construction. BKF understands that the Town will lead these funding pursuit efforts, but will provide minimal support (project information, exhibits, etc).

Deliverables: Meeting minutes, schedule, progress reports, action item logs, tracking spreadsheets, Caltrans submissions and other items resulting from the BKF Team's Project management duties

- **Task A.2 Data Collection and Review -** The BKF Team will obtain and collect data as needed to develop general Project design concepts and related activities needed to establish the parameters for final design, such as, existing topography/geometrics, grading and drainage considerations, geotechnical/retaining wall considerations, structural engineering and proposed bridge structure, ADA considerations, extent of required demolition activities, construction phasing/staging, environmental and future maintenance considerations. The scope of these activities includes, but is not limited to, (items to be provided by the Town or items on the Town's Project webpage are as indicated below).

  - Complete an extensive site review/existing conditions assessment of the Project area
  - Collect and review existing background information regarding the Project including:
    - Town's adopted Bicycle and Pedestrian Master Plan and Update (see Attachment 3)
    - Highway 17 Bicycle and Pedestrian Overcrossing Feasibility Analysis (see Attachment 3)

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- Funding Agreement between the Town of Los Gatos and Santa Clara Valley Transportation Agency for the Bicycle and Pedestrian Overcrossing Over Highway 17 (see Attachment 3)
- Caltrans Local Procedures Manual
- Plans for existing utilities in Project area
- Development plans for adjacent properties – (Town to provide)
- Proposed developments in the Project vicinity (Town to provide) and potential Project impacts
- Street improvement plans, including signalized intersections (Town to provide)
- Aerial photos and any available mapping, including digitized topography
- Survey control data
- ROW information, including Caltrans right of way documents, existing easements, etc.
- Existing as-built information from the Town, Caltrans, property owners, local agencies, utility companies, and other organizations
- Existing Blossom Hill Road Highway 17 Overcrossing bridge structure plans and geotechnical information
- Geologic and soil literature in the Project vicinity
- Design standards and codes applicable to the Project
- Town's Standard Specifications and Details for Construction, 2010 Caltrans Standard Specifications and Standard Plans, and applicable portions of the MUTCD and California MUTCD, and other controlling design standards as appropriate
- Americans with Disabilities Act (ADA) requirements
- Connect Los Gatos webpage and Highway 17 Bicycle and Pedestrian Overcrossing Project page
- Minutes from Project related community meetings

- Based on existing conditions and Project objectives, determine required permits and permit requirements necessary for successful completion of Project and review permit applications and requirements
- Based on the data collected and site evaluations, review the preliminary layout as presented in the feasibility study, verify assumptions, and confirm consistency with the Project's objectives and budget.
- Based on information collected, prepare a summary or diagram of existing conditions highlighting any special/potential conditions that may affect the final design (opportunities and constraints diagram)

Deliverables: Video of existing site conditions, listing of all potentially required permits, opportunities and constraints diagram

- **Task A.3 Surveys and Base Mapping -** The BKF Team will be responsible for data collection, and all mapping and surveying necessary to complete a comprehensive base map and other plans as indicated below. The scope of a comprehensive base map and survey includes setting Project benchmarks and establishing control for Project layout and construction, aerial photogrammetry, design level topographic surveys, identification of all public right-of-way, adjacent parcels, property lines, easements, and existing utility locations. The extent of the topographical surveying and mapping shall extend a minimum of 10' or more beyond the existing Blossom Hill Road right of way to show adequate conforms to existing conditions and proper future drainage. Existing conditions mapping shall include appropriate data collected in Task A.2.

  - The BKF Team shall conduct a detailed field survey to review and record existing conditions in the Project area and shall identify any unusual or special conditions that may affect the design or construction of the Project. The field survey for the Project area shall include at a minimum, the location of all existing above and below grade facilities, including but not limited to, roadways, signing/striping, medians, traffic signals and appurtenances, fire hydrants, street lights, retaining walls, sidewalks, curbs, gutters, ramps, SR 17 overcrossing structure including the embankments and structural components, fences, gates, utilities, flood control facilities, waterways, outfalls, trees

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greater than 6" DBH, and any existing irrigation facilities.

- The BKF Team shall review data and survey information collected with proposed Project layout and shall complete physical verification of utility locations in areas of potential conflict. The BKF Team shall obtain all permits and approvals necessary to complete the potholing operations. Results of potholing shall be included on the Utilities Base Map.
- Based on the survey and data collected, the BKF Team shall prepare one or more existing conditions base maps, at a scale of 1"=20' for use in the Project design and community meetings, including
  - Existing Conditions Base Map
  - Existing Utilities Base Map
  - Existing Tree Plan - the BKF Team shall prepare a separate plan showing the location and number of existing trees over 6" DBH, including size, species, and location.
  - Right of Way Map – showing location of all property lines and easements within or immediately adjacent to the Project area.

Deliverables: Survey data sheets, base map(s) and plans in AutoCAD format– including Existing Conditions Base Map, Existing Utilities Base Map, Tree Locations and Right of Way Map

- **Task A.4 Stakeholder Coordination and Project Permits -** The BKF Team shall identify all Project stakeholders and shall take actions necessary to coordinate Project design with the Town and Project stakeholders. Meetings with the stakeholders, including the Town, Town Council and Commissions, community members, Caltrans, VTA, any affected utilities, and any affected private properties will be included in this scope of work and shall include preparing and providing supporting documents, reports, and exhibits. The BKF Team shall determine the need for permits to allow for the ultimate construction of the Project, including a Caltrans encroachment permit, and any other permits deemed necessary for construction access and staging areas and shall prepare required applications, documents, and reports to allow the Town to obtain the Project permits in a timely manner. Design of the Project is to remain within the existing public and Caltrans right of way, however, the BKF Team will identify any conform or other activities that may need to temporarily take place on private property, and will coordinate with adjacent property owners to obtain clearances for such activities. The BKF Team shall coordination permits necessary for geotechnical drilling operations and USA clearances.

  Caltrans Coordination: The BKF Team will take the lead and coordinate with Caltrans and the Town to prepare a Project Initiation Document (PID), Project Study Report-Project Development Study (PSR-PSD), Project Approval & Environmental Document (PA&ED), and final PS&E including all reports and documentation required by Caltrans in order to obtain a Caltrans encroachment permit for the Project. To start the coordination process, BKF will assist the Town in obtaining a Cooperative Agreement with Caltrans to start the PID phase. The PID shall comply with the Caltrans standard PSR-PDS requirements and will include the overall site plan and typical conceptual cross-sections for the alternatives identified in the feasibility study. The BKF Team will assist the Town in the development of the necessary Cooperative Agreements with Caltrans for the PID, PA/ED, and PS&E phases. The BKF Team will schedule and hold meetings as needed with Caltrans and shall also schedule and hold regular Project team coordination meetings with Caltrans and shall prepare the meeting agendas, minutes, and action items. It will be the BKF Team's responsibility to prepare, implement and monitor a realistic schedule of the activities necessary, to lead the Town through the PID, PA/ED, and PS&E phases of the Project. BKF will also assist the Town in the execution of a Maintenance Agreement for the proposed project improvements and supporting exhibits necessary to complete the agreement.

Deliverables: Approved PID, PA/ED, and PS&E; Project team meeting agendas, minutes, action item lists, Caltrans encroachment permit for Project construction.

Selection of Preferred Bridge Type: The feasibility study has identified three feasible types of bridge structures for consideration. The BKF Team understands that the Town

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plans to only move forward with the concrete and steel truss bridge options identified in the feasibility study. BKF will develop each concept further and shall assist the Town in the presentation of these two alternatives to the community, the Town's Complete Streets and Transportation Commission and the Town Council. The BKF Team will lead the Town's effort to develop a consensus regarding the final bridge type for advancing into the final design process. This process is to take place concurrently with the development of the Project Initiation Document (PID), and shall result in the Town Council's selection of the final bridge type prior to the completion of the PID phase. The following tasks are anticipated for the selection of the preferred bridge structure:

- Prepare a Principal Span Structure Selection Matrix including structure type, anticipated costs, key opportunities and constraints for each bridge type
- Define embankments (if any), retaining walls/sound walls (if any), supports, main span and approach structure geometrics
- Geometric alignment and clearances, including bridge and approaches with a focus on geometric plans through Caltrans right of way. The geometric design for the bridge and approaches through Caltrans right of way will be developed based on project objectives, the constraints and the Town's and Caltrans design standards. Adequate detail will be provided so that assessments and evaluations can be made and discussed.
- Refine each alternative to show impacts to adjacent properties and relationship to adjacent property lines
- Provide diagrams and plans showing the movement of bicycle and pedestrians across the structures and through the adjacent intersections and across bridge structure
- Develop additional perspectives for each bridge structure showing:
  - Viewer friendly plans showing proposed alignment, profiles, and cross-sections of each bridge alternative
  - Visual simulation/view of each bridge structure from both south and northbound SR 17
  - Visual simulation/view of each bridge from the user's perspective both east and west bound directions
  - Potential additional architectural features or opportunities for each bridge type including pedestrian and bicycle railings, lighting concepts, and potential incorporation of public art features.
  - Landscape and urban design concepts
  - Refine basic cost estimate for each bridge type
- Assist the Town in a community workshop(s) to review bridge types and determine community preference
- Assist the Town in presentations to the Parks and Recreation Commission, the Complete Streets and Transportation Commission, and Town Council to determine the final bridge type.

In advance of the 35% phase, the BKF Team will develop Bridge APS submittal for the Town's and Caltrans review and approval. The team will perform necessary modeling and analysis to support member sizing. The Bridge APS shall be performed in accordance with Caltrans Bridge Memo to Designers 1-8. The APS shall consist of one structure plan sheet showing general structure layout details and estimated cost, preliminary geotechnical memorandum, APS checklists, design memorandum, and itemized cost estimates. There will be no APS sheets developed for the retaining structures unless these walls are very unusual in characteristic and type.

Deliverables: Opportunities and constraints diagrams, visual simulations, plans, profiles, cross-section, meeting presentations, cost estimates, APS.

Community Engagement: With assistance from the BKF Team, Town staff will implement and lead the Project's Community Engagement Plan. The BKF Team shall develop and implement a robust community engagement process, attend and provide support to Town staff in public outreach efforts, and facilitate community meetings to obtain input on the proposed design. The BKF Team will develop all necessary meeting materials including graphics, presentations slides, handouts, drawings, graphic boards, etc. for each meeting, as

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appropriate. BKF will conduct a "pre-meeting planning session" with the Town via teleconference before each meeting to review materials. The BKF Team will provide minutes for all meetings. A minimum of eighteen (18) public outreach activities are anticipated per the RFP. The following public activities are preliminary proposed into three broad phases: 1) Technical Translation Phase to build and test educational materials, 2) Stakeholder Engagement Phase to interact directly with specific key groups such as adjacent homeowners, nearby schools, and other specific organizations, to address their key concerns and 3) General Public Phase to engage the broader public to ensure understanding of the project, the community preferences, and forthcoming design and construction schedule. The following list includes public meetings and other engagement activities anticipated during and after the Structural Design and Aesthetic Evaluation Study. Specific community engagement activities required of the BKF Team are anticipated to include the following:

- Stakeholder Engagement Materials: The BKF Team will provide supporting documents and exhibits for the Town's use in stakeholder notifications.
- Stakeholder and Contact Database: The BKF Team shall collaborate with Town staff to build onto any existing contact list to include key individuals, organizations, and agencies to engage.
- Community Engagement Strategy: Working with Town staff, the BKF Team shall define key outreach activities, their sequence, and their likely schedule.
- Project Informational Materials: The BKF Team shall develop materials to help educate the community about the project and potentially promote input activities, typically including a Project Fact Sheet, FAQ sheet, and flyer template, or other information that can be posted to the Town's website.
- Stakeholder Interviews: The BKF Team shall interview specific individuals and community champions representing key stakeholder groups or constituencies early in the process to identify concerns and early design preferences or parameters.
- Stakeholder Group Meetings: The BKF Team shall coordinate and present at stakeholder meetings. Among the possibilities include advisory group meetings, neighborhood group meetings, the chamber of commerce, school PTA meetings, service clubs (Kiwanis, Rotary, Lions, etc.), or employee groups.
- Community Meeting and Workshops: The BKF Team and Town shall develop a list of key Project milestones for community input and workshops. The Town shall arrange venues – if health guidelines allow - for workshops and shall notify stakeholders of meetings and workshops, however the BKF Team will be prepared to facilitate the community discussion/workshops and Commission/Council presentations and shall provide supporting documentation and visual aids. Workshops and meetings will be conducted as virtual events if shelter in place protocols remain. Visual aids shall include renderings and visual simulations of major Project elements. All Project materials shall include the appropriate Measure B logo and acknowledgements. The BKF Team will provide meeting summaries and follow up on outstanding comments or issues. It is anticipated that the community meetings, workshops, and presentations will be required at the following Project milestones:
  - Preferred Bridge Type Selection – Two (2) community workshops, plus four (4) Council or other Commission presentations
  - Community/Commission Design Reviews– minimum of two (2) each at PID, PA/ED, 35% design, 65% design, and 95% design
  - Town Council presentation at 35% and at 100% complete PS&E
- On-line Engagement: the BKF Team shall provide periodic progress updates for the Town to post on the Project web-page.
- Online Preference Setting Activity: To reach the broader Los Gatos community beyond those attending in-person, an online activity, potentially a graphics – or map-based survey is proposed to help garner community input and ideas, and to help hone in on a design alternative.
- Town Council Meetings: The BKF Team shall attend and assist in presentations in up to a total of two (2) Town Council meetings. These meetings shall be planned at the Town's staff's discretion.

Deliverables: Workshops and presentations (18 total), agendas, visual aids/visual simulations, renderings, meeting summaries, follow-up as needed,

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VTA Coordination: the BKF Team assumes the Town will facilitate all coordination efforts with the VTA for this Project, however, BKF will provide support as outlined below:

- Include insurance coverage and endorsements as required by VTA funding agreement. The Project must include Measure B branding/logo in work released to the public and in project construction/specifications.
- The BKF Team shall allow VTA a minimum of thirty (30) calendar days to review and provide comments and shall include such review time in the master Project schedule. VTA's comments must be considered in the final design phase of the Project. The BKF Team shall provide back-up information as necessary for any VTA comment that will not be incorporated into the final design documents. BKF assumes that the Town will lead/facilitate reviews with the VTA.
- Submit to the Town all records including invoices, miscellaneous invoices, and force account charges as substantiation for invoices submitted to VTA for reimbursement hereunder.
- Maintain financial records, books, documents, papers, accounting records, and other evidence pertaining to costs related to the Project for five (5) years. The BKF Team shall make such records available to VTA and the Town upon written request for review and audit purposes. Financial audits may be performed at VTA's sole discretion.

Deliverables: Written responses to VTA review comments.

Utility Coordination – The complete effort for utility coordination is to include accurately identifying and mapping of existing utilities, identifying and defining any relocations or modifications required by the Project, and documenting utilities in accordance with Caltrans policies, and coordinating any future utility requirements for the Project.

- Coordinate with all utility companies early in Project to identify and confirm any potential conflicts with the Project.
- Submit proposed plans to utility companies as necessary for review in accordance with utility requirements.
- Complete potholing to verify location of utilities in potential conflict areas.
- Coordinate any necessary utility relocations, including and temporary relocation of the utility facilities, as needed, for bridge installation or other construction considerations.
- Coordinate with PG&E and the SJWC for future power and water service points needed for the Project.
- Develop and maintain a list of utility contacts and relocation tracking database for the Project design and construction activities.
- Prepare Utility A, B, and C letters.
- Conduct utility coordination meetings, prepare agendas, minutes, and track action items.
- Prepare utility conflict maps clearly delineating existing and proposed utilities in current and final locations.
- Provide support to the Town for the utility relocation process, determining liability for the costs associated with necessary relocations.
- Prepare necessary Utility Agreements.
- Incorporate relocation activities into Project schedule.
- Certify that all utility conflicts are addressed and other actions necessary to obtain the Utility Certification as part of the ROW Certification.

Deliverables: A, B, C, letters and utility certifications, agreements, permits, clearances as required to obtain the Caltrans encroachment permit and for construction of the Project, meeting minutes, utility contact list.

- **Task A.5 Environmental Studies and Documentation – CEQA and NEPA**

The BKF Team will complete all required environmental reviews and obtain all environmental clearances to allow the Project to move forward into construction. All environmental documents and reports, studies and public noticing shall be conducted according to the

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provisions of the California Environmental Quality Act (CEQA) and the National Environmental Protection Act (NEPA).

For CEQA clearance, David J. Powers & Associates, Inc. (DJP&A) will prepare an Initial Study pursuant to the requirements of CEQA and the Town of Los Gatos. This scope assumes the Initial Study will not be circulated for public review; instead, upon completion of the Initial Study, the Town will determine the project is categorically or statutorily exempt from the provisions of CEQA. In addition, with the recent passing of Senate Bill 288, Public Resources Code Section 21080.20 now exempts bicycle and pedestrian facility projects. Therefore, DJP&A believes the project would be statutorily exempt under CEQA. For the purposes of this proposal, the BKF Team assumes the Town will be designated as the CEQA lead agency.

NEPA clearance will be required due to the future federal funding for construction of the Project. The BKF Team will work with Caltrans (the lead for the NEPA process) and the Town, and complete all technical memorandums and studies as identified by Caltrans through the Preliminary Environmental Studies (PES) and Field Review process. For the purpose of this proposal, the BKF Team assumes the appropriate filing for NEPA will be a Categorical Exclusion under NEPA (23 CFR 771.117; (c) (3): Construction of bicycle and pedestrian lanes, paths, and facilities.

Based on the DJP&A's recent experience working on Caltrans Local Assistance Projects in the greater Bay Area, DJP&A believes Caltrans will require preparation of the following technical memos for the bicycle and pedestrian overcrossing. The actual studies to be completed will be determined by Caltrans upon completion of the PES and field review meeting:

- Traffic Technical Memo
- Air Quality PM2.5 Exemption
- Water Quality Technical Memo
- Natural Environmental Study (Minimal Impact)
- Archaeological Survey Report
- Equipment Staging Technical Memo
- Initial Site Assessment
- Visual Impact Assessment (Moderate Impact)

DJP&A will prepare the air quality, traffic, equipment staging, and water quality memos based on information provided by the Town and BKF.

The Natural Environmental Study (Minimal Impact), Archaeological Survey Report and Historic Property Survey Report, and Visual Impact Assessment (Moderate Impact) will be prepared by H.T. Harvey & Associates, Archaeological Historic Consultants, and Earthview Sciences, respectively, under contract to DJP&A.

The Natural Environmental Study (Minimal Impact) will characterize the existing conditions, and determine the potential project impacts to sensitive biological resources. A wetland delineation is not included in this scope.

The Archeological Survey Report will include a summary of records search results and Native American consultations. The Historic Property Survey Report (HPSR) will report the findings of any documented historic resources located within the project limits and a summary of the findings of the Archeological Survey Report, which will be included as an attachment to the HPSR.

The Visual Impact Assessment will evaluate up to three views, based on photosimulations to be prepared under separate contract and provided to DJP&A. Earthview Sciences will participate in consultation with Caltrans and Town staff for viewpoint selection.

The Phase I Initial Site Assessment will be prepared by Parikh for the proposed project. ASTM recommends a 1.0-mile radius for the data search. Environmental Data Research Inc. (EDR Inc.) report study will be ordered using an approximate center of the project. The ISA

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study will be prepared to identify potential hazardous waste sites and evaluate environmental factors that may have impacted the soil groundwater quality within the project limits. The study will include data collection and documents research including historical land use based on study of aerial photographs and other relevant documents. No field exploration and/or testing are included in this phase of the work.

The studies and memos will be prepared based on Caltrans' Standard Environmental Reference (SER) and submitted to the Town and BKF for review. DJP&A will revise the memos once and submit them back to the Town for submittal to Caltrans. Based upon review comments by Caltrans, DJP&A and its subconsultants (H.T. Harvey & Associates, Archaeological Historic Consultants, and Earthview Sciences), with concurrence from the Town, will revise the memos once for resubmittal to Caltrans. Once the memos are deemed complete by Caltrans, Caltrans will issue the NEPA Categorical Exclusion for use by the Town in obtaining federal funding.

Note the technical memos and reports will also be used to support the CEQA Categorical Exemption.

For the purpose of this proposal, the BKF Team assumes the following:

- The Project will not include work outside of existing Town or Caltrans right-of-way.
- The NEPA and CEQA process will be limited to the evaluation of one build alternative.
- The Project description will not change.
- The Project will not impact threatened or endangered plant or animal species, or habitat utilized by such species.
- No private property will be affected by the Project.
- The Project will use Tier 4 construction equipment and construction air quality analysis will be qualitative.
- All construction staging will occur on paved surfaces within Town right-of-way.
- BKF will provide information on tree location and diameter.
- BKF will provide information on construction staging, duration, equipment use, etc.
- Completion of an Extended Phase I (i.e., subsurface archaeological testing) will not be required.

Regulatory Agency Permits – The BKF Team assumes the project will not need regulatory agency permits from the San Francisco Regional Water Quality Control Board or California Department of Fish and Wildlife because there are no wetlands or riparian habitat within or immediately adjacent to the project alignment.

Deliverables to include: Initial Study, Notice of Exemption, Preliminary Environmental Studies form, traffic technical memo, air quality PM2.5 exemption confirmation, water quality technical memo, Natural Environmental Study (Minimal Impact), Archaeological Survey Report, Equipment Staging Technical Memo, Initial Site Assessment Visual Impact Assessment (Moderate Impact).

- **Task A.6 Geotechnical Investigations and Reports -** The BKF Team will conduct geotechnical investigations as necessary to ensure that all geotechnical data within the Project area that may affect the final design and construction of the Project are identified and addressed per the Caltrans encroachment permit requirements and in the final design of the Project. The specific project elements that will require geotechnical studies are listed below:
  - New bridge POC structure, Caltrans Review
  - Retaining Walls, embankments, slopes and trail pavement (Non-Caltrans ROW)

The following proposed geotechnical studies are planned to be performed during PA/ED Phase:

- **Preliminary Foundation Report (PFR)**: Preliminary Foundation Report will be prepared for the POC over Highway 17. The PFR will be prepared in accordance with Caltrans guidelines and will include discussions on potential

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geotechnical/geologic impacts and mitigations on a broad basis including but not limited to slope stability, geology, seismic impacts, erosion, groundwater conditions, etc. for the proposed bridge structure. Certain design assumptions are made as to the type of foundations, approximate pile length. Generally, the geotechnical issues relevant to the proposed project are presented in a qualitative manner with no specific design recommendations. Subsequently, during the PS&E phase a more detailed Foundation Report will be prepared for the bridge.

- **Preliminary Geotechnical Design Report (PGDR)**: The project proposes to include retaining walls and slope cuts, embankments and pavement for the trail work. However, this work is outside of the Caltrans ROW. To simplify the process, Parikh will prepare a combined report that covers these elements as a PGDR.

  A Preliminary Geotechnical Design Report is proposed for the roadway pavement, retaining walls, slopes and other civil design features. The review will be based on readily available data including as-built Log of Test Borings from the previous geotechnical reports and other Agency records. The potential geotechnical/geologic impacts and mitigations will be discussed on a broad basis including but not limited to slope stability, geology, seismic impacts, erosion, groundwater conditions, etc. for the proposed project. Wall foundation types will be based on Caltrans standard design guidelines. Generally, the geotechnical issues relevant to the proposed project are presented in a qualitative manner with no specific design recommendations.

Overall scope of work during PS&E Phase will include preparation of a Geotechnical Design Report for the roadway work, slopes, retaining walls and embankments. A separate foundation report will be prepared for the overcrossing of Highway 17. The proposed retaining walls are not located within the Caltrans right-of-way; therefore, separate foundation reports are NOT proposed for each of these walls.

The following proposed geotechnical studies are planned to be performed during PS&E Phase:

- **Foundation Report and Log of Test Borings (Bridge)**: Parikh will prepare foundation report and log of test borings for the POC structure. Existing borings and CPT data from the Caltrans database will be used as a reference. Additional borings will be required for the new structure. Following is a task breakdown for the proposed work.
  - Research and Data Collection: Review of readily available geologic and soil literature in the vicinity of the site including review of any as-builts drawings and existing LOTB.
  - Permits/USA Clearances: Comply with the Caltrans Permit requirements. Encroachment permits will be processed with Caltrans for field investigations within Caltrans R/W. The BKF Team assumes encroachments within the Town will follow is streamlined process with fees waived.
  - Field locate the borings and call for USA clearance.
  - Field Exploration: Due to limited access, steep terrain and need for deeper exploration portable rigs are not feasible. There are three potential locations identified for the bridge project. One median boring will be included in this program that will require potentially night work and lane closures. This will be dictated by the Permit Engineer. The borings are proposed to a depth of 100’ or refusal. One exploration per working shift is assumed. These explorations will provide an evaluation of subsurface conditions for the proposed structures. Traffic control is assumed for 1 shift.
  - The boring locations will depend upon the available access and the boring data from previous studies. We anticipate using a truck-mounted rig for majority of the work. Coordination and encroachment/permit to enter is to be provided by the client. Some private access and permits may be required.
  - Classify and continuously log subsurface soil conditions encountered in

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each test boring at the time of drilling. Obtain "relatively undisturbed" and bulk samples of substrata from test borings. The borings will be drilled and capped in accordance with the permit requirements.

- Laboratory Testing: Perform laboratory tests on representative soil samples such as moisture density, consolidation tests, unconfined compression, gradation analyses, corrosion tests and Plasticity Index test, as necessary.
- Soils Analysis/Evaluation: Perform engineering analyses and develop design recommendations for the proposed structure foundation design. The design should follow AASHTO LRFD specifications (8th edition, September 2017) with California amendment 2019.
- Prepare Draft Preliminary Foundation Reports (Type Selection) for the bridge structure. Prepare preliminary recommendations for the overcrossing and provide Draft Foundation Report with the LOTB. The foundation design will be based on analyses using Caltrans seismic design and LRFD guidelines.
- Discuss seismic considerations, evaluate the liquefaction potential and comment on the site soil conditions from this standpoint. Information related to Caltrans Seismic design criteria (SDC v 2.0) shall be provided. Information related to the recently revised Seismic design guidelines (2019) and the ARS curves (using Caltrans ARS online tool) will be provided.
- Prepare Foundation Report for the overcrossing structure. LOTB will be prepared using the general plan as a base map.

- **Geotechnical Design Report (one report within Town right-of-way)**: PARIKH will prepare a separate Geotechnical Design Report (GDR). The GDR will include retaining walls, slope stability analyses and trail. Detail scope for preparing this report is as follows:
  - Research and Data Collection: Review of additional available geologic and soil literature in the vicinity of the site.
  - Permits/USA Clearances: Work will comply with the Town's Permit requirements. Encroachment permits (Town/private) will be provided by the client.
  - Boring locations will be located for USA clearance.
  - Field Exploration: The boring program will include 4 explorations to 30 feet deep for the proposed walls and the slopes. These are planned with track mounted field equipment. These explorations will provide an evaluation of subsurface conditions for the proposed cut and fill walls and slopes. The boring locations will depend upon the available access and any permit conditions. No traffic control is assumed at this time as most of the work will be off the travel areas.
  - Classify and log subsurface soil conditions encountered in each test boring at the time of drilling. Obtain "relatively undisturbed" and bulk samples of substrata from test borings. The borings will be drilled and capped in accordance with the permit requirements. Generally, the borings are required to be backfilled with cement grout.
  - Laboratory Testing: Perform laboratory tests on representative soil samples such as moisture density, unconfined compression, gradation analyses, corrosion tests and Plasticity Index test, as necessary.
  - Soils Analysis/Evaluation: Perform engineering analyses and develop design recommendations for the proposed retaining walls, slopes, embankments, and pavement design.
  - Prepare Draft Geotechnical Design Report: Prepare preliminary recommendations including retaining wall design parameters, possible MSE wall option, slope stability recommendations and pavement section. Draft LOTB will be included in the report.
  - Prepare final Geotechnical Design Report: Final GDR will include response to review comments from agency. Final design recommendations will be based on the updated design requirements. Log of Test Borings will be prepared using the general plan as a base map.

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- **Prepare Phase II ISA:** The Phase II ISA will include the following field activities and laboratory analysis:
  - Field Activities will include the following:
    - Advance up to 8 hand-auger borings to 2.5 ft bgs.
    - Collect 3 soil samples per boring (total 24 samples)
  - Analytical Laboratory Analyses (Standard Laboratory Turnaround Time):
    - 18 soil samples for Total Lead
    - 6 soil samples for CAM 17 Metals
    - 8 samples for TPHg
    - 8 samples for TPHd/mo
    - 4 samples for Organochlorine Pesticides
    - 1 sample for Volatile Organic Compounds
    - 1 sample for Semi-Volatile Organic Compounds
    - 1 sample for Polychlorinated Biphenyls
    - 4 samples for Naturally Occurring Asbestos
  - Prepare Site Investigation Report

Deliverables: Draft and Final Preliminary Geotechnical Design Report (PGDR), Draft and Final Preliminary Foundation Report (PFR), Draft Geotechnical Design Report (Town right-of-way), Draft Foundation Report for POC (Caltrans), Final Geotechnical Design Report (Town right-of-way), Final Foundation Report for POC (Caltrans).

- **Task A.7 35% PS&E** – The preliminary 35% design is intended to allow the Town, Caltrans, the community, and other stakeholders to review and comment based upon the basic design concepts early in the design process to minimize change in subsequent tasks. Plan development shall be based on the base mapping, data collection, and other determinations that are developed through the Environmental and PID and PA/ED phases. The BKF Team shall prepare the 35% design and submit to stakeholders for review and comment at community, commission, and Council meetings. Stakeholder comments shall be addressed in writing by the BKF Team prior to continuation of the design to the next level.

  For scoping purposes, the BKF Team assumes that the basic structural configuration and concept, is limited to the concrete box girder and steel truss options identified in the Feasibility Study will be the preferred bridge type over Highway 17. The preliminary 35% design will include the following:

  Preliminary Transportation Management Plan (TMP): TJKM will prepare a TMP Data Sheet to include proper cost, scope, and scheduling of the TMP activities at this early stage of development as required by the Caltrans PSR-PDS guidelines.

  Basis of Design Memorandum: The BKF Team will confirm the applicable Town, Caltrans, other applicable jurisdictional standards and guidelines to be implemented and considered for the design of the pedestrian and bicycle overcrossing. The applicable standards and criteria set for the Project design will be described and culminated in a Design Basis Memorandum.

  Preliminary Plans: The BKF Team shall refine the initial concept designs and prepare preliminary design plans (35%) for the preferred alternative based on community and Town input showing architectural and civil plans, structure elevations, sections, any artwork, lighting, and fence/railing elements, horizontal control lines, vertical profiles and super-elevations, grading and drainage, structure location and wall limits, utility impacts, and right-of-way/construction easement impacts.

  Preliminary Cost Estimates: The BKF Team shall prepare preliminary construction cost estimate for the project in accordance with Caltrans guidelines including Caltrans Bridge Memo to Designers 1-8 and Section 11 of the Caltrans Bridge Design Aids. Use Caltrans Cost Estimate form for bridge item.

  Bridge Type Selection Report: The BKF Team will analyze the structure type selection before extensive structural design work is performed and prepare a Bridge Type Selection

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Report (TSR) in accordance with Caltrans guidelines. The TSR will include a Bridge General Plan, Bridge Site Data Submittal, Foundation Plan, Construction Cost Estimate and Type Selection Memo. This work will be developed using Section 10, "Type Selection," of the Caltrans Bridge Design Aids, and Section 1-29, "Type Selection Review Meeting," of the Caltrans Bridge Memo to Designers. The BKF Team will submit the TSR for Caltrans review, and will present the proposed structure to Caltrans at a Bridge Type Selection Meeting. The BKF Team will conduct one (1) "pre-meeting planning session" teleconference with the Town. The BKF Team will finalize the TSR based on input received in the meeting. The TSR General Plan and Foundation Plan will be incorporated into the 35% Plan Submittal.

35% submittal, at a minimum, is anticipated to include the following:

- **PSR-PDS and Supporting Documents**
  - Purpose and Need
  - Geometric Approval Plans (Typicals and Horizontal and Vertical Alignments)
  - Identify Design Exceptions
  - Preliminary Drainage Report
  - PID Level Storm Water Data Report (SWDR)
  - Preliminary Transportation Management Plan (TMP)
  - Traffic Engineering Performance Assessment (TEPA) – The BKF Team assumes a formal TEPA is not required and minimal efforts to address the Traffic section in the PSR-PDS will suffice since the Project does not propose to alter traffic operations. Although a formal traffic analysis will not be required by Caltrans, BKF assumes a traffic memo to address the anticipated traffic signal modifications at West and East Roberts Road intersections will be required as part of the project scope. This analysis would be limited to Town review only and opening year operations.
  - Preliminary Geotechnical Memo and Preliminary Site Investigation
  - Biological/Cultural Records Searches
  - Preliminary Environmental Assessment Report (PEAR)
  - Construction and Support Cost Estimates
  - PID Draft Narratives/Sections
  - Administrative Draft PSR/PDS
  - Draft PSR/PDS with comments incorporated
  - Final PSR/PDS

- **PR and Supporting Documents** – For scoping purposes, the BKF Team assumes only one (1) alignment alternative and one (1) bridge type will be evaluated in the Project Report and supporting documents, which will include the following:
  - Geometric Approval Plans (Typicals and Horizontal and Vertical Alignments)
  - Design Exception Report
  - Utility Policy Exception
  - Preliminary Drainage Report
  - Storm Water Data Report (SWDR)
  - Transportation Management Plan (TMP)
  - Traffic Operations Analysis Report (TOAR) - The BKF Team assumes a formal TOAR is not required and minimal efforts to address the Traffic section in the PR will suffice since the Project does not propose to alter traffic operations. Although a formal traffic analysis will not be required by Caltrans, BKF assumes a traffic memo to address the anticipated traffic signal modifications at West and East Roberts Road intersections will be required as part of the project scope. This analysis would be limited to Town review only and opening year operations.
  - Right of Way Data Sheet (R/W Data Sheet)
  - Structures Advance Planning Study (APS)
  - Cost Estimate
  - Risk Management Plan
  - PR Draft Narrative/Sections
  - Administrative Draft Project Report
  - Updated/Finalized Supporting Documents
  - Draft Project Report with comments incorporated

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- Final Draft Project Report

- **35% PS&E** – The 35% PS&E submittal will be limited to the development of the Geometric Approval Drawings to obtain Caltrans Design approval of the Project's alignment design and features, including nonstandard design features.
  - Horizontal and vertical alignment plans
  -
  - Typical trail cross sections
  - Preliminary bridge plans (structural and architectural), typical cross sections, and details
  - Preliminary and Final Type Selection Reports
  - Preliminary retaining wall plans, details, and cross sections
  - Tree removal/Tree Protection plan
  - Independent quality control check including a review of the 35% plans and specifications for accuracy and conformance to applicable design standards and codes, constructability, and potential for value engineering/cost savings measures.

- **Task A.8 Final Design** – Based on the 35% PS&E documents and resolved comments, and following Caltrans approval of the PA/ED, the BKF Team will prepare the PS&E for the 65%, 95% and Final 100% submittals. PS&E shall be submitted to the Town of Los Gatos - Parks and Public Works Department at 65%, 95% and 100% complete. At each submittal stage, the items listed in Task A.7 shall be completed to the appropriate level of design. At each state, 3 hard copy sets of D-size (24"x36") plans and 3 hard copy sets of B-size (11"x17") plans shall be submitted along with electronic copies prepared in PDF format. At each stage 3 hard copies of the Specifications, Special Provisions, and Cost Estimates shall be provided along with electronic copies in MS Word/Excel. After each submittal, the BKF Team will allow appropriate time frames for identified stakeholders to review the submittal and return comments. All comments provided shall be addressed in writing prior to beginning work on the following submittal.

  Based on the work from the previous 35% PS&E, and upon review and approval of the same by the Town, the BKF Team shall prepare and submit 65% design plans and updated cost estimates. The BKF Team will prepare the necessary design plan sheets for the 65% PS&E submittal, which includes the following:
  - Title Sheet, Vicinity Map, and Key Map
  - Typical Sections
  - Layout Plans
  - Profiles/Superelevations
  - Grading Plans
  - Demolition Plans
  - Drainage Plans and Profiles
  - Stormwater Management Plans and Details
  - Temporary Water Pollution Control Plans and Details
  - Utility Plans, Profiles, and Details – BKF assumes water line design work will not be required as part of this scope. BKF recognizes the San Jose Water Company (SJWC) has expressed a desire to relocate their line onto the new bridge and will coordinate with SJWC to accommodate this line on the new structure, however, all design details to include this on the structure and any specific reinforcement/attachment details will be completed by SJWC.
  - Construction Details
  - Stage Construction Plans
  - Traffic Handling Plans
  - Pavement Delineation Plans
  - Signing Plans
  - Electrical Plans and Details
  - Traffic Signal Plans and Conductor Schedules – modifications are assumed at the Roberts Road West and East intersections. BKF assumes the Town can provide existing as-built drawings for these existing traffic signals.

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- Tree Removal/Protection Plans
- Planting and Irrigation Plans

Anticipated structural design drawings include but are not limited to:

- General Plan
- Structure Plan
- Deck Contours
- Foundation Plan
- Abutment Layout and Details
- Retaining Wall Layout and Details
- Bent Layout and Details
- Typical Sections
- Girder Layout and Details
- Approach Ramp Details
- Log of Test Borings
- Project specifications, special provisions and estimates

The Structural PS&E packages will be prepared in accordance with Caltrans processes/procedures. The structural design calculations will be performed in accordance with the most current California bridge practices and the following bridge design codes and manuals:

- Caltrans Standard Plans and Specifications
- Caltrans Bridge Design and Detailing Manuals
- American Association of State Highway and Transportation Officials Load and Resistance Factor Design (AASHTO LRFD) Bridge Design Specifications
- California Amendments to the AASHTO LRFD Bridge Design Specifications
- AASHTO LRFD Guide Specifications for the Design of Pedestrian Bridges
- Caltrans Seismic Design Criteria (SDC)

The proposed design will be coordinated with anticipated projects (i.e. Senior Housing Center northeast of existing Blossom Hill Overcrossing, SJWC Water line upgrade, Public Art Program, etc) located within the Project site limits, assuming their schedule progresses on a similar timeline as the proposed project design.

BKF assumes the Town of Los Gatos will Advertise, Award, and Administer (AAA) the construction of the proposed structure. As a result, BKF will not prepare additional Caltrans documents (Quantity Sheets, Survey files, RE files, etc.) that are typically required by Caltrans when Caltrans AAA's a construction contract.

BKF's subconsultant, TJKM, will prepare a TMP report to support construction activities proposed in the PS&E phase. The TMP is a method for minimizing activity-related traffic delay and accidents by the effective application of traditional traffic handling practices and an innovative combination of public and motorist information, demand management, incident management, system management, construction strategies, alternate route, and other strategies. During the final design phase, TJKM will propose lane closures on both Highway 17 and Blossom Hill Road, if needed, to support the construction of the bike and pedestrian overcrossing structure. The TMP report will be started at 65% PS&E and will be updated accordingly during 95% PS&E, and 100% PS&E. The BKF Team assumes no substantial impacts will be created with a full closure on Highway 17 and no detour will be needed during construction in the scope of work given the scope of work assumes the construction of a cast-in-place concrete structure with falsework, or steel truss structure. As a result, an approval or formal presentation with the Caltrans District Lane Closure Review Committee (DLCRC) will not be required and design approval can occur solely with the Caltrans TMP group during design approval.

Project Specifications and Special Provisions: The BKF Team shall prepare technical specifications and special provisions for all bid items including bid alternates. Documents shall be developed in accordance with federal, state and local requirements in all subsequent final design tasks. General conditions shall follow the Town and Caltrans requirements. The BKF Team shall prepare special provisions based on Caltrans Standard

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Special Provisions, Caltrans Standard Specifications, and Town construction contract standards. Special provisions shall follow the 2018 format of the Caltrans Standard Specifications and Standard Special provisions (SSP's)

Cost Estimate: The BKF Team shall prepare an engineer's estimate of probable construction cost for 65% design using both Caltrans and the Team's professional experience. Estimate shall include construction costs that reflect current market conditions, the bid items, utility relocation costs (if any), environmental mitigation costs, and contingencies.

65% submittal shall include all plan sheets developed to a minimum 65% complete stage and shall have been reviewed by the BKF Team for quality control, and coordination and consistency between plan sheets. Specifications and Special Provisions at the 65% level shall include a complete table of contents with all special provisions necessary for the construction of the Project identified. The construction cost estimate shall be prepared and shall include an appropriate estimating contingency.

It is the BKF Team's understanding that the 65% structural submittal package that consists of structural plans and specifications, and structural calculations will be reviewed by a Structural Engineer registered in the State of California and hired by the Town outside of this proposal.

BKF Team's Independent Structures Check of PS&E: As required by the Caltrans Office of Specially Funded Projects (OSFP), an independent check of the bridge design and drawings will be performed. The independent check will include independent structural calculations and independent quantities calculations and will be performed by an engineer who was not involved in the design of the bridge. The independent check will be performed concurrently with the Caltrans review of the 65% PS&E.

The BKF Team shall ensure all activities necessary to comply with regulations of the State Water Resources Control Board, including the requirements for the National Pollutant Discharge Elimination System permitting process, preparation of Project Registration Documents (PRDs) by a licensed qualified stormwater pollution prevention plan (SWPPP) developer (QSD), submittal of information to the Stormwater Multi Application Permit Tracking System (SMARTS), preparing landscape plans in accordance with Model Water Efficient Landscape Ordinance (MWELO), obtaining the WDID Project number, processing any other applicable documents, studies, waivers, and payment of all fees is addressed by the BKF Team and/or included in the construction Project specifications for completion during construction.

Once the Town receives the final 65% PS&E submittal, the BKF Team shall schedule a meeting with the Town and PDT members to review the revisions on the final 65% PS&E submittal package. Following this review session, the BKF Team shall prepare the 95% PS&E submittal. All comments from the 65% PS&E submittal review shall have been addressed.

95% submittal shall be the fully developed set of contract documents including all plans sheets, Specifications and Special Provisions, details, and other contract documents necessary for the construction of the Project. The construction cost estimate shall be finalized and shall include a 10% estimating contingency. The BKF Team will have conducted an internal quality control review of the plans, Specifications, Special Provisions, and construction cost estimate prior to submitting the 95% complete set and shall ensure that the contract documents are well coordinated, and information is consistent between all documents.

Following submission and review of the 95% submittal, The BKF Team will prepare and provide the Town with the final contract documents 100% for use in the construction bid process. All contract documents (plans, Specifications, Special Provisions, and estimates) are to be signed by the appropriately licensed professional engineer in responsible charge of the design.

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Once the Town receives the final 95% PS&E submittal, the BKF Team shall schedule a meeting with the Town and PDT members to review the revisions on the final 95% PS&E package. Following this review session, the Team shall prepare the 100% PS&E package.

The BKF Team shall also ensure that all design calculations, deliverables, and other works are independently verified to ensure accuracy. All exhibits, plans, and reports should be checked, corrected, and backed checked for accuracy and completeness prior to submitting documents to the Town and other agencies for review.

The PS&E must be approved prior to submission to Caltrans District Local Assistance. The BKF Team shall assist the Town in obtaining Caltrans approval of the Project PS&E for compliance with all applicable federal and state regulations and procedures. A preliminary "PS&E Checklist" form, included as Exhibit 12-D in Chapter 12 (Plans, Specifications & Estimate) of Caltrans' Local Assistance Procedures Manual, which summarizes the items requiring local agency compliance and identifies critical federal requirements shall be prepared by the BKF Team. With prior approval and consent from the Town, the BKF Team shall prepare the final Project PS&E Checklist, PS&E approval letter (Exhibit 12-C, LAPM Chapter 12), and preliminary estimate to be submitted to the Caltrans District Local Assistance Engineer (DLAE) along with a completed E-76 – "Request for Authorization" to proceed with construction.

The BKF Team shall provide an electronic copy of the final contract documents, a signed and stamped mylar copy of the final approved plans, and a hard copy of the final signed, approved, and stamped Specifications, Special Provisions, and construction cost estimate. The electronic copy of the plans shall be provided as both AutoCAD files and PDF files, and the electronic copy of the specifications and estimate shall be provided in both Microsoft Word/Excel format and PDF format. Town of Los Gatos - Parks and Public Works Department will be responsible for making copies of contract documents and will distribute to plan rooms and contractors in advance of the bid phase.

Deliverables: Plans, Specifications, Special Provisions, and estimates for Town review at 35%, 65%, 95% design stages; final contract documents, SWPPP, WDID Project number

Right of Way, Utility and ADA Certifications – BKF assumes that temporary and permanent right of way will not be required for the Project. The BKF Team shall verify and prepare the appropriate Right of Way, Utility, and ADA certifications to advance the Project to the construction phase using procedures outlined in the Caltrans Local Assistance Procedures Manual. All property lines are to be shown on the design and construction documents.

Deliverables:Utility Clearance, Right of Way and ADA Certifications

- **Task A.9 Construction Phase Authorization** – The BKF Team shall assist the Town in the preparation of the Request for Authorization to advance Project to Construction using procedures outlined in the Caltrans Local Assistance Procedures Manual and shall complete any items necessary to obtain authorization for the Town to proceed with construction.

*Deliverables: Caltrans Encroachment Permit, Authorization from Caltrans to proceed with construction (E-*76)

PHASE II – CONSTRUCTION SUPPORT SERVICES (FUTURE SCOPE OF SERVICES):

As part of Phase II, the BKF Team will provide design support services to the Town during construction of the Project as noted below. The scope of work outlined below assumes the Town will advertise, award, and administer (AAA) construction of the project.

- **Task B.1 Project Management**
  The BKF Team will provide all the necessary Project coordination, administration, management and interfacing with the Town, Caltrans, and other internal/external stakeholders to achieve Project objective. The BKF Team shall proactively provide direction

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to the Town regarding the Project tasks necessary to deliver the federally funded Project consistent with Caltrans permitting requirements and federal reimbursement requirements. The BKF Team will be responsible for Project management activities throughout the life of the contract. The scope of these activities includes, but is not limited to,

- provide, distribute, and maintain contact information for all Project team members
- coordinate and schedule meetings/conference calls as needed
- prepare and distribute meeting minutes
- itemize, track, and pursue all Project action items to completion
- develop and maintain the Project schedule, report on Project progress
- supervise, coordinate, and monitor the construction for conformance with permit requirements from Caltrans, VTA, and utility companies
- conduct field reviews as needed,
- prepare all submissions for the Town's submittal to Caltrans
- provide internal quality control checks and document quality control actions conducted for the Project
- conduct cross-checking to avoid potential conflicts between various subconsultant's work
- develop Project filing and record keeping system for Project files for a period of 5 years
- develop a list of Project stakeholders for coordination during Project design
- provide the Town with required documents required for compliance with the Measure B funding Agreement between the Town and VTA, Including but not limited to progress reports, reimbursement forms, etc.)
- provide monthly Project updates for posting on the Project page of the Town's website

Deliverables: Meeting minutes, schedule, progress reports, action item logs, tracking spreadsheets, Caltrans submissions and other items resulting from the BKF Team's Project management duties

- **Task B.2 Bid Support Services** –The BKF Team shall respond in writing to questions that arise during the bid phase and shall prepare addendums, if necessary, which will be distributed by the Town of Los Gatos - Parks and Public Works Department. Each addendum shall also address cost implications to the Project construction cost estimate. The BKF Team shall prepare written responses to questions received and addenda in a format that can be easily posted to the Towns website. Following completion of bid stage, The BKF Team shall incorporate any addenda into the final contract documents and shall prepare the final "Conformed Contract Documents". The BKF Team shall provide an electronic copy of the final Conformed Contract Documents, a signed and stamped mylar copy of the final conformed plans, and a hard copy of the final signed, approved, and stamped conformed Specifications, Special Provisions, and cost estimate. The electronic copy of the plans shall be provided as both AutoCAD files and PDF files, and the electronic copy of the specifications and estimate shall be provided in both Microsoft Word/Excel format and PDF format.

- **Task B.3 Construction Support Services –** The BKF Team shall be prepared to provide the following construction support services:
  - Review of submittals and shop drawings for compliance with Contract Documents
  - Review and response to Requests for Information, Requests for Change Orders, Quotes from Contractor
  - Review of Contract Change Orders
  - Review and tracking of results from materials testing for conformation to Contract Documents
  - Field review and geotechnical monitoring during bridge installation
  - Structural review and field monitoring during bridge installation
  - Prepare design modifications if necessary due to unforeseen conditions

Assumptions:

1. The BKF Team assumes a formal Traffic Engineering Performance Assessment (TEPA) will not be needed for PSR/PDS phase.
2. It is assumed that a formal Traffic Operation Report (TOAR) will not be needed for

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PA/ED phase. In the event that lane modifications are needed to accommodate the new pathway where roadway widths are constrained, the BKF Team will analyze intersection delay/level of service for two intersections of Blossom Hill Road/Roberts Road West/Vasona Park Road and Blossom Hill Road/Roberts Road East in the Town of Los Gatos with and without project (up to one build alternative) for existing conditions. Travel demand forecasting and future analysis are NOT included in this scope and fee under this task. If a more comprehensive TOAR is required, additional work will be required warranting a fee amendment.

3. PS&E Submittals will be provided at 35%, 65%, 95%, and 100% completion levels. Agency reviews are limited to one round of comments consolidated to one set of redline plan, specification and estimate redline comments per agency. BKF understands minor comments may be received outside of these formal reviews and will do its best to incorporate comments into the noted completion levels when reasonable. Substantial comments not received within reasonable timeframes will be evaluated on a case-by-case basis with the Town as they may require additional efforts not identified within this proposal. Project Reports will be limited to one draft and one final version of each report.
4. For planning and budgeting purposes the 35% and Final design scope of services have been estimated assuming the basic structural configuration and concept outlined in the conceptual Study for a concrete and structural steel truss bridge option. These design scope will be reviewed with the Town at the completion of Task A.6 to ensure that all required design services are adequately addressed.
5. The Construction Support Services scope will be reviewed with the Town at the completion of Final Design to ensure that all required services are adequately addressed.
6. Formal Caltrans Value Engineering services will not be required since the project is projected to be less than the $40 million per bridge project threshold.
7. The Town will assign a Resident Engineer (RE) to the project that will be responsible for day to day oversight of the Town's Contractor and all inspections required by the Project Documents. It is assumed that the Town RE will have all of the necessary experience, expertise and authority to manage the day to day oversight of the project, coordinate with outside agencies (such as Caltrans, County, Utilities, etc.) and to perform all necessary inspections and shop drawing reviews not otherwise identified as being performed by the Design Team.
8. In addition to the quality assurance and control measures required as part of this scope, BKF Team recommends that the Town retain their RE prior to completion of the 95% PS&E submittal and that the Town RE perform a constructability, bidability, and cost verification of the 95% plans, specifications, and estimates.
9. Structural construction support work is limited to major items of work only as outlined herein. Minor and construction management and administration elements will be reviewed by the Town RE.
10. All correspondence, shop drawing submittals and RFIs for Design Team review will be routed and coordinated through the RE to BKF and then BCA.
11. As outlined in the Caltrans Standard Specification requirements, shop drawing reviews are provided for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details such as dimensions and quantities or for substantiating instructions for installation or performance of equipment or systems designed by the Contractor all of which remain the responsibility of the Contractor to the extent required by the Contract Documents. The BKF Team review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the BKF Team, of construction means, methods, techniques, sequences or procedures. The BKF Team's review of a specific item shall not indicate approval of an assembly of which the item is a component. The contract documents prepared by BKF will clearly identify the Contractor's responsibilities in these areas.
12. Record Drawings will be prepared from one consolidated master mark-up set of Town RE red line comments provided to the BKF Team by the Town RE. Record Drawings will be prepared per project drafting standards in AutoCad format and it is assumed that Caltrans will not require transition of Record Drawings into Microstation format.
13. Construction staking, construction inspection, and post-construction survey of the

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proposed improvements are excluded from this proposal.

14. Phase I shall be completed within a reasonable timeframe. Following the notice to proceed, the assumed timeframe for completing Phase I scope as outlined within the proposal is approximately 40 months (Preliminary Engineering/Environmental Approval – 24 months; Final Design – 12 months; Construction Phase Authorization – 4 months). Key milestones and their approximate durations are further outlined below:
    a. Task 5 Environmental Studies and Documentation – 16 months
    b. Task 7 Preliminary Design - 35% PS&E Submittal – 24 months
        i. PSR-PDS – 10 months
        ii. PR – 14 months
    c. Task 8 Final Design – 12 months
        i. 65% PS&E – 6 months
        ii. 95% PS&E – 4 months
        iii. 100% PS&E – 2 months
    d. Task 9 Construction Phase Authorization – 4 months

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EXHIBIT B - COST PROPOSAL

Highway 17 Bicycle and Pedestrian Overcrossing Project

BKF Engineers, 5/6/2021

Phase I - Engineering Design Services and Environmental Approval	**TOTAL NOT TO EXCEED**
Task A.1 Project Management and Administration	$ 176,115
Task A.2 Data Collection and Review	$ 57,281
Task A.3 Surveying and Base Mapping	$ 119,790
Task A.4 Stakeholder Coordination and Project Permits	$ 453,756
Task A.5 Environmental Studies and Documentation - CEQA and NEPA	$ 138,883
Task A.6 Geotechnical Engineering	$ 202,215
Task A.7 Preliminary Design - 35% PS&E Submittal	$ 655,460
Task A.8 Final Design	$ 1,146,561
Task A.9 Construction Phase Authorization	$ 49,939
Total Not To Exceed	**$ 3,000,000**
Phase II - Construction Support - (FUTURE SCOPE OF SERVICES)	
Task B.1 Project Management and Administration	*$ 192,013*
Task B.2 Bidding Phase	*$ 37,545*
Task B.3 Additional Reports and Services	*$ 482,426*
Total	*$ 711,984*

Phase I Assumptions:

1. Town will be the CEQA Lead Agency.
2. Scope does not identify any community or public hearing meetings for environmental process.
3. No ABC Mapping Process will be required.
4. Utility Potholing budget identified is an allowance; potholing fees exceeding this balance will be reimbursed by the Town.
5. Permit Application and Filing Fees will be borne by the Town.
6. Town will hire a firm to perform the structural independent check.
7. PG&E and CPUC Encroachment Processing is not required.
8. All proposed project improvements are located within the public right of way.
9. Town will provide Title Reports if required.
10. Town will administer the construction contract; Caltrans will not RTL the project and thus DOE review not required.
11. A three year project schedule has been assumed for the Preliminary Engineering, Environmental Approval and Final Design Phase.
12. Design effort is based on a concrete or steel structure within the Caltrans right of way.
13. 401/404 Regulatory Permits are not required.
14. Only one round of comment response will be received from each agency at each milestone submittal. BKF understands minor comments may be received outside of these formal reviews and will do its best to incorporate comments into the noted design completion levels when reasonable. Substantial comments not received within reasonable timeframes will be evaluated on a case-by-case basis with the Town as they may require additional efforts not identified within this scope of services.
15. There will only be one iteration on the 100% PS&E package, which will serve as the Final PS&E package

Phase II Assumptions:

1. Construction Support Services are provided for reference only. Future construction support services will be negotiated following completion of design and are not a part of the current contract scope of services..

2. The estimated effort for Design Services During Construction is an estimated allowance only and will depend on final design of the bridge and project improvements.

3. Construction Inspection services are excluded. BKF assumes the Town will hire a Resident Engineer to administer construction and inspection.

4. Contractor will provide red lined mark-ups for as-built record drawings

5. A one and half year construction schedule has been assumed for Construction.

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ITEM NO. 4.

Reset Form

EXHIBIT 10-02 CONSULTANT CONTRACT DBE COMMITMENT

1. Local Agency: Town of Los Gatos
2. Contract DBE Goal: 1"'2"""----------
3. Highway 17 Bicycle and Pedestrian Overcrossing Project
4. Project Location: T,..ow=n,.of,.,_,L.,o,.sc,G..,a..,to"'s.
5. Consultant's Name: ...B"'K"-F .E"'n"g"in"e"er"s
6. Prime Certified DBE: No
7. Total Contract Award Amount: $3,000,000
8. Total Dollar Amount for & Subconsultants: $1,-34 0~·=0~16 ----
9. Total Number of & Subconsultants: 8 Tier 1 Subs (+1 QDC Subs)

7D.escription of Work. Service. or Materials Supplied	8. DBE Certification Number	9. DBE Contact Information	10. DBE$
Environmental Engineering- CEQA/NEPA	VTA #38205	Akoni Danielsen - David J. Powers & Associates, Inc, 1871 The Alameda, Ste 200, CA 95126	$97,227.73
Geotechnical Engineering Services	20259	Gary Parkh - Parikh Consultants Inc, 1497 N Milpitas Blvd., Milpitas, CA 95035	$198,986.89
Traffic Engineering	40772	Nayan Amin - TJKM TransQortation Consultants, 2055 Gateway Pl #400, Sann Jose, CA 95110	$62,926.53
Traffic Control	38321	Kellie Avila - Avila Traffic Safety, 8365 El camino Real, Atascadero, CA 93422	$4,000.00
local Agency to Complete this Section		**11. TOTAL CLAIMED DBE PARTICIPATION**	**$363,141.15**

17. Local Agency Contract Number: t•J-B'I'O- vf.303
18. Federal-Aid Project Number:
19. Proposed Contract Execution Date: A- e / i / ilP, 2-02-J
20. Consultant's Ranking after Evaluation:

Local Agency certifies that all DBE certifications are valid a11d i11fun11ati0r1m1 this fom, is complete and accurate.'

IMPORTANT: Identify all DBE firms being claimed for cred . regardless of tier. Written confirmation of each listed DBE is required.

12. Preparers Signature
13. Date: 01/14/2021
14. Preparer's Name
15. Phone: 408-467-1932
16.Pr<;,ti } \e mf.'

N tallna B rdi 408-467-1932

Principal and Vice President

ADA Notice: For individuals with sensory disabilities, this document is available in alternate formats. For information call {916) 654-6410 or TDD {916) 654- 3880 or write Records and Forms Management, 1120 N Street, MS-89, Sacramento, CA 95814.

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Exhibit B

First Amendment

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FIRST AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES

This FIRST AMENDMENT TO AGREEMENT FOR CONSULTANT SERVICES is dated for identification this 20th day of February 2024 and amends that certain AGREEMENT FOR CONSULTANT SERVICES FOR THE HIGHWAY 17 BICYCLE AND PEDESTRIAN OVERCROSSING PROJECT #19-818-0803, dated May 20, 2021, made by and between the Town of Los Gatos, ("Town,") and BKF Engineers Inc. (“CONSULTANT”) identified as a C Corporation and whose address is 2100 Franklin Street, Suite 4C, Oakland, CA 94612.

RECITALS

A. Town and CONSULTANT entered into an agreement for Consultant Services on May 20, 2021 (“Agreement”), a copy of which is attached hereto and incorporated by reference as Exhibit A to this Amendment.

B. Town desires to amend the Agreement to add to the scope of work to include grant writing services for construction phase grant applications for the Highway 17 Bicycle/Pedestrian Overcrossing Project.

AMENDMENT

1. ARTICLE II STATEMENT OF WORK is amended to ADD the following text:

   Consultant shall provide services as described in that certain Proposal dated January 17, 2024, which is hereby incorporated by reference and attached hereto as Exhibit B.

2. ARTICLE V ALLOWABLE COSTS AND PAYMENTS, PART E. is amended to read as follows:

   The total amount payable by LOCAL AGENCY for PHASE I shall not exceed $3,048,735. The original not-to-exceed amount of the agreement of $3,000,000 was increased by $48,735 as compensation for the First Amendment.

3. All other terms and conditions of the Agreement remain in full force and effect.

Exhibit A Agreement for Consulting Services for the Highway 17 Bicycle and Pedestrian Overcrossing Project #19-818-0803 dated May 20, 2021

Exhibit B Proposal by BKF for Grant Writing Services for ATP and SS4A Grant Applications dated January 17, 2024

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IN WITNESS WHEREOF, the Town and CONSULTANT have executed this Amendment.

Town of Los Gatos, by:

DocuSigned by:
Laurel Prevetti 3/1/2024
853FEEA2EB39470...
Laurel Prevetti
Town Manager

CONSULTANT, by:

DocuSigned by:
Jaggi Bhandal 2/26/2024
7D73EF7F8023420...
Jaggi Bhandal, Vice President, BKF

Department Approval:

DocuSigned by:
Nicolle Burnham 2/26/2024
0E9703134964463...
Nicolle Burnham
Director of Parks and Public Works

Approved as to Form:

DocuSigned by:
Gabrielle Whelan 2/29/2024
EFD0738A5534428...
Gabrielle Whelan
Town Attorney

Attest:

DocuSigned by:
Wendy Wood 3/1/2024
BF6EBCBE2C214F8...
Wendy Wood, CMC
Town Clerk

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Exhibit C

Proposal for Additional Environmental Services

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BKF No. 20202120
May 9, 2024

Sean Rose
Special Projects Manager
41 Miles Avenue
Los Gatos, CA 95030
Transmitted Via Email

Subject: Revised Environmental Studies for Pathway Realignment Highway 17 Bicycle and Pedestrian Bridge Structure

Dear Mr. Rose:

BKF Engineers welcomes the opportunity to submit this proposal for civil engineering design services for the Highway 17 Bicycle and Pedestrian Bridge Project (Project). Based on our recent coordination with the Town of Los Gatos (Town), there is a desire to revise the current design to eliminate or minimize the proposed retaining wall located adjacent to the Blossom Hill Road, east of Highway 17. BKF proposes to incorporate the Town's comments by realigning the proposed pathway and creating a greater separation to the roadway, which will provide several aesthetic opportunities and improve user experience along the proposed pathway.

To incorporate these revisions, the BKF Team will need to revisit several environmental technical studies associated with the realignment revision. After coordinating with Caltrans Project Management and Environmental groups, the following efforts will be required to update studies and complete the project's NEPA clearance document:

Task	Cost
DJP&A project management to coordinate with Caltrans, Town, design team, and their subconsultants to revise and finalize the Visual Impact Assessment (VIA), Archaeological Survey Report (ASR) and Historic Properties Survey Report (HPSR), and Natural Environment Study – Minimal Impacts (NES-MI).	$20,000
Revise and finalize the Tree Removal Plans to capture additional impacts (4 weeks).	$2,500
The team will update the current visual simulations to include the realigned pathway from the easterly approach view. Earthview Science to revise and finalize the VIA based on the updated simulations and project plans (4 weeks).	$10,000
Archaeological/Historic Consultants to revise and finalize the ASR/HPSR based on updated project plans (3 weeks).	$2,500
H.T. Harvey & Associates, Inc. to revise and finalize the NES-MI based on the updated project plans and disturbance area including tree removal (2 weeks).	$4,000
TOTAL	**$39,000**

BKF ENGINEERS
1730 N. First Street, Suite 600, San Jose, CA 95112 | 408.467.9100

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Per our discussions with Caltrans, we assume modifications to the all project documents outside of those noted will not be required based on current Caltrans approvals. Specifically, we assume the currently approved PIR-PER and Vibration Studies Memo will not be required.

BKF proposes to provide the work described herein and the enclosed fee summary for an estimated fee not to exceed $39,000. Should any additional services be requested or required which are not included in our Scope of Work above, we will complete our one-page Contract Addendum and forward it to you for approval and processing prior to executing any additional work task. All fees, including our base services and additional work, shall be paid on a time and material basis. The fees noted do not include markup for any subconsultants.

Thank you for the opportunity to present this proposal. We look forward to assisting in the continued development of this project. Please contact me at 925-396-7700 if you have any questions regarding the additional scope of services.

Respectfully,
BKF Engineers

Jaggi Bhandal, P.E.
Senior Associate Principal/Vice President

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 5

DATE: December 1, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Authorize the Town Manager to Execute an Agreement for Services with SSS Fire Protection, Inc. for Fire Sprinkler and Fire Suppression System Inspection, Testing, Maintenance, and Certification in an amount not to exceed $134,845 and term ending June 30, 2031**

RECOMMENDATION: Authorize the Town Manager to execute an agreement for services with SSS Fire Protection, Inc. for fire sprinkler and fire suppression system inspection, testing, maintenance, and applicable certification services in an amount not to exceed $134,845 and term ending June 30, 2031, consisting of $114,845 for scheduled service and up to $20,000 for unforeseen services

FISCAL IMPACT:

The proposed agreement has a stated scheduled service amount of $114,845 and includes up to $20,000 for unforeseen maintenance and corrective services, for a total proposed not-to-exceed amount of $134,845 and term ending June 30, 2031. The pricing schedule provided with the scope lists annual totals of $22,800 for Year 1, $26,740 for Year 2, $27,547 for Year 3, $28,911 for Year 4, and $28,847 for Year 5, totaling $134,845 inclusive of the annual unforeseen maintenance allowances.

The FY 2026-27 contract amount is $22,800, including a $4,000 allowance for unforeseen services. Sufficient appropriation is available in the Town's Adopted FY 2026-27 Operating Budget Parks and Public Works Facilities Maintenance Program and no additional appropriation or budget adjustment is required. Future fiscal year funding is subject to Town Council approval of operating budget appropriations made during the Town's annual budget process. Expenditures are subject to available appropriations in the applicable Town budgets.

PREPARED BY: Nick Turner
Fleet & Facilities Operations Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, Administrative Services Director, and Parks and Public Works Director

SUBJECT: Authorize the Town Manager to Execute an Agreement for Services with SSS Fire Protection, Inc. for Fire Sprinkler and Fire Suppression System Inspection, Testing, Maintenance, and Certification

DATE: December 1, 2026

STRATEGIC PRIORITY:

This item is not related to a strategic priority; however, it supports the Town's Core Goals of Quality Public Infrastructure and Community Character by maintaining fire sprinkler and fire suppression systems at Town facilities in operational condition and supporting compliance with applicable inspection and testing requirements.

BACKGROUND:

The Town of Los Gatos contracts for inspection, testing, maintenance, and applicable certification of fire sprinkler and fire suppression systems at Town facilities. These services help identify system deficiencies, support operational readiness, and maintain inspection and certification records in accordance with applicable requirements.

On April 15, 2026, Parks and Public Works (PPW) published a Request for Proposals (RFP) for Fire Sprinkler System Maintenance and Inspection. The RFP closed on May 5, 2026. A total of 415 vendors reviewed the proposal, and 21 downloaded it for further consideration. The Town entered into a three-year agreement with the highest rated proposer, Community Fire Protection, with a commencement date of July 1, 2026. SSS Fire Protection was rated the second highest proposer, behind Community Fire Protection. On September 30, 2026, the Town received an automated message from Community Fire Protection stating that the entity had ceased operations and was in the process of closing. On October 2, 2026, the Town sent Community Fire Protection a Notice of Termination based on the received closure notice. The Notice of Termination identified October 16, 2026, as the contract termination date.

DISCUSSION:

Following termination of the agreement with the initially selected proposer, staff contacted the second highest-rated proposer from the competitive RFP process in accordance with Section 4.2 of the Request for Proposals. SSS Fire Protection agreed to honor its proposed pricing for the revised scope and term. The proposed award is consistent with the Town's purchasing requirements.

Consistent with the original bidding of the work, the proposed scope includes quarterly, semi-annual, annual, and inspections, testing, maintenance, and applicable certification for sprinkler, pre-action, clean-agent, Halon, and dry-chemical fire suppression systems, as applicable to each facility. Services will be performed at the Civic Center, Library, Adult Recreation Center, Police Operations Center, Parking Garage, and Corporation Yard. The scope specifically includes semi-annual dry-chemical inspections at the Corporation Yard and semi-annual inspections of applicable Halon systems.

SSS Fire Protection will coordinate schedules with Town staff, provide inspection and testing reports, document deficiencies, and immediately notify the Town of critical deficiencies that may affect system operation or fire protection. Repairs, recharging, component replacement, and other corrective work outside the authorized scope require prior written approval by the Town. The agreement is proposed to provide continuity of inspection and maintenance services and support the Town's ongoing fire and life-safety responsibilities.

Staff recommend the agreement to provide continuity of service. The original agreement was for three years, plus two one-year extensions.

CONCLUSION:

Staff recommends that the Town Council authorize the Town Manager to execute an agreement for services with SSS Fire Protection for fire sprinkler and fire suppression system inspection, testing, maintenance, and applicable certification.

COORDINATION:

This staff report was worked on in coordination with the Finance Department.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:
1. Agreement for Services – SSS Fire Protection Inc.

AGREEMENT FOR SERVICES

Fire Sprinkler and Suppression System Inspection and Maintenance

PREAMBLE

THIS AGREEMENT is by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and SSS Fire Protection ("Contractor"), a Corporation and whose address is 1716 Stone Ave, Suite G, San Jose, CA 95125. This Agreement is made with reference to the following facts.

I. RECITALS

A. Town conducted a competitive selection process for services described in this Agreement and desired to engage contractor following termination of an agreement with the initially selected vendor.

B. Contractor represents and affirms that it is willing to perform the desired work pursuant to this Agreement.

C. Town desires to engage Contractor to provide inspection, testing, maintenance and certification services for the Town's fire sprinkler and fire suppression systems.

D. Contractor warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Contractor acknowledges Town has relied upon these warranties to retain the Contractor.

II. AGREEMENT

A. Scope of Services. Contractor shall provide services as described in the Scope of Services, which is hereby incorporated by reference and attached as Exhibit A.

B. Term. The term of this Agreement shall be from execution to Monday, June 30, 2031.

C. Compliance with Laws. The Contractor shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Contractor represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for the Contractor to practice its profession. Contractor shall maintain a Town of Los Gatos business license as required in Chapter 14 of the Code of the Town of Los Gatos.

D. Sole Responsibility. Contractor shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.

E. Information/Report Handling. All documents furnished to the Contractor by the Town and all reports and supportive data prepared by the Contractor under this Agreement are the Town's property and shall be delivered to the Town upon the completion of services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by the Contractor in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Contractor shall not make any of these documents or information available to any individual or organization not employed by the Contractor or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Contractor pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Contractor in connection with other projects shall be solely at Town's risk, unless Contractor expressly

consents to such use in writing. Town further agrees that it will not appropriate any methodology or t of Contractor which is and has been confirmed in writing by Contractor to be a trade secret of the Contractor.

F. Compensation: Compensation for services at the rates set forth in Exhibit A and in the amount **not to exceed $134,845.00**, inclusive of all costs subject to appropriation of funds, notwithstanding any other provision in this agreement. Payment shall be based upon Town approval of each task.The unforeseen maintenance allowance per year is not guaranteed compensation and may be invoiced only for services authorized in writing by the Town. Unused allowance shall not be payable to the Contractor.

G. Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.
Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:
Invoices: Town of Los Gatos
Attn: Accounts Payable
P.O. Box 655
Los Gatos, CA 95031-0655
Email (preferred): AP@losgatosca.gov

H. Availability of Records. Contractor shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Contractor shall make these records available to authorized personnel of the Town at the Contractor offices during business hours upon written request of the Town.

I. Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Contractor. No portion of these services shall be assigned or subcontracted without the written consent of the Town.

J. Independent Contractor. It is understood that the Contractor, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Contractor may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Contractor agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Contractor shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Contractor or is based on allegations of Contractor's negligent performance or wrongdoing.

K. Conflict of Interest. Contractor understands that its professional responsibilities are solely to the Town. The Contractor has and shall not obtain any holding or interest within the Town of Los Gatos. Contractor has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives, nor shall it enter into any such holdings or agreements. In addition, the Contractor warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the

subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it has done so and shall, at the Town's sole discretion, divest itself of such interest. Contractor shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person Contractor discovers it has employed a person with a direct or indirect interest that would conflict with its performance of this Agreement, Contractor shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.

L. Non-Discrimination. Contractor warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither the Contractor nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

III. INSURANCE AND INDEMNIFICATION

A. Minimum Scope of Insurance:

1. Contractor agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: two million dollars ($2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

2. Contractor agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars ($1,000,000) combined single limit per accident for bodily injury and property damage.

3. Contractor shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Contractor agrees that all certificates and endorsements are to be received and approved by the Town before work commences.

B. General Liability:

1. The Town, its elected and appointed officials, employees, and agents are to be covered as additional insured as respects: liability arising out of activities performed by or on behalf of the Contractor; products and completed operations of the Contractor, premises owned or used by the Contractor.

2. The Contractor's insurance coverage shall be primary insurance as respects the Town, its elected and appointed officials, employees, and agents. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or agents shall be excess of the Contractor's insurance and shall not contribute with it.

3. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or agents.

4. The Contractor's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

C. All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage sha suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

D. Workers' Compensation. In addition to these policies, Contractor shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Contractor shall ensure that all subcontractors employed by Contractor provide the required Workers' Compensation insurance for their respective employees as required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than one million dollars ($1,000,000) per accident for bodily injury or disease.

E. Indemnification. The Contractor shall indemnify the Town its elected and appointed officials, employees and agents from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by any act or omissions of the Contractor, or any of the Contractor's officers, employees, or agents or any subcontractor. Contractor shall defend the Town against any such claims.

IV. GENERAL TERMS

A. Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.

B. Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.

C. Mediation. Should any dispute arise out of this Agreement, any party may request that it be submitted to mediation. The parties shall meet in mediation within 30 days of a request. The mediator shall be agreed to by the mediating parties. In the absence of an agreement, the parties shall each submit one name from mediators listed by either the American Arbitration Association, the California State Board of Mediation and Conciliation, or other agreed-upon service. The mediator shall be selected by a blind draw. The cost of mediation shall be borne equally by the parties. Neither party shall be deemed the prevailing party. No party shall be permitted to file a legal action without first meeting in mediation and making a good faith attempt to reach a mediated settlement. The mediation process, once commenced by a meeting with the mediator, shall last until agreement is reached by the parties but not more than 60 days, unless the maximum time is extended by the parties.

D. Termination of Agreement. The Town and the Contractor shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Contractor shall deliver to the Town all plans, files, documents, reports, performed to date by the Contractor. In the event of such termination, Town shall pay Contractor an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.

E. Prevailing Wages. This project is subject to the requirements of Section 1720 et seq. of the California Code requiring the payment of prevailing wages, the training of apprentices and compliance with other applicable requirements. Contractors and all subcontractors who perform work on the project are required to comply with these requirements. Prevailing wages apply to all projects over $1,000 which are defined as a "public work" by the State of California. This includes: construction, demolition, repair, alteration, maintenance and the installation of photovoltaic systems under a Power Purchase Agreement when certain conditions are met under Labor Code Section 1720.6. This include service and warranty work on public buildings and structures.

1. The applicable California prevailing wage rate can be found at www.dir.ca.gov and are on file with the Town of Los Gatos Parks and Public Works Department, which shall be available to any interested party upon request. The contractor is also required to have a copy of the applicable wage determination posted and/or available at each jobsite.

2. Specifically, contractors are reminded of the need for compliance with Labor Code Section 1774-1775 (the payment of prevailing wages and documentation of such), Section 1776 (the keeping and submission of accurate certified payrolls) and 1777.5 in the employment of apprentices on public works projects. Further, overtime, weekend and holiday pay, and shift pay must be paid pursuant to applicable Labor Code section.

3. The public entity for which work is being performed or the California Department of Industrial Relations may impose penalties upon contractors and subcontractors for failure to comply with prevailing wage requirements. These penalties are up to $200 per day per worker for each wage violations identified; $100 per day per worker for failure to provide the required paperwork and documentation requested within a 10-day window; and $25 per day per worker for any overtime violation.

4. As a condition to receiving progress payments, final payment and payment of retention on any and all projects on which the payment of prevailing wages is required, the contractor agrees to present to the TOWN, along with its request for payment, all applicable and necessary certified payrolls (for itself and all applicable subcontractors) for the time period covering such payment request. The term "certified payroll" shall include all required documentation to comply with the mandates set forth in Labor Code Section 1720 et seq, as well as any additional documentation requested by the Agency or its designee including, but not limited to: certified payroll, fringe benefit statements and backup documentation such as monthly benefit statements, employee timecards, copies of wage statements and cancelled checks, proof of training contributions (CAC2 if applicable), and apprenticeship forms such as DAS-140 and DAS-142.

5. In addition to submitting the certified payrolls and related documentation to the TOWN, the contractor and all subcontractors shall be required to submit certified payroll and related documents electronically to the California Department of Industrial Relations. Failure to submit payrolls to the DIR when mandated by the project parameters shall also result in the withholding of progress, retention and final payment.

6. No contractor or subcontractor may be listed on a bid proposal for a public works project unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5 [with limited exceptions from this requirement for bid purposes only under Labor Code section 1771.1(a)].
No contractor or subcontractor may be awarded a contract for public work on a public works project, unless registered with the Department of Industrial Relations pursuant to Labor Code section 1725.5. Contractors

MUST be a registered "public works contractor" with the DIR AT THE TIME OF BID. Where the prin is less than $15,000 for maintenance work or less than $25,000 for construction alternation, demolition or repair work, registration is not required.

7. Should any contractor or subcontractors not be a registered public works contractor and perform work on the project, Contractor agrees to fully indemnify the TOWN for any fines assessed by the California Department of Industrial Relations against the TOWN for such violation, including all staff costs and attorney's fee relating to such fine.
   The TOWN shall withhold any portion of a payment; including the entire payment amount, until certified payroll forms and related documentation are properly submitted, reviewed and found to be in full compliance. In the event that certified payroll forms do not comply with the requirements of Labor Code Section 1720 et seq., the TOWN may continue to hold sufficient funds to cover estimated wages and penalties under the contract.

F. Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Contractor.

G. Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed postage prepaid, and addressed to:
   Town of Los Gatos
   Attn: Town Clerk
   110 E. Main Street, Los Gatos, CA 95030

   SSS Fire Protection
   1716 Stone Ave, Suite G, San Jose, CA 95125
   Attn: Shannon Sines, Owner
   or personally delivered to the Contractor to such address or such other address as Contractor designates in writing to Town.

H. Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.

I. Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and the Contractor. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

Attachments:

A - Scope of Services

IN WITNESS WHEREOF, the Town and the Contractor have executed this Agreement.

TOWN OF LOS GATOS:

SIGNATURE

Chris Constantin

FULL NAME

Town Manager

TITLE

DATE SIGNED

SSS FIRE PROTECTION, INC.:

SIGNATURE

Shannon Sines

VENDOR SIGNATORY'S FULL NAME

Owner

VENDOR SIGNATORY'S TITLE

DATE SIGNED

Approved as to form:

SIGNATURE

Gabrielle Whelan

FULL NAME

Town Attorney

TITLE

DATE SIGNED

The execution date is the date on which the last party has signed.

Exhibits List

A - Scope of Services

Exhibit A

Scope of Services

SCOPE OF SERVICES

Fire Sprinkler and Fire Suppression System Inspection, Testing, Maintenance, and Certification

1. PROJECT UNDERSTANDING

The Contractor shall provide comprehensive fire sprinkler and fire suppression system inspection, testing, maintenance, and applicable certification services at designated Town of Los Gatos municipal facilities.

Services shall include quarterly, semi-annual, annual, and five-year inspections, as applicable to each system, in accordance with applicable NFPA standards, manufacturer requirements, the California Fire Code, and applicable federal, state, and local regulations.

The systems covered under this scope include sprinkler systems, pre-action systems, clean-agent systems, Halon systems, and dry-chemical fire suppression systems.

The objective of these services is to maintain fire protection systems in operational condition, identify deficiencies, support compliance with applicable codes and regulations, and provide documentation for Town records, regulatory review, and insurance purposes.

2. SERVICE LOCATIONS AND SYSTEM INVENTORY

The Contractor shall provide inspection, testing, maintenance, and applicable certification services at the following Town of Los Gatos facilities.

2.1 Civic Center

Address: 110 E. Main Street, Los Gatos, CA

- One (1) sprinkler system riser.
- Two (2) clean-agent systems.

2.2 Library

Address: 100 Villa Avenue, Los Gatos, CA

- One (1) sprinkler system riser.
- One (1) pre-action system riser.

2.3 Adult Recreation Center

Address: 208 E. Main Street, Los Gatos, CA

- One (1) sprinkler system riser.

2.4 Police Operations Center

Address: 15900 Los Gatos Boulevard, Los Gatos, CA

- Two (2) sprinkler system risers.
- One (1) pre-action system riser.
- One (1) clean-agent system.

2.5 Parking Garage

Address: 20 Grays Lane, Los Gatos, CA

- One (1) sprinkler system riser.

2.6 Corporation Yard

Address: 41 Miles Avenue, Los Gatos, CA

- One (1) sprinkler system riser.
- One (1) dry-chemical fire suppression system.

The Contractor shall verify the system inventory and applicable inspection requirements at each facility at the commencement of services. Any discrepancies between the listed inventory and existing site conditions shall be reported to the Town for review.

Semi-annual Halon inspections shall be included for applicable Halon systems installed at Town facilities. The Contractor shall verify the locations and quantities of these systems with the Town before establishing the inspection schedule. Clean-agent systems shall not be assumed to be Halon systems without confirmation.

3. SERVICE APPROACH

The Contractor shall implement a consistent inspection and maintenance program for the Town's fire protection systems. The program shall include:

- Scheduled inspections and testing in accordance with applicable inspection frequencies.
- Assignment of qualified technicians experienced in fire protection system inspection and testing.
- Documentation and tracking of identified deficiencies.
- Coordination with Town staff to minimize disruptions to facility operations.
- Immediate notification to the Town of critical deficiencies that may affect system performance or fire protection.
- Maintenance of accurate inspection records and certification documentation, as applicable.

All work shall be performed in accordance with applicable NFPA standards, the California Fire Code, manufacturer requirements, and the requirements of the Authority Having Jurisdiction (AHJ).

4. FACILITY COORDINATION AND SCHEDULING

4.1 Initial Mobilization

Upon commencement of services, the Contractor shall:

- Review available system records and previous inspection reports.
- Confirm the fire protection system inventory at each designated facility.
- Identify the applicable inspection and testing requirements for each system.
- Develop a master inspection schedule identifying required quarterly, semi-annual, annual, and five-year inspections and testing, as applicable.

4.2 Ongoing Scheduling

The Contractor shall:

- Schedule quarterly inspections in recurring cycles.
- Schedule semi-annual dry-chemical and Halon system inspections twice annually, where applicable.
- Coordinate annual inspections and testing with Town staff to minimize operational disruptions.
- Plan five-year inspections and testing in advance, considering potential impacts on facility operations and system availability.
- Provide the Town with an annual inspection schedule and advance notification of planned site visits.

The Contractor shall coordinate with Town staff before conducting tests or maintenance that may interrupt building operations or affect the availability of a fire protection system.

5. QUARTERLY SPRINKLER SYSTEM INSPECTIONS

Quarterly sprinkler system inspections shall include, at a minimum, the following items, as applicable to each system:

- Inspection of alarm valves and associated trim.
- Verification of system pressure gauges.
- Visual inspection of sprinkler heads for damage, corrosion, or obstruction.
- Inspection of fire department connections.
- Inspection of waterflow alarm devices.
- Inspection of risers, piping, and hangers.
- Verification of spare sprinkler cabinet inventory.

The Contractor shall document all deficiencies and provide recommendations for appropriate corrective actions.

6. ANNUAL INSPECTIONS AND TESTING

Annual inspections shall include operational testing and verification of system performance, as applicable to each system.

Services shall include:

- Testing of waterflow and valve tamper switches.
- Main drain testing and inspector's test.
- Inspection of control valves and verification of supervisory signals.
- Testing of alarm devices.
- Inspection and assessment of system components and condition.
- Identification and documentation of deficiencies.

The Contractor shall provide a comprehensive inspection report for each system inspected, documenting the work performed, test results, observed conditions, and identified deficiencies.

7. SEMI-ANNUAL DRY-CHEMICAL SYSTEM INSPECTIONS

The Contractor shall perform semi-annual inspections of the dry-chemical fire suppression system at the Corporation Yard, located at 41 Miles Avenue, Los Gatos, California.

Inspections shall be conducted twice annually and shall comply with applicable NFPA standards, manufacturer requirements, and regulatory requirements.

Inspections shall include, as applicable:

- Visual inspection of agent storage containers and cylinders for damage, corrosion, leakage, or other visible defects.
- Verification that cylinders and containers are properly secured and accessible.
- Inspection of system piping, hoses, discharge nozzles, and associated components for damage, obstruction, or deterioration.
- Inspection of detection devices, manual activation devices, control components, and associated wiring.
- Inspection of pressure indicators, gauges, seals, and other applicable monitoring devices.
- Verification that discharge nozzles are properly positioned and unobstructed.
- Verification that system operating instructions, identification labels, and required warning signs are present and legible.
- Review of system condition and identification of deficiencies that may affect system readiness or performance.

The Contractor shall provide a written inspection report following each semi-annual inspection. Reports shall document the inspection date, components inspected, observed conditions, deficiencies, and recommended corrective actions.

Any required repairs, recharging, replacement of components, or additional services shall be reported to the Town and shall require prior written authorization before work proceeds.

8. SEMI-ANNUAL HALON SYSTEM INSPECTIONS

The Contractor shall perform semi-annual inspections of applicable Halon fire suppression systems installed at designated Town facilities. Inspections shall be conducted twice annually and shall comply with applicable standards, manufacturer requirements, and regulatory requirements.

The Contractor shall verify the locations and quantities of Halon systems with the Town before commencing services.

Inspections shall include, as applicable:

- Visual inspection of Halon agent storage cylinders and containers for damage, corrosion, leakage, or other visible defects.
- Verification that cylinders are properly secured, accessible, and protected from damage.
- Inspection of cylinder pressure gauges and applicable weight or agent quantity indicators.
- Verification of agent quantity and cylinder condition in accordance with applicable requirements.
- Inspection of discharge piping, nozzles, hoses, and associated components for damage, obstruction, or deterioration.
- Inspection of detection devices, manual activation devices, control panels, alarms, and associated components.
- Verification that system identification labels, operating instructions, and required warning signs are present and legible.
- Review of system condition and identification of deficiencies that may affect system readiness or performance.

The Contractor shall provide a written inspection report following each semi-annual inspection. Reports shall document the inspection date, system condition, inspection findings, deficiencies, and recommended corrective actions.

Any required cylinder testing, agent recharge, component replacement, or other corrective work shall be identified and submitted to the Town for review and authorization before proceeding.

9. FIVE-YEAR INSPECTIONS AND TESTING

Five-year sprinkler system inspections and testing shall be performed in accordance with applicable NFPA 25 requirements and shall include, as applicable:

- Internal inspection of piping for obstructions, corrosion, or foreign material.
- Internal inspection of check valves.
- Inspection of fire department connections.
- Testing or replacement of gauges, as required.
- Standpipe flow testing, where applicable.
- Hydrostatic testing, where required.
- Sprinkler head sample testing, as applicable.

Upon completion, the Contractor shall provide detailed inspection reports, applicable certification documentation, and recommendations for necessary system repairs, maintenance, or upgrades.

Any additional five-year inspection or testing requirements applicable to other fire suppression systems shall be performed when required by the applicable standards, manufacturer requirements, or AHJ.

10. DEFICIENCY IDENTIFICATION AND CORRECTIVE ACTION

The Contractor shall identify, document, and communicate deficiencies based on their severity and potential impact on system performance.

Critical Deficiencies

The Contractor shall immediately notify the Town of deficiencies that may significantly impair system operation or fire protection. The Contractor shall identify the affected system, describe the deficiency, and recommend appropriate corrective action.

Non-Critical Deficiencies

The Contractor shall document non-critical deficiencies in the applicable inspection report and provide recommended corrective actions.

The Contractor shall provide written cost estimates for recommended repairs or corrective work when requested by the Town. No repair work outside the authorized scope of services shall be performed without prior written authorization from the Town.

11. REPORTING AND DOCUMENTATION

The Contractor shall provide organized documentation for all services performed, including:

- Digital inspection reports for each system and facility.
- Deficiency reports with photographs and descriptions, where applicable.
- Records of inspection and testing results.
- Five-year inspection and certification documentation, as applicable.
- Separate inspection reports for each semi-annual dry-chemical and Halon inspection.
- Summary reports upon request by the Town.

Reports shall clearly identify the facility and system inspected, the date of service, inspections and tests completed, results, deficiencies identified, and recommended corrective actions.

The Contractor shall provide applicable certification documentation and records required by the Town, insurance representatives, and the AHJ.

12. STAFFING AND QUALITY ASSURANCE

All services shall be performed by trained and qualified technicians experienced in fire sprinkler and fire suppression system inspection and testing.

The Contractor shall ensure that:

- Technicians are knowledgeable in applicable NFPA inspection and testing procedures.
- Personnel maintain required safety training and certifications, including OSHA 10 training as applicable to the work.
- Inspection reports and service documentation are reviewed for accuracy and completeness.
- Qualified personnel are assigned consistently, when practicable, to maintain familiarity with the Town's facilities and systems.

13. SAFETY AND REGULATORY COMPLIANCE

The Contractor shall perform all work safely and in compliance with applicable federal, state, and local requirements.

The Contractor shall:

- Comply with applicable Occupational Safety and Health Administration (OSHA) requirements.
- Implement appropriate lockout/tagout procedures when required.
- Coordinate inspection and testing activities with facility staff to minimize disruptions and maintain safe operating conditions.
- Comply with applicable fire codes, safety requirements, and AHJ requirements.
- Notify Town staff before conducting work that may affect building operations or fire protection system availability.

The Contractor shall coordinate with the Town regarding any system impairment resulting from inspection, testing, or maintenance activities.

14. ADDITIONAL RECOMMENDATIONS AND COMMUNICATION

As part of the inspection and maintenance program, the Contractor shall:

- Identify recurring system deficiencies and potential reliability concerns.
- Provide recommendations for improving long-term system reliability.

- Maintain responsive communication with Town staff regarding scheduling, inspection results, and corrective actions.
- Coordinate service visits and testing activities to support efficient operations across Town facilities.
- Notify the Town of any system conditions requiring further evaluation or corrective action.

Any additional services or work beyond the authorized scope shall require prior approval by the Town.

15. SCOPE CLARIFICATIONS

The Contractor shall perform only those services authorized by the Town under the applicable agreement.

The Town and Contractor shall confirm the complete system inventory, applicable inspection frequencies, and specific requirements for clean-agent, Halon, and dry-chemical systems before commencement of services.

The inclusion of a system in this scope does not authorize repairs, agent replacement, recharging, or other corrective work unless separately approved in writing by the Town.

PRICING TABLE

Year 1 (Upon Execution to June 30, 2027)

Line Item	Description	Quantity	Unit of Measure	Unit Cost	Total
1	Quarterly Sprinkler Inspection	18	Each	$350.00	$6,300.00
2	Annual Sprinkler Inspection	8	Each	$650.00	$5,200.00
3	Five-Year Sprinkler Inspection	1	Each	$1,250.00	$1,250.00
4	Semi-Annual Dry Chem Inspection	2	Each	$400.00	$800.00
5	Semi-Annual Halon Inspection	6	Each	$875.00	$5,250.00
6	Unforeseen Maintenance		-	-	$4,000.00
Year 1 Total					**$22,800.00**

Year 2 (July 1, 2027 to June 30, 2028)

Line Item	Description	Quantity	Unit of Measure	Unit Cost	Total
1	Quarterly Sprinkler Inspection	27	Each	$368.00	$9,936.00
2	Annual Sprinkler Inspection	8	Each	$683.00	$5,464.00
3	Five-Year Sprinkler Inspection	1	Each	$1,250.00	$1,250.00
4	Semi-Annual Dry Chem Inspection	2	Each	$420.00	$840.00
5	Semi-Annual Halon Inspection	6	Each	$875.00	$5,250.00
6	Unforeseen Maintenance		-	-	$4,000.00
Year 2 Total					**$26,740.00**

Year 3 (July 1, 2028 to June 30, 2029)

Line Item	Description	Quantity	Unit of Measure	Unit Cost	Total
1	Quarterly Sprinkler Inspection	27	Each	$406.00	$10,962.00
2	Annual Sprinkler Inspection	9	Each	$717.00	$6,453.00
3	Five-Year Sprinkler Inspection	0	Each	$1,250.00	$0
4	Semi-Annual Dry Chem Inspection	2	Each	$441.00	$882.00

5	Semi-Annual Halon Inspection	6	Each	$875.00	$5,250.00
6	Unforeseen Maintenance		-	-	$4,000.00
Year 3 Total					**$27,547.00**

Year 4 (July 1, 2029 to June 30, 2030)

Line Item	Description	Quantity	Unit of Measure	Unit Cost	Total
1	Quarterly Sprinkler Inspection	27	Each	$406.00	$10,962.00
2	Annual Sprinkler Inspection	7	Each	$753.00	$5,271.00
3	Five-Year Sprinkler Inspection	2	Each	$1,250.00	$2,500.00
4	Semi-Annual Dry Chem Inspection	2	Each	$464.00	$928.00
5	Semi-Annual Halon Inspection	6	Each	$875.00	$5,250.00
6	Unforeseen Maintenance		-	-	$4,000.00
Year 4 Total					**$28,911.00**

Year 5 (July 1, 2030 to June 30, 2031)

Line Item	Description	Quantity	Unit of Measure	Unit Cost	Total
1	Quarterly Sprinkler Inspection	27	Each	$426.00	$11,502.00
2	Annual Sprinkler Inspection	9	Each	$791.00	$7,119.00
3	Five-Year Sprinkler Inspection	0	Each	$1,250.00	$0
4	Semi-Annual Dry Chem Inspection	2	Each	$488.00	$976.00
5	Semi-Annual Halon Inspection	6	Each	$875.00	$5,250.00
6	Unforeseen Maintenance		-	-	$4,000.00
Year 5 Total					**$28,847.00**

Hourly Rate for Unforeseen Maintenance		
Standard Labor Rate	**Hourly Rate**	**$122.94**
Overtime Labor Rate	**Hourly Rate**	**$164.16**
Sunday/Holiday Overtime Labor Rate	**Hourly Rate**	**$205.38**

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 6

DATE: December 1, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Actions Related to the Adult Recreation Center Roof Replacement Project: Approve and Ratify Additional Work; Authorize a First Amendment to the Construction Contract; Accept the Project as Complete; and Authorize Filing of the Notice of Completion**

RECOMMENDATION: Approve and ratify additional dry rot repair work in the amount of $1,040 and authorize the Town Manager to execute the First Amendment to the Construction Contract with California Roofing Co., Inc., increasing the total contract amount from $182,440 to $183,480; accept the Adult Recreation Center Roof Replacement Project as complete; authorize the Town Manager to execute the Certificate of Acceptance and Notice of Completion; and authorize the filing of the Notice of Completion.

FISCAL IMPACT:

The recommended action increases the FY 2026-27 construction contract cost by $1,040, from $182,440 to $183,480.

The $1,040 increase represents a FY 2026-27 cost for unforeseen dry rot repairs that will be charged to the ARC Interim Community Center Project (CIP 8736) and funded by the General Fund Appropriation Reserve (GFAR). Sufficient funding is available in the Town's Adopted FY 2026-27 Capital Improvement Program Budget, and no additional appropriation or budget adjustment is required. The amendment does not create an ongoing or recurring fiscal impact.

PREPARED BY: Nick Turner
Fleet and Facilities Operations Manager

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, Administrative Services Director, and Parks and Public Works Director

STRATEGIC PRIORITY:

This item does not directly address a Strategic Priority; however, it aligns with the Town's Core Goal of Quality Public Infrastructure, which is to maintain the condition and viability of public facilities, transportation systems, and related infrastructure. The completed work ensures a safe and functional Adult Recreation Center.

BACKGROUND:

On May 21, 2026, staff released an Invitation for Bid for a roof replacement at the Adult Recreation Center. The solicited scope of work included removal and proper disposal of the existing roofing material, and the installation of a tar and gravel built-up roof, meeting the installation requirements and materials that meet appropriate building codes.

The Bid Opening was on June 4, 2026 with California Roofing Co., Inc. (the Contractor) as the apparent low bidder. On June 16, 2026, the Town Council authorized the Town Manager to execute a Construction Contract with California Roofing Co., Inc. in an amount not to exceed $182,440 for the Adult Recreation Center Roof Replacement Project. (Attachment 2) No contingency amount was included.

DISCUSSION:

During removal of the roofing materials, California Roofing Co., Inc. encountered previously concealed dry rot and deterioration that could not reasonably have been identified prior to removal of the roof assembly. The dry rot had to be addressed before installation of the new roofing system. Repairing the affected areas provided a sound substrate for the new roof and will help prevent further deterioration of the building. The unforeseen condition was not included in the original construction scope.

Following discovery of the concealed dry rot, Town staff reviewed the contractor's proposed repair cost of $1,040. After conferring with the Town Engineer, staff authorized the contractor to proceed with the repairs on September 2, 2026 to avoid delaying completion of the roof replacement project. Because the additional work was outside the original contract amount and no contingency was included in the award, staff is now requesting Council authorization to amend the Construction Contract to incorporate the additional work and increase the authorized contract price by $1,040. (Attachment 2)

Normally, this contract change would have been reviewed and approved through a contract change order process, which is executed by Town staff. To avoid this current situation in the future, staff will verify that future Town Council actions associated with capital improvement project awards include a proper contingency amount.

Staff have prepared a Certificate of Acceptance and Notice of Completion documenting the completion and acceptance of the project. The Certificate of Acceptance and Notice of Completion will be submitted to the Santa Clara County Clerk-Recorder's Office for recordation in accordance with all applicable requirements. A copy of the Certificate of Acceptance and Notice of Completion is included as Attachment 3 to this staff report. Verification of the work performed is included in Attachment 4.

The contractor is obligated to warranty the work for one year from the date of acceptance per section 11.2(B) of the contract. The execution and recordation of the Certificate of Acceptance and Notice of Completion will begin the warranty period and allow the Town to proceed with final payment and release of undisputed retention in accordance with the Contract Documents and applicable law.

CONCLUSION:

Town Council action on this item will allow staff to amend the construction agreement and record the contractor's work as complete. The Town Engineer and Director of Parks and Public Works have confirmed that the construction phase of the contractors work is complete. This action formally accepts the contractor's work and affirms that it meets the Town's standards and requirements.

ENVIRONMENTAL ASSESSMENT:

The project is categorically exempt from CEQA under CEQA Guidelines section 15301, Class 1, Existing Facilities, because it involved repair and maintenance of an existing public facility with no expansion of its existing or former use.

Attachments:
1. First Amendment to Construction Contract California Roofing ARC
2. Original Agreement of Construction - Adult Recreation Center (ARC) Roof Replacement
3. Certificate of Acceptance and Notice of Completion
4. Verification of Work – ARC Roof

AMENDMENT TO AGREEMENT

This FIRST AMENDMENT amends that certain Construction Contract titled Adult Recreation Center Roof Replacement dated July 23, 2026, made by and between the Town of Los Gatos, ("Town,") and California Roofing Co., Inc. (“Contractor”), a Corporation and whose address is 1595 Tenth St., San Jose, CA 95112.

RECITALS

A. Town and Contractor entered into a Construction Contract on July 23, 2026 (“Agreement”).

B. The parties wish to amend the Contract to increase the Contract Price by $1,040.00 for repairs to previously concealed dry rote and deterioration that was discovered following removal of the roof materials.

AMENDMENT

A. Section 4, Payment, is to be replaced in its entirety with the following: As full and complete compensation for Contractor’s timely performance and completion of the Work in strict accordance with the terms and conditions of the Contract Documents, Town will pay Contractor $183,480.00 (“Contract Price”) for all of Contractor’s direct and indirect costs to perform the Work, including all labor, materials, supplies, equipment, taxes, insurance, bonds and all overhead costs, in accordance with the payment provisions in the General Conditions.

B. All other terms and conditions of the Agreement remain in full force and effect.

TOWN OF LOS GATOS

SIGNATURE

Chris Constantin

FULL NAME

Town Manager

TITLE

DATE SIGNED

CALIFORNIA ROOFING CO. INC.

SIGNATURE

Joe Rebozzi

CONTRACTOR SIGNATORY'S FULL NAME

Vice President of Operations, Chief Operations Officer

CONTRACTOR SIGNATORY'S TITLE

DATE SIGNED

Approved as to form:

SIGNATURE

Maro VanValerCampbell

CONTRACTOR SIGNATORY'S FULL NAME

Vice President

CONTRACTOR SIGNATORY'S TITLE

DATE SIGNED

SIGNATURE

Gabrielle Whelan

FULL NAME

Town Attorney

TITLE

DATE SIGNED

The execution date is the date on which the last party has signed.

Docusign Envelope ID: B359DF5A-E849-8F6B-83C1-0C3221FD25A3

CONSTRUCTION CONTRACT

Adult Recreation Center Roof Replacement

This public works contract ("Contract") is by and between Town of Los Gatos ("Town") and California Roofing Co., Inc. ("Contractor"), for work on the Adult Recreation Center Roof Replacement Project #4118736; 816-0423 ("Project").

The parties agree as follows:

1. Award of Contract. In response to the Notice Inviting Bids, Contractor has submitted a Bid Proposal to perform the Work to construct the Project. The Town has authorized award of this Contract to Contractor for the amount set forth in Section 4, below. Town has elected to include the following Project alternate(s) in the Contract: No alternates.

2. Contract Documents. The Contract Documents incorporated into this Contract include and are comprised of all of the documents listed below. The definitions provided in Article 1 of the General Conditions apply to all of the Contract Documents, including this Contract.

2.1 Notice Inviting Bids;

2.2 Instructions to Bidders;

2.3 Addenda, if any;

2.4 Bid Proposal and attachments thereto;

2.5 Contract;

2.6 Payment and Performance Bonds;

2.7 General Conditions;

2.8 Special Conditions;

2.9 Project Plans and Specifications;

2.10 Change Orders, if any;

2.11 Notice of Potential Award;

2.12 Notice to Proceed; and

2.13 The following: No other documents

3. Contractor's Obligations. Contractor will perform all of the Work required for the Project, as specified in the Contract Documents. Contractor must provide, furnish, and supply all things necessary and incidental for the timely performance and completion of the Work, including all necessary labor, materials, supplies, tools, equipment, transportation, onsite facilities, and utilities, unless otherwise specified in the Contract Documents. Contractor must use its best efforts to diligently prosecute and complete the Work in a professional and expeditious manner and to meet or exceed the performance standards required by the Contract Documents.

4. Payment. As full and complete compensation for Contractor's timely performance and completion of the Work in strict accordance with the terms and conditions of the Contract Documents, Town will pay Contractor $182,440.00 ("Contract Price") for all of Contractor's direct and indirect costs to perform the Work, including all labor, materials, supplies, equipment, taxes, insurance, bonds and all overhead costs, in accordance with the payment provisions in the General Conditions.

Docusign Envelope ID: B359DF5A-E849-8F6B-83C1-0C3221FD25A3

5. Time for Completion. Contractor will fully complete the Work for the Project, meeting all requirements for Final Completion, within 20 calendar days from the start date set forth in the Notice to Proceed ("Contract Time"). By signing below, Contractor expressly waives any claim for delayed early completion.

6. Liquidated Damages. As further specified in Section 5.4 of the General Conditions, if Contractor fails to complete the Work within the Contract Time, Town will assess liquidated damages in the amount of $300 per day for each day of unexcused delay in achieving Final Completion, and such liquidated damages may be deducted from Town's payments due or to become due to Contractor under this Contract.

7. Labor Code Compliance.

7.1 General. This Contract is subject to all applicable requirements of Chapter 1 of Part 7 of Division 2 of the Labor Code, including requirements pertaining to wages, working hours and workers' compensation insurance, as further specified in Article 9 of the General Conditions.

7.2 Prevailing Wages. This Project is subject to the prevailing wage requirements applicable to the locality in which the Work is to be performed for each craft, classification or type of worker needed to perform the Work, including employer payments for health and welfare, pension, vacation, apprenticeship and similar purposes. Copies of these prevailing rates are available online at http://www.dir.ca.gov/DLSR.

7.3 DIR Registration. Town may not enter into the Contract with a bidder without proof that the bidder and its Subcontractors are registered with the California Department of Industrial Relations to perform public work pursuant to Labor Code § 1725.5, subject to limited legal exceptions.

8. Workers' Compensation Certification. Pursuant to Labor Code § 1861, by signing this Contract, Contractor certifies as follows: "I am aware of the provisions of Labor Code § 3700 which require every employer to be insured against liability for workers' compensation or to undertake self-insurance in accordance with the provisions of that code, and I will comply with such provisions before commencing the performance of the Work on this Contract."

9. Conflicts of Interest. Contractor, its employees, Subcontractors, and agents may not have, maintain, or acquire a conflict of interest in relation to this Contract in violation of any Town ordinance or requirement, or in violation of any California law, including Government Code § 1090 et seq., or the Political Reform Act, as set forth in Government Code § 81000 et seq. and its accompanying regulations. Any violation of this Section constitutes a material breach of the Contract.

10. Independent Contractor. Contractor is an independent contractor under this Contract and will have control of the Work and the means and methods by which it is performed. Contractor and its Subcontractors are not employees of Town and are not entitled to participate in any health, retirement, or any other employee benefits from Town.

11. Notice. Any notice, billing, or payment required by or pursuant to the Contract Documents must be made in writing, signed, dated, and sent to the other party by personal delivery, U.S. Mail, a reliable overnight delivery service, or by email as a PDF file. Notice is deemed effective upon delivery, except that service by U.S. Mail is deemed effective on the second working day after deposit for delivery. Notice for each party must be given as follows:

Town:

Invoices:
Town of Los Gatos
Attn: Accounts Payable
P.O. Box 655
Los Gatos, CA 95031-0655
Email (preferred): AP@losgatosca.gov

Docusign Envelope ID: B359DF5A-E849-8F6B-83C1-0C3221FD25A3

Notices:
Town of Los Gatos
Attn: Town Clerk
110 E. Main Street
Los Gatos, CA 95030

Contractor:

California Roofing Co., Inc.
1595 Tenth St., San Jose, CA 95112

Attn: Joe Rebozzi Vice President joecalrfg@sbcglobal.net (408)-968-1990

12. General Provisions.

12.1 Assignment and Successors. Contractor may not assign its rights or obligations under this Contract, in part or in whole, without Town's written consent. This Contract is binding on Contractor's and Town's lawful heirs, successors and permitted assigns.

12.2 Third Party Beneficiaries. There are no intended third party beneficiaries to this Contract.

12.3 Governing Law and Venue. This Contract will be governed by California law and venue will be in the Santa Clara County Superior Court, and no other place. Contractor waives any right it may have pursuant to Code of Civil Procedure § 394, to file a motion to transfer any action arising from or relating to this Contract to a venue outside of Santa Clara County, California.

12.4 Amendment. No amendment or modification of this Contract will be binding unless it is in a writing duly authorized and signed by the parties to this Contract.

12.5 Integration. This Contract and the Contract Documents incorporated herein, including authorized amendments or Change Orders thereto, constitute the final, complete, and exclusive terms of the agreement between Town and Contractor.

12.6 Severability. If any provision of the Contract Documents is determined to be illegal, invalid, or unenforceable, in whole or in part, the remaining provisions of the Contract Documents will remain in full force and effect.

12.7 Iran Contracting Act. If the Contract Price exceeds $1,000,000, Contractor certifies, by signing below, that it is not identified on a list created under the Iran Contracting Act, Public Contract Code § 2200 et seq. (the "Act"), as a person engaging in investment activities in Iran, as defined in the Act, or is otherwise expressly exempt under the Act.

12. 8 Authorization. Each individual signing below warrants that he or she is authorized to do so by the party that he or she represents, and that this Contract is legally binding on that party. If Contractor is a corporation, signatures from two officers of the corporation are required pursuant to California Corporations Code § 313.

[Signatures are on the following page.]

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Docusign Envelope ID: B359DF5A-E849-8F6B-83C1-0C3221FD25A3

The parties agree to this Contract as witnessed by the signatures below:

TOWN OF LOS GATOS:

Signed by:
Chris Constantin
03E5E4869B5C461...
SIGNATURE

Chris Constantin
FULL NAME

Town Manager
TITLE

7/23/2026
DATE SIGNED

Approved as to form:

Signed by:
Gabrielle Whelan
BB433AD84396437...
SIGNATURE

Gabrielle Whelan
FULL NAME

Town Attorney
TITLE

7/21/2026
DATE SIGNED

CALIFORNIA ROOFING CO. INC.:

Signed by:
Joe Rebozzi
DC85BFAFDFAB4E0...
CONTRACTOR SIGNATORY'S SIGNATURE

Joe Rebozzi
CONTRACTOR SIGNATORY'S FULL NAME

Vice President of Operations, Chief Operations Officer
CONTRACTOR SIGNATORY'S TITLE

7/21/2026
DATE SIGNED

Signed by:
Maro VanValer-Campbell
EC01B24C6C9845C...
CONTRACTOR SIGNATORY'S SIGNATURE

Maro VanValer-Campbell
CONTRACTOR SIGNATORY'S FULL NAME

Vice President
CONTRACTOR SIGNATORY'S TITLE

7/21/2026
DATE SIGNED

The execution date is the date on which the last party has signed.

Recording Requested By:
TOWN OF LOS GATOS

When Recorded Mail To:
TOWN CLERK
TOWN OF LOS GATOS
110 E. MAIN STREET
LOS GATOS, CA 95030

EXEMPT FROM RECORDING FEES PER
GOVERNMENT CODE § 27383

SPACE ABOVE THIS LINE IS FOR RECORDER'S USE

CERTIFICATE OF ACCEPTANCE AND NOTICE OF COMPLETION
Roof replacement at the Town of Los Gatos Adult Recreation Center (ARC)
Civil Code §§ 9204 and 9208

NOTICE IS HEREBY GIVEN THAT:

1. The undersigned is the agent of the owner of the Project described below.

2. Owner's full name is Town of Los Gatos ("Town")

3. Town's address is 110 E. Main Street, Los Gatos, CA 95030

4. The nature of Town's interest in the Project is:
_X_ Fee Ownership __ Lessee __ Other:_____

5. Construction work on the Project performed on Town's behalf is generally described as follows: Roof replacement at the Town of Los Gatos Adult Recreation Center (ARC), including furnishing all labor, materials, tools, equipment, and services required for completion of the 2026 Adult Recreation Center Roof Project.

6. The name of the original Contractor for the Project is: California Roofing Co., Inc. located at: 1595 Tenth Street, San Jose, CA 95112.

7. The Project was accepted as complete on: December 1, 2026.

8. The Project is located at: 208 E. Main Street, Los Gatos, CA 95030.

Verification: In signing this document, I, the undersigned, declare under penalty of perjury under the laws of the State of California that I have read this notice, and I know and understand the contents of this notice, and that the facts stated in this notice are true and correct.

_____ _____
Date and Place Signature

Chris Constantin, Town Manager

EXEMPT FROM NOTARY ACKNOWLEDGMENT REQUIREMENTS PER GOVERNMENT CODE § 27287 AND CIVIL CODE § 9208

TOWN OF LOS GATOS

PARKS AND PUBLIC WORKS COMMENTS

To: Chris Constantin

From: Nicolle Burnham

Date: December 1, 2026

Subject: Notice of Acceptance – Roof replacement at the Town of Los Gatos Adult Recreation Center

Acceptance of Work for the Roof replacement at the Town of Los Gatos Adult Recreation Center (ARC) (8736)

The work performed under this contract was inspected by authorized representatives of the Town, Contractor and Engineer, and determined to be complete. The Town Engineer acknowledges the completion of this project and requests the Town Manager to sign the Certificate of Acceptance form.

Date of Final Inspection and Beneficial Use: 9/10/26
Project Participants: Nick Turner, Tyler Thomas, Gary Heap (Town of Los Gatos)

Joe Rebozzi (California Roofing Co., Inc.)

1. All construction and punch list items have been completed? **Yes**
2. All change orders have been executed? **No. Amendment 1 is pending the Town Council action of 12/1/26**
3. Claims if any have been resolved? **N/A**

REVIEWED AND APPROVED BY:

Gary Heap
TOWN ENGINEER DATE: 12/1/2026

Nicolle Burnham
DIRECTOR OF PUBLIC WORKS DATE: 12/12026

TOWN OF LOS GATOS

PARKS AND PUBLIC WORKS COMMENTS



TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 7

DATE: December 1, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Adopt a Resolution Declaring Weeds a Public Nuisance, Ordering Notice of the Abatement, and Setting a Public Hearing for February 16, 2027, to Consider Objections to the Proposed Abatement**

RECOMMENDATION: Adopt a resolution declaring weeds a public nuisance for properties listed on the 2027 Weed Abatement Program Commencement Report, ordering notice of abatement, and setting a public hearing date for February 16, 2027, to consider objections to the proposed abatement.

FISCAL IMPACT:

The County of Santa Clara (County) administers the Weed Abatement Program for local agencies under a cost recovery model, paid for by fees imposed on the parcel owners.

Should the funding from the assessments fall short of the total program cost, the Town may be billed for its pro-rata share of the shortfall. Any such expenditure would be funded through the Parks and Public Works operating budget, subject to available appropriation. At the County's September 2026 quarterly program meeting, County staff indicated that no program funding shortfall requiring additional contributions from participating agencies is anticipated. The Fiscal Year 2026-27 Operating Budget has sufficient funds to cover the cost of publishing all required legal notices for the public hearings associated with the County Weed Abatement Program

STRATEGIC PRIORITY:

This item addresses the Town's Strategic Priority to further the Town's emergency preparedness, resiliency, and response capabilities, particularly in the area of wildfire risk. This item also aligns with the Core Goal of Public Safety.

PREPARED BY: Paul Gonia
Project Analyst I

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director, Parks and Public Works Director

BACKGROUND:

Town of Los Gatos Municipal Code Chapter 11, Article II, requires that property owners remove hazardous growth (weeds) and combustible debris from their property to help protect the Town from fire hazards. This code section is implemented through the County of Santa Clara (County) Weed Abatement Program, which is a separate complementary program to the Brush Abatement Program. Both programs work to protect the Town by reducing fire hazards created by vegetative growth and combustible debris on private properties.

The Weed Abatement Program is administered by the County on behalf of the Town and is funded through special assessments on properties that are placed in the program (https://weedabatement.santaclaracounty.gov/home). Typically, a property is placed in the Weed Abatement Program after a County Inspector identifies a potential fire hazard on the property. Fire Departments, Code Enforcement, Public Works, and other public agencies can also submit complaints to the County regarding specific properties. A property will remain in the Weed Abatement Program until it demonstrates compliance for three consecutive years, at which point the property will be removed from the program. While in the Weed Abatement Program, property owners are charged an annual compliance inspection fee. Property owners may also be charged additional fees if their property remains noncompliant, these fees cover costs for additional services related to follow-up inspections and abatement services.

The County conducts an annual inspection to determine whether the property is compliant with required standards and guidelines. Each property owner is provided with an opportunity to perform their own abatement prior to the County's annual inspection. If at the time of an annual inspection a property is found to be non-compliant, the County sends a notice informing the property owner that they have 15 calendar days to correct the identified violations. The notice also encourages the property owner to reach out to the County with any questions and requests, including any request for a potential time extension. After 15 calendar days, or the agreed to extension date, the County will perform a second inspection and, if at that time the property remains in non-compliance, the Town authorizes the County to perform abatement services. The County recovers its cost for inspections and abatement services through a special assessment on the associated parcel's property tax bill.

DISCUSSION:

The annual schedule for the Weed Abatement Program is depicted below. The proposed item is for Step 2, adopting a resolution declaring hazardous vegetation a nuisance and setting a public hearing date to consider objections.

The annual schedule for the Weed Abatement Program is as follows:

1. In November, the County prepares and provides an annual Commencement Report (Exhibit A to Attachment 1). The report includes the annual enrollment list, which identifies properties currently placed in the Weed Abatement Program. Properties that demonstrated three consecutive years of compliance are removed from the Weed Abatement Program prior to the generation of the annual Commencement Report.
2. In December, the Town Council adopts a resolution that declares hazardous vegetation on identified properties (i.e. the properties identified in the annual Commencement Report) a nuisance and sets a public hearing date to consider objections to the proposed abatement. Typically, the public hearing is scheduled for a Town Council Meeting in January or February.
3. Upon adoption of the above referenced resolution, the County prepares and distributes public hearing notices to identified property owners. These notices inform property owners about the public hearing process, including the scheduled hearing date and time. Additionally, as part of the notice package, the County provides additional documentation about the Weed Abatement Program, such as the program's guidelines and deadlines, abatement process, and annual fees/costs. The above-mentioned public hearing notices are sent out by the County in December.
4. On the date set in this staff report, the Town Council holds a public hearing to consider objections to the proposed abatement, sets a deadline for compliance, and adopts a resolution ordering abatement. The proposed public hearing for this year's program is February 16, 2027.
5. Property owners have until April 15th to bring their property into compliance, after which, the County begins carrying out annual inspections. If at the time of an annual inspection a property is found to be non-compliant, the County sends a notice informing the property owner that they have 15 calendar days to correct the identified violations. The notice also encourages the property owner to reach out to the County with any questions and requests, including any request for a potential time extension. After 15 calendar days, or the agreed to extension date, the County will perform a second inspection and, if at that time the property remains in non-compliance, the Town authorizes the County to proceed with issuing a work order for abatement services.
6. In June, the County prepares and provides an annual Assessment Report that identifies assessed fees by property (i.e. fees for annual inspections, follow-up inspections, and abatement services). A public hearing is set for the first Town Council meeting in August to consider objections to the Assessment Report.
7. In July, the Town prepares and distributes public hearing notices to identified property owners. These notices inform property owners about the public hearing process, including the scheduled hearing date and time. Additionally, as part of the notice package, the Town includes a copy of the annual Assessment Report.
8. In August, a public hearing is held to consider objections to the annual Assessment Report, and to adopt a resolution confirming the Assessment Report and authorizing the collection of the assessment charges.

9. Upon adoption of the above referenced resolution, the County proceeds with recovering its costs through special assessments on the respective properties, which appear on the associated parcel's tax bill.

CONCLUSION:

Staff recommends that the Town Council adopt the necessary resolution (Attachment 1) to declare hazardous growth on identified properties in the Town to be a public nuisance and ordering the notice of abatement. The adoption of the resolution will establish a public hearing date for February 16, 2027, to consider objections to the proposed abatement.

COORDINATION:

The Weed Abatement Program is coordinated with the County of Santa Clara, Consumer and Environmental Protection Agency (CEPA).

ENVIRONMENTAL ASSESSMENT:

In accordance with CEQA Guidelines Section 15304, this program is categorically exempt as a minor alteration to land. A Notice of Exemption will not be filed.

Attachments:
1. Resolution with Exhibit A – 2027 Weed Abatement Program Commencement Report

RESOLUTION 2026-XXX

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS DECLARING WEEDS A PUBLIC NUISANCE, ORDERING THE NOTICE OF ABATEMENT OF SUCH NUISANCE, AND SETTING A PUBLIC HEARING DATE OF FEBRUARY 16, 2027, TO CONSIDER OBJECTIONS FOR PROPOSED ABATEMENT

WHEREAS, Section 39501 and Section 39502 of the Government Code of the State of California authorize the Town of Los Gatos to prescribe a procedure for compelling the owner, lessees, or occupant of buildings, grounds, or lots to remove hazardous vegetation (weeds) from such buildings or grounds and adjacent sidewalks, and, upon the owner's failure to do so, to remove such hazardous vegetation (weeds) at the owner's expense, making the cost thereof a lien upon such property; and

WHEREAS, the Town of Los Gatos, by ordinance, has adopted such a procedure, codified in Chapter 11, Article II, Section 11.20.010 through 11.20.045 of the Los Gatos Town Code.

NOW, THEREFORE, BE IT RESOLVED that the Town Council of the Town of Los Gatos does hereby declare, determine, and order as follows:

1. Hazardous vegetation, "weeds," as defined in Section 11.20.010, is growing upon and adjacent to the properties listed in the Annual Commencement Report, attached hereto as Exhibit A, and that weeds growing upon any private property or properties are a public nuisance and should be abated.

2. That unless such nuisance be abated by the destruction or removal of such weeds within thirty (30) days after the adoption of this resolution, or within the time specified in a written agreement with the Town of Los Gatos Town Engineer, or the Town Engineer's representative, whichever time shall be later, as provided in Chapter 11, Article II, of the Los Gatos Town Code, the Town of Los Gatos shall cause such nuisance to be abated, and the expense thereof assessed upon the lots and lands from which, or in front and rear of which, such weeds shall have been destroyed or removed, such expense constituting a lien upon such lots or lands until paid, and to be collected upon the next tax roll upon which general municipal taxes are collected.

3. That the Town Engineer shall execute a "Notice to Destroy Weeds" in the form set forth in Section 11.20.020(b) and shall cause the same to be published and posted in the manner prescribed in Section 11.20.020(c).

ATTACHMENT 1

4. That on February 16, 2027, at a meeting of the Town Council beginning at 7:00 p.m. in the Council Chambers of the Civic Center, 110 E. Main Street, Los Gatos, California, and via Teleconference, a public hearing will be held during which all property owners in the Town of Los Gatos having any objections to the proposed destruction or removal of such weeds will be heard and given due consideration.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 1st of December, 2026, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

_____

MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

_____

TOWN CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DRAFT

2027 Weed Abatement Program
Town of Los Gatos
Commencement Report

Exhibit A

	Situs	APN
1	831 POLLARD RD, LOS GATOS, CA 95032	406-26-011
2	0 CALLE MARGUERITA, LOS GATOS, CA 95032	409-04-049
3	NO SITUS	409-04-052
4	NO SITUS	409-08-001
5	17351 WEDGEWOOD AV, LOS GATOS, CA 95032-1217	409-14-017
6	14341 BROWNS LN, LOS GATOS, CA 95032-1214	409-14-035
7	103 SPORLEDER CT, LOS GATOS, CA 95032	409-24-035
8	14810 CLARA ST, LOS GATOS, CA 95032-1702	409-25-030
9	14821 GOLF LINKS DR, LOS GATOS, CA 95032	409-27-005
10	215 DRAKES BAY AV, LOS GATOS, CA 95032-2407	421-27-018
11	16245 BURTON RD, LOS GATOS, CA 95032-2008	424-06-115
12	0 BURTON RD, LOS GATOS, CA 95032	424-06-116
13	16270 BURTON RD, LOS GATOS, CA 95032-2009	424-07-052
14	14823 LOS GATOS BL, LOS GATOS, CA 95032-2010	424-07-065
15	14926 LOS GATOS BL, LOS GATOS, CA 95032-2011	424-10-009
16	14911 NATIONAL AV, Unit 2, LOS GATOS, CA 95032-2632	424-10-058
17	142 LESTER LN, LOS GATOS, CA 95032-2711	424-13-061
18	16171 SUN RAY DR, LOS GATOS, CA 95032-2527	424-19-070
19	17094 SUMMIT WY, LOS GATOS, CA 95030	424-30-037
20	0 LAUREL AV, LOS GATOS, CA 95030	510-41-068
21	0 WOOD RD, LOS GATOS, CA 95030	510-46-007
22	110 WOOD RD, LOS GATOS, CA 95030-6738	510-47-038
23	138 WOOD RD, LOS GATOS, CA 95030-6740	510-47-044
24	120 HILLBROOK DR, LOS GATOS, CA 95032-4709	523-11-025
25	15839 DEL CERRO CT, LOS GATOS, CA 95032-4831	523-24-036
26	0 UNION AV, LOS GATOS, CA 95032-3907	523-42-011
27	15951 QUAIL HILL RD, LOS GATOS, CA 95032-4819	527-02-005
28	72 DRYSDALE DR, LOS GATOS, CA 95032-4819	527-02-007
29	15777 SHADY LN, LOS GATOS, CA 95032	527-05-005
30	15980 SHORT RD, LOS GATOS, CA 95032-4822	527-06-009
31	0 CAMINO DEL CERRO, LOS GATOS, CA 95032	527-08-001
32	0 CAMINO DEL CERRO, LOS GATOS, CA 95032	527-08-002
33	16065 CAMINO DEL CERRO, LOS GATOS, CA 95032-4844	527-08-003
34	16045 CAMINO DEL CERRO, LOS GATOS, CA 95032-4844	527-08-009
35	15626 FRANCIS OAKS WY, LOS GATOS, CA 95032-4912	527-10-002

36	15401 FRANCIS OAKS WY, LOS GATOS, CA 95032-4909	527-11-003
37	15431 FRANCIS OAKS WY, LOS GATOS, CA 95032-4909	527-11-004
38	16300 GREENRIDGE TR, LOS GATOS, CA 95032	527-12-003
39	15470 SANTELLA DR, LOS GATOS, CA 95032	527-12-010
40	15460 FRANCIS OAKS WY, LOS GATOS, CA 95032-4900	527-13-005
41	16200 GREENRIDGE TR, LOS GATOS, CA 95032-4914	527-15-001
42	16084 GREENRIDGE TR, LOS GATOS, CA 95032	527-15-002
43	142 BELRIDGE DR, LOS GATOS, CA 95032-5111	527-27-015
44	125 BELVALE DR, LOS GATOS, CA 95032-5112	527-30-028
45	175 BELWOOD GATEWAY, LOS GATOS, CA 95032-5139	527-30-032
46	14841 BLOSSOM HILL RD, LOS GATOS, CA 95032-4921	527-42-003
47	615 BLOSSOM HILL RD, LOS GATOS, CA 95032-4550	529-16-026
48	401 ALBERTO WY, LOS GATOS, CA 95032	529-23-018
49	30 RESERVOIR RD, LOS GATOS, CA 95030	529-29-066
50	39 RESERVOIR RD, LOS GATOS, CA 95030	529-33-022
51	63 HIGHLAND AV, LOS GATOS, CA 95030-7129	529-36-044
52	140 FOSTER RD, LOS GATOS, CA 95030	529-37-015
53	NO SITUS	529-39-047
54	16510 KENNEDY RD, LOS GATOS, CA 95032-6431	532-17-025
55	16481 S KENNEDY RD, LOS GATOS, CA 95030	532-17-028
56	150 BROOKE ACRES DR, LOS GATOS, CA 95032-6454	532-18-039
57	17511 PHILLIPS AV, LOS GATOS, CA 95030	532-39-009
58	14270 ARNERICH RD, LOS GATOS, CA 95032-6603	537-11-008
59	15310 KENNEDY RD, LOS GATOS, CA 95032-6520	537-15-001
60	233 FORRESTER RD, LOS GATOS, CA 95032-6526	537-21-010
61	135 WOODED VIEW DR, LOS GATOS, CA 95032-5735	537-23-042
62	14915 SHANNON RD, LOS GATOS, CA 95032-5753	537-27-047
63	16105 CERRO VISTA DR, LOS GATOS, CA 95032-4716	537-30-002
64	16060 CERRO VISTA DR, LOS GATOS, CA 95032	537-30-004
65	16135 CERRO VISTA DR, LOS GATOS, CA 95032	537-30-018
66	16380 HARWOOD RD, LOS GATOS, CA 95032-5125	567-18-068
67	16220 HARWOOD RD, LOS GATOS, CA 95032	567-18-076
68	104 ALMOND BLOSSOM LN, LOS GATOS, CA 95032-5124	567-18-077

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 8

DATE: November 17, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: Approve a Side Letter of Agreement Between the Town of Los Gatos and the Town Employee Association (TEA) For the Utilization of Building Services Consultants

RECOMMENDATION: Approve a Side Letter Agreement between the Town of Los Gatos and the Town Employees' Association (TEA) for the utilization of Building Services consultants.

FISCAL IMPACT:

There is no fiscal impact related to the approval of the Side Letter Agreement. All costs are contained within the separate agreements for the Building Services consultants. Please refer to staff reports related to the 4LEAF and Urban37 contract amendments.

STRATEGIC PRIORITY:

The item relates to the strategic priority to preserve the Town's small-town charm and provide a range of housing opportunities and historic neighborhoods, while diligently maintaining and implementing the Housing Element.

BACKGROUND:

The Community Development Department (CDD) is entering into agreements with two consultants for Building Services which can include building inspection services, code compliance services, and permit technician services. These services include job duties which may fall under Town Employees' Association (TEA) represented classification job duties. Pursuant to the Town's obligations under the Meyers-Milias-Brown Act regarding contracts to perform services that are within the scope of work of job classifications represented by the

PREPARED BY: Cheryl Parkman
Human Resources Director

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director

Town Employees' Association (TEA), and following the notice provided under AB 339, the Town met and conferred with TEA regarding the two agreements.

DISCUSSION:

Following discussions with the Town Employees' Association (TEA), the parties reached agreement on a Side Letter that establishes clear parameters for the limited and appropriate use of Building Services consultants. The agreement provides parameters that allow consultants to be utilized only in necessary operational circumstances, including temporary staffing needs resulting from anticipated or unanticipated employee absences, increased workload demands associated with large or complex projects, short-term surges in service demand, disaster-related response activities, and situations requiring specialized technical expertise that is not readily available within existing staff resources.

As a result, the Town will be better positioned to maintain service levels, address complex or high-impact issues, and respond to temporary resource constraints without adversely affecting its ability to meet ongoing service obligations. Through these actions, the Town has satisfied its meet-and-confer obligation with TEA regarding the use of consultants.

CONCLUSION:

Staff recommends that the Town Council approve the Side Letter with TEA.

COORDINATION:

This report was coordinated with the Town Attorney’s Office, and Community Development Department, Human Resources, and Finance Department.

ENVIRONMENTAL ASSESSMENT:

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

Attachment:
1. Side Letter Agreement with Town Employees Association for Building Services

SIDE LETTER OF AGREEMENT
BETWEEN THE
TOWN OF LOS GATOS AND THE TOWN EMPLOYEES' ASSOCIATION

The Town of Los Gatos (Town) and the Town Employees' Association (TEA), collectively referred to as "parties," having met and conferred in good faith regarding the Building Services Agreements that the Town would like to enter into with consulting firms Urban 37 and 4LEAF for special services, agree as follows:

1. For the purposes of this side letter, "Building Services" is defined as building inspection, code compliance, or permit technician related duties in the Community Development Department.
    a. The Town retains its ability to direct and assign workload to employees in the Community Development Department.
    b. Should the Town require additional consulting firms this Side Letter shall become inclusive of same and similar contracts to the scope, services, value and duration of Urban 37 and 4Leaf, respective to the RFP dated March 2, 2026.

2. The parties agree that the Town can hire Building Services consultants when there are expected or unexpected temporary employee leaves, such as Family Medical Leave Act (FMLA) eligible leave, California Family Rights Act (CFRA) eligible baby bonding leave, vacations, excused absences, intermittent absences, and other similar situations.
    a. Should a position become vacant after such leave, the Town will meet and confer with TEA to discuss the vacancy for recruitment and if the vendor should continue to be used in the vacant position by reviewing cost analysis against projected FTE costs.

3. The parties agree that if a project requires technical expertise that Town of Los Gatos staff does not possess or does not have the requisite experience to provide effective and efficient service, the Town to meet its normal day-to-day workload obligations, the Town may utilize a consultant for that purpose related to Building Services.
    a. Technical expertise may include certifications and performance of specialized work in the last three (3) calendar years.
    b. The Town will make reasonable efforts, subject to operational and budgetary constraints, to provide training opportunities to those employees who wish to gain experience working on those projects.

4. The parties agree that if there is a large project that will require additional staffing for a temporary increase in service, the Town may utilize a consultant related to Building Services.
    a. For the purposes of this side letter, "large" projects refers to development projects that, due to their timeline, scope, scale, or complexity, require enhanced coordination or review to the extent that would hinder the Town's ability to meet its normal day-to-day workload obligations with existing staffing and without intervention efforts.

SIDE LETTER OF AGREEMENT
BETWEEN THE
TOWN OF LOS GATOS AND THE TOWN EMPLOYEES' ASSOCIATION

5. The parties agree that if there are sudden surges in inspection volume, permit volume or code compliance complaints that exceed workload obligations with existing staffing that can be addressed with short-term staffing or if there are direct implications from a catastrophic or disaster-related event, the Town may utilize a consultant related to Building Services to address those temporary needs, without requiring the Meet and Confer process with TEA based upon the agreed analytics.

6. The parties agree that this side letter is subject to Council approval.

The parties agree that this Agreement shall not serve as precedent for future agreements regarding Building Services nor shall it be construed or implied to obligate the parties to enter into any similar agreements in the future. Nothing in this side letter shall supersede any other section of the TEA Memorandum of Understanding (MOU).

This agreement shall become effective when signed by all parties below. The terms contained in this Side Letter shall continue concurrent to the Building Services Agreements expiration, unless otherwise modified through the meet and confer process.

FOR TEA:

_____
Ryan Safty,
TEA President

_____
Amber Hoiska,
Labor Relations Consultant

TOWN OF LOS GATOS:

_____
Chris Constantin,
Town Manager

_____
Cheryl Parkman,
Human Resources Director

APPROVED AS TO FORM:

_____
Gabrielle Whelan,
Town Attorney

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 9

DATE: November 25, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Authorize the Town Manager to Execute First Amendments to Agreements with 4LEAF and Urban37 to Include Other Building Support Services Including Inspection, Code Compliance, or Permit Technician Support.**

RECOMMENDATION: Authorize the Town Manager to execute first amendments to agreements with 4LEAF and Urban37 to include other building support services including inspection, code compliance, or permit technician support.

FISCAL IMPACT:

Additional building support services, such as inspection, code compliance, or permit technician support, are utilized on an as needed basis, for limited durations, and are funded via Building Permit fees and/or within the limits of the Town's approved budget. Sufficient funding is available within the FY 2026-27 Adopted Budget, and no additional appropriation is required.

STRATEGIC PRIORITY:

This action is not associated with a strategic priority.

BACKGROUND:

In accordance with the requirements of AB 339, Town staff and representatives of the Town Employees Association (TEA) met on May 29, 2026, to discuss the proposed consultant agreements, which included plan review and additional Building Division support services. During the meeting, TEA representatives expressed concerns regarding the inclusion of broader support services within the agreements. In response to those concerns and to ensure compliance with AB 339, the agreements were revised to include only Building Division plan check review services. Subsequently, on June 2, 2026, staff issued a desk item to the Council

PREPARED BY: Robert Gray
Chief Building Official

Reviewed by: Town Manager, Town Attorney, and Administrative Services Director

staff report reflecting this revision. The desk item modified the proposed agreements to limit the scope of services to plan check review activities only. This revision did not affect the consultant selection process or staff's recommendation regarding the provision of plan check review services.

Through these actions, the Town has satisfied its meet-and-confer obligations under AB 339 with respect to the use of consultants for Building Division plan check review services.

DISCUSSION:

On June 2, 2026, Council approved agreements with 4LEAF and Urban37 (Attachments 2 and 4) that were limited to plan review services. The firms' original proposals included both plan review and additional Building Division support services. The proposed amendments are intended to incorporate those additional Building Division support services into the agreements.

These firms bring complementary strengths that collectively meet the Town's comprehensive building services needs. In addition to plan review, their multidisciplinary teams offer a broad range of services, including building inspection, permit technician support, and code compliance. Both firms have extensive regional experience, strong technical qualifications, and demonstrated performance in comparable jurisdictions. Their proposals emphasize accurate technical review, customer service, process efficiency, and reliable turnaround times, with proven ability to integrate smoothly with municipal staff and other consulting firms that help support fluctuating workloads.

Building support services, including inspection, code compliance, or permit technician support included in the amended agreements (Attachments 1 and 3) are intended to provide temporary support in response to staffing vacancies resulting from scheduled or extended employee absences, anticipated or unanticipated leave, increased workload from large or complex projects, and the need for short-term specialized expertise when necessary to effectively manage and resolve intricate or high-impact issues.

Combined, 4LEAF and Urban37 provide the Town with a balanced mix of capacity, continuity, technical depth, and familiarity with municipal operations, ensuring the Town can reliably meet its plan review, inspection, and overall building division support needs.

CONCLUSION:

Staff recommends authorizing the Town Manager to execute the proposed amendments to provide limited, as-needed Building Division support within existing contract and budget authority. All services will be performed under the direction of the Chief Building Official and Community Development Director.

COORDINATION:

This report was coordinated with the Town Manager's Office, Town Attorney's Office, Community Development Department, Human Resources, and Finance Department.

ENVIRONMENTAL ASSESSMENT:

This action is not a project under CEQA Guidelines section 15378(b)(5) because it is an administrative activity that will not result in direct or indirect physical changes in the environment.

Attachments:
1. Draft Amendment for Consultant Services for 4LEAF with Exhibit A
2. Original Agreement for Consultant Services for 4LEAF
3. Draft Amendment for Consultant Services for Urban37 with Exhibit A
4. Original Agreement for Consultant Services for Urban37

FIRST AMENDMENT TO AGREEMENT FOR BUILDING DIVISION SERVICES

4LEAF, Inc Agreement

PREAMBLE

This AMENDMENT TO AGREEMENT amends that certain agreement titled AGR 26.106 - Building Division Services dated 07/01/2026, made by and between the Town of Los Gatos, ("Town,") and 4LEAF, Inc. (“Consultant”), a California corporation and whose address is 2126 Rheem Dr., Pleasanton, CA 94588.

I. RECITALS

A. Town and Consultant entered into an Agreement for Services (AGR 26.106) on 07/01/2026 (“Agreement”).
B. The parties wish to amend the Agreement in order to provide additional building support services.

II. AMENDMENT

A. Section 1 A is amended to read: Town desires to engage Consultant to provide building division plan review and other building support services.
B. Consultant’s updated scope of work and description of services are included as Exhibit A.
C. All other terms and conditions of the Agreement remain in full force and effect.

ATTACHMENT 1

IN WITNESS WHEREOF, the Town and Consultant have executed this Amendment.

Town of Los Gatos by:

_____

Chris Constantin, Town Manager

4LEAF by:

_____

Kevin J. Duggan, President

Recommended by:

_____

Joel Paulson, Community Development Director

Approved as to form:

_____

Jolie Houston, Interim Town Attorney

SCOPE OF SERVICES

Building Official Services

4LEAF's Building Official will be responsible for overseeing all plan review, inspections, code compliance, and permitting activities for the Town of Los Gatos. Acting as the Town's representative on all building-related matters, the Building Official's duties will include, but are not limited to:

- Enforce construction codes to ensure public safety and health.
- Implement building procedures to ensure a high level of customer satisfaction.
- Plan check or oversee plan check of all building plans.
- Provide over the counter plan check for minor residential remodels and commercial tenant improvements.
- Provide information and assistance to homeowners, businesses, and the development community.
- Resolve interpretation issues for compliance with adopted codes.
- Ensure use of the Town's permitting software by subordinates to track all building services based on the Town's plan submittal and review, permit issuance, inspection, and record management purposes.

Placement Schedule

Building Department Staff	Interim	Full-Time
Permit Technician (ICC Certified)	< 2 Days	< 5 Days
Assistant Permit Technician/ Counter Staff	< 2 Days	< 5 Days
Building Official (ICC Certified)	< 2 Days	< 15 Days
Inspection (ICC Certified)	< 1 Day	< 2 Days
Project Specific Inspection	< 2 Days	< 2 Days

Permit Technician Services

4LEAF provides high-caliber Permit Technicians and counter staff to Building and Community Development Departments across California. Our professionals possess a specialized blend of experience, education, and ICC certifications, ensuring they act as a seamless, expert extension of your Town's public service team.

Operational Expertise

Our staff is proficient in essential municipal software applications and arrives fully trained to manage complex departmental procedures and legal requirements. 4LEAF technicians are dedicated to delivering accurate information and exceptional customer service to residents, contractors, and developers.

Core Responsibilities

- **Permit Intake & Quality Control:** Reviewing plans for completeness, verifying accuracy, and coordinating routing to relevant agencies.
- **Financial & Procedural Support:** Calculating permit fees, assisting with applications, and explaining local ordinances to stakeholders.

- **Data & Record Management:** Operating computerized permit systems, inputting inspection data, and maintaining secure building permit files.
- **Public Liaison:** Managing high-volume counter and phone inquiries to ensure timely project progression and code compliance.

Inspection Services

4LEAF maintains a team of 200+ ICC Certified Building, CASp, OSHPD/DSA, Fire, and Construction Inspectors committed to project durations throughout California. We ensure immediate scalability by leveraging one of the largest databases of qualified personnel, including full-time, idle, and pre-qualified staff. 4LEAF provides all inspectors with necessary tools, equipment, current code books, and necessary supplemental training to facilitate seamless municipal integration. **4LEAF can provide interim or full-time inspectors same-day or within one business day—**simply call, email, or text our assigned Project Manager for an immediate response. Our on-call database is utilized for all our clients for as-needed requests.

Service Availability

- **Periodic Inspection Services → Available Next Day**
  - Immediate fulfillment for as-needed municipal requests.
- **Part-Time Inspection Services → Available Next Day**
  - Flexible staffing for any duration; schedules coordinated by our PM.
- **Full-Time Inspection Services → Available Two Days or Less**
  - Reliable coverage across all major state regions and valleys.
- **Project Specific Inspection Services → Available Two Days or Less**
  - Dedicated services for large-scale, developer-funded projects (e.g., Palo Alto, Cupertino).

Inspection Technology

4LEAF utilizes industry-leading reporting technologies, including GoFormz and our proprietary elas.™ platform. Our systems have been proven on multi-billion dollar developments, including the Apple Park Campus **(~$8 Billion)**, the Encore Boston Harbor Casino **(~$2.6 Billion)**, San Mateo County Project Development Unit **(~$1.1 Billion)**, and at San Jose State University **(~$1 Billion)**.

Advanced Documentation & elas™

Our innovative technology ensures all project data is securely stored in the cloud and accessible via a 24/7 Client Portal. Key features include:

- **Real-Time Reporting:** Inspectors use iPads to provide detailed notes, mobile signatures, and instantaneous photo attachments.
- **Seamless Integration:** elas.™ syncs with Town platforms to share inspection logs, plan review comments, and CBO certifications.
- **Transparency:** Designated Town personnel gain real-time updates, ensuring the full project team works from a unified, up-to-date data set.

Code Enforcement Services

Our Code Enforcement personnel are certified through the **International Code Council, CACEO, and various training programs offered through accredited institutions**. In addition, most of our personnel hold a PC832, ICC Property Maintenance and Housing Inspector, and/or CACEO.

Services Offered

- **Blight Enforcement**: Identifying and enforcing laws related to the maintenance of private property, addressing conditions like overgrown weeds, trash, debris, and graffiti.
- **Community Outreach**: Reviewing and enhancing current outreach initiatives, including community events, pamphlets, social media engagement, and municipal code enforcement web pages.
- **Hearing Officers**: Providing seasoned officers to handle violations, make knowledgeable determinations, and issue fines or compliance extensions.
- **Inspections**: Performing lawful inspections respecting residents' privacy and security, ensuring compliance with applicable codes and standards.
- **Lead Abatement**: Ensuring proper lead-safe practices in the removal of lead-based paint, protecting citizens from exposure.
- **Massage Parlor Enforcement**: Conducting routine compliance inspections and assisting undercover stings with partnering agencies to identify and mitigate illegal activities in massage parlors.
- **Parking Enforcement**: Conducting routine patrol of the Town to ensure compliance with local and state parking regulations.
- **Policy Review**: Reviewing and defining current policies and procedures to set clear expectations for the Code Enforcement Program.
- **Program Analysis**: Conducting investigative inspections, reviewing citations, and providing guidance for resolving high caseloads along commercial corridors.
- **Program Development**: Collaborating with clients to enhance the Code Enforcement Program, including policy creation, training manuals, and public education materials.
- **Project-Specific Assignments**: Consulting on long-standing cases, providing expert analysis, and developing step-by-step strategies for compliance.
- **Stormwater Enforcement**: Inspecting stormwater management infrastructure and addressing violations related to erosion control and illegal dumping.
- **Tobacco Enforcement**: Ensuring retailers comply with licensing and notification requirements, including workplace smoking and vaping prohibitions.
- **Training**: Offering field training, including ride-alongs, to enhance communication, technical skills, and enforcement of municipal codes.
- **Vendor Enforcement**: Enforcing state and local laws regarding unpermitted vending, issuing citations, and providing strategic planning for large-scale vending activities.
- **Zoning**: Verifying that development and construction align with approved zoning plans, addressing issues such as illegal operations and pollution control.

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AGREEMENT FOR SERVICES

Building Division Services

PREAMBLE

THIS AGREEMENT is by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and 4LEAF, Inc. ("Consultant"), a Corporation and whose address is 2126 Rheem Dr., Pleasanton, CA 94588. This Agreement is made with reference to the following facts.

I. RECITALS

A. Town desires to engage Consultant to provide building division plan review.

B. Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.

C. Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain the Consultant.

II. AGREEMENT

A. Scope of Services. Consultant shall provide services as described in the Scope of Services, which is hereby incorporated by reference and attached as Exhibit A.

B. Term. The term of this Agreement shall be from July 1, 2026 to Monday, June 30, 2031.

C. Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for the Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license as required in Chapter 14 of the Code of the Town of Los Gatos.

D. Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.

E. Information/Report Handling. All documents furnished to the Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property and shall be delivered to the Town upon the completion of services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by the Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Consultant shall not make any of these documents or information available to any individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Contractor which is and has been confirmed in writing by Consultant to be a trade secret of the Consultant.

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F. Compensation. Compensation for services at the rates set forth in Exhibit A, which is attached and inc by reference. Payment shall be based upon Town approval of each task.

G. Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.

Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:
Invoices: Town of Los Gatos
Attn: Accounts Payable
P.O. Box 655
Los Gatos, CA 95031-0655
Email (preferred): AP@losgatosca.gov

H. Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Consultant offices during business hours upon written request of the Town.

I. Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.

J. Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

K. Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives, nor shall it enter into any such holdings or agreements. In addition, the Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person Consultant discovers it has employed a person

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with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.

L. Non-Discrimination. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither the Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

III. INSURANCE AND INDEMNIFICATION

A. Minimum Scope of Insurance.

1. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: two million dollars ($2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

2. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars ($1,000,000) combined single limit per accident for bodily injury and property damage.

3. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the Town before work commences.

B. General Liability.

1. The Town, its elected and appointed officials, employees, and agents are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant, premises owned or used by the Consultant.

2. The Consultant's insurance coverage shall be primary insurance as respects the Town, its elected and appointed officials, employees, and agents. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or agents shall be excess of the Consultant's insurance and shall not contribute with it.

3. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or agents.

4. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

C. All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

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D. Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees. As required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than one million dollars ($1,000,000) per accident for bodily injury or disease.

E. Indemnification. The Consultant shall indemnify the Town its elected and appointed officials, employees and agents from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by any act or omissions of the Consultant, or any of the Consultant's officers, employees, or agents or any subcontractor. Consultant shall defend the Town against any such claims.

IV. GENERAL TERMS

A. Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.

B. Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.

C. Mediation. Should any dispute arise out of this Agreement, any party may request that it be submitted to mediation. The parties shall meet in mediation within 30 days of a request. The mediator shall be agreed to by the mediating parties. In the absence of an agreement, the parties shall each submit one name from mediators listed by either the American Arbitration Association, the California State Board of Mediation and Conciliation, or other agreed-upon service. The mediator shall be selected by a blind draw. The cost of mediation shall be borne equally by the parties. Neither party shall be deemed the prevailing party. No party shall be permitted to file a legal action without first meeting in mediation and making a good faith attempt to reach a mediated settlement. The mediation process, once commenced by a meeting with the mediator, shall last until agreement is reached by the parties but not more than 60 days, unless the maximum time is extended by the parties.

D. Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Consultant. In the event of such termination, Town shall pay the Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.

E. Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.

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F. Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed post prepaid, and addressed to:

Town of Los Gatos
Attn: Town Clerk
110 E. Main Street, Los Gatos, CA 95030

4LEAF, Inc.
2126 Rheem Dr., Pleasanton, CA 94588.

or personally delivered to the Consultant to such address or such other address as the Consultant designates in writing to Town.

G. Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.

H. Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and the Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

Attachments:

A - Scope of Work - 4Leaf

Docusign Envelope ID: B74F41F0-F3FB-89B2-8297-D3205616E31B

IN WITNESS WHEREOF, the Town and the Contractor have executed this Agreement.

TOWN OF LOS GATOS:

Signed by:
Chris Constantin
03E5E4869B5C461...
SIGNATURE

Chris Constantin
FULL NAME

Town Manager
TITLE

6/12/2026
DATE SIGNED

4LEAF

DocuSigned by:
Kevin J. Duggan
813734D554DD4B5...
SIGNATURE

Kevin J. Duggan
VENDOR SIGNATORY'S FULL NAME

President
VENDOR SIGNATORY'S TITLE

6/12/2026
DATE SIGNED

Approved as to form:

Signed by:
Gabrielle Whelan
BB433AD84396437...
SIGNATURE

Gabrielle Whelan
FULL NAME

Town Attorney
TITLE

6/12/2026
DATE SIGNED

Recommended by:

Signed by:
Joel Paulson
10480885C07B4FC...
SIGNATURE

Joel Paulson
FULL NAME

6/12/2026
DATE SIGNED

Community Development Director
TITLE

The execution date is the date on which the last party has signed.

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Exhibits List

A - Scope of Work - 4Leaf

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Exhibit A

Scope of Work - 4Leaf

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SCOPE OF WORK

Plan Review Services

4LEAF will provide Plan Review for any and all types of structures to ensure compliance with all adopted codes, local ordinances (including Tier 1 of Cal Green, if required) and State and federal laws that pertain to Building and Safety, and for compliance with the adopted International Code Council (ICC) Building, Plumbing, Electrical, Mechanical, National Fire Protection codes and standards, and the Accessibility and Noise and Energy Conservation requirements as mandated by the State of California Title 24, State of California Water Efficient Landscape Ordinance, the State of California Certified Access Specialist (CASp) compliance, and all other applicable ordinances. We provide these services for project types including Single-Family Dwellings, large Multi-Family Mixed-Use Dwelling Units, Commercial, and Industrial.

Delivery Models

- **On-Site Review:** 4LEAF can deploy Registered Professional Engineers to your facility to perform structural and non-structural reviews. This provides the Town with immediate access to expertise in life-safety, accessibility, and MEP (Mechanical, Electrical, Plumbing) compliance.
- **Off-Site & Electronic Review:** We utilize a "Green Line" approach to deliver cost-effective, environmentally friendly digital reviews. This model provides the Town and stakeholders with a secure online portal for real-time status tracking and seamless collaboration.

Approach

We understand that the specific building plan review responsibilities will include, but are not limited to:

- Examining plans, drawings, specifications, computations documents, soils reports, and additional data;
- Ascertaining whether projects are in accordance with applicable building and fire codes, and Town ordinances, including but not limited to Title 24 and Title 25;
- Performing such reviews as structural, MEP, green building, fire and life safety, grading and drainage;
- Reviewing plans to ensure conformity to the required strengths, stresses, strains, loads, and stability as per the applicable laws;
- Reviewing plans to ensure conformity with use and occupancy classification, general building heights and areas, types of construction, fire resistance construction and protection systems, means of egress, accessibility, structural design, soils and foundations; and masonry;
- Providing additional plan review services as requested by the Town;
- Conducting all plan review at the Town Department or at a site mutually agreed upon in writing and;
- Supplying all plan review staff with all code books and other basic professional references.

4LEAF's EZPlan Review

EZPlan Review is 4LEAF's in-house tracking software that acts as a communication tool between 4LEAF and the jurisdictions we work with. The use of EZPlan makes communication easy. This web portal allows users visualize project due dates, notes, and status updates so that projects can be followed from start to finish. Additionally, 4LEAF provides electronically stamped and uploaded copies of approved project plans, a value which saves clients time and resources. With the use of EZPlan, 4LEAF hopes to provide a level of ease and transparency during the off-site plan review process.

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QA/QC Review Process

Task 1 – Project Tracking Set-up

The first step of our process will be to set up the project in our system to enable 4LEAF and the Town each to track the progress of the review. Our plan tracking procedures are designed to track each submittal throughout the review process and maintain accurate and comprehensive records for each submittal.

Task 2 - Complete Submittal Review

Upon receiving the plans from the Town, 4LEAF will triage (preliminary plan review performed by 4LEAF plan review project lead) the submittal to verify that the submittal received is complete (i.e., all pertinent plans, calculations, reports, and other related documents) in order that we can begin our review. If the submitted package is incomplete, we will communicate with the Town to discuss the deficient documents needed to proceed with our review.

Task 3 - Plan Review Assignment

After the triage process is performed and a complete package is verified, the project will be assigned to the most qualified Plans Examiner, and a turnaround time will be established. We will log each application into our database the same day the plans are received to ensure that they are routed in a timely manner and to allow for daily project tracking.

Task 4 - Plan Review

4LEAF will provide the project contact (Developer, Contractor, Architect, or Engineer) desired by the Town with a list of any items needing correction and clarification to comply with applicable building codes, ordinances, and regulations. A correction list will be created based on the missing codes and ordinances.

Task 5 - Quality Control

Prior to submitting the plan review correction list to the Town, the designated plan review project lead will review the correction list for adherence to applicable codes and ordinances as well as for accuracy and completeness. After completion of our quality control review a correction list will be e-mailed to a designated staff member at the Town or as directed by the Town. The correction list and a 4LEAF transmittal form will include the following information: a description of the work, type of construction, occupancy group, square footage, number of floors, and sprinkler requirements.

Task 6 - Plan Review Rechecks

Plans received for rechecks will be reviewed for conformance. Our goal is to actively work with the designers to resolve all unresolved issues after our second review. If it appears that there are complicated issues that might cause a project to go beyond our second review, we will communicate directly with the designer to resolve these concerns.

Task 7 - Project Approval

Once the final plan reviews are completed and ready for approval, 4LEAF will organize the plans and supporting documents per the Town's processing requirements and return them to the Town, along with our letter of completion.

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Turn-Around Times

4LEAF has a tremendous reputation for completing projects on-time and under budget. 4LEAF's plan review team is widely recognized for quick turn-around times and prompt service. Off-site plan reviews are performed at our office, with plans transmitted by personal delivery or overnight service. Our standard turn-around times are within 10 business days for residential plan reviews and within 10 days for commercial/industrial plan reviews; however, these timeframes are negotiable based on your needs. **4LEAF also provides Fire Plan Review services**.

Type of Plans	Transportation	Initial Review	Resubmittal Review	Resubmittal Review #2	Expedited Review	Expedited Resubmittal
*Residential	< 24 Hours (pick up & delivery)	< 10 Days	< 5 Days	< 5 Days	< 5 Days	< 3 Days
**Multi-Family	< 24 Hours (pick up & delivery)	< 10 Days	< 5 Days	< 5 Days	< 5 Days	< 3 Days
Commercial	< 24 Hours (pick up & delivery)	< 10 Days	< 5 Days	< 5 Days	< 5 Days	< 3 Days
***Large Commercial > 15,000 s.f.	< 24 Hours (pick up & delivery)	Negotiable	Negotiable	Negotiable	Negotiable	Negotiable

***Larger complex plan reviews can be negotiated to achieve the best possible pricing. 4LEAF has a proven track record of working with municipalities to provide expedited reviews with special discounted pricing.**

Pick-up of all plans will be performed by 4LEAF staff within 24 hours of the Town's phone call or e-mail. 4LEAF prefers to pick up and deliver the plans in person to communicate information that may be pertinent to the project and maintain consistent communication. At no additional cost, 4LEAF staff will transport the plans to and from the Town upon a phone call to the 4LEAF office or simply e-mail pickup@4leafinc.com.

Document Control

When plans and documents are received for review, 4LEAF's Plan Review Manager and Document Control Technician analyze the project, creates a job number, and completes a Job Setup Sheet. This form highlights both the jurisdiction, applicable contact information, and all project specific design criteria and notes. Jobs are then transmitted through 4LEAF's easily accessed EZPlan Review Portal which tracks initial and subsequent reviews and is open for view by the client. The Town and their customers can view 4LEAF's plan review control log through 4LEAF's EZPlan Review Portal.

Plans then get distributed for review to a 4LEAF team consisting of Plan Review Engineers, Architect (a licensed state professional) and/or an ICC Certified Plans Examiner, as applicable. Our staff then performs his or her function of analyzing the plans and documentation for effective conformance to the state codes, referenced construction standards, and Town amendments. 4LEAF's code review methodology is "The Effective Use of the Codes" reinforced through proprietary and jurisdictional checklists. When complete, the Plan Review Manager overviews the project for quality control purposes and forwards comments or approvals to the client's pre-designated contacts.

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PRELIMINARY FEE SCHEDULE

FY2026-2027* FEE SCHEDULE & BASIS OF CHARGES FOR THE TOWN OF LOS GATOS

All Rates are Subject to Basis of Charges

***Annual escalation of 5% unless otherwise noted**

Building

Chief Building Official	$224/hour
Plan Review Services – excludes Fire & Civil (2 rechecks, hourly thereafter)	70% of permit fee
Structural Plan Review Engineer	$194/hour
Non-Structural Plans Examiner	$154/hour
Certified Access Specialist (CASp) Inspector	$247/hour
Certified Access Specialist (CASp) Plans Examiner	$247/hour
Senior Combination Building Inspector (Building Inspector III)	$174/hour
Commercial Building Inspector (Building Inspector II)	$147/hour
Residential Building Inspector (Building Inspector I)	$117/hour
Permit Counter Manager/Deputy Building Official	$147/hour
Senior Permit Technician	$127/hour
Permit Technician	$97/hour
Clerk/Administrator	$84/hour
Supervising Inspector of Record	$247/hour
Inspector of Record	$177/hour
HCAI/DSA Required Inspector	$247/hour
Firestopping Inspector	$217/hour

Code Enforcement

Code Enforcement Director	$197/hour
Code Enforcement Manager	$164/hour
Senior Code Enforcement Officer	$144/hour
Code Enforcement Officer II	$124/hour
Code Enforcement Officer I	$107/hour
Code Enforcement Technician	$94/hour
Housing Inspector	$104/hour
Remote Hearing Officer	$297/hour
Onsite Hearing Officer	$397/hour

General

Principal-in-Charge	$347/hour
4LEAF Project Manager	$247/hour
Vehicle required for project - 4-wheel drive (monthly)	$2500/month
Vehicle required for project - 4-wheel drive (daily)	$165/day
Vehicle required for project - 2-wheel drive (monthly)	$1500/month
Vehicle required for project - 2-wheel drive (daily)	$125/day

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Project site transport, where required (gator)..... $1800/month
Field Representative requiring special enhancement..... $274/hour
Prevailing Wage filing..... $274/filing
Project Administration specialized billing..... $144/hour
elas/GoFormz $50/user/month

BASIS OF CHARGES

- Rates are inclusive of "tools of the trade" such as forms, telephones, and consumables, basic PPE (project specific PPE will be charged at cost plus 20%).
- All invoices will be submitted monthly.
- All invoices will be charged a 5% administrative fee.
- Approved expenses such as flights/ferry/hotels/etc. as well as subconsultants will be charged at cost plus 20%
- Staff Augmentation work (excluding plan review) is subject to 4-hour minimum charges unless stated otherwise. Services billed in 4-hour increments.
- Inspection services canceled less than 24 hours of requested time of service will be subject to a two (2) hour minimum charge.
- Expedited reviews will be billed at 1.5x the plan review fee listed in the fee schedule. Return time will be within seven (7) days of receipt of the plans from the Jurisdiction.
- Most plan reviews will be reviewed in 10 business days or less and 5 business days or less for re-checks. This is not inclusive of holidays or the day of the pick-up of plans.
- Plan review of deferred submittals & revisions will be billed at the hourly rates listed.
- All plan review services are billed on a percentage basis and includes the initial review and 2 rechecks.
    - Plan reviews will be billed on an hourly basis only after the initial review and 2 rechecks unless otherwise agreed upon on a case-by-case basis.
    - Fire and Civil Reviews are billed on an hourly basis and are not included in our plan review percentage.
- 4LEAF assumes that these rates reflect the FY2026-2027 contract period. There will be a 5% escalation for FY2027-2028, FY2028-2029, etc.
- Overtime and Premium time will be charged as follows:
    - *Regular time (work begun after 5AM or before 4PM)* — *1 x hourly rate*
    - *Nighttime (work begun after 4PM or before 5AM)* — *1.125 x hourly rate*
    - *Overtime (over 8-hour M-F or Saturdays)* — *1.5 x hourly rate*
    - *Overtime (over 8 hours Sat or 1st 8-hour Sun)* — *2 x hourly rate*
    - *Overtime (over 8 hours Sun or Holidays)* — *3 x hourly rate*
- Overtime will only be billed with prior authorization of the client unless required by governing documents.
- All work with less than 8 hours rest between shifts will be charged the appropriate overtime rate.
- Mileage driven during the course of project work or assignment will be charged at cost plus 20%.
- Payment due on receipt. All payments over 30 days will be assessed a 1.5% interest charge.
- Client shall pay attorneys' fees, or other costs incurred in collecting delinquent amounts.
- Client agrees that 4LEAF's liability will be limited to the value of services provided.
- In accordance with California's Meal Break and Rest Break Law requirements, Client will be billed one (1)

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additional hour per day at the regular rate for each missed meal or rest break due to Client-directed tasks or requirements. Client will allow 4LEAF staff the opportunity to take their entitled rest and meal breaks during each work shift as required by law.

BASIS OF CHARGES – PREVAILING WAGE

- Rates shown assume the projects will require compliance with California Prevailing Wage rate requirements and assumes the Client will be filing a PWC-100 Form to the California Department of Industrial Relations (DIR) for the projects.
- Rates for prevailing wage categories are subject to annual escalations in accordance with the bi-annual wage determinations from the California DIR at cost, plus multiplier, and profit.
- Per the new requirements being enforced under SB 854 and because it is assumed that a PWC-100 Form will be filed by the Client to the CA DIR for each project, 4LEAF is required to notify an authorized Apprenticeship Committee through submittal of a DAS-140 form. We are then required to make an official request to an authorized Apprenticeship Committee for an apprentice by submitting a DAS-142 form. We are not assured the apprenticeship committee will be able to provide a suitable / qualified apprentice for the project. Per the apprenticeship requirements, the hours worked by the apprentice must be in a ratio of 1:5 for apprentice to journeyman hours. 4LEAF will not know the labor classification of the Public Works Apprentice until an Apprentice is dispatched to the site; therefore, the rates for the five Periods listed under the California DIR's Wage determination for Building Construction Inspector.

FIRST AMENDMENT TO AGREEMENT FOR BUILDING DIVISION SERVICES

Urban37, Inc Agreement

PREAMBLE

This AMENDMENT TO AGREEMENT amends that certain agreement titled AGR 26.110 - Building Division Services dated 07/01/2026, made by and between the Town of Los Gatos, ("Town,") and Urban37, Inc. (“Consultant”), a California corporation and whose address is 20212 Redwood Rd. #103C, Castro Valley, CA 94546.

I. RECITALS

A. Town and Consultant entered into an Agreement for Services (AGR 26.110) on 07/01/2026 (“Agreement”).
B. The parties wish to amend the Agreement in order to provide additional building support services.

II. AMENDMENT

A. Section 1 A is amended to read: Town desires to engage Consultant to provide building division plan review and other building support services.
B. Consultant’s updated scope of work and description of services are included as Exhibit A.
C. All other terms and conditions of the Agreement remain in full force and effect.

ATTACHMENT 3

IN WITNESS WHEREOF, the Town and Consultant have executed this Amendment.

Town of Los Gatos by:

_____

Chris Constantin, Town Manager

Urban37, Inc. by:

_____

Raylee Glasser, Founder and CEO

Recommended by:

_____

Joel Paulson, Community Development Director

Approved as to form:

_____

Jolie Houston, Interim Town Attorney

SCOPE OF SERVICES

Building Division Plan Review and Other Support Services

Overview

Urban37, Inc. shall provide building plan review and other Building Division support services as assigned by the Town of Los Gatos. The Town may request individual services, coverage for a specific project or workload increase, or dedicated staffing for an agreed assignment. Services may be performed onsite, remotely, or through a combination of both, as appropriate to the assignment and coordinated with the Town.

Consultant shall assign qualified personnel with the certifications, licenses, and experience appropriate to the work. Consultant shall coordinate assignments with the Town's Chief Building Official or designee and perform services in accordance with applicable codes, Town ordinances and adopted amendments, and Town policies, procedures, and documentation requirements.

Comprehensive Plan Review Services

Urban37 shall provide multidisciplinary building plan review for assigned residential, commercial, industrial, institutional, mixed-use, and specialty projects. Review may include architectural, structural, mechanical, electrical, and plumbing disciplines, as well as Title 24 energy compliance, CALGreen, accessibility under California Building Code Chapters 11A and 11B, Wildland-Urban Interface requirements, and applicable residential and existing building codes. Assignments may also include prefabricated and modular construction, deferred submittals, and revisions or supplemental submittals.

Building plan review includes life-safety provisions within the Building Division's review. Consultant shall flag apparent issues requiring separate Fire or Civil review and coordinate referrals through the Town's established procedures. Standalone Fire and Civil plan reviews are outside the scope of building plan review.

Urban37 shall assign reviews based on project type, disciplines, and complexity. Complex or specialty projects shall receive senior technical oversight. Urban37 shall perform internal quality-control checks and consolidate comments into a single letter organized by discipline, with applicable code references and clear correction instructions. Urban37 shall coordinate with Town staff, respond to technical questions, and participate in applicant meetings or page-turn reviews as needed.

Plan review deliverables shall include consolidated correction letters, review completion notifications, and recommendations for permit issuance, as applicable. Urban37 shall provide electronic plan markups, code interpretation memoranda, and workload or status reports as requested or as needed for the assignment. Urban37 shall use the Town's designated systems and procedures for routing and returning review materials.

Plan Review Fees

The amounts below include 1 initial review and 2 rechecks. Revisions and deferred submittals will

be invoiced hourly.

- **60%** - Full Review (excludes Fire and Civil)
- **40%** - Structural Only
- **35%** - Non- Structural Review

Review Type	Turnaround Time
Initial Plan Review	10 Business Days
Resubmittal Review	5 Business Days
Deferred Submittals and Revisions	5 Business Days

Expedited Review Services

Expedited plan review services may be provided upon request and will be invoiced at 1.5 times the applicable plan review fee.

Urban37 will coordinate with City staff to establish an expedited review schedule appropriate for the project while maintaining review quality and code compliance.

Additional Plan Review Fee Information

- The percentage-based fee will be calculated based on the applicable City plan review fee.
- All percentage-based plan review services are subject to a $250 minimum fee.
- When plan review services are billed hourly, a two-hour minimum charge shall apply.
- Revisions and deferred submittals billed hourly shall be invoiced in accordance with Urban37's separate FY2026-2027 Hourly Rate Schedule.
- The above fees are effective July 1, 2026 through June 30, 2027. The fee schedule is subject to an annual adjustment based on the cost-of-living increase plus 1%.

Building Inspection Services

At the Town's request, Urban37 shall provide qualified inspectors to inspect permitted construction for compliance with approved plans, applicable codes, and permit conditions. Assigned work may include routine inspections and reinspections, temporary or partial occupancy inspections, final inspections, and follow-up on corrections.

Urban37 shall record inspection results in the Town's permitting system, document deficiencies, and issue code-referenced correction notices in accordance with Town procedures. Inspectors shall communicate findings and required follow-up to contractors, applicants, and Town staff as appropriate.

The Town may also request short-term or dedicated inspection coverage, urgent inspection response subject to availability, lead inspector or Inspector of Record services for designated projects, and post-disaster safety assessments.

Code Compliance Services

At the Town's request, Urban37 shall assist with complaint intake, records research, field investigations, property inspections, case documentation, and follow-up. Urban37 shall communicate applicable requirements and corrective actions, establish and track compliance deadlines in accordance with Town procedures, and pursue voluntary compliance where appropriate.

Urban37 shall prepare notices of violation and administrative citations as assigned, with issuance handled in accordance with the Town's procedures and delegated authority. Urban37 shall maintain case records, including findings, photographs, correspondence, notices, and follow-up actions, and coordinate with Town departments and partner agencies as needed. The Town may also request assistance with case workflows, notice templates, tracking procedures, and database maintenance.

Permit Technician and Administrative Services

At the Town's request, Urban37 shall provide permit counter and administrative support. Assigned duties may include receiving applications, checking submittals for completeness, routing materials for review, calculating fees using the Town's adopted fee schedule, processing resubmittals, assisting with permit issuance, and maintaining permit records.

Urban37 shall respond to public inquiries, explain submittal requirements and next steps, and coordinate with Building, Planning, Engineering, Fire, and other reviewing departments as applicable. Urban37 shall use the Town's permitting systems and follow Town procedures for processing, documenting, and issuing permits.

Interim Leadership and Other Building Division Services

At the Town's request, Urban37 shall provide interim Chief Building Official coverage, supervisory plans examiner support, lead inspection oversight, or permit center management. Duties requiring formal appointment or delegation shall be performed within the authority granted by the Town for the assignment.

Urban37 may also support expedited review programs, economic development initiatives requiring Building Division coordination, and other Town-designated priority projects. Operational support may include mapping permit and review workflows, identifying bottlenecks, preparing or updating applicant handouts and submittal checklists, standardizing correction letters and internal procedures, and developing tools to track workload and service performance.

For support assignments, Urban37 shall coordinate the scope, schedule, staffing, and expected deliverables with the Town's Chief Building Official or designee before work begins. Urban37 shall provide status updates and deliver work products and records through the Town's designated systems or procedures.

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AGREEMENT FOR SERVICES

Building Division Services

PREAMBLE

THIS AGREEMENT is by and between TOWN OF LOS GATOS, a California municipal corporation, ("Town") and Urban37, Inc. ("Consultant"), a Corporation and whose address is 20212 Redwood Rd. #103C, Castro Valley, CA 94546. This Agreement is made with reference to the following facts.

I. RECITALS

A. Town desires to engage Consultant to provide building division plan review.

B. Consultant represents and affirms that it is willing to perform the desired work pursuant to this Agreement.

C. Consultant warrants it possesses the distinct professional skills, qualifications, experience, and resources necessary to timely perform the services described in this Agreement. Consultant acknowledges Town has relied upon these warranties to retain the Consultant.

II. AGREEMENT

A. Scope of Services. Consultant shall provide services as described in the Scope of Services, which is hereby incorporated by reference and attached as Exhibit A.

B. Term. The term of this Agreement shall be from July 1, 2026 to Monday, June 30, 2031.

C. Compliance with Laws. The Consultant shall comply with all applicable laws, codes, ordinances, and regulations of governing federal, state and local laws. Consultant represents and warrants to Town that it has all licenses, permits, qualifications and approvals of whatsoever nature which are legally required for the Consultant to practice its profession. Consultant shall maintain a Town of Los Gatos business license as required in Chapter 14 of the Code of the Town of Los Gatos.

D. Sole Responsibility. Consultant shall be responsible for employing or engaging all persons necessary to perform the services under this Agreement.

E. Information/Report Handling. All documents furnished to the Consultant by the Town and all reports and supportive data prepared by the Consultant under this Agreement are the Town's property and shall be delivered to the Town upon the completion of services or at the Town's written request. All reports, information, data, and exhibits prepared or assembled by the Consultant in connection with the performance of its services pursuant to this Agreement are confidential until released by the Town to the public, and the Consultant shall not make any of these documents or information available to any individual or organization not employed by the Consultant or the Town without the written consent of the Town before such release. The Town acknowledges that the reports to be prepared by the Consultant pursuant to this Agreement are for the purpose of evaluating a defined project, and Town's use of the information contained in the reports prepared by the Consultant in connection with other projects shall be solely at Town's risk, unless Consultant expressly consents to such use in writing. Town further agrees that it will not appropriate any methodology or technique of Consultant which is and has been confirmed in writing by Consultant to be a trade secret of the Consultant.

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F. Compensation: Compensation for Consultant's professional services shall not exceed the rates set for Exhibit A, which is attached and incorporated by reference. Payment shall be based upon Town approval of each task.

G. Billing. Billing shall be monthly by invoice within thirty (30) days of the rendering of the service and shall be accompanied by a detailed explanation of the work performed by whom at what rate and on what date. Also, plans, specifications, documents or other pertinent materials shall be submitted for Town review, even if only in partial or draft form.Payment shall be net thirty (30) days. All invoices and statements to the Town shall be addressed as follows:
Invoices: Town of Los Gatos
Attn: Accounts Payable
P.O. Box 655
Los Gatos, CA 95031-0655
Email (preferred): AP@losgatosca.gov

H. Availability of Records. Consultant shall maintain the records supporting this billing for not less than three years following completion of the work under this Agreement. Consultant shall make these records available to authorized personnel of the Town at the Contractor offices during business hours upon written request of the Town.

I. Assignability and Subcontracting. The services to be performed under this Agreement are unique and personal to the Consultant. No portion of these services shall be assigned or subcontracted without the written consent of the Town.

J. Independent Contractor. It is understood that the Consultant, in the performance of the work and services agreed to be performed, shall act as and be an independent contractor and not an agent or employee of the Town. As an independent contractor he/she shall not obtain any rights to retirement benefits or other benefits which accrue to Town employee(s). With prior written consent, the Consultant may perform some obligations under this Agreement by subcontracting, but may not delegate ultimate responsibility for performance or assign or transfer interests under this Agreement. Consultant agrees to testify in any litigation brought regarding the subject of the work to be performed under this Agreement. Consultant shall be compensated for its costs and expenses in preparing for, traveling to, and testifying in such matters at its then current hourly rates of compensation, unless such litigation is brought by Consultant or is based on allegations of Consultant's negligent performance or wrongdoing.

K. Conflict of Interest. Consultant understands that its professional responsibilities are solely to the Town. The Consultant has and shall not obtain any holding or interest within the Town of Los Gatos. Consultant has no business holdings or agreements with any individual member of the Staff or management of the Town or its representatives, nor shall it enter into any such holdings or agreements. In addition, the Consultant warrants that it does not presently and shall not acquire any direct or indirect interest adverse to those of the Town in the subject of this Agreement, and it shall immediately disassociate itself from such an interest, should it discover it has done so and shall, at the Town's sole discretion, divest itself of such interest. Consultant shall not knowingly and shall take reasonable steps to ensure that it does not employ a person having such an interest in this performance of this Agreement. If after employment of a person Consultant discovers it has employed a person

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with a direct or indirect interest that would conflict with its performance of this Agreement, Consultant shall promptly notify Town of this employment relationship, and shall, at the Town's sole discretion, sever any such employment relationship.

L. Non-Discrimination. Consultant warrants that it is an equal opportunity employer and shall comply with applicable regulations governing equal employment opportunity. Neither the Consultant nor its subcontractors do and neither shall discriminate against persons employed or seeking employment with them on the basis of age, sex, color, race, marital status, sexual orientation, ancestry, physical or mental disability, national origin, religion, or medical condition, unless based upon a bona fide occupational qualification pursuant to the California Fair Employment & Housing Act.

III. INSURANCE AND INDEMNIFICATION

A. Minimum Scope of Insurance.

1. Consultant agrees to have and maintain, for the duration of the contract, General Liability insurance policies insuring him/her and his/her firm to an amount not less than: two million dollars ($2,000,000) combined single limit per occurrence for bodily injury, personal injury and property damage.

2. Consultant agrees to have and maintain for the duration of the contract, an Automobile Liability insurance policy ensuring him/her and his/her staff to an amount not less than one million dollars ($1,000,000) combined single limit per accident for bodily injury and property damage.

3. Consultant shall provide to the Town all certificates of insurance, with original endorsements effecting coverage. Consultant agrees that all certificates and endorsements are to be received and approved by the Town before work commences.

B. General Liability.

1. The Town, its elected and appointed officials, employees, and agents are to be covered as insured as respects: liability arising out of activities performed by or on behalf of the Consultant; products and completed operations of the Consultant, premises owned or used by the Consultant.

2. The Consultantr's insurance coverage shall be primary insurance as respects the Town, its elected and appointed officials, employees, and agents. Any insurance or self-insurances maintained by the Town, its officers, officials, employees or agents shall be excess of the Consultant's insurance and shall not contribute with it.

3. Any failure to comply with reporting provisions of the policies shall not affect coverage provided to the Town, its officers, officials, employees or agents.

4. The Consultant's insurance shall apply separately to each insured against whom a claim is made or suit is brought, except with respect to the limits of the insurer's liability.

C. All Coverages. Each insurance policy required in this item shall be endorsed to state that coverage shall not be suspended, voided, cancelled, reduced in coverage or in limits except after thirty (30) days' prior written notice by certified mail, return receipt requested, has been given to the Town. Current certification of such insurance shall be kept on file at all times during the term of this agreement with the Town Clerk.

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D. Workers' Compensation. In addition to these policies, Consultant shall have and maintain Workers' Compensation insurance as required by California law and shall provide evidence of such policy to the Town before beginning services under this Agreement. Further, Consultant shall ensure that all subcontractors employed by Consultant provide the required Workers' Compensation insurance for their respective employees. As required by the State of California, with Statutory Limits, and Employer's Liability Insurance with limit of no less than one million dollars ($1,000,000) per accident for bodily injury or disease.

E. Indemnification. The Consultant shall indemnify the Town its elected and appointed officials, employees and agents from all damages, liabilities, penalties, costs, or expenses in law or equity that may at any time arise or be set up because of damages to property or personal injury received by reason of, or in the course of performing work which may be occasioned by any act or omissions of the Consultant, or any of the Consultants officers, employees, or agents or any subcontractor. Consultant shall defend the Town against any such claims.

IV. GENERAL TERMS

A. Waiver. No failure on the part of either party to exercise any right or remedy hereunder shall operate as a waiver of any other right or remedy that party may have hereunder, nor does waiver of a breach or default under this Agreement constitute a continuing waiver of a subsequent breach of the same or any other provision of this Agreement.

B. Governing Law. This Agreement, regardless of where executed, shall be governed by and construed to the laws of the State of California. Venue for any action regarding this Agreement shall be in the Superior Court of the County of Santa Clara.

C. Mediation. Should any dispute arise out of this Agreement, any party may request that it be submitted to mediation. The parties shall meet in mediation within 30 days of a request. The mediator shall be agreed to by the mediating parties. In the absence of an agreement, the parties shall each submit one name from mediators listed by either the American Arbitration Association, the California State Board of Mediation and Conciliation, or other agreed-upon service. The mediator shall be selected by a blind draw. The cost of mediation shall be borne equally by the parties. Neither party shall be deemed the prevailing party. No party shall be permitted to file a legal action without first meeting in mediation and making a good faith attempt to reach a mediated settlement. The mediation process, once commenced by a meeting with the mediator, shall last until agreement is reached by the parties but not more than 60 days, unless the maximum time is extended by the parties.

D. Termination of Agreement. The Town and the Consultant shall have the right to terminate this agreement with or without cause by giving not less than fifteen days (15) written notice of termination. In the event of termination, the Consultant shall deliver to the Town all plans, files, documents, reports, performed to date by the Contractor. In the event of such termination, Town shall pay the Consultant an amount that bears the same ratio to the maximum contract price as the work delivered to the Town bears to completed services contemplated under this Agreement, unless such termination is made for cause, in which event, compensation, if any, shall be adjusted in light of the particular facts and circumstances involved in such termination.

E. Amendment. No modification, waiver, mutual termination, or amendment of this Agreement is effective unless made in writing and signed by the Town and the Consultant.

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F. Notices. Any notice required to be given shall be deemed to be duly and properly given if mailed post prepaid, and addressed to:

Town of Los Gatos
Attn: Town Clerk
110 E. Main Street, Los Gatos, CA 95030

Urban37, Inc.
20212 Redwood Rd. #103C, Castro Valley, CA 94546.

or personally delivered to the Consultant to such address or such other address as the Contractor designates in writing to Town.

G. Order of Precedence. In the event of any conflict, contradiction, or ambiguity between the terms and conditions of this Agreement in respect of the Products or Services and any attachments to this Agreement, then the terms and conditions of this Agreement shall prevail over attachments or other writings.

H. Entire Agreement. This Agreement, including all Exhibits, constitutes the complete and exclusive statement of the Agreement between the Town and the Consultant. No terms, conditions, understandings or agreements purporting to modify or vary this Agreement, unless hereafter made in writing and signed by the party to be bound, shall be binding on either party.

Attachments:

A - Proposal - Urban37

IN WITNESS WHEREOF, the Town and the Contractor have executed this Agreement.

TOWN OF LOS GATOS:

Signed by:
Chris Constantin
03E5E4869B5C461...
SIGNATURE

Chris Constantin
FULL NAME

Town Manager
TITLE

6/22/2026
DATE SIGNED

Urban37, Inc.

Signed by:
75DF78509F8A4CE...
SIGNATURE

Raylee Glasser
VENDOR SIGNATORY'S FULL NAME

Founder and CEO
VENDOR SIGNATORY'S TITLE

6/18/2026
DATE SIGNED

Approved as to form:

Signed by:
Gabrielle Whelan
BB433AD84396437...
SIGNATURE

Gabrielle Whelan
FULL NAME

Town Attorney
TITLE

6/21/2026
DATE SIGNED

Recommended by:

Signed by:
Joel Paulson
10480885C07B4FC...
SIGNATURE

Joel Paulson
FULL NAME

6/18/2026
DATE SIGNED

Community Development Director
TITLE

The execution date is the date on which the last party has signed.

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Exhibits List

A - Proposal - Urban37

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Exhibit A

Proposal - Urban37

Docusign Envelope ID: FCAB52F8-A5F9-80F0-80FF-8EEC16B07C9B

Scope of Services – Building Plan Review Services

Overview

Urban37, Inc. shall provide comprehensive building plan review services for residential, commercial, industrial, institutional, mixed-use, and specialty projects submitted to the Town of Los Gatos. Services will be performed by qualified, ICC-certified plans examiners, engineers, and subject matter experts with extensive municipal experience and a commitment to exceptional customer service, technical accuracy, and timely turnaround.

Urban37's review process is designed to ensure code compliance, consistency, efficiency, and clear communication throughout the permitting process while supporting the Town's development objectives and customer service standards.

Comprehensive Plan Review Services

Urban37 shall provide multidisciplinary plan review services including, but not limited to:

- Architectural Review
- Structural Review
- Mechanical Review
- Electrical Review
- Plumbing Review
- Energy Compliance Review (Title 24)
- CALGreen Review
- Accessibility Review (CBC Chapter 11A & 11B)
- Fire & Life Safety Review
- Wildland-Urban Interface (WUI) Compliance Review
- Existing Building Code Compliance Review
- Residential Code Compliance Review
- Commercial Building Code Compliance Review
- Green Building & Sustainability Compliance Review
- Prefabricated & Modular Construction Review
- Deferred Submittal Review
- Revision & Supplemental Plan Review Services

Reviews shall be conducted in accordance with applicable California Building Standards Codes, Town ordinances, adopted amendments, policies, procedures, and state and federal regulations.

Plan Review Methodology

Urban37 utilizes a collaborative and disciplined review process designed to improve consistency, reduce review cycles, and provide applicants with clear and actionable feedback. Key components of the review process include:

- Projects are evaluated and assigned to discipline-specific reviewers based on project type, scope, and complexity.
- Complex, high-profile, technically challenging, or specialty projects receive senior-level technical oversight and quality assurance review.
- All discipline comments are consolidated prior to issuance to eliminate conflicting, duplicative, or fragmented feedback.
- Comment letters are organized by discipline, clearly code-cited, and formatted in a manner consistent with Town standards and expectations.
- Reviews emphasize practical solutions and constructability while maintaining full code compliance.

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- Collaborative page-turning meetings may be offered for complex, large-scale, or time-sensitive projects to align expectations early and reduce unnecessary review cycles.
- Review staff remain available throughout the permitting process to answer questions and provide technical clarification to applicants and Town staff.

Turnaround Times

Urban37 is committed to providing responsive and predictable review timelines. Standard turnaround goals are as follows:

Review Type	Turnaround Time
Initial Plan Review	10 Business Days
Resubmittal Review	5 Business Days
Deferred Submittals and Revisions	5 Business Days

For large, phased, highly complex, or specialty projects, review schedules may be adjusted and coordinated with Town staff and project applicants based upon project scope, staffing requirements, and desired delivery timelines.

Expedited Review Services

Expedited plan review services are available upon request and subject to reviewer availability. Urban37 will work directly with Town staff to establish review schedules that meet project needs while maintaining review quality and code compliance.

Quality Assurance & Customer Service

Urban37 maintains a rigorous quality assurance and quality control (QA/QC) program to ensure consistency, accuracy, and professionalism. Services include:

- Senior-level technical oversight
- Internal quality assurance reviews
- Consistent interpretation of applicable codes and Town requirements
- Professional communication with applicants and Town staff
- Prompt response to technical questions and review inquiries
- Ongoing coordination with Building Division personnel

Urban37 recognizes that effective plan review extends beyond code compliance. Our approach emphasizes partnership, responsiveness, transparency, and solutions-oriented service that supports applicants while protecting public health, safety, and welfare.

Coordination & Communication

Urban37 shall coordinate closely with Town staff throughout the review process and may:

- Attend coordination meetings as requested.
- Participate in applicant meetings and project consultations.
- Assist with code interpretation and technical guidance.
- Support Building Division staff during periods of increased workload.

- Provide status updates and workload reporting upon request.

Deliverables

Urban37 shall provide:

- Consolidated plan review comment letters.
- Marked-up electronic plans, when requested.
- Code interpretation memorandums, as needed.
- Technical consultation and support.
- Review completion notifications and recommendations for permit issuance.

Urban37 will utilize the Town's permitting and electronic plan review platforms and will comply with all Town procedures, workflows, and documentation requirements.

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Section 11 – Preliminary Fee Schedule

Urban37 proposes a flexible, menu-based fee structure that allows the Town to engage individual service components or comprehensive Building Division support services on an as-needed, dedicated, or staff augmentation basis.

Plan Review

The amounts below include 1 initial review and 2 rechecks. Revisions and deferred submittals will be invoiced hourly.

- **60%** - Full Review (excludes Fire and Civil)
- **40%** - Structural Only
- **35%** - Non-Structural Review

Expedited Plan Review Timeline: Expedited Reviews are invoiced at 1.5x the plan reviews fee. Extended timelines may be requested for larger projects.

HOURLY RATES BY DIVISION/SPECIALTY

All hourly rates listed below are fully negotiable based on scope, duration, and level of engagement. Our goal is to remain flexible and work collaboratively with the Town to find a structure that fits both operational needs and budget.

Building Services

Position	Hourly Rate
Building Official/CBO	$170
Assistant Building Official	$150
Building Inspector I	$105
Building Inspector II	$116
Building Inspector III	$135
Inspector of Record	$150
Plans Examiner (Structural)	$165
Plans Examiner (Non-Structural)	$149
Certified Access Specialist (CASp)	$170
Permit Center Manager	$130
Senior Permit Technician	$110

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Permit Technician	$100

Planning/Housing Services

Position	Hourly Rate
Planning Director	$210
Housing Specialist	$165
Senior Planner	$165
Associate Planner	$150
Assistant Planner	$135
Planning Support	$105

Code Enforcement Services

Position	Hourly Rate
Code Enforcement Director	$160
Code Enforcement Manager	$140
Senior Code Enforcement Officer	$135
Code Enforcement Officer	$120
Housing Inspector	$105

Public Works Services

Position	Hourly Rate
Public Works Director	$210
Senior Engineer	$205
Public/Civil Works Inspector I	$140
Public/Civil Works Inspector II	$125
Civil/Storm Water Plan Review	$160
Traffic Engineer	$240

Fire Services

Position	Hourly Rate
Fire Protection Engineer	$230
Fire Inspector I	$125
Fire Inspector II	$140
Fire Plan Review	$160

Additional Services

Position	Hourly Rate
Project Manager	$220
Administrative Support	$90
Analyst	$135
Director	$190

Additional Information

- Customization: All services can be customized based on the specific needs and requirements of each municipality. Rates may vary accordingly.
- Travel and Expenses: Any travel or additional expenses incurred during the provision of services will be billed separately with prior client approval.
- All plan review services will be subject to a $300.00 minimum fee if percentage-based fee or two (2) hour minimum charge if hourly rates apply.
- For any work performed onsite for the jurisdiction, Urban37, Inc. will be reimbursed for mileage. The reimbursement rate will be calculated based on the current government mileage rate plus an additional 20%. The government mileage rate will be determined according to the applicable rate published by the IRS at the time the travel expenses are incurred.
- Staff Augmentation work is subject to a 4-hour minimum.
- The fee schedule for Urban37 is effective from July 1, 2026, through June 30, 2027. Please note that the fee schedule is subject to an annual adjustment based on the cost of living increase plus 1%. The adjustment will be applied each year to ensure our services remain competitive and reflective of current economic conditions.
- The City shall provide appropriate meal and rest breaks per California Labor Law.
- Invoicing for services will occur on a monthly basis. Our company will issue invoices at the end of each month, detailing the hours worked, including any approved overtime amount per California state law, and the corresponding charges. Payment terms and methods will be outlined in the invoice.
    - Overtime will only be billed with prior authorization of the Director or other responsible designated City personnel.

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- Payment is due upon receipt of the invoice. A 1.5% interest charge will be applied to any payments that are overdue by more than 30 days.
- The client is responsible for any attorneys' fees or other costs associated with collecting overdue amounts. Additionally, the client agrees that Urban37's liability will be limited to the value of the services provided.

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 10

DATE: November 25, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Consider a Recommendation of Approval by the Planning Commission to Adopt a Resolution Amending the North Forty Specific Plan to Allow for a Senior Living Facility to be Authorized as a Permitted Use in the Northern District on Properties Zoned North Forty Specific Plan and North Forty Specific Plan:Housing Element Overlay Zone. Project Location: North Forty Specific Plan Area. North Forty Specific Plan Amendment Application A-26-002. Not Subject to CEQA Review Pursuant to CEQA Guidelines Section 15061 (b)(3) Because it Can Be Seen with Certainty That There Is No Possibility That the Amendment to the Specific Plan Would Have a Significant Effect on the Environment. All Projects to which the Specific Plan Applies Will Undergo Separate CEQA Review and Approval. Additionally, the Town Council Certified an Environmental Impact Report and Mitigation Monitoring and Reporting Program for the North Forty Specific Plan on January 20, 2015 and the Proposed Amendments Are Within the Scope of What was Previously Analyzed; Therefore, No Additional Environmental Review is Necessary for the Proposed Amendment. Property Owner: Tama Holdings LLC. Applicant: Jared Gamelin. Project Planner: Jocelyn Shoopman.**

RECOMMENDATION: Adopt a resolution amending the North Forty Specific Plan to allow for a senior living facility to be authorized as a permitted use in the northern district on properties zoned North Forty Specific Plan and North Forty Specific Plan: Housing Element Overlay Zone.

BACKGROUND:

On October 20, 2026, the Town Council considered the request to amend the North Forty Specific Plan (NF-SP) to allow for a senior living facility to be authorized as a permitted use in the Northern District. The Town Council received the staff report, testimony from the

PREPARED BY: Jocelyn Shoopman
Senior Planner

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director

applicant, opened the item for public input, and voted four to one to continue the matter to a date uncertain. The Council directed staff to return with additional information regarding the definition of a senior living facility, the appropriate number or proportion of units for such a use, and clarification of the number of units applicable under the Regional Housing Needs Allocation (RHNA).

DISCUSSION:

A. Senior Living Facility

Neither the Town Code nor the NF-SP defines a "senior living facility." Section 29.10.020 of the Town Code defines a "senior citizen" as a person 62 years of age or older, subject to the restrictions and exceptions set forth in California Civil Code Section 51.3. The Town has considered a senior living facility to be a commercial use. Historically, the Town has counted living units within senior living facilities containing a kitchen or kitchenette as housing units for purposes of its Annual Progress Report (APR) to the California Department of Housing and Community Development (HCD). HCD guidance distinguishes senior housing consisting of separate living quarters, which may qualify as housing units, from group living arrangements, which do not. Accordingly, the number of units that would count toward the Town's RHNA would depend upon the configuration and characteristics of a future senior living facility and applicable HCD reporting requirements (Department of Housing and Community Development Housing Element Annual Progress Report Frequently Asked Questions, January 2026).

The Town currently has three senior living facilities in operation, offering a range of independent living, assisted living, memory care, and skilled nursing services. The facilities and their unit configurations are summarized below:

1. 110 Wood Road, The Meadows – 187 independent living units and 24 supporting care units. The independent living units include kitchens.
2. 400 Blossom Hill Road, Ivy Park – 78 assisted living units and 36 memory care units. The assisted living units include kitchenettes; and
3. 800 Blossom Hill Road, The Terraces – 175 independent living units, 45 assisted living units, and 75 memory care units. The independent living units include kitchens and the assisted living units include kitchenettes.

The applicant provided a letter which provides additional background on market research for a senior living facility, including a typical unit mix and the financial feasibility (Attachment 5). The applicant's letter identifies senior living projects in the region as generally ranging between 90 and 150 units, with varying proportions of independent living, assisted living, and memory care units.

The information provided by the applicant is intended to illustrate typical senior living development and operating models. The proposed NF-SP amendment does not establish a specific definition of a senior living facility, a unit count, or a required proportion of independent living, assisted living, or memory care units. These characteristics may vary among future development proposals.

B. Housing Element Overlay Zone

The subject properties requesting the amendment to the NF-SP have a General Plan designation of NF-SP and are zoned NF-SP: Housing Element Overlay Zone (HEOZ). The HEOZ overlay is applied to sites included in the Sites Inventory of the Housing Element. The subject properties were identified in the Housing Element as Site D-2 with an anticipated development of 37 residential units.

Pursuant to Section 29.80.510 (c) of the Town Code, the underlying zoning development standards remain applicable to development applications that do not include a residential component. The HEOZ overlay does not require a property owner to pursue a development with a residential component. A property owner may pursue a development application for a commercial use; however, the proposed commercial development must comply with the applicable underlying zoning standards. The Town has considered a senior living facility to be a commercial use.

C. NF-SP Amendment

Given the Town Council discussion at the October 20, 2026, meeting, staff has prepared two additional options for Town Council consideration, as outlined below:

Option 1:

Table 2-1 of the NF-SP can be modified to include a senior living facility as a conditionally permitted use in the Northern District (Attachment 7). Any future development of a senior living facility would require an Architecture and Site application and Conditional Use Permit (CUP) subject to a publicly noticed hearing.

Section 29.20.190 of the Town Code provides that the deciding body, on the basis of the evidence submitted at the hearing, must make the following findings to grant a CUP:

1. The proposed uses of the property are essential to the public convenience or welfare;
2. The proposed uses will not impair the existing uses of the zone;
3. The proposed uses would not be detrimental to public health, safety or general welfare; and
4. The proposed uses of the property are in harmony with the various elements or objectives of the general plan and the purposes of this chapter; and

5. A hazardous waste facility proposal is subject to the California Health and Safety Code, Article 8.7, Section 25199—25199.14 and shall be consistent with the Santa Clara County Hazardous Waste Management Plan.

With this option, the Conditional Use Permit process would provide an additional opportunity for the deciding body to evaluate the proposed use, its operation, and the characteristics of the proposal, subject to the limitations of applicable State law, as discussed in Section D below.

Option 2:

Table 2-1 of the NF-SP can be modified to include a note at the bottom of the table that a senior living facility is only permitted on the subject properties (Attachment 8). A request for an additional site in the Northern District to propose a senior living facility would require an amendment to the NF-SP. Any future development of a senior living facility on the subject properties would require an Architecture and Site application subject to a publicly noticed hearing.

D. Applicability of State Housing and Density Bonus Law

State housing laws allow qualifying residential developments to exceed otherwise applicable Town development standards through increased densities, incentives, concessions, and waivers. These provisions currently apply to qualifying residential developments within the Town, including those within the NF-SP.

Although the Town has historically classified senior living facilities as commercial uses, certain facilities may also qualify as housing developments under State law. Government Code Section 65915 allows qualifying senior housing developments, including residential care facilities for the elderly, to receive a 20 percent density bonus without requiring the provision of affordable housing units as a condition of receiving that bonus. This does not preclude the application of other affordable housing requirements that may otherwise apply to the development. Qualifying developments may also be entitled to waivers or reductions of development standards, including building height, setbacks, floor area ratio, and other applicable Specific Plan requirements. Accordingly, the development standards contained in the NF-SP may not establish the ultimate size, height, or unit count of a future senior living facility. The 20 percent density bonus applies to the number of qualifying senior housing units and does not establish a corresponding percentage limit on increases in building height or floor area resulting from applicable waivers.
The distinction with the proposed amendment is that the Town Council is considering whether to authorize a land use that is not currently identified as an allowable use in the NF-SP. While State housing laws may limit the Town's discretion over the density, size, design, and other characteristics of a qualifying development once the use is authorized,

the decision currently before the Town Council is whether, where, and under what circumstances to authorize the use in the first instance, subject to applicable State law.

The proposed amendment does not approve a specific development project. However, it establishes the land use framework under which future development applications would be considered. Designating the use as conditionally permitted would provide an additional level of review, although the scope of the Town's discretionary authority would remain subject to applicable State housing laws.

In considering the proposed amendment, the Town Council may wish to determine whether it has sufficient information regarding the nature of the use, its potential development intensity, and the applicability of State housing laws to establish the appropriate land use provisions at this time, or whether additional information would assist the Council in making that determination.

CONCLUSION:

The applicant is requesting approval to amend Table 2-1, Permitted Land Uses of the NF-SP to add a senior living facility as a permitted use in the Northern District (Attachment 6). Additional options for the Town Council to consider include adding a senior living facility as a conditionally permitted use in the Northern District (Attachment 7) or as a permitted use specifically applicable to the subject properties (Attachment 8).

The alternatives provide the Town Council with differing approaches to the geographic applicability of the use and the level of review associated with future development proposals. In considering the alternatives, the Town Council may also wish to consider whether additional specificity regarding the definition and characteristics of a senior living facility is appropriate, as well as the applicability of State housing laws and potential implications for Housing Element implementation.

Adoption of one of the Draft Resolutions will approve the corresponding amendment to the NF-SP but will not constitute approval of a specific development project. Any future development project will be subject to compliance with all legal requirements.

COORDINATION:

This report was coordinated with the offices of the Town Manager and Town Attorney.

ENVIRONMENTAL ASSESSMENT:

The proposed amendments are not subject to CEQA review pursuant to CEQA Guidelines Section 15061 (b)(3) because it can be seen with certainty that there is no possibility that the

amendments to the Specific Plan would have a significant effect on the environment. All projects to which the Specific Plan applies will undergo separate CEQA review and approval. Additionally, the Town Council certified an EIR and Mitigation Monitoring and Reporting Program for the North Forty Specific Plan on January 20, 2015, and the proposed change falls within the scope of what was previously analyzed; therefore, no additional environmental review is necessary for the proposed amendment. A Notice of Exemption will not be filed.

ATTACHMENTS:

Previously Received with the October 20, 2026, Staff Report:

1. Required Findings
2. Draft Resolution with Exhibit A
3. September 23, 2026, Planning Commission Staff Report with Exhibits 1 through 11
4. September 23, 2026, Planning Commission Verbatim Minutes

Received with this December 1, 2026, Staff Report:

5. Applicant's Market Research Letter
6. Draft Resolution with Exhibit A
7. Draft Resolution with Amended Exhibit A (Option 1)
8. Draft Resolution with Amended Exhibit A (Option 2)

STUDIO CURRENT
URBAN DESIGN + ARCHITECTURE

October 22, 2026
Attn: Los Gatos Planning and City Council

Senior Living Market Research: Analysis for typical Unit Mix and Impacts on Financial Feasibility

Most new Bay Area senior living projects are mixed-acuity buildings in the 90–150 unit range. Assisted living is the core of the unit mix, and memory care is a secured component of roughly 20–30%. Independent living is included where land cost, site size, and the target market support it. Memory care is almost never built alone because it has the highest staffing cost, the shortest resident stays, and the least room to absorb fixed building costs. Assisted living and independent living units carry the overhead and supply the stable census that keeps the project financially viable.

Typical unit mix (Bay Area market norm)

Prototype	Independent Living	Assisted Living	Memory Care
Three-tier continuum (independent/assisted/memory care)	30–45%	35–45%	15–25%

Financial Feasibility

High land costs in the Bay Area push most infill projects toward assisted living and memory care buildings, where revenue per unit is higher. Independent living generally appears in larger suburban sites or continuing care retirement community campuses. Memory care is usually planned as one or two secured "neighborhoods" of 16–24 residents each, so even large projects tend to top out at 40–48 memory care units.

Labor drives the economics. Memory care typically needs about 1 caregiver per 5–6 residents during the day, while assisted living runs closer to 1 per 8–12 and independent living needs minimal care staff. Labor is the largest operating expense, and Bay Area wage rates make it heavier. Memory care brings in the highest monthly rate, often $11,000–$15,000+ locally versus roughly $7,000–$10,000 for assisted living. Even so, its operating margin is usually the thinnest of the three levels of care.

Turnover and vacancy risk are higher. The average memory care stay is about 12–18 months, compared with roughly 2 years for assisted living and 3+ years for independent living. That means constant re-leasing, turnover costs, and more volatile occupancy. An all-memory-care building has no stable base to smooth out those swings.

Fixed costs need scale. The commercial kitchen, administration, nursing and wellness spaces, building systems, and management team cost roughly the same whether the building has 40 units or 120. Assisted living and independent living units spread those fixed costs over more paying residents. A 40-unit memory-care-only building carries the full overhead on a small revenue base.

Assisted living feeds the memory care census. Many memory care admissions come from residents moving over from assisted living in the same building as their needs increase. This internal pipeline lowers marketing costs, shortens lease-up, and supports occupancy. It is also a key selling point for families, who want a "continuum of care" so they don't have to move a parent again.

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Construction cost per unit is higher for memory care. Memory care requires a secured perimeter and egress, secured outdoor courtyards, more common and activity space per resident, and smaller neighborhood-scale dining. That raises development cost per unit, while memory care units are themselves small (often 250–350 square foot studios). Assisted living units are more efficient and lower the blended cost per unit.

Lenders and investors expect diversification. Lenders and equity partners underwrite mixed-acuity projects more favorably because revenue is spread across care levels and demand pools. Memory-care-only projects are seen as an operational specialty with higher risk, which usually means tougher loan terms or a higher required return.

Additional Research based on Feedback from Hearing

Jobs created: Senior living is labor-intensive and generates permanent, on-site jobs in caregiving, nursing, dining, housekeeping, maintenance, activities, and administration. Staffing typically runs about 0.25–0.4 full-time-equivalent employees per independent living unit, 0.6–0.8 per assisted living unit, and 0.9–1.2 per memory care unit. For a typical 90–150 unit mixed-acuity project, that equals roughly 60–110 full-time-equivalent positions. Because the building runs 24 hours a day with many part-time shifts, total employee headcount is often 20–30% higher than the full-time-equivalent count. These figures do not include the temporary construction jobs created during development.

Resident car use: Car ownership is low and drops sharply as the level of care increases. In independent living, roughly half of residents keep a car. For example, a parking assessment for a mixed independent living, assisted living, and memory care community found that no more than 50% of the independent living residents drive. Assisted living and memory care residents essentially do not drive, and the same study concluded that no parking spaces are necessary for the assisted living or memory care residents. Overall, only about 5–15% of residents in a typical mixed-acuity building own a car, depending on how much independent living is included. Most parking demand comes from staff shift changes and visitors rather than residents, which is why these projects typically need far less parking than conventional multifamily housing.

RESOLUTION 2026-xx

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS AMENDING THE NORTH FORTY SPECIFIC PLAN TO ALLOW FOR A SENIOR LIVING FACILITY TO BE AUTHORIZED AS A PERMITTED USE IN THE NORTHERN DISTRICT.

PROJECT LOCATION: NORTH FORTY SPECIFIC PLAN AREA
NORTH FORTY SPECIFIC PLAN AMENDMENT APPLICATION: A-26-002
PROPERTY OWNER: TAMA HOLDINGS LLC
APPLICANT: JARED GAMELIN

WHEREAS, on June 17, 2015, the Town Council adopted the North Forty Specific Plan, providing detailed land use and development guidance for the area bounded by Highway 17 to the west, Los Gatos Boulevard to the east, Lark Avenue to the south, and Highway 85 to the north; and

WHEREAS, an Environmental Impact Report was prepared and certified for the North Forty Specific Plan in compliance with the California Environmental Quality Act; and

WHEREAS, on September 4, 2018, the Town Council adopted Resolution 2018-044 approving amendments to the North Forty Specific Plan; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Planning Commission on September 23, 2026; and

WHEREAS, on September 23, 2026, the Planning Commission held a public hearing and received testimony from all interested persons who wished to testify or submit documents. The Planning Commission considered all testimony and materials submitted, including the packet of materials contained in the Planning Commission Agenda Report for their meeting on September 23, 2026, along with any and all subsequent reports and materials prepared concerning this application, and forwarded a recommendation of approval to the Town Council; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Town Council on October 20, 2026; and

WHEREAS, on October 20, 2026, the Town Council held a public hearing and received testimony from all interested persons who wished to testify or submit documents. The Town Council considered all testimony and materials submitted, including the packet of materials contained in the Council Agenda Report for their meeting on October 20, 2026, along with any and all subsequent reports and materials prepared concerning this application, and continued the matter to a date uncertain; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Town Council on December 1, 2026; and

WHEREAS, on December 1, 2026, the Town Council held a public hearing all interested persons who wished to testify or submit documents. The Town Council considered all testimony and materials submitted, including the record of the Planning Commission proceedings and the packet of materials contained in the Council Agenda Report for their meeting on December 1, 2026, along with any and all subsequent reports and materials prepared concerning this application; and

WHEREAS, the Town Council was able to make the findings required to approve the North Forty Specific Plan Amendment application.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Los Gatos that the proposed amendment to the North Forty Specific Plan, which is attached hereto as Exhibit A and hereby incorporated herein, is adopted and the Town Council does the following:

1. The following findings are made by the Town Council of the Town of Los Gatos. The facts and evidence that support these findings are contained and explained in the record of proceedings for the proposed application, including, without limitation, the staff reports for the Planning Commission and Town Council hearings.

   (A) Finding required for the California Environmental Quality Act (CEQA):

   The proposed amendments are not subject to CEQA review pursuant to CEQA Guidelines Section 15061 (b)(3) because it can be seen with certainty that there is no possibility that the amendments to the Specific Plan would have a significant effect on the environment. All projects to which the Specific Plan applies will undergo separate CEQA review and approval. Additionally, the Town Council certified an Environmental Impact Report and Mitigation Monitoring and Reporting Program for the North Forty Specific Plan on January 20, 2015, and the proposed amendments are within the scope of what was previously analyzed; therefore, no additional environmental review is necessary for the proposed amendment.

   (B) Finding required for consistency with the Town's Applicable General Plan:

   The proposed amendment to the North Forty Specific Plan is consistent with the General Plan and its Elements in that it allows for a senior living facility to be authorized as a permitted use in the Northern District.

BE IT FURTHER RESOLVED, that this Resolution shall take effect 30 days after adoption.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 1st day of December, 2026, by the following vote:

COUNCIL MEMBERS:

AYES:
NAYS:
ABSENT:
ABSTAIN:

SIGNED:

_____
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

_____
TOWN CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DRAFT

2.4 PERMITTED LAND USES

The Specific Plan land uses help to create a pedestrian-oriented and interactive environment that is compatible with surrounding neighborhoods as well as provides for on-site uses that are compatible with each other. The Specific Plan specifies the desired mix, as well as the location of land uses. In general, lower intensity shops, offices, and residential land uses are envisioned in the southern portion of the Specific Plan Area. Moving northward, potential land uses transition to mixed-use residential and potential hospitality uses to provide a buffer between primarily residential uses in the southern portion of the Specific Plan Area and the entertainment, restaurant, and shopping uses envisioned in the northern portion of the Specific Plan Area. The Specific Plan establishes two primary land use categories to guide development within the Specific Plan Area. These land uses categories are: (1) non-residential – including retail, office, recreation, community services, restaurants, entertainment, and hotel, and (2) residential – including condominium, cottage cluster/garden cluster housing, live-work flats, multi-family flats, multiplexes, rowhouses and townhomes. Residential development is focused on multi-family housing types and shall be designed to attract the unmet housing needs of the community. Within the Transition District, the Specific Plan encourages the development of residential units over commercial development. It is important to provide an appropriate amount of residential development in the Specific Plan Area to create a sustainable and pedestrian-oriented mixed-use environment. Although residential uses will be an important component to the success of the Specific Plan Area, it will support the predominantly retail and neighborhood serving focus of the Transition and Northern Districts.

2.4.1 Permitted and Conditionally Permitted Uses

Primary uses for each of the three Districts are generally described in Section 2.3, while Table 2-1, below, provides specific direction on permitted (P) and conditionally permitted uses (CUP) for each district. Uses not listed in Table 2-1 are prohibited (refer to the Glossary for definition of uses.)

Conditional Use Permits shall meet the intent of the North 40 Goals, Policies, Vision Statement, and Guiding Principles.

2.4.2 Commercial Uses

Projects proposing new commercial square footage must present the proposal to the Conceptual Development Advisory Committee. The application submittal must include an Economic Impact Study to assess economic competitiveness.

EXHIBIT A

Table 2-1 PERMITTED LAND USES

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
COMMERCIAL				
A.	RETAIL	P	P	P
B.	FORMULA RETAIL BUSINESS	--	P	P
C.	MARKET HALL/ SPECIALTY MARKET	--	P	P
D.	ESTABLISHMENT SELLING ALCOHOLIC BEVERAGES FOR CONSUMPTION OFF-PREMISES	CUP	CUP	CUP
E.	ESTABLISHMENT SELLING ALCOHOLIC BEVERAGES FOR CONSUMPTION ON PREMISES			
	• IN CONJUNCTION WITH A RESTAURANT	P	P	P
	• WITHOUT FOOD SERVICE (BAR)	--	CUP	CUP

Table 2-1 PERMITTED LAND USES

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
COMMERCIAL (CONTINUED)				
F.	DRIVE-UP WINDOW FOR ANY BUSINESS, EXCLUDING RESTAURANTS	--	--	CUP
G.	SUPER DRUGSTORE	--	--	P
H.	SUPERMARKET	--	--	P
I.	RESTAURANT	P	P	P
J.	PERSONAL SERVICE	P	P	P
K.	OFFICE [1]	P	P	P
L.	HOTEL	--	P	P
M.	FINANCIAL INSTITUTION	P	P	P
N.	SENIOR LIVING FACILITY	--	--	P
RESIDENTIAL				
A.	COTTAGE CLUSTER	CUP	--	--
B.	TOWNHOMES/GARDEN CLUSTER	P	P	--
C.	ROWHOUSES	P	P	--
D.	MULTI-FAMILY	P	P	P [2]
E.	CONDOMINIUMS	P	P	P [2]
F.	LIVE/WORK LOFTS	--	P	P [2]

Note:
1. *Medical Office is only permitted on Assessor Parcel Numbers 424-07-102 through -112, 424-07-099, and 424-06-129.*
2. *Residential only allowed in Northern District when located above commercial.*

Table 2-1 Permitted Land Uses

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
RECREATION/ENTERTAINMENT				
A.	OUTDOOR ENTERTAINMENT	--	CUP	P
B.	LIVE THEATER	--	--	CUP
C.	HEALTH CLUB	--	CUP	CUP
D.	COMMERCIAL RECREATION AND AMUSEMENT ESTABLISHMENT	--	--	CUP
COMMUNITY SERVICES				
A.	CLUB, LODGE HALL, FRATERNAL ORGANIZATION	CUP	CUP	CUP
B.	PARK, PLAZA, PLAYGROUND	P	P	P
C.	PUBLIC BUILDING	P	P	P
D.	PUBLIC TRANSPORTATION AND PARKING FACILITIES	P	P	P
E.	RELIGIOUS INSTITUTIONS	CUP	CUP	CUP

Table 2-1 Permitted Land Uses

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
SCHOOLS				
A.	PRIVATE AND PUBLIC SCHOOLS	CUP	CUP	CUP
B.	INSTITUTIONAL SCHOOLS/STUDIOS (ARTS/CRAFTS, MUSIC, YOGA, DANCE, KARATE, ETC.)	CUP	CUP	CUP
C.	DAY CARE CENTER	CUP	CUP	CUP
D.	SMALL FAMILY DAY CARE HOME	P	P	P
E.	LARGE FAMILY DAY CARE HOME	CUP	CUP	CUP
TRANSMISSION FACILITIES/UTILITIES				
A.	TRANSMISSION FACILITIES AND UTILITIES	CUP	CUP	CUP
B	RADIO/ BROADCAST STUDIOS	CUP	CUP	CUP

Table 2-1 Permitted Land Uses

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
AUTOMOTIVE (VEHICLE SALES, SERVICE, AND RELATED ACTIVITIES)				
A.	CAR WASH	--	--	CUP
B.	NEW VEHICLE SALES AND RENTAL	--	--	CUP
C.	ALTERNATING USE/SHARED PARKING OF OFF-STREET PARKING SPACES	P	P	P
AGRICULTURE AND ANIMAL SERVICES				
A.	BOTANICAL NURSERY	P	P	P
B.	VETERINARY HOSPITAL (WITHOUT KENNEL)	--	CUP	CUP
OTHER				
A.	24 BUSINESSES OR BUSINESSES OPEN BETWEEN THE HOURS OF 2:00 AND 6:00 AM	--	--	CUP

2.4.3 Non-Conforming Uses

Existing legal uses that are not permitted or listed in Table 2-1 are declared non-conforming uses. Refer to Division 5 of Article 1 of the Zoning Ordinance for definitions and regulations for managing non-conforming uses including:

- Continuation of an existing use.
- Repair, alteration, and maintenance.
- Expansion of legal non-conforming uses, buildings, or structures.

RESOLUTION 2026-xx

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS AMENDING THE NORTH FORTY SPECIFIC PLAN TO ALLOW FOR A SENIOR LIVING FACILITY TO BE AUTHORIZED AS A CONDITIONALLY PERMITTED USE IN THE NORTHERN DISTRICT.

PROJECT LOCATION: NORTH FORTY SPECIFIC PLAN AREA
NORTH FORTY SPECIFIC PLAN AMENDMENT APPLICATION: A-26-002
PROPERTY OWNER: TAMA HOLDINGS LLC
APPLICANT: JARED GAMELIN

WHEREAS, on June 17, 2015, the Town Council adopted the North Forty Specific Plan, providing detailed land use and development guidance for the area bounded by Highway 17 to the west, Los Gatos Boulevard to the east, Lark Avenue to the south, and Highway 85 to the north; and

WHEREAS, an Environmental Impact Report was prepared and certified for the North Forty Specific Plan in compliance with the California Environmental Quality Act; and

WHEREAS, on September 4, 2018, the Town Council adopted Resolution 2018-044 approving amendments to the North Forty Specific Plan; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Planning Commission on September 23, 2026; and

WHEREAS, on September 23, 2026, the Planning Commission held a public hearing and received testimony from all interested persons who wished to testify or submit documents. The Planning Commission considered all testimony and materials submitted, including the packet of materials contained in the Planning Commission Agenda Report for their meeting on September 23, 2026, along with any and all subsequent reports and materials prepared concerning this application, and forwarded a recommendation of approval to the Town Council; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Town Council on October 20, 2026; and

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WHEREAS, the Town Council was able to make the findings required to approve the North Forty Specific Plan Amendment application.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Los Gatos that the proposed amendment to the North Forty Specific Plan, which is attached hereto as Exhibit A and hereby incorporated herein, is adopted and the Town Council does the following:

1. The following findings are made by the Town Council of the Town of Los Gatos. The facts and evidence that support these findings are contained and explained in the record of proceedings for the proposed application, including, without limitation, the staff reports for the Planning Commission and Town Council hearings.

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   (B) Finding required for consistency with the Town's applicable General Plan:

   The proposed amendment to the North Forty Specific Plan is consistent with the General Plan and its Elements in that it allows for a senior living facility to be authorized as a conditionally permitted use in the Northern District.

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PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 1st day of December, 2026, by the following vote:

COUNCIL MEMBERS:

AYES:
NAYS:
ABSENT:
ABSTAIN:

SIGNED:

_____
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

_____
TOWN CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DRAFT

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Note:
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Table 2-1 Permitted Land Uses

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
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C.	DAY CARE CENTER	CUP	CUP	CUP
D.	SMALL FAMILY DAY CARE HOME	P	P	P
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A.	TRANSMISSION FACILITIES AND UTILITIES	CUP	CUP	CUP
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Table 2-1 Permitted Land Uses

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AGRICULTURE AND ANIMAL SERVICES				
A.	BOTANICAL NURSERY	P	P	P
B.	VETERINARY HOSPITAL (WITHOUT KENNEL)	--	CUP	CUP
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A.	24 BUSINESSES OR BUSINESSES OPEN BETWEEN THE HOURS OF 2:00 AND 6:00 AM	--	--	CUP

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- Continuation of an existing use.
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- Expansion of legal non-conforming uses, buildings, or structures.

RESOLUTION 2026-xx

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS AMENDING THE NORTH FORTY SPECIFIC PLAN TO ALLOW FOR A SENIOR LIVING FACILITY TO BE AUTHORIZED AS A PERMITTED USE IN THE NORTHERN DISTRICT ON THE SUBJECT PROPERTIES (ASSESSOR PARCEL NUMBERS 424-06-115 AND 424-06-116).

PROJECT LOCATION: NORTH FORTY SPECIFIC PLAN AREA
NORTH FORTY SPECIFIC PLAN AMENDMENT APPLICATION: A-26-002
PROPERTY OWNER: TAMA HOLDINGS LLC
APPLICANT: JARED GAMELIN

WHEREAS, on June 17, 2015, the Town Council adopted the North Forty Specific Plan, providing detailed land use and development guidance for the area bounded by Highway 17 to the west, Los Gatos Boulevard to the east, Lark Avenue to the south, and Highway 85 to the north; and

WHEREAS, an Environmental Impact Report was prepared and certified for the North Forty Specific Plan in compliance with the California Environmental Quality Act; and

WHEREAS, on September 4, 2018, the Town Council adopted Resolution 2018-044 approving amendments to the North Forty Specific Plan; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Planning Commission on September 23, 2026; and

WHEREAS, on September 23, 2026, the Planning Commission held a public hearing and received testimony from all interested persons who wished to testify or submit documents. The Planning Commission considered all testimony and materials submitted, including the packet of materials contained in the Planning Commission Agenda Report for their meeting on September 23, 2026, along with any and all subsequent reports and materials prepared concerning this application, and forwarded a recommendation of approval to the Town Council; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Town Council on October 20, 2026; and

WHEREAS, on October 20, 2026, the Town Council held a public hearing and received testimony from all interested persons who wished to testify or submit documents. The Town Council considered all testimony and materials submitted, including the packet of materials contained in the Council Agenda Report for their meeting on October 20, 2026, along with any and all subsequent reports and materials prepared concerning this application, and continued the matter to a date uncertain; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Town Council on December 1, 2026; and

WHEREAS, on December 1, 2026, the Town Council held a public hearing ATTACHMENT 8 persons who wished to testify or submit documents. The Town Council considered all testimony and materials submitted, including the record of the Planning Commission proceedings and the packet of materials contained in the Council Agenda Report for their meeting on December 1, 2026, along with any and all subsequent reports and materials prepared concerning this application; and

WHEREAS, the Town Council was able to make the findings required to approve the North Forty Specific Plan Amendment application.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Los Gatos that the proposed amendment to the North Forty Specific Plan, which is attached hereto as Exhibit A and hereby incorporated herein, is adopted and the Town Council does the following:

1. The following findings are made by the Town Council of the Town of Los Gatos. The facts and evidence that support these findings are contained and explained in the record of proceedings for the proposed application, including, without limitation, the staff reports for the Planning Commission and Town Council hearings.

   (A) Finding required for the California Environmental Quality Act (CEQA):

   The proposed amendments are not subject to CEQA review pursuant to CEQA Guidelines Section 15061 (b)(3) because it can be seen with certainty that there is no possibility that the amendments to the Specific Plan would have a significant effect on the environment. All projects to which the Specific Plan applies will undergo separate CEQA review and approval. Additionally, the Town Council certified an Environmental Impact Report and Mitigation Monitoring and Reporting Program for the North Forty Specific Plan on January 20, 2015, and the proposed amendments are within the scope of what was previously analyzed; therefore, no additional environmental review is necessary for the proposed amendment.

   (B) Finding required for consistency with the Town's applicable General Plan:

   The proposed amendment to the North Forty Specific Plan is consistent with the General Plan and its Elements in that it allows for a senior living facility to be authorized as a permitted use on Assessor Parcel Numbers 424-06-115 through -116.

BE IT FURTHER RESOLVED, that this Resolution shall take effect 30 days after adoption.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 1st day of December, 2026, by the following vote:

COUNCIL MEMBERS:

AYES:
NAYS:
ABSENT:
ABSTAIN:

SIGNED:

_____
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

_____
TOWN CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DRAFT

2.4 PERMITTED LAND USES

The Specific Plan land uses help to create a pedestrian-oriented and interactive environment that is compatible with surrounding neighborhoods as well as provides for on-site uses that are compatible with each other. The Specific Plan specifies the desired mix, as well as the location of land uses. In general, lower intensity shops, offices, and residential land uses are envisioned in the southern portion of the Specific Plan Area. Moving northward, potential land uses transition to mixed-use residential and potential hospitality uses to provide a buffer between primarily residential uses in the southern portion of the Specific Plan Area and the entertainment, restaurant, and shopping uses envisioned in the northern portion of the Specific Plan Area. The Specific Plan establishes two primary land use categories to guide development within the Specific Plan Area. These land uses categories are: (1) non-residential – including retail, office, recreation, community services, restaurants, entertainment, and hotel, and (2) residential – including condominium, cottage cluster/garden cluster housing, live-work flats, multi-family flats, multiplexes, rowhouses and townhomes. Residential development is focused on multi-family housing types and shall be designed to attract the unmet housing needs of the community. Within the Transition District, the Specific Plan encourages the development of residential units over commercial development. It is important to provide an appropriate amount of residential development in the Specific Plan Area to create a sustainable and pedestrian-oriented mixed-use environment. Although residential uses will be an important component to the success of the Specific Plan Area, it will support the predominantly retail and neighborhood serving focus of the Transition and Northern Districts.

2.4.1 Permitted and Conditionally Permitted Uses

Primary uses for each of the three Districts are generally described in Section 2.3, while Table 2-1, below, provides specific direction on permitted (P) and conditionally permitted uses (CUP) for each district. Uses not listed in Table 2-1 are prohibited (refer to the Glossary for definition of uses.)

Conditional Use Permits shall meet the intent of the North 40 Goals, Policies, Vision Statement, and Guiding Principles.

2.4.2 Commercial Uses

Projects proposing new commercial square footage must present the proposal to the Conceptual Development Advisory Committee. The application submittal must include an Economic Impact Study to assess economic competitiveness.

EXHIBIT A

Table 2-1 PERMITTED LAND USES

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
COMMERCIAL				
A.	RETAIL	P	P	P
B.	FORMULA RETAIL BUSINESS	--	P	P
C.	MARKET HALL/ SPECIALTY MARKET	--	P	P
D.	ESTABLISHMENT SELLING ALCOHOLIC BEVERAGES FOR CONSUMPTION OFF-PREMISES	CUP	CUP	CUP
E.	ESTABLISHMENT SELLING ALCOHOLIC BEVERAGES FOR CONSUMPTION ON PREMISES			
	• IN CONJUNCTION WITH A RESTAURANT	P	P	P
	• WITHOUT FOOD SERVICE (BAR)	--	CUP	CUP

Table 2-1 PERMITTED LAND USES

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
COMMERCIAL (CONTINUED)				
F.	DRIVE-UP WINDOW FOR ANY BUSINESS, EXCLUDING RESTAURANTS	--	--	CUP
G.	SUPER DRUGSTORE	--	--	P
H.	SUPERMARKET	--	--	P
I.	RESTAURANT	P	P	P
J.	PERSONAL SERVICE	P	P	P
K.	OFFICE [1]	P	P	P
L.	HOTEL	--	P	P
M.	FINANCIAL INSTITUTION	P	P	P
N.	SENIOR LIVING FACILITY	--	--	-- [3]
RESIDENTIAL				
A.	COTTAGE CLUSTER	CUP	--	--
B.	TOWNHOMES/GARDEN CLUSTER	P	P	--
C.	ROWHOUSES	P	P	--
D.	MULTI-FAMILY	P	P	P [2]
E.	CONDOMINIUMS	P	P	P [2]
F.	LIVE/WORK LOFTS	--	P	P [2]

Note:

1. *Medical Office is only permitted on Assessor Parcel Numbers 424-07-102 through -112, 424-07-099, and 424-06-129.*
2. *Residential only allowed in Northern District when located above commercial.*
3. *A senior living facility is only permitted on Assessor Parcel Numbers 424-06-115 through -116.*

Table 2-1 Permitted Land Uses

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
RECREATION/ENTERTAINMENT				
A.	OUTDOOR ENTERTAINMENT	--	CUP	P
B.	LIVE THEATER	--	--	CUP
C.	HEALTH CLUB	--	CUP	CUP
D.	COMMERCIAL RECREATION AND AMUSEMENT ESTABLISHMENT	--	--	CUP
COMMUNITY SERVICES				
A.	CLUB, LODGE HALL, FRATERNAL ORGANIZATION	CUP	CUP	CUP
B.	PARK, PLAZA, PLAYGROUND	P	P	P
C.	PUBLIC BUILDING	P	P	P
D.	PUBLIC TRANSPORTATION AND PARKING FACILITIES	P	P	P
E.	RELIGIOUS INSTITUTIONS	CUP	CUP	CUP

Table 2-1 Permitted Land Uses

		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
SCHOOLS				
A.	PRIVATE AND PUBLIC SCHOOLS	CUP	CUP	CUP
B.	INSTITUTIONAL SCHOOLS/STUDIOS (ARTS/CRAFTS, MUSIC, YOGA, DANCE, KARATE, ETC.)	CUP	CUP	CUP
C.	DAY CARE CENTER	CUP	CUP	CUP
D.	SMALL FAMILY DAY CARE HOME	P	P	P
E.	LARGE FAMILY DAY CARE HOME	CUP	CUP	CUP
TRANSMISSION FACILITIES/UTILITIES				
A.	TRANSMISSION FACILITIES AND UTILITIES	CUP	CUP	CUP
B	RADIO/ BROADCAST STUDIOS	CUP	CUP	CUP

Table 2-1 Permitted Land Uses				
		LARK DISTRICT	TRANSITION DISTRICT	NORTHERN DISTRICT
AUTOMOTIVE (VEHICLE SALES, SERVICE, AND RELATED ACTIVITIES)				
A.	CAR WASH	--	--	CUP
B.	NEW VEHICLE SALES AND RENTAL	--	--	CUP
C.	ALTERNATING USE/SHARED PARKING OF OFF-STREET PARKING SPACES	P	P	P
AGRICULTURE AND ANIMAL SERVICES				
A.	BOTANICAL NURSERY	P	P	P
B.	VETERINARY HOSPITAL (WITHOUT KENNEL)	--	CUP	CUP
OTHER				
A.	24 BUSINESSES OR BUSINESSES OPEN BETWEEN THE HOURS OF 2:00 AND 6:00 AM	--	--	CUP

2.4.3 Non-Conforming Uses

Existing legal uses that are not permitted or listed in Table 2-1 are declared non-conforming uses. Refer to Division 5 of Article 1 of the Zoning Ordinance for definitions and regulations for managing non-conforming uses including:

- Continuation of an existing use.
- Repair, alteration, and maintenance.
- Expansion of legal non-conforming uses, buildings, or structures.

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 11

DATE: November 25, 2026

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Consider a Recommendation by the Planning Commission to Introduce an Ordinance Amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill (SB) 9 Regarding Urban Lot Splits and Two-Unit Housing Developments in Response to Changes in State Law. The Proposed Amendments to the Town Code are Not Considered a Project Under Section 15378 of the California Environmental Quality Act, and in Accordance with Government Code Section 66411.7 (n) and 65852.21 (k), SB 9 Ordinances are Not a Project Subject to the California Environmental Quality Act. Town Code Amendment Application A-26-004. Project Location: Town Wide. Applicant: Town of Los Gatos. Project Planner: Ryan Safty.**

RECOMMENDATION: Accept the Planning Commission's recommendation, conduct a public hearing, and introduce an Ordinance amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill (SB) 9 regarding urban lot splits and two-unit housing developments in response to changes in state law.

FISCAL IMPACT:

There is no fiscal impact associated with this action. Adopting the draft Ordinance would not in itself result in an impact on the Town's budget.

STRATEGIC PRIORITY:

The amendments to Chapter 29 of the Town Code for SB 9 supports the Town's core goal of Community Character and the strategic priority to preserve the Town's small-town charm and provide a range of housing opportunities and historic neighborhoods, while diligently maintaining and implementing the Housing Element.

PREPARED BY: Ryan Safty
Associate Planner

Reviewed by: Town Manager, Assistant Town Manager, Town Attorney, and Administrative Services Director

BACKGROUND:

Senate Bill 9

In September 2021, Governor Newsom signed a new state law, SB 9, which went into effect on January 1, 2022. SB 9 requires ministerial approval of certain housing development projects and lot splits on a single-family zoned parcel, with the intent to increase residential densities within single-family neighborhoods across the State.

The law allowed for two new types of development activities that must be reviewed ministerially without any discretionary action or public input:

- **Urban lot split** – A one-time subdivision of an existing single-family residential parcel into two parcels.
- **Two-unit housing development** – Two residences on an eligible single-family residential parcel.

On December 21, 2021, the Town Council adopted an Urgency Ordinance to implement local objective standards for SB 9 applications. On November 15, 2022, the Town Council approved Ordinance 2334, which established the permanent SB 9 Ordinance within Chapter 29 (Zoning Regulations) of the Town Code. On May 21, 2024, the Town Council approved Ordinance 2359 (Attachment 3, Exhibit 2), which included modifications to the previous ordinance to modify design review standards and make clarifying revisions. Ordinance 2359 is the Town's current SB 9 Ordinance, which is found in Division 10 of Article 1 of Chapter 29 of the Town Code.

Previous state law allowed jurisdictions to adopt objective zoning, subdivision, and design standards for two-unit housing development and urban lot split applications so long as they would not preclude the construction of two, 800-square foot units with four-foot side and rear setbacks. The Town's current SB 9 Ordinance includes a Design Review Standards section applicable to two-unit development applications [Attachment 3, Exhibit 2, Town Code Section 29.10.630 (2)]. Since SB 9 applications require ministerial review and allow for reduced side and rear setbacks, the standards were created with the intent of protecting neighbor privacy and enforcing some of the Town's residential design guidelines to encourage orderly development and neighborhood compatibility.

Senate Bill 450

In September of 2024, Governor Newsom signed a new state law, SB 450, which went into effect on January 1, 2025 (Attachment 3, Exhibit 3). SB 450 updates and expands the required provisions of SB 9. The SB 450 updates are summarized as follows:

1. Limitation on the imposition of standards on SB 9 projects unless they apply uniformly to development within the underlying zone;
2. Clarification on the amount of demolition allowed to an existing residence that had previously been rented;
3. Specification on timelines for local agency processing of SB 9 applications; and
4. Modification to the SB 9 denial finding for "specific adverse impact."

The most significant change from SB 450 is that it now prohibits the Town from adopting specific zoning, subdivision, or design standards for SB 9 projects that are not uniformly applicable to development in the underlying (single-family) zoning district. However, the Town may adopt objective zoning, subdivision, and design standards on SB 9 applications if those standards are more permissive than applicable standards within the underlying zone.

On August 12, 2026, the Planning Commission reviewed a draft Ordinance to establish new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second-Story Additions. These standards stemmed from the Town's existing SB 9 standards, as well as the more common design guidelines from the Town's Single- and Two-Family Residential Design Guidelines (RDG) and Hillside Development Standards and Guidelines (HDS&G) documents, and were drafted to be uniformly applicable to the underlying residential zones. Specifically, the standards would be applicable to all new single-family units; two-family units; and second-story additions, whether new or an addition to an existing second-story. SB 9 projects would be required to comply with all of these new objective design standards.

On October 20, 2026, the Town Council accepted the Planning Commission's recommendation, conducted a public hearing, and introduced an Ordinance amending Chapter 29 (Zoning Regulations) of the Town Code regarding new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second-Story Additions. Town Council conducted a second reading of the Ordinance on November 17, 2026, and the Ordinance will go into effect 30 days following the second reading. Reference to these new objective design standards (Town Code Sections 29.40.080 – 29.40.100) are shown in the draft SB 9 Ordinance in Attachment 2 in Section 29.10.630 (2).

Assembly Bill 1061

In October of 2025, Governor Newsom signed a new state law, Assembly Bill (AB) 1061, which went into effect on January 1, 2026 (Attachment 4, Exhibit 9). AB 1061 refines and further limits previous historic restrictions applicable to SB 9 applications. Specifically, AB 1061 narrows the historic exemption applicable to SB 9 applications, so that it only applies to designated (state or local) landmark properties or historic resources designated by Town ordinance. The Town's historic districts with LHP (Landmark and Historic Preservation) overlays, as well as the individual historic landmark sites, were designated by ordinance pursuant to Town Code Section 29.80.230 and are excluded from SB 9 applications. Properties with lesser historic status

or presumptive historic designations (such as pre-1941 structures) are no longer exempt from SB 9.

HCD Technical Assistance Letter

The California Department of Housing and Community Development (HCD) provided a Technical Assistance Letter to the Town on May 5, 2026, regarding the status of the Town's SB 9 Ordinance (Attachment 3, Exhibit 5). The letter identified 17 items that are not in compliance with current state law, the majority of which are related to the SB 450 changes. All 17 items would be addressed with adoption of the draft Ordinance in Attachment 2. Staff responded to the HCD letter in June, confirming the Town's plan to update its SB 9 Ordinance to comply with current state law and to defer to state law where discrepancies exist with the existing SB 9 Ordinance (Attachment 3, Exhibit 6).

Planning Commission Review

On October 14, 2026, the Planning Commission received the staff report and considered public comments on the draft Ordinance (Attachment 2). The Planning Commission discussed the matter and forwarded a recommendation of approval to the Town Council (see Verbatim Minutes in Attachment 5).

During the meeting, some Commissioners expressed concern about removing the pre-1941 exclusion from SB 9 and, outside of the motion, asked that staff investigate this further. It was also requested that objective design standards be explored for the Town's historic districts, if possible. However, staff's interpretation of AB 1061 is that pre-1941 residences are not defined as historic resources according to the Town Code or dedicated as historic resources under Town Code Section 29.80.230. Under the definition of "historic structures", Town Code states, "any primary structure constructed prior to 1941, unless the deciding body has determined that the structure has no historic significance and should not be included in the Town Historic Resources Inventory." Additionally, the RDG, Chapter Four – Historic Resources, states: "All pre-1941 structures have the potential to be historically significant […] Pre-1941 structures determined to be significant and all construction within the historic districts will receive additional design review and scrutiny pursuant to the Town's adopted development review process." Therefore, although pre-1941 residences have the potential to be deemed historic resources, most have not been individually evaluated to determine their historic significance or formally dedicated by ordinance. Consequently, they are not protected from SB 9 provisions. Staff notes that the Council can request that this exercise be added to the Historic Preservation Committee's work plan, which is anticipated to come before the Council in early 2027.

Regarding objective design standards in historic districts, AB 1061 states that local jurisdictions may adopt objective standards for the purposes of maintaining the historic value of a historic district listed in the California Register of Historic Resources. However, the only district in the

Town that is listed in the California Register of Historical Resources is the Los Gatos Historic Commercial District, in which SB 9 is not allowed as the properties are not zoned single-family residential. Therefore, staff does not recommend creating objective standards for historic districts.

DISCUSSION:

On October 14, 2026, the Planning Commission received the staff report and considered public comments on the draft Ordinance (Attachment 2). The Planning Commission discussed the matter and forwarded a recommendation of approval to the Town Council (see Verbatim Minutes in Attachment 5).

Following consideration by the Planning Commission, staff made a clarifying revision to the draft Ordinance to provide clarification on when grading permits are needed for two-unit housing developments under SB 9. Specifically, the grading standard is Section 29.10.630 (1)(f) would no longer be deleted, and instead a reference is kept clarifying that no discretionary architecture and site approval is required for permissible site grading in accordance with Section 29.40.090 (b) of the new Objective Design Standards for New Single-Family and Two-Family Residential Dwelling Units and Second Story Additions. A ministerial review of a grading permit is still allowed at time of building permit submittal.

This revision is included in the draft Ordinance in Attachment 2. The Discussion Section of the Planning Commission staff report in Attachment 3 contains a detailed summary of the proposed amendments to each section of the draft SB 9 Ordinance.

PUBLIC OUTREACH:

In addition to an in-person meeting with local architects and designers in March of this year, staff conducted outreach through the following media and social media resources, as well as direct communication with stakeholders prior to Planning Commission review in October and prior to this Town Council review, as summarized below:

- The Town's website home page, What's New;
- The Town's Facebook page;
- The Town's Twitter account;
- The Town's Instagram account;
- The Town's NextDoor page; and
- Direct email communication to local architects and designers.

Public comments received between 11:01 a.m. Wednesday, October 14, 2026, and 3:00 p.m. Wednesday, November 25, 2026, are included as Attachment 6.

CONCLUSION:

In response to recent changes to state law and a letter of technical assistance from HCD, the Town must revise its existing SB 9 ordinance. The draft Ordinance in Attachment 2 amends the existing SB 9 regulations in Chapter 29 (Zoning Regulations) of Town Code to address the state law changes and comments from HCD.

COORDINATION:

This report was coordinated with the offices of the Town Manager and Town Attorney.

ENVIRONMENTAL ASSESSMENT:

The proposed amendments modify the Town's existing SB 9 ordinance to be in compliance with changes in state law. In accordance with CEQA Section 15378, the proposed amendments are not considered a project. Additionally, in accordance with Government Code Section 66411.7 (n) and 65852.21 (k), SB 9 ordinances are not considered a project subject to CEQA.

ATTACHMENTS:

1. Required Findings
2. Draft Ordinance
3. October 14, 2026, Planning Commission Staff Report with Exhibits 1 through 7
4. October 14, 2026, Planning Commission Addendum Report with Exhibits 8 and 9
5. October 14, 2026, Planning Commission Verbatim Minutes
6. Public Comments Received Between 11:01 a.m. Wednesday, October 14, 2026, and 3:00 p.m. Wednesday, November 25, 2026

TOWN COUNCIL – *December 1, 2026*
REQUIRED FINDINGS FOR:

Town Code Amendment Application A-26-004
Consider a Recommendation by the Planning Commission to Introduce an Ordinance Amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill (SB) 9 Regarding Urban Lot Splits and Two-Unit Housing Developments in Response to Changes in State Law. The Proposed Amendments to the Town Code are Not Considered a Project Under Section 15378 of the California Environmental Quality Act, and in Accordance with Government Code Section 66411.7 (n) and 65852.21 (k), SB 9 Ordinances are Not a Project Subject to the California Environmental Quality Act. Project Location: Town Wide. Applicant: Town of Los Gatos.

FINDINGS

Required Findings for CEQA:

- The proposed amendments modify the Town's existing SB 9 ordinance to comply with changes in state law. In accordance with CEQA Section 15378, the proposed amendments are not considered a project. Additionally, in accordance with Government Code Section 66411.7 (n) and 65852.21 (k), SB 9 ordinances are not considered a project subject to CEQA. A Notice of Exemption will not be filed.

Required Findings for General Plan:

- The amendments to Chapter 29 of the Town Code for SB 9 regarding urban lot splits and two-unit housing developments in response to changes in state law are consistent with the General Plan. Housing Element Policy HE-1.7 promotes SB 9 units as a means to increase access to opportunities for lower-income households by encouraging infill of smaller units in single-family neighborhoods.

ATTACHMENT 1

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Draft Ordinance modified by Town Council deliberations and direction.

DRAFT ORDINANCE

AN ORDINANCE OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS AMENDING CHAPTER 29, ZONING REGULATIONS, OF THE TOWN CODE FOR SENATE BILL (SB) 9 REGARDING URBAN LOT SPLITS AND TWO-UNIT HOUSING DEVELOPMENTS IN RESPONSE TO CHANGES IN STATE LAW.

TOWN CODE AMENDMENT APPLICATION A-26-004.

WHEREAS, the Town of Los Gatos (Town) has adopted a General Plan to ensure a well-planned and safe community; and

WHEREAS, protection of public health, safety, and welfare is fully articulated in the General Plan; and

WHEREAS, state law requires that the Town's Zoning Code conform with the General Plan's goals and policies; and

WHEREAS, in 2021, the California Legislature approved, and the Governor signed into law SB 9, which among other things, added Government Code Sections 65852.21 and 66411.7 to impose new limits on local authority to regulate urban lot splits and two-unit housing developments; and

WHEREAS, SB 9 requires the Town to provide for the ministerial (or "by right") approval of a parcel map dividing one existing lot into two approximately equal parts (urban lot split) and a housing development containing no more than two residential units of at least 800 square feet in floor area (two-unit housing development) within a single-family residential zone; and

WHEREAS, SB 9 eliminates discretionary review and public oversight of proposed urban lot splits and two-unit housing developments by removing public notice and hearings by the Development Review Committee or Planning Commission, by requiring only administrative review of the project, and by requiring ministerial approval of urban lot splits and/or two-unit housing developments that meet objective design or subdivision standards; and

WHEREAS, original SB 9 law from 2021 allowed the Town to adopt objective zoning, design, and subdivision standards specific for urban lot splits and two-unit housing developments; and

WHEREAS, the Town desired to amend its local regulatory scheme to comply with and implement Government Code Sections 65852.21 and 66411.7 and to appropriately regulate projects under SB 9; and

WHEREAS, on November 15, 2022, Town Council adopted Ordinance 2334 to regulate SB 9 projects within the Town by creating objective design and subdivision standards applicable

to SB 9 projects; and

WHEREAS, the Town Council of the Town of Los Gatos adopted the 2023-2031 Housing Element on January 30, 2023, which includes policies that promote SB 9 units as a means to increase access to opportunity for lower-income households by encouraging infill of smaller units in single-family neighborhoods (Policy HE-1.7); and

WHEREAS, on May 21, 2024, Town Council adopted Ordinance 2359 to modify certain design provisions of previous SB 9 Ordinance 2334; and

WHEREAS, in 2024, the California Legislature approved, and the Governor signed into law Senate Bill (SB) 450, which among other things, amended Government Code Sections 65852.21 and 66411.7 to prohibit local jurisdictions from adopting specific zoning, subdivision, or design standards for SB 9 two-unit housing development and urban lot split projects that do not already apply uniformly to development in the underlying zoning district; and

WHEREAS, in 2025, the California Legislature approved, and the Governor signed into law Assembly Bill (AB) 1061, which among other things, amended Government Code Sections 65852.21 and 66411.7 to further refine and reduce the permissible historic exclusions associated with SB 9 urban lot split and two-unit housing development projects; and

WHEREAS, on May 5, 2026, the State of California Department of Housing and Community Development (HCD) issued an SB 9 Technical Assistance Letter to the Town which identifies 17 items within SB 9 Ordinance 2359 that are no longer compliant with state law; and

WHEREAS, the Town researched state law; analyzed how other neighboring jurisdictions have addressed the changes from SB 450 and AB 1061; and drafted amendments to the Town's SB 9 regulations (Ordinance 2359) in order to comply with new state laws and the items in HCD's Technical Assistance Letter; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Planning Commission for public hearing on October 14, 2026; and

WHEREAS, the Planning Commission at its meeting on October 14, 2026, reviewed the proposed amendments in the draft Ordinance, held a public hearing, and forwarded a recommendation of approval to the Town Council; and

WHEREAS, this matter was regularly noticed in conformance with state and Town law and came before the Town Council for public hearing on December 1, 2026; and

WHEREAS, on December 1, 2026, the Town Council accepted the report of the Planning Commission's recommendation of approval on the draft Ordinance for Senate Bill 9 (SB 9) regarding Urban Lot Splits and Two-Unit Housing Developments in Response to State Law, held a public hearing, and voted to introduce the Ordinance.

NOW, THEREFORE, BE IT ORDAINED by the Town Council of the Town of Los Gatos as follows:

SECTION I. Division 10, "Two-Unit Housing Developments and Urban Lot Splits," of Article I, "In General," of Chapter 29, "Zoning Regulations," of the Town of Los Gatos Town Code is amended to read as follows:

Sec. 29.10.600. Purpose and applicability.

The Town Council finds and determines that this Division is applicable only to voluntary applications for two-unit housing developments and urban lot splits consistent with Government Code Sections 65852.21 and 66411.7. Owners of real property or their representatives may continue to exercise rights for property development in conformance with the Zoning Code and Subdivision Code. Development applications that do not satisfy the definitions for a two-unit housing development or an urban lot split provided in Section 29.10.610 (Definitions) shall not be subject to this Ordinance. Any provision of this Division which is inconsistent with Government Code Sections 65852.21 and 66411.7 shall be interpreted in a manner which is the most limiting on the ability to create a two-unit housing development or urban lot split, but which is consistent with state law. The provisions of this Division shall supersede and take precedence over any inconsistent provision of the Town Code to the extent necessary to effect the provisions of this division.

Sec. 29.10.610. Definitions.

In addition to definitions contained in Chapter 24 (Subdivision Regulations) and Chapter 29 (Zoning Regulations), the following definitions apply for purposes of this division. Where a conflict may exist, the definitions in this division shall apply.

Acting in concert means persons, as defined by Government Code Section 82047, as that section existed on January 1, 2022, acting jointly to pursue development of real property whether or not pursuant to a written agreement and irrespective of individual financial interest.

Addition means any construction which increases the size of a building or facility in terms of site coverage, height, length, width, or gross floor area.

Adjacent parcel means any parcel of land that is: touching the parcel at any point; separated from the parcel at any point only by a public right-of-way, private street or way, or public or private utility, service, or access easement; or separate from another parcel only by other real property which is in common ownership or control of the applicant.

Alteration means any construction or physical change in the arrangement of rooms or the supporting members of a building or structure or change in the relative position of buildings or structures on a site, or substantial change in appearances of any building or structure.

Car-share vehicle means a motor vehicle that is operated as part of a regional fleet by a public or private car sharing company or organization and provides hourly or daily service.

Common ownership or control means property owned or controlled by the same person, persons, or entity, or by separate entities in which any shareholder, partner, member, or family member of an investor of the entity owns ten (10) percent or more of the interest in the property.

Demolition means any act or process that may cause partial or total razing, removal, destruction, or dismantling of a structure, whether or not permitted by the Town.

Existing structure means a lawfully constructed building that has received final building permit clearance.

Flag lot means "lot, corridor" as defined in Section 29.10.020 of Town Code.

Nonconforming zoning condition means a physical improvement on a property that does not conform with current zoning standards.

Public transportation means a high-quality transit corridor, as defined in subdivision (b) of Public Resources Code Section 21155, or a major transit stop, as defined in Public Resources Code Section 21064.3.

Single-family residential zone means a "R-1 or Single-Family Residential Zone," "R-1D or Single-Family Residential Downtown Zone," or "HR or Hillside Residential Zone" as specified in article IV, "Residential Zones," of the Zoning Code.

Street means any thoroughfare for motor vehicle travel which affords the principal means of access to abutting property, including public and private rights-of-way and easements.

Subdivision Code means Chapter 24 of the Los Gatos Town Code.

Sufficient for separate conveyance means that each attached or adjacent dwelling unit is constructed in a manner adequate to allow for the separate sale of each unit in a common interest development as defined in Civil Code Section 1351 (including a residential condominium, planned development, stock cooperative, or community apartment project), or into any other ownership type in which the dwelling units may be sold individually.

Two-unit housing development means a ministerial application proposing no more than two (2) primary dwelling units on a single parcel located within a single-family residential zone as authorized by Government Code Section 65852.21.

Urban lot split means a ministerial application for a parcel map to subdivide an existing parcel located within a single-family residential zone into two (2) parcels, as authorized by Government Code Section 66411.7.

Zoning Code means Chapter 29 of the Los Gatos Town Code.

Sec. 29.10.620. Eligibility.

An urban lot split or a two-unit housing development may only be created on parcels satisfying all of the following general requirements:

(1) *Zoning district.* A parcel that is located within a single-family residential zone.

(2) *Legal parcel.* A parcel which has been legally created in compliance with the Subdivision Map Act (Government Code Section 66410 et seq.) and the Town's Subdivision Regulations in effect at the time the parcel was created. Applications for an urban lot split or two-unit housing development will only be accepted on parcels with either a recorded parcel map or certificate of compliance. When both an urban lot split and two-unit housing development application are submitted simultaneously, no construction or permits for new construction or grading activities may be issued until the new parcel map for the urban lot split approval has been recorded.

(3) *Excluding very high fire hazard severity zone.* A parcel that is not within a very high fire hazard severity zone, as determined by the Department of Forestry and Fire Protection pursuant to Government Code Section 51178, or within a state responsibility area, as defined in Section 4102 of the Public Resources Code. This subparagraph does not apply to sites that have adopted fire hazard mitigation measures pursuant to existing building standards or state fire mitigation measures applicable to the development, including, but not limited to, standards established under all of the following or their successor provisions: (i) Section 4291 of the Public Resources Code or Section 51182, as applicable; (ii) Section 4290 of the Public Resources Code; and (iii) Section 7A of the California Building Code (Title 24 of the California Code of Regulations).

(4) *Excluding hazardous waste sites.* A parcel that is not identified as a hazardous waste site pursuant to Government Code Section 65962.5 or a hazardous waste site designated by the Department of Toxic Substances Control pursuant to Health and Safety Code Section 25356, unless the State Department of Public Health, State Water Resources Control Board, or Department of Toxic Substances Control has cleared the site for residential use.

(5) *Excluding earthquake fault zone.* A parcel that is not located within a delineated earthquake fault zone as determined by the State Geologist on any official maps published by the State Geologist, unless the two-unit housing development complies with applicable seismic protection building code standards adopted by the California Building Standards Commission under the California Building Standards Law (Part 2.5 (commencing with Section 18901) of Health and Safety Code Division 13), and by any local building department under Chapter 12.2 (commencing with Section 8875) of Division 1 of Title 2.

(6) *Excluding flood zone.* A parcel that is not located within a special flood hazard area subject to inundation by the 1 percent annual chance flood (100-year flood) on the official maps published by the Federal Emergency Management Agency unless a letter of map revision prepared by the Federal Emergency Management Agency has been issued or if the proposed two-unit housing development is constructed in compliance with the provisions of Town Code Chapter 29, Article XI, "Floodplain Management," as determined by the floodplain administrator.

(7) *Excluding natural habitat.* A parcel that is not recognized by the Town as a habitat for protected species identified as a candidate, sensitive, or species of special status by State or Federal agencies, fully protected species, or species protected by the Federal Endangered Species Act of 1973 (16 U.S.C. Sec. 1531 et seq.), the California Endangered Species Act (Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code), or the Native Plant Protection Act (Chapter 10 (commencing with Section 1900) of Division 2 of the Fish and Game Code).

(8) *Excluding prime farmland and wetlands.* A parcel that does not contain either prime farmland or farmland of statewide importance, as defined pursuant to the United States Department of Agriculture land inventory and monitoring criteria, as modified for California, and designated on the maps prepared by the Farmland Mapping and Monitoring Program of the Department of Conservation, or land zoned or designated for agricultural protection or preservation by a local ballot measure that was approved by the voters of that jurisdiction; or wetlands, as defined in the United States Fish and Wildlife Service Manual, Part 660 FW 2 (June 21, 1993).

(9) *Excluding conservation easements.* A parcel that is not subject to a recorded conservation easement.

Sec. 29.10.630. Two-unit housing development standards.

Two-unit housing developments must comply with the following objective zoning standards, design review standards, and general requirements and restrictions:

(1) *Zoning standards.* The following objective zoning standards supersede any other standards to the contrary that may be provided elsewhere in the Zoning Code, as they pertain to a two-unit housing development under Government Code Section 65852.21. Two-unit housing developments shall be constructed only in accordance with the following objective zoning standards, except as provided by subsection (4), "Exceptions:"

a. *Building height.* Maximum building height shall be as specified by the applicable zoning district for the main structure.

b. *New driveways.* Each parcel shall be connected to an adjacent street with a driveway. Any new driveway shall satisfy the following requirements:

1. A minimum paved width of ten (10) feet; and

2. Surfacing shall comply with Town Code Section 29.10.155 (e);

c. *Dwelling unit type.* The primary dwelling units comprising a two-unit housing development may take the form of detached single-family dwellings, attached units, and/or duplexes. A duplex may consist of two (2) dwelling units in a side-by-side or front-to-back configuration within the same structure or one (1) dwelling unit located atop another dwelling unit within the same structure.

Proposed adjacent or attached dwelling units shall meet all applicable Building Code standards and be designed sufficient to allow separate conveyance;

d. *Fencing.* All new fences, walls, and gates shall comply with the requirements of sections 29.40.030 through 29.40.0325 of the Zoning Code;

e. *Floor area ratio and lot coverage:*

1. The maximum floor area ratio and lot coverage shall be as specified by the applicable zoning regulations.

2. For flag/corridor lots, the gross lot size includes the access corridor for the purposes of determining maximum floor area ratio and lot coverage as follows:

i. When an easement is used to provide access, the access corridor is included in the gross lot size for the lot granting the easement; and

ii. When the access corridor is owned in-fee and is part of the rear lot, the access corridor is included in the gross lot size for the rear lot.

3. When two new primary dwelling units are proposed, or one new primary dwelling unit and the retention of an existing primary dwelling is proposed, as part of a two-unit housing development and the existing structures are at or below the maximum allowed floor area, a ten (10) percent increase in the floor area ratio standards for residential structures is allowed, excluding garages. This increase in floor area cannot be combined with a separate increase for an accessory dwelling unit allowed by Town Code Section 29.10.320. The additional floor area allowed by this subsection shall not exceed one thousand two hundred (1,200) square feet.

4. Below-grade square footage, in accordance with Town Code Sections 29.10.020 and 29.40.072, is exempt from the floor area maximum.

5. Detached garages shall not exceed 450 square feet without obtaining a separate Minor Residential Development Application in accordance with Town Code Section 29.20.480.

6. Notwithstanding the floor area ratio and lot coverage standards in this subsection, a new two-unit housing development with unit sizes of 800 square feet or less shall be permitted.

f. *Grading.* To the extent required by Chapter 12, Article II and Section 29.10.09045 (b) of the Town Code, allowed grading activities pursuant to Town Code Section 29.40.090 (b) may require a ministerial grading permit at time of building permit, but will not require discretionary review of an Architecture and Site Application;

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g. *Landscaping requirement.* All landscaping shall comply with the California Model Water Efficient Landscape Ordinance (MWELO);

h. *Lighting.* New exterior lighting fixtures shall be downward directed and utilize shields so that no bulb is visible to ensure that the light is directed to the ground surface and does not spill light onto neighboring parcels consistent with Section 29.10.09015 of the Zoning Code. In the Hillside Area, decorative lighting, sports court lighting, and unshaded or non-recessed spotlights are prohibited;

i. *Glare*. Direct or reflected glare, such as that produced by floodlight, visible from outside any boundary line of a property on which the glare is produced, is prohibited;

j. *Trees.* Any proposed work shall comply with the protection, removal, and replacement requirements for protected trees in Chapter 29, Article 1, Division 2, "Tree Protection," of Town Code;

k. *Minimum living area.* The minimum living area of a primary dwelling unit shall be 150 square feet, subject to the restrictions specified by Health and Safety Code Section 17958.1;

l. *Parking:*

1. One (1) parking stall per primary dwelling unit shall be required on-site, except for two-unit housing developments located on parcels within one-half mile walking distance of public transportation; or where there is a designated parking area for one (1) or more car-share vehicles within one (1) block of the parcel.

2. Parking stalls may either be uncovered or covered (garage or carport) in compliance with applicable developments standards of the Zoning Code, including Chapter 29, Article I, Division 4, "Parking," except that uncovered parking spaces may be provided in a front or side setback abutting a street on a driveway (provided that it is feasible based on specific site or fire and life safety conditions) or through tandem parking.

3. Parking space dimensions, whether uncovered or covered, shall comply with the size requirements in Town Code Section 29.10.155(d).

m. *Setbacks:*

1. Two-unit housing developments and attached garages shall be subject to the setback and building separation requirements specified by Table 1-2 (Setback Requirements), below. Detached garages and detached accessory structures shall meet the setback requirements specified in Town Code Section 29.40.015 (Accessory Buildings).

2. Development proposed adjacent to a protected waterway shall comply with the standards and provisions of the Santa Clara County Valley Water

Resources Protection Collaborative Guidelines and Standards for Land Use Near Streams document when applicable.

Table 1-2 - Setback Requirements		
Setback		Requirement[2]
Property Line Setbacks[1]	Front[7]	Per the applicable zoning district.[5]
	Garage Entry	18 feet, when the required garage setback is less than 18 feet
	Sides	4 feet[3]
	Rear[7]	4 feet[3]
Separation Between Detached Structures[3][4]		5 feet

Exceptions:
(1) Cornices, eaves, belt courses, sills, canopies, bay windows, chimneys, or other similar architectural features may extend into required setbacks as specified Section 29.40.070(b) of the Zoning Code.
(2) No setback shall be required for an existing structure, or a structure constructed in the same location and to the same dimensions as an existing structure.
(3) For parcels created through an urban lot split where the parcels are under the same ownership, no interior side setback shall be required for two-unit housing development units constructed as attached units on separate lots, provided that the structures meet Building Code safety standards and are sufficient to allow separate conveyance as a separate fee parcel. Similarly, no rear setback (for the front property) or front setback (for the rear property) shall be required for two-unit housing development units constructed as attached units in a flag-lot configuration where the parcels are under the same ownership.
(4) Except for primary dwellings constructed as a duplex or attached single-family residences.
(5) Flag/corridor lots shall use the interior side setback requirement listed above for all property lines other than the rear.
(7) Primary dwelling units on a through lot with frontage along two streets, and are not a corner lot, shall meet the front setback requirement along both street frontages.

n. *Stormwater management.* The development shall comply with the requirements of the Town's National Pollution Discharge Elimination System Permit as implemented by Chapter 22 of the Town Code, and as demonstrated by a grading and drainage plan prepared by a registered civil engineer; and

o. *Utilities.* New units shall be designed as individual units, with separate gas, electric, and water utility connections directly between each dwelling unit and the utility.

(2) *Design review standards.* The following objective design review standards apply to construction of new primary dwelling units and to any addition and/or alteration to existing primary dwelling units as part of a two-unit housing development, except as provided by subsection (4) below, "Exceptions:"

a. *Objective Design Standards for New Single-Family and Two-Family Residential Dwelling Units and Second Story Additions.* Compliance with all applicable provisions of the Town's Objective Design Standards for New Single-Family and Two-Family Residential Dwelling Units and Second Story Additions, within Town Code Sections 29.40.080 – 29.40.100, is required.

(3) General requirements and restrictions. The following requirements and restrictions apply to all two-unit housing developments, inclusive of existing and new primary dwelling units, except as provided by subsection (4) below, "Exceptions:"

a. *Number of units.* In addition to the two (2) residential units allowed under this section, accessory dwelling unit(s) consistent with Chapter 29, Article 1, Division 7, "Accessory Dwelling Units shall be allowed on lots that have not undergone an urban lot split.

b. *Building and Fire Codes.* The International Building Code ("Building Code"), and the California Fire Code and International Fire Code (together, "Fire Code"), as adopted by Chapter 6 of the Town Code, respectively, apply to all new two-unit housing developments.

c. *Encroachment permits.* Separate Encroachment Permits, issued by the Parks and Public Works Department, shall be required for the installation of utilities to serve two-unit housing developments. Applicants shall apply for and pay all necessary fees for utility permits for sanitary sewer, gas, water, electric, and all other utility work.

d. *Restrictions on demolition.* The two-unit housing development shall not require demolition or alteration of any of the following types of housing:

1. Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income. This shall be evidenced by an attestation from the property owner;

2. Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power. This shall be evidenced by an attestation from the property owner; or

3. Housing that has been occupied by a tenant in the last three (3) years. This shall be evidenced by an attestation from the property owner.

If any existing housing is proposed to be altered or demolished, the owner of the property proposed for a two-unit housing development shall sign an affidavit,

stating that none of the conditions listed above exist and shall provide a comprehensive history of the occupancy of the units to be altered or demolished for the past three (3) years on a form prescribed by the Town.

If any existing dwelling unit is proposed to be demolished, the applicant shall comply with the replacement housing provisions of Government Code Section 66300 (d).

e. *Ellis Act*. Parcels on which an owner of residential real property has exercised the owner's rights under state law (Government Code Section 7060) to withdraw accommodations from rent or lease within fifteen (15) years preceding the development application are not eligible for a two-unit housing development.

f. *Historic exclusions*. The development is not located in any of the following:

1. A contributing structure within a historic district included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code;

2. A parcel individually listed as a historical resource included in the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code; or

3. A historic property or district within a Landmark and Historic Preservation (LHP) Overlay Zone, adopted by ordinance, or properties containing historic structures designated by adoption of a Historic Designation (HD) Ordinance, pursuant to Town Code Chapter 29, Article VII, Division 3, "Historic Preservation and LHP or Landmark and Historic Preservation Overlay Zone."

g. *Recorded covenant.* Prior to Building Permit issuance, the applicant shall record a restrictive covenant in the form prescribed by the Town, which shall run with the land and provide for the following:

1. A limitation restricting the property to residential uses only; and

2. A requirement that any dwelling units on the property may only be rented for a period longer than thirty (30) days.

(4) *Exceptions.* If any of the provided objective zoning standards, objective subdivision standards, or objective design standards would have the effect of physically precluding construction of up to two (2) primary dwelling units or physically preclude either of the two (2) primary dwelling units from being at least eight hundred (800) square feet in floor area, the Community Development Director shall grant an exception to the applicable standard(s) to the minimum extent necessary as specified by this section. An exception request shall be explicitly made on the application for a two-unit housing development.

a. *Determination.* In order to retain adequate open space to allow for recreational enjoyment, protection of the urban forest, preservation of the community

character, reduction of the ambient air temperature, and to allow for the percolation of rainfall into the groundwater system, when considering an exception request, the Community Development Director shall first determine that a reduction in any other zoning and/or design review standard(s) will not allow the construction of the two-unit housing development as specified by this section prior to allowing an exception(s) to front-yard setback or street-side setbacks standards.

Sec. 29.10.640. Application process for two-unit housing development.

Applications for two-unit housing developments shall be submitted and processed in compliance with the following requirements:

(1) *Application type.* Two-unit housing developments shall be reviewed ministerially by the Community Development Director for compliance with the applicable regulations. The permitting provisions of Town Code Sections 29.20.135 through 29.20.160, "Architecture and Site Approval," shall not be applied;

(2) *Applicability.* When an application is submitted that includes both the construction of a two-unit housing development under this section and other redevelopment work that is not integral to the creation of a new dwelling unit and would generally require discretionary review, only the portions required for construction of the new dwelling unit shall be reviewed ministerially;

(3) *Review Process.* The Community Development Director shall consider and approve or deny an application for a proposed two-unit housing development pursuant to this section within 60 days from the date the Town receives a completed application. If the Director has not approved or denied the completed application within 60 days, the application shall be deemed approved. A completed application must include all the submittal requirements listed in the associated two-unit housing development application packet, as well as the required processing fees;

(4) *Application filing.* An application for a two-unit housing development, including the required application materials and fees, shall be filed with the Community Development Department;

(5) *Building Permits.* Approval of a two-unit housing development application shall be required prior to acceptance of an application for Building Permit(s) for the new and/or modified primary dwelling unit(s) comprising the two-unit housing development;

(6) *Expiration*. Approval of a two-unit housing development application shall expire two (2) years after the date of approval unless the approval is used and vested before expiration, per Town Code Sections 29.20.320 and 29.20.335;

(7) *Denial.* The Community Development Director may deny a two-unit housing development project only if the Building Official makes a written finding, based upon

a preponderance of the evidence, that the two-unit housing development would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Government Code Section 65589.5, upon public health and safety and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

If the Director denies an application for a proposed two-unit housing development pursuant to this section, the Director shall, within 60 days of receipt of the completed application, return in writing a full set of comments to the application with a list of items that are defective or deficient and a description of how the applicant can remedy the application; and

(8) *Appeals.* Two-unit housing application decisions are ministerial and are not subject to an appeal.

Sec. 29.10.650. Urban lot split standards.

Urban lot splits shall comply with the following objective subdivision standards, and general requirements and restrictions:

(1) *Subdivision standards.* The following objective subdivision standards supersede any other standards to the contrary that may be provided in the Zoning Code or Subdivision Code, as they pertain to creation of an urban lot split under Government Code Section 66411.7:

a. *Flag/corridor lots.* The access corridor of a flag/corridor lot (Town Code Section 29.10.085) shall be either in fee as part of the parcel or as an easement, and shall be a minimum width of 12 feet;

b. *Minimum lot size.* Each new parcel shall be approximately equal in lot area provided that one (1) parcel shall not be smaller than forty (40) percent of the lot area of the original parcel proposed for subdivision. In no event shall a new parcel be less than one thousand two hundred (1,200) square feet in lot area. If one (1) of the proposed lots is a flag/corridor lot, the area of the access corridor shall count toward the lot area as follows:

1. When an easement is used to provide access, the access corridor is included in the gross lot size for the lot granting the easement; and

2. When the access corridor is owned in-fee and is part of the rear lot, the access corridor is included in the gross lot size for the rear lot.

c. *Minimum lot width.* Each new parcel shall maintain a minimum lot width of twenty (20) feet;

d. *Minimum public frontage.* Each new parcel shall have frontage upon a street with a minimum frontage dimension of twenty (20) feet, except as allowed above for flag/corridor lots;

e. *Parking.* Each dwelling unit within an urban lot split shall contain adequate space for one on-site parking space, except for parcels within one-half mile walking distance of public transportation; or where there is a designated parking area for one or more car-share vehicles within one block of the parcel;

f. *Number of lots.* The parcel map to subdivide an existing parcel shall result in no more than two (2) parcels; and

g. *Lot Merger.* Lots resulting from an urban lot split shall not be merged unless that lot merger can be done without loss of housing units and without causing a non-conforming building, lot, or use.

(2) *General requirements and restrictions.* The following requirements and restrictions apply to all proposed urban lot splits:

a. *Adjacent parcels.* Neither the owner of the parcel being subdivided nor any person acting in concert with the owner has previously conducted an urban lot split to create an adjacent parcel as provided for in this division;

b. *Dedication and easements.* The Town Engineer shall not require dedications of rights-of-way nor the construction of offsite improvements but may, however, require recording of easements necessary for the provision of public services and facilities;

c. *Existing structures.* Existing structures located on a parcel subject to an urban lot split shall not be subject to a setback requirement. However, any such existing structures shall not be located across the shared property line resulting from an urban lot split, unless the structure is converted to an attached unit as provided for in Table 1-2 (Setback Requirements, Exception Number 4). All other existing structures shall be modified, demolished, or relocated prior to recordation of a parcel map;

d. *Intent to occupy.* The applicant shall submit a signed affidavit to the Community Development Director attesting that the applicant intends to occupy one (1) of the housing units on the newly created parcels as their principal residence for a minimum of three (3) years from either:

1. The date of the approval of the urban lot split when the intent is to live in an existing residence; or

2. Certificate of occupancy when the intent is to occupy a newly constructed residential unit.

This requirement shall not apply to an applicant that is a "community land trust," as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code, or a "qualified nonprofit corporation" as described in Section 214.15 of the Revenue and Taxation Code;

e. *Non-conforming conditions.* The Town shall not require, as a condition of approval, the correction of nonconforming zoning conditions. However, no new nonconforming conditions may result from the urban lot split other than setbacks as specified by Table 1-2 (Setback Requirements, Exception Number 2), maximum allowed lot coverage, and maximum allowed floor area ratio;

f. *Number of units.* No more than two (2) dwelling units may be located on any lot created through an urban lot split, including primary dwelling units, accessory dwelling units, junior accessory dwelling units, density bonus units, and units created as two-unit developments. Any excess dwelling units that do not meet these requirements shall be relocated, demolished, or otherwise removed prior to approval of a parcel map;

g. *Prior subdivision.* A parcel created through a prior urban lot split may not be further subdivided. The subdivider shall submit a signed deed restriction to the Community Development Director documenting this restriction. The deed restriction shall be recorded on the title of each parcel concurrent with recordation of the parcel map;

h. *Restrictions on demolition.* The proposed urban lot split shall not require demolition or alteration of any of the following types of housing:

1. Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income. This shall be evidenced by an attestation from the property owner;

2. Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power. This shall be evidenced by an attestation from the property owner;

3. Housing that has been occupied by a tenant in the last three (3) years. This shall be evidenced by an attestation from the property owner; or

4. Ellis Act parcels on which an owner of residential real property has exercised the owner's rights under state law (Government Code Section 7060) to withdraw accommodations from rent or lease within fifteen (15) years preceding the development application.

If any existing housing is proposed to be altered or demolished, the owner of the property proposed for an urban lot split shall sign an affidavit, stating that none of the conditions listed above exist and shall provide a comprehensive history of the occupancy of the units to be altered or demolished for the past three (3) years on a form prescribed by the Town. The owner and applicant shall also sign an affidavit stating that neither the owner nor applicant, nor any person acting in concert with the owner or applicant, has previously subdivided an adjacent parcel using and urban lot split;

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i. *Replacement units.* If any existing dwelling unit is proposed to be demolished, the applicant will comply with the replacement housing provisions of Government Code Section 66300 (d);

j. Historic exclusion. The parcel is not located within a historical landmark property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a historic site in a Landmark and Historic Preservation (LHP) Overlay Zone, adopted by ordinance, or properties containing historic structures designated by adoption of a Historic Designation (HD) ordinance, pursuant to Town Code Chapter 29, Article VII, Division 3, "Historic Preservation and LHP or Landmark and Historic Preservation Overlay Zone."

k. *Recorded covenant.* Prior to approval and recordation of the parcel map, the applicant shall record a restrictive covenant and agreement in the form prescribed by the Town, which shall run with the land and provide for the following:

1. A prohibition against further subdivision of the parcel using the urban lot split procedures as provided for in this section;

2. A limitation restricting the properties to residential uses only; and

3. A requirement that any dwelling units on the property may only be rented for a period longer than thirty (30) days.

l. *Stormwater management.* The subdivision shall comply with the requirements of the Town's National Pollution Discharge Elimination System Permit as implemented by Chapter 22 of the Town Code, and as demonstrated by a grading and drainage plan prepared by a registered civil engineer; and

m. *Compliance with Subdivision Map Act.* The urban lot split shall conform to all applicable objective requirements of the Subdivision Map Act (commencing with Government Code Section 66410), except as otherwise expressly provided in Government Code Section 66411.7.

Sec. 29.10.660. Application process for urban lot splits.

Applications for urban lot splits shall be submitted and processed in compliance with the following requirements:

(1) *Application type.* Urban lot splits shall be reviewed ministerially by the Community Development Director for compliance with the applicable regulations. A tentative parcel map shall not be required;

(2) *Application filing.* An urban lot split application, including the required application materials and fees, shall be filed with the Community Development Department;

(3) *Review Process.* The Community Development Director shall consider and approve or deny an application for a proposed urban lot split pursuant to this section within 60

days from the date the Town receives a completed application. If the Director has not approved or denied the completed application within 60 days, the application shall be deemed approved. A completed application must include all the submittal requirements listed in the associated SB 9 application packet, as well as the required processing fees;

(4) *Parcel map.* Approval of an urban lot split permit shall be required prior to acceptance of an application for an urban lot split parcel map. Applicants shall apply for an urban lot split parcel map and pay all fees;

(5) *Expiration.* Approval of an urban lot split permit shall expire two (2) years after the date of approval per Town Code Section 24.20.070 unless the Parcel Map is recorded;

(6) *Development.* Development on the resulting parcels is limited to a project approved by the two-unit housing development process, the Town's Accessory Dwelling Unit process, or through the Town's standard discretionary process;

(7) *Denial.* The Community Development Director may deny an urban lot split only if the Building Official makes a written finding, based upon a preponderance of the evidence, that an urban lot split or two-unit housing development located on the proposed new parcels would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

If the Director denies an application for a proposed urban lot split pursuant to this section, the Director shall, within 60 days of receipt of the completed application, return in writing a full set of comments to the application with a list of items that are defective or deficient and a description of how the applicant can remedy the application; and

(8) *Appeals.* Urban lot split application decisions are ministerial and are not subject to an appeal.

Sec. 29.10.670. Sunset clause.

If the provisions of Government Code Sections 65852.21 and 66411.7 are repealed or otherwise rescinded by the California State Legislature or by the People of the State of California, this division shall be repealed."

SECTION II. California Environmental Quality Act (CEQA) Considerations.

The Town Council finds that the proposed amendments are not considered a project under Section 15378 of CEQA, and in accordance with Government Code Section 66411.7 (n) and 66542.21 (g), Senate Bill 9 ordinances are not a project subject to CEQA.

SECTION III. Severability.

In the event that a court of competent jurisdiction holds any Section, subsection, paragraph, sentence, clause, or phrase in this Ordinance unconstitutional, preempted, or otherwise invalid, the invalid portion shall be severed from this Ordinance and shall not affect the validity of the remaining portions of this Ordinance. The Town hereby declares that it would have adopted each Section, subsection, paragraph, sentence, clause, or phrase in this Ordinance irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases in this Ordinance might be declared unconstitutional, preempted, or otherwise invalid.

SECTION IV. Publication.

The Town Council hereby directs the Town Clerk to cause this Ordinance or a summary thereof to be published or posted in accordance with Section 36933 of the Government Code of the State of California.

SECTION V. Effective Date.

In accordance with Section 36937 of the Government Code of the State of California, this Ordinance takes effect 30 days from the date of its passage. This Ordinance was introduced at a regular meeting of the Town Council of the Town of Los Gatos on the 1st day of December 2026, and adopted by the Town Council of the Town of Los Gatos at its regular meeting on the ____ day of _____ 2026, by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

_____
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

_____
TOWN CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

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TOWN OF LOS GATOS
PLANNING COMMISSION
REPORT

MEETING DATE: 10/14/2026

ITEM NO:2

DATE: October 9, 2026

TO: Planning Commission

FROM: Joel Paulson, Community Development Director

SUBJECT: Forward a Recommendation to the Town Council on an Ordinance Amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill 9 (SB 9) Regarding Urban Lot Splits and Two-Unit Housing Developments in Response to Changes in State Law. The Proposed Amendments to the Town Code are Not Considered a Project Under Section 15378 of the California Environmental Quality Act, and in Accordance with Government Code Section 66411.7 (n) and 66452.21 (g), Senate Bill 9 Ordinances are Not a Project Subject to the California Environmental Quality Act. Town Code Amendment Application A-26-004. **Project Location: Town Wide**. Applicant: Town of Los Gatos.

RECOMMENDATION:

Forward a recommendation to the Town Council on an ordinance amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill (SB) 9 regarding urban lot splits and two-unit housing developments in response to changes in state law.

CEQA:

The proposed amendments to the Town Code are not considered a project under Section 15378 of the California Environmental Quality Act (CEQA), and in accordance with Government Code Section 66411.7 (n) and 66452.21 (g), SB 9 Ordinances are not a project subject to CEQA.

PREPARED BY: Ryan Safty
Associate Planner

Reviewed by: Planning Manager, Community Development Director, and Town Attorney

FINDINGS:

- The proposed amendments to the Town Code are not considered a project under Section 15378 of the California Environmental Quality Act (CEQA), and in accordance with Government Code Section 66411.7 (n) and 66452.21 (g), SB 9 Ordinances are not a project subject to CEQA; and
- The amendments to Chapter 29 of the Town Code are consistent with the General Plan.

BACKGROUND:

Senate Bill 9

In September 2021, Governor Newsom signed a new state law, SB 9, which went into effect on January 1, 2022. SB 9 requires ministerial approval of certain housing development projects and lot splits on a single-family zoned parcel, with the intent to increase residential densities within single-family neighborhoods across the State.

The law allowed for two new types of development activities that must be reviewed ministerially without any discretionary action or public input:

- **Two-unit housing development** – Two residences on an eligible single-family residential parcel.
- **Urban lot split** – A one-time subdivision of an existing single-family residential parcel into two parcels.

On December 21, 2021, the Town Council adopted an Urgency Ordinance to implement local objective standards for SB 9 applications. On November 15, 2022, the Town Council approved Ordinance 2334, which established the permanent SB 9 Ordinance within Chapter 29 (Zoning Regulations) of the Town Code. On May 21, 2024, the Town Council approved Ordinance 2359 (Exhibit 2), which included modifications to the previous ordinance to modify design review standards and make clarifying revisions. Ordinance 2359 is the Town's current SB 9 Ordinance, which is found in Division 10 of Article 1 of Chapter 29 of the Town Code.

Previous SB 9 law allowed jurisdictions to adopt objective zoning, subdivision, and design standards for two-unit development and urban lot split applications so long as they would not preclude the construction of two, 800-square foot units with four-foot side and rear setbacks. The Town's current SB 9 Ordinance includes a Design Review Standards section applicable to two-unit development applications [Exhibit 2, Town Code Section 29.10.630 (2)]. Since SB 9 applications require ministerial review and allow for reduced side and rear setbacks, the standards were created with the intent of protecting neighbor privacy and enforcing some of the Town's residential design guidelines to encourage orderly development and neighborhood compatibility.

Senate Bill 450

In September of 2024, Governor Newsom signed a new state law, SB 450, which went into effect on January 1, 2025 (Exhibit 3). SB 450 updates and expands the required provisions of SB 9. The SB 450 updates are summarized as follows:

1. Limitation on the imposition of standards on SB 9 projects unless they apply uniformly to development within the underlying zone;
2. Clarification on the amount of demolition allowed to an existing residence that had previously been rented;
3. Specification on timelines for local agency processing of SB 9 applications; and
4. Modification to the SB 9 denial finding for "specific adverse impact."

The most significant change from SB 450 is that it now prohibits the Town from adopting specific zoning, subdivision, or design standards for SB 9 projects that are not uniformly applicable to development in the underlying (single-family) zoning district. However, the Town may adopt objective zoning, subdivision, and design standards on SB 9 applications if those standards are more permissive than applicable standards within the underlying zone.

On August 12, 2026, the Planning Commission reviewed a proposed Ordinance to establish new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second-Story Additions. These standards stemmed from the Town's existing SB 9 standards, as well as the more common design guidelines from the Town's Single- and Two-Family Residential Design Guidelines (RDG) and Hillside Development Standards and Guidelines (HDS&G) documents, and were drafted to be uniformly applicable to the underlying residential zones. Specifically, the standards would be applicable to all new single-family units; two-family units; and second-story additions, whether new or an addition to an existing second-story. SB 9 projects would be required to comply with all of these new objective design standards. Town Council is tentatively scheduled to hear the Planning Commission's recommendations on these new objective design standards in October. Reference to these draft new standards (Town Code Sections 29.40.080 – 29.40.100) are now shown in the proposed SB 9 Ordinance amendments in Exhibit 7, as discussed further in the Discussion Section of this report.

Assembly Bill 1061

In October of 2025, Governor Newsom signed a new state law, Assembly Bill (AB) 1061, which went into effect on January 1, 2026 (Exhibit 4). AB 1061 refines and further limits previous historic restrictions applicable to SB 9 applications. Specifically, AB 1061 narrows the historic exemption applicable to SB 9 applications, so that it only applies to designated (state or local) landmark properties or historic resources designated by Town ordinance. The Town's historic districts with LHP (Landmark and Historic Preservation) overlays, as well as the individual properties adopted as historic sites, were adopted by ordinance and are excluded from SB 9

applications. Properties with lesser historic designations or presumptive historic designations (such as Pre-1941 structures) are no longer exempt from SB 9.

HCD Letter of Technical Assistance

The California Department of Housing and Community Development (HCD) provided a letter of technical assistance to the Town on May 5, 2026, regarding the status of the Town's SB 9 Ordinance (Exhibit 5). The letter identified 17 items that are not in compliance with current state law, the majority of which are related to the SB 450 changes. All 17 items would be addressed within the proposed amendments in Exhibit 7. Staff responded to the HCD letter in June, confirming the Town's plan to update its SB 9 Ordinance to comply with current state law (Exhibit 6).

DISCUSSION:

Below is a summary of the proposed amendments to each section of the Town's SB 9 Ordinance as recommended by staff and reflected in Exhibit 7.

- Sec. 29.10.600. Purpose and applicability.
  - Replace the term "SB 9" with the appropriate Government Code Sections as the senate bill numbers can be reused over time (i.e. SB 9 may refer to a different law in the future).

- Sec. 29.10.610. Definitions.
  - Add a definition for "demolition" due to the changes resulting from SB 450. One of the changes from SB 450 was clarification on the amount of demolition allowed to an existing residence that had previously been rented out. Previous law allowed 25 percent demolition, while SB 450 modified it so that no demolition or alteration is allowed. The Town's definition of demolition allows 49 percent removal of existing structural walls, which doesn't align with the intent of this change from SB 450.
  - Delete the definition of "entry feature" as this term is no longer used in the updated ordinance.
  - Delete the definition of "first residential unit" as it stated that the first unit built with a two-unit housing development was limited to 1,200 square feet. SB 450 removed this allowance, and HCD's letter reiterates this (Comment 5, Exhibit 5).
  - Add a definition for "street." This definition is also in Section 29.10.020 of Town Code, but is being copied here for clarification on the lot frontage requirements within the SB 9 Ordinance.
  - Delete the second half of the "two-unit housing development" definition, as requested by HCD (Comment 1, Exhibit 5), as it overly restricts SB 9 development.

- Sec. 29.10.620. Eligibility.
  - Move and separate out the historic property exclusions for each SB 9 application type as AB 1061 now differentiates between the allowances to historic properties on urban lot splits and two-unit housing developments when previously they were the same for both application types.

- Sec. 29.10.630. Two-unit housing development standards.
  - Rename this section for clarification purposes as it is currently titled "Requirements."

- Sec. 29.10.630 (1). Zoning standards.
  - Modify the building height standard as the previous height restriction within required setbacks and for HR zoned properties are no longer allowed with SB 450. HCD's letter also reiterates this (Comment 3, Exhibit 5). New height and second-story location restrictions have been added in the new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second Story Additions, and compliance with these new objective design standards is required by Town Code Section 29.10.630 (2), as discussed below.
  - Modify the driveway standards as required by SB 450. The items that are more restrictive than the underlying zone are shown crossed-out.
  - Specify that attached units must be designed sufficiently to allow separate conveyance for clarification purposes as required by state law.
  - Remove the 1,200-square foot first unit maximum. SB 450 removed this allowance, which is also referenced in HCD's letter (Comment 5, Exhibit 5).
  - Add clarification to the 10 percent floor area ratio increase, specifying that it is only allowed when two units are proposed and not when the development results in just one residential unit on the lot.
  - Add reference to Town Code allowances to below-grade square footage for clarification purposes, confirming that below-grade square footage would not count towards maximum allowed floor area.
  - Clarify that detached garages exceeding 450 square feet are not allowed with SB 9 and must obtain separate Minor Residential Development approval.
  - Delete the grading section, which limited projects to 50 cubic yards of grading, not counting building excavation and fire access. HCD's letter states that, pursuant to SB 450, this is no longer allowed as it was exclusive to SB 9 developments (Comment 4, Exhibit 5). Site grading restrictions for the hillsides have been added in the new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second Story Additions.
  - Delete the cut and fill limitations. Although not referenced in HCD's letter, SB 450 removed the Town's ability to enforce this for all SB 9 projects as the standard was taken from the Town's HDS&G. Other site grading restrictions for the hillsides have been added in the new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second Story Additions to limit hillside grading.

- Move the 30 percent sloped building site limitation to the new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second Story Additions in order to be compliant with SB 450.
- Delete the retaining wall standard. Although not referenced in HCD's letter, SB 450 removed the Town's ability to enforce this for all SB 9 projects as the standard was taken from the Town's HDS&G. Other site grading restrictions for the hillsides have been added in the new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second Story Additions to limit hillside grading.
- Move the light reflectivity maximums to the new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second Story Additions in order to be compliant with SB 450.
- Add decorative lighting, sports court lighting, and glare restrictions for clarification purposes.
- Add reference to Town Code 29.10.155 (d) to specify parking space dimension requirements for clarification purposes.
- Add reference to the standards and provisions of the Santa Clara County Valley Water Resources Protection Collaborative Guidelines and Standards for Land Use Near Streams document for clarification purposes.
- Add clarification to the garage entry setback, specifying that 18 feet is required when the required garage setback is less than 18 feet. The modification is for clarification purposes, and the standard ensures that garages always maintain the required back-up space even when setbacks allow them to be closer to a street.
- Delete the increased street-side setback standards. SB 9 states that local jurisdictions cannot require more than four feet for a side yard setback, which is also referenced in HCD's letter (Comment 7, Exhibit 5).
- Add Exception 7 to the setback table for clarification purposes; when constructing on a "through lot" with two street frontages, both street frontage shall meet the front setback requirement.

- <u>Sec. 29.10.630 (2). Design review standards.</u>
  - Replace this entire section with a reference to the new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second Story Additions in Town Code Sections 29.40.080 – 29.40.100. As discussed above, SB 450 mandates that many of these standards be made applicable to all underlying zones. The previous standards for finished floor; front entryway and porch design; garage width; and prohibited materials would be deleted, while standards for second story setback, plate height, windows, and mechanical equipment are revised and included in the new Objective Design Standards for Single-Family and Two-Family Residential Dwelling Units and Second Story Additions.

- Sec. 29.10.630 (3). General requirements and restrictions.
  - Modify the language regarding allowed number of units and ADUs. State law on ADUs has recently changed, including rules on maximum allowed ADUs on a single-family property, which is also referenced in HCD's letter (Comment 11, Exhibit 5).
  - Modify the Building and Fire Codes section to clarify that compliance with current Building and Fire Codes is only required for new two-unit developments and not in instances where existing units would remain (Comment 12, Exhibit 5).
  - Modify the restrictions on the demolition section to comply with SB 450, as noted in comment 13 of Exhibit 5. Previous law allowed 25 percent demolition, while SB 450 does not allow any demolition or alteration.
  - Add the Ellis Act restriction, pursuant to SB 450.
  - Add the new historic exclusions, pursuant to AB 1061. These exclusions would apply to the Town's historic districts with LHP overlays, as well as the individual properties adopted as historic sites. This exclusion would not apply to properties developed with a pre-1941 residence not adopted by ordinance.
  - Modify the exception language, as noted in HCD's letter (Comment 14, Exhibit 5), for clarification purposes.

- Sec. 29.10.640. Application process for two-unit housing development.
  - Add an applicability section, clarifying that two-unit housing development applications shall only include work integral to the creation of that dwelling unit. Unrelated site work (such as rear yard grading for a lawn or sports court) that would normally trigger an Architecture and Site Application for a Grading Permit would not be permitted with the ministerial two-unit housing development application. This modification also helps address the reduction of HDS&G limitations on two-unit housing development projects noted above.
  - Add a review process section, which includes the updated processing deadlines pursuant to SB 450.
  - Remove the neighbor notification provision. HCD's letter states this is not allowed as it does not apply to conventional residential development in the underlying zone (Comment 15, Exhibit 5).
  - Include a reference to the Town's expiration and permit vesting provisions for clarification purposes.
  - Revise the denial section pursuant to SB 450, which is also referenced in HCD's letter (Comment 16, Exhibit 5).

- Sec. 29.10.650. Urban lot split standards.
  - Rename this section for clarification purposes as it is currently titled "Subdivision standards."

- Sec. 29.10.650 (1). Subdivision standards.
  - Add a reference to the parking requirements in the urban lot split portion of the Ordinance for clarification purposes; in cases where an urban lot split divides a lot with

two existing residences (one on each new lot), this ensures that each existing unit has adequate parking.

- Sec. 29.10.650 (2). General requirements and restrictions.
  - Modify the restrictions on demolition section to comply with SB 450, as noted in Comment 13 of Exhibit 5. Previous law allowed 25 percent demolition, while SB 450 does not allow any demolition or alteration.
  - Add the Ellis Act restriction, pursuant to SB 450.
  - Add the new historic exclusions, pursuant to AB 1061. These exclusions would apply to the Town's historic districts with LHP overlays, as well as the individual properties adopted as historic sites. This exclusion would not apply to properties developed with a pre-1941 residence not adopted by ordinance.
  - Delete the utility providers requirement as it implies that the Town or utility provider can require offsite improvements to record the urban lot split (Comment 17, Exhibit 5).

- Sec. 29.10.660. Application process for urban lot splits.
  - Add a review process section, which includes the updated processing deadlines pursuant to SB 450.
  - Remove the neighbor notification provision. HCD's letter states this is not allowed as it does not apply to conventional residential development in the underlying zone (Comment 15, Exhibit 5).
  - Include a reference to the Town's expiration and permit vesting provisions for clarification purposes.
  - Revise the denial section pursuant to SB 450, which is also referenced in HCD's letter (Comment 16, Exhibit 5).

- Sec. 29.10.670. Sunset clause.
  - Replace the term "SB 9" with the appropriate Government Code Sections as the senate bill numbers can be reused over time (i.e. SB 9 may refer to a different law in the future).

PUBLIC COMMENTS:

Staff conducted outreach through the following media and social media resources, as well as direct communication with stakeholders as summarized below:

- The Town's website home page, What's New;
- The Town's Facebook page;
- The Town's Twitter account;
- The Town's Instagram account;
- The Town's NextDoor page; and
- Direct email communication to local architects and designers.

At the time this report was published, no public comments were received.

CEQA DETERMINATION:

The proposed amendments to the Town Code are not considered a project under Section 15378 of the California Environmental Quality Act (CEQA), and in accordance with Government Code Section 66411.7 (n) and 66452.21 (g), Senate Bill 9 Ordinances are not a project subject to CEQA.

CONCLUSION:

A. Summary

The draft amendments in Exhibit 7 would amend Chapter 29 (Zoning Regulations) of the Town Code for two-unit housing developments and urban lot splits in response to the provisions of SB 450 and AB 1061, as well as other clarifying revisions.

B. Recommendation

Staff recommends that the Planning Commission review the information included in the staff report and forward a recommendation to the Town Council for approval of the amendments to Chapter 29 of the Town Code in the draft Ordinance (Exhibit 7). The Planning Commission should also include any comments or recommended changes to the draft Ordinance in taking the following actions:

1. Make the required finding that the proposed amendments to the Town Code are not considered a project under Section 15378 of the California Environmental Quality Act (CEQA), and in accordance with Government Code Section 66411.7 (n) and 66452.21 (g), Senate Bill 9 Ordinances are not a project subject to CEQA (Exhibit 1);
2. Make the required finding that the amendments to Chapter 29 of the Town Code in the draft Ordinance are consistent with the General Plan (Exhibit 1); and
3. Forward a recommendation to the Town Council for approval of the proposed amendments to Chapter 29 of the Town Code in the draft Ordinance (Exhibit 7).

C. Alternatives

Alternatively, the Commission can:

1. Forward a recommendation to the Town Council for approval of the draft amendments with modifications; or
2. Continue the matter to a date certain with specific direction.

EXHIBITS:

1. Required Findings
2. Current Senate Bill 9 Ordinance 2359
3. Senate Bill 450 State Law
4. Assembly Bill 1061 State Law
5. HCD Senate Bill 9 Ordinance Technical Assistance Letter
6. Town Response to HCD Technical Assistance Letter
7. Draft Senate Bill 9 Ordinance

PLANNING COMMISSION – *October 14, 2026*
REQUIRED FINDINGS FOR:

Town Code Amendment Application A-26-004
Forward a Recommendation to the Town Council on an Ordinance Amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill 9 (SB 9) Regarding Urban Lot Splits and Two-Unit Housing Developments in Response to Changes in State Law. The Proposed Amendments to the Town Code are Not Considered a Project Under Section 15378 of the California Environmental Quality Act, and in Accordance with Government Code Section 66411.7 (n) and 66452.21 (g), Senate Bill 9 Ordinances are Not a Project Subject to the California Environmental Quality Act. Town Code Amendment Application A-26-004. Project Location: Town Wide. Applicant: Town of Los Gatos.

FINDINGS

Required Findings for CEQA:

The proposed amendments to the Town Code are not considered a project under Section 15378 of the California Environmental Quality Act (CEQA), and in accordance with Government Code Section 66411.7 (n) and 66452.21 (g), Senate Bill 9 Ordinances are not a project subject to CEQA.

Required Findings for General Plan:

- The amendments to Chapter 29 of the Town Code regarding SB 9 ordinance amendments are consistent with the General Plan.

EXHIBIT 1

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DIVISION 10. TWO-UNIT HOUSING DEVELOPMENTS AND URBAN LOT SPLITS

Sec. 29.10.600. Purpose and applicability.

The Town Council finds and determines that this division is applicable only to voluntary applications for two-unit housing developments and urban lot splits consistent with Senate Bill (SB) 9. Owners of real property or their representatives may continue to exercise rights for property development in conformance with the Zoning Code and Subdivision Code. Development applications that do not satisfy the definitions for a two-unit housing development or an urban lot split provided in Section 29.10.610 (Definitions) shall not be subject to this Ordinance. Any provision of this division which is inconsistent with SB 9 shall be interpreted in a manner which is the most limiting on the ability to create a two-unit housing development or urban lot split, but which is consistent with State law. The provisions of this Division shall supersede and take precedence over any inconsistent provision of the Town Code to the extent necessary to effect the provisions of this division.

(Ord. No. 2334, § 2, 11-15-22; Ord. No. 2359, § I, 5-21-24)

Sec. 29.10.610. Definitions.

In addition to definitions contained in Chapter 24 (Subdivision Regulations) and Chapter 29 (Zoning Regulations), the following definitions apply for purposes of this division. Where a conflict may exist, the definitions in this division shall apply.

Acting in concert means persons, as defined by Government Code Section 82047, as that section existed on January 1, 2022, acting jointly to pursue development of real property whether or not pursuant to a written agreement and irrespective of individual financial interest.

Addition means any construction which increases the size of a building or facility in terms of site coverage, height, length, width, or gross floor area.

Adjacent parcel means any parcel of land that is: touching the parcel at any point; separated from the parcel at any point only by a public right-of-way, private street or way, or public or private utility, service, or access easement; or separate from another parcel only by other real property which is in common ownership or control of the applicant.

Alteration means any construction or physical change in the arrangement of rooms or the supporting members of a building or structure or change in the relative position of buildings or structures on a site, or substantial change in appearances of any building or structure.

Car-share vehicle means a motor vehicle that is operated as part of a regional fleet by a public or private car sharing company or organization and provides hourly or daily service.

Common ownership or control means property owned or controlled by the same person, persons, or entity, or by separate entities in which any shareholder, partner, member, or family member of an investor of the entity owns ten (10) percent or more of the interest in the property.

Entry feature means a structural element, which leads to an entry door.

Existing structure means a lawfully constructed building that has received final building permit clearance.

First residential unit means one (1) of two (2) primary dwelling units developed under a two-unit housing development and can be an existing primary dwelling unit if it meets or is modified to meet the 1,200-square foot floor area limitation on first residential units.

Flag lot means "lot, corridor" as defined in Section 29.10.020 of Town Code.

Nonconforming zoning condition means a physical improvement on a property that does not conform with current zoning standards.

Two-unit housing development means an application proposing no more than two (2) primary dwelling units on a single parcel located within a single-family residential zone as authorized by Government Code Section 65852.21. A two-unit housing development shall consist of either the construction of no more than two (2) new primary dwelling units, one (1) new primary dwelling unit and retention of one (1) existing primary dwelling unit, or retention of two (2) existing legal non-conforming primary dwelling units where one (1) or both units are subject to a proposed addition or alteration.

Public transportation means a high-quality transit corridor, as defined in subdivision (b) of Public Resources Code Section 21155, or a major transit stop, as defined in Public Resources Code Section 21064.3.

Single-family residential zone means a "R-1 or Single-Family residential Zone", "R-1D or Single-Family Residential Downtown Zone", or "HR or Hillside Residential Zone" as specified in article IV, "Residential Zones," of the Zoning Code.

Subdivision Code means Chapter 24 of the Los Gatos Town Code.

Sufficient for separate conveyance means that each attached or adjacent dwelling unit is constructed in a manner adequate to allow for the separate sale of each unit in a common interest development as defined in Civil Code Section 1351 (including a residential condominium, planned development, stock cooperative, or community apartment project), or into any other ownership type in which the dwelling units may be sold individually.

Urban lot split means a ministerial application for a parcel map to subdivide an existing parcel located within a single-family residential zone into two (2) parcels, as authorized by Government Code Section 66411.7.

Zoning Code means Chapter 29 of the Los Gatos Town Code.

(Ord. No. 2334, § 2, 11-15-22; Ord. No. 2359, § II, 5-21-24)

Sec. 29.10.620. Eligibility.

An urban lot split or a two-unit housing development may only be created on parcels satisfying all of the following general requirements:

(1) *Zoning district.* A parcel that is located within a single-family residential zone.

(2) *Legal parcel.* A parcel which has been legally created in compliance with the Subdivision Map Act (Government Code Section 66410 et seq.) and the Town's Subdivision Regulations in effect at the time the parcel was created. Applications for an urban lot split or two-unit housing development will only be accepted on parcels with either a recorded parcel map or certificate of compliance. When both an urban lot split and two-unit housing development application are submitted simultaneously, no construction or building permits for new construction or grading activities may be issued until the new parcel map for the urban lot split approval has been recorded.

(3) *Excluding historic property.* A parcel that is not located within a historic district or property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or a parcel that does not contain a Historic Structure, as defined in Town Code Section 29.10.020, or is not listed on the Town of Los Gatos Historic Resource Inventory, as defined by Town Code Chapter 29,

Article VII, Division 3, "Historic Preservation and LHP or Landmark and Historic Preservation Overlay Zone."

(4) *Excluding very high fire hazard severity zone.* A parcel that is not within a very high fire hazard severity zone, as determined by the Department of Forestry and Fire Protection pursuant to Government Code Section 51178, or within a state responsibility area, as defined in Section 4102 of the Public Resources Code. This subparagraph does not apply to sites that have adopted fire hazard mitigation measures pursuant to existing building standards or state fire mitigation measures applicable to the development, including, but not limited to, standards established under all of the following or their successor provisions: (i) Section 4291 of the Public Resources Code or Section 51182, as applicable; (ii) Section 4290 of the Public Resources Code; and (iii) Section 7A of the California Building Code (Title 24 of the California Code of Regulations).

(5) *Excluding hazardous waste sites.* A parcel that is not identified as a hazardous waste site pursuant to Government Code Section 65962.5 or a hazardous waste site designated by the Department of Toxic Substances Control pursuant to Health and Safety Code Section 25356, unless the State Department of Public Health, State Water Resources Control Board, or Department of Toxic Substances Control has cleared the site for residential use.

(6) *Excluding earthquake fault zone.* A parcel that is not located within a delineated earthquake fault zone as determined by the State Geologist on any official maps published by the State Geologist, unless the two-unit housing development complies with applicable seismic protection building code standards adopted by the California Building Standards Commission under the California Building Standards Law (Part 2.5 (commencing with Section 18901) of Health and Safety Code Division 13), and by any local building department under Chapter 12.2 (commencing with Section 8875) of Division 1 of Title 2.

(7) *Excluding flood zone.* A parcel that is not located within a special flood hazard area subject to inundation by the 1 percent annual chance flood (100-year flood) on the official maps published by the Federal Emergency Management Agency unless a letter of map revision prepared by the Federal Emergency Management Agency has been issued or if the proposed two-unit housing development is constructed in compliance with the provisions of Town Code Chapter 29, Article XI, "Floodplain Management," as determined by the floodplain administrator.

(8) *Excluding natural habitat.* A parcel that is not recognized by the Town as a habitat for protected species identified as a candidate, sensitive, or species of special status by State or Federal agencies, fully protected species, or species protected by the Federal Endangered Species Act of 1973 (16 U.S.C. Sec. 1531 et seq.), the California Endangered Species Act (Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code), or the Native Plant Protection Act (Chapter 10 (commencing with Section 1900) of Division 2 of the Fish and Game Code).

(9) *Excluding prime farmland and wetlands.* A parcel that contains either prime farmland or farmland of statewide importance, as defined pursuant to the United States Department of Agriculture land inventory and monitoring criteria, as modified for California, and designated on the maps prepared by the Farmland Mapping and Monitoring Program of the Department of Conservation, or land zoned or designated for agricultural protection or preservation by a local ballot measure that was approved by the voters of that jurisdiction; or wetlands, as defined in the United States Fish and Wildlife Service Manual, Part 660 FW 2 (June 21, 1993).

(10) *Excluding conservation easements.* A parcel subject to a recorded conservation easement.

(Ord. No. 2334, § 2, 11-15-22; Ord. No. 2359, § III, 5-21-24)

Sec. 29.10.630. Requirements.

Two-unit housing developments must comply with the following objective zoning standards, design review standards, and general requirements and restrictions:

(1) *Zoning standards.* The following objective zoning standards supersede any other standards to the contrary that may be provided elsewhere in the Zoning Code, as they pertain to a two-unit housing development under Government Code Section 65852.21. Two-unit housing developments shall be constructed only in accordance with the following objective zoning standards, except as provided by subsection (4), "Exceptions:"

a. *Building height.* Maximum building height shall be as specified by the applicable zoning district for the main structure. Buildings located within the required side or rear setbacks of the applicable zoning district, and those located in the Hillside Residential (HR) zones, shall not exceed sixteen (16) feet in height;

b. *New driveways.* Each parcel shall include no more than a single driveway unless the parcel has more than one hundred (100) feet of contiguous street frontage or more than one (1) existing driveway. Any new driveway shall satisfy the following requirements:

1. A minimum width of ten (10) feet up to a maximum width of eighteen (18) feet. Driveways in the Hillside Residential (HR) zones shall have a minimum width of twelve (12) feet;

2. A minimum depth of eighteen (18) feet measured from the front or street side property line;

3. Surfacing shall comply with Town Code Section 29.10.155(e);

4. Only a single driveway curb-cut shall be permitted per parcel unless the parcel has more than one hundred (100) feet of contiguous street frontage, designed in accordance with the Town's Standard Specifications and Plans for Parks and Public Works Construction; and

5. A maximum slope of fifteen (15) percent.

c. *Dwelling unit type.* The primary dwelling units comprising a two-unit housing development may take the form of detached single-family dwellings, attached units, and/or duplexes. A duplex may consist of two (2) dwelling units in a side-by-side or front-to-back configuration within the same structure or one (1) dwelling unit located atop another dwelling unit within the same structure;

d. *Fencing.* All new fencing shall comply with the requirements of sections 29.40.030 through 29.40.0325 of the Zoning Code;

e. *Floor area ratio and lot coverage.*

1. The maximum floor area ratio and lot coverage shall be as specified by the applicable zoning regulations.

2. For flag/corridor lots, the gross lot size includes the access corridor for the purposes of determining maximum floor area ratio and lot coverage as follows:

i. When an easement is used to provide access, the access corridor is included in the gross lot size for the lot granting the easement; and

ii. When the access corridor is owned in-fee and is part of the rear lot, the access corridor is included in the gross lot size for the rear lot.

3. The maximum size of the first new residential unit shall not exceed one thousand two hundred (1,200) square feet.

4. When a two-unit housing development is proposed and the existing structures are at or below the maximum allowed floor area, a ten (10) percent increase in the floor area ratio standards for residential structures is allowed, excluding garages, and this increase in floor area cannot be combined with a separate increase for an accessory dwelling unit allowed by Town Code Section 29.10.320. The additional floor area allowed by this subsection shall not exceed one thousand two hundred (1,200) square feet.

5. Notwithstanding the floor area ratio and lot coverage standards in this subsection, a new two-unit housing development with unit sizes of 800 square feet or less shall be permitted.

f. *Grading.*

1. To the extent required by Chapter 12, Article II and Section 29.10.09045(b) of the Town Code, the grading activities set forth in subsection 2. below may require a grading permit, but will not require discretionary review of an architecture and site application;

2. Grading activity associated with a two-unit housing development shall not exceed fifty (50) cubic yards, cut plus fill, except:

i. Light wells that do not exceed the minimum required per Building Code shall not count as grading activity for the purpose of this section;

ii. Grading activities required to provide the minimum driveway and fire access as required by the Santa Clara County Fire Department shall not count as grading activity for the purpose of this section; and

iii. Excavation within the footprint of a primary dwelling unit or garage shall not count as grading activity for the purpose of this section.

g. Cut and Fill. Two-unit housing developments shall be subject to the cut and fill requirements specified by Table 1-1 (Cut and Fill Requirements) below:

Table 1-1 - Cut and Fill Requirements		
Site Element	Cut *	Fill *
House and attached garage	8' **	3'
Detached accessory building *	4'	3'
Driveways ***	4'	3'
Other (decks, yards) *	4'	3'
* Combined depths of cut plus fill for development other than the main residence shall be limited to 6 feet.		
** Excludes below grade square footage pursuant to Section 29.40.072 of the Town Code and light-wells that do not exceed the minimum required per Building Code.		
*** Excludes cut and fill for the minimum driveway and fire access standards as required by the Santa Clara County Fire Department.		

h. *Building Sites.* The footprint of the proposed residential unit(s) and garage(s) shall not be located on lands with slopes exceeding thirty (30) percent. This provision applies only to the building site, not the property as a whole;

i. *Retaining walls.* Retaining walls shall not exceed five (5) feet in height and shall not run in a straight continuous direction for more than fifty (50) feet without a break, offset, or planting pocket. Retaining walls shall have a five-foot landscaped buffer when adjacent to the street;

j. *Light reflectivity value.* Exterior material colors for primary dwelling units and garages in the Hillside Residential (HR) zones shall comply with requirements in Chapter V, Section I, of the Town's Hillside Development Standards and Guidelines;

k. *Landscaping requirement.* All landscaping shall comply with the California Model Water Efficient Landscape Ordinance (MWELO);

l. *Lighting.* New exterior lighting fixtures shall be downward directed and utilize shields so that no bulb is visible to ensure that the light is directed to the ground surface and does not spill light onto neighboring parcels consistent with Section 29.10.09015 of the Zoning Code;

m. *Trees.* Any proposed work shall comply with the protection, removal, and replacement requirements for protected trees in Chapter 29, Article 1, Division 2, "Tree Protection," of Town Code;

n. *Minimum living area.* The minimum living area of a primary dwelling unit shall be 150 square feet, subject to the restrictions specified by Health and Safety Code Section 17958.1;

o. *Parking.*

1. One (1) parking stall per primary dwelling unit shall be required, except for two-unit housing developments located on parcels within one-half mile walking distance of public transportation; or where there is a designated parking area for one (1) or more car-share vehicles within one (1) block of the parcel.

2. Parking stalls may either be uncovered or covered (garage or carport) in compliance with applicable developments standards of the Zoning Code, including Chapter 29, Article I, Division 4, "Parking," except that uncovered parking spaces may be provided in a front or side setback abutting a street on a driveway (provided that it is feasible based on specific site or fire and life safety conditions) or through tandem parking.

p. *Setbacks.* Two-unit housing developments and attached garages shall be subject to the setback and building separation requirements specified by Table 1-2 (Setback Requirements), below. Detached garages and detached accessory structures shall meet the setback requirements specified in Town Code Section 29.40.015 (Accessory Buildings).

Table 1-2 - Setback Requirements

Setback		Requirement[2]
Property Line Setbacks[1]	Front	Per the applicable zoning district.[5]
	Garage Entry	18 feet
	Interior Sides	4 feet[3]
	Rear	
	Street Side	Per the applicable zoning district.
Separation Between Detached Structures[3][4]		5 feet

Exceptions:
(1) Cornices, eaves, belt courses, sills, canopies, bay windows, chimneys, or other similar architectural features may extend into required setbacks as specified Section 29.40.070(b) of the Zoning Code.
(2) No setback shall be required for an existing structure, or a structure constructed in the same location and to the same dimensions as an existing structure.
(3) For parcels created through an urban lot split where the parcels are under the same ownership, no

interior side setback shall be required for two-unit housing development units constructed as attached units on separate lots, provided that the structures meet building code safety standards and are sufficient to allow separate conveyance as a separate fee parcel. Similarly, no rear setback (for the front property) or front setback (for the rear property) shall be required for two-unit housing development units constructed as attached units in a flag-lot configuration where the parcels are under the same ownership.
(4) Except for primary dwellings constructed as a duplex or attached single-family residences.
(5) Flag/corridor lots shall use the interior side setback requirements for all property lines other than the rear.

q. *Stormwater management.* The development shall comply with the requirements of the Town's National Pollution Discharge Elimination System Permit as implemented by Chapter 22 of the Town Code, and as demonstrated by a grading and drainage plan prepared by a registered civil engineer; and

r. *Utilities.* New units shall be designed as individual units, with separate gas, electric, and water utility connections directly between each dwelling unit and the utility.

(2) *Design review standards.* The following objective design review standards apply to construction of new primary dwelling units and to any addition and/or alteration to existing primary dwelling units as part of a two-unit housing development, except as provided by subsection (4) below, "Exceptions:"

a. *Balconies/decks.* Rooftop and second floor terraces and decks are prohibited. Balconies shall only be permitted on the front- and street-side elevations of a primary dwelling unit fronting a public street. Such balconies shall be without any projections beyond the building footprint;

b. *Finished floor.* The finished floor of the first story shall not exceed three (3) feet in height as measured from finished grade;

c. *Front entryway.* A front entryway framing a front door shall have a roof eave that matches or connects at the level of the adjacent eave line;

d. *Front porch.* If proposed, porches shall have a minimum depth of six (6) feet and a minimum width equal to twenty-five (25) percent of the linear width of the front elevation;

e. *Second story setback.* The interior side and rear elevations of the second story of a two-story primary dwelling unit shall have a minimum setback of nine (9) feet;

f. *Garages.* Street-facing attached garages shall not exceed fifty (50) percent of the linear width of the front-yard or street-side yard elevation;

g. *Plate height.* The plate height of each story shall be limited to a maximum of ten (10) feet as measured from finished floor, and when above the first floor the plate height shall be limited to a maximum of eight (8) feet; and

h. *Windows.* All second story windows less than ten (10) feet from rear and interior side property lines shall be clerestory with the bottom of the glass at least six (6) feet above the finished floor except as necessary for egress purposes as required by the Building Code.

i. *Prohibited materials.* The following exterior materials are prohibited on all building exteriors:

1. Vinyl siding; and

2. Plywood.

j. *Mechanical equipment.* Heating, ventilation, and air conditioning (HVAC) units, generators, energy storage systems (ESS), and other similar ground-mounted mechanical equipment shall be screened from view from any adjacent street if not already located out of view behind a building or solid fence.

(3) *General requirements and restrictions.* The following requirements and restrictions apply to all two-unit housing developments, inclusive of existing and new primary dwelling units, except as provided by subsection (4) below, "Exceptions:"

a. *Number of units.* A maximum of four (4) units, with a maximum of two (2) primary dwelling units, on lots that have not undergone an urban lot split.

b. *Accessory dwelling units.* In addition to the two (2) residential units allowed under this section, consistent with Chapter 29, Article 1, Division 7, "Accessory Dwelling Units," of the Town Code, one (1) accessory dwelling unit and one (1) junior accessory dwelling unit shall be allowed on lots that have not undergone an urban lot split.

c. *Building and Fire Codes.* The International Building Code ("Building Code"), and the California Fire Code and International Fire Code (together, "Fire Code"), as adopted by Chapter 6 of the Town Code, respectively, apply to all two-unit housing developments.

d. *Encroachment permits.* Separate encroachment permits, issued by the Parks and Public Works Department, shall be required for the installation of utilities to serve two-unit housing developments. Applicants shall apply for and pay all necessary fees for utility permits for sanitary sewer, gas, water, electric, and all other utility work.

e. *Restrictions on demolition.* The two-unit housing development shall not require either demolition of more than twenty-five (25) percent of the exterior walls or alteration of any of the following types of housing:

1. Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income. This shall be evidenced by an attestation from the property owner;

2. Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power. This shall be evidenced by an attestation from the property owner; or

3. Housing that has been occupied by a tenant in the last three (3) years. This shall be evidenced by an attestation from the property owner.

If any existing housing is proposed to be altered or demolished, the owner of the property proposed for a two-unit housing development shall sign an affidavit, stating that none of the conditions listed above exist and shall provide a comprehensive history of the occupancy of the units to be altered or demolished for the past three (3) years on a form prescribed by the Town.

If any existing dwelling unit is proposed to be demolished, the applicant shall comply with the replacement housing provisions of Government Code Section 66300(d).

f. *Recorded covenant.* Prior to building permit issuance, the applicant shall record a restrictive covenant in the form prescribed by the Town, which shall run with the land and provide for the following:

1. A limitation restricting the property to residential uses only; and

2. A requirement that any dwelling units on the property may only be rented for a period longer than thirty (30) days.

(4) *Exceptions.* If any of the provided zoning standards or design review standards would have the effect of physically precluding construction of up to two (2) primary dwelling units or physically preclude either of the two (2) primary dwelling units from being at least eight hundred (800) square feet in floor area, the Community Development Director shall grant an exception to the applicable standard(s) to the minimum extent necessary as specified by this section. An exception request shall be explicitly made on the application for a two-unit housing development.

a. *Determination.* In order to retain adequate open space to allow for recreational enjoyment, protection of the urban forest, preservation of the community character, reduction of the ambient air temperature, and to allow for the percolation of rainfall into the groundwater system, when considering an exception request, the Community Development Director shall first determine that a reduction in any other zoning and/or design review standard(s) will not allow the construction of the two-unit housing development as specified by this section prior to allowing an exception(s) to the landscaping requirement, front-yard setback, or street-side setbacks standards.

(Ord. No. 2334, § 2, 11-15-22; Ord. No. 2351, § III, 11-21-23; Ord. No. 2359, § IV, 5-21-24)

Sec. 29.10.640. Application process for two-unit housing development.

Applications for two-unit housing developments shall be submitted and processed in compliance with the following requirements:

(1) *Application type.* Two-unit housing developments shall be reviewed ministerially by the Community Development Director for compliance with the applicable regulations. The permitting provisions of Town Code Sections 29.20.135 through 29.20.160, "Architecture and Site Approval," shall not be applied;

(2) *Application filing.* An application for a two-unit housing development, including the required application materials and fees, shall be filed with the Community Development Department;

(3) *Neighbor notification.* In addition to the standard application materials, the applicant will be required to submit one (1) set of stamped, addressed envelopes to neighboring residents and property owners. The Planning Department will assist the applicant in determining the neighboring properties to be notified (which will consist of all properties abutting the applicant's parcel, properties directly across the street and the two (2) parcels on each side of the properties directly across the street).

(4) *Building Permits.* Approval of a two-unit housing development application shall be required prior to acceptance of an application for building permit(s) for the new and/or modified primary dwelling unit(s) comprising the two-unit housing development;

(5) *Denial.* The Community Development Director may deny a two-unit housing development project only if the Building Official makes a written finding, based upon a preponderance of the evidence, that the two-unit housing development would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Government Code Section 65589.5, upon public health and safety or the physical environment and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact; and

(6) *Appeals.* Two-unit housing application decisions are ministerial and are not subject to an appeal.

(Ord. No. 2334, § 2, 11-15-22; Ord. No. 2359, § V, 5-21-24)

Sec. 29.10.650. Subdivision standards.

Urban lot splits shall comply with the following objective subdivision standards, and general requirements and restrictions:

(1) *Subdivision standards.* The following objective subdivision standards supersede any other standards to the contrary that may be provided in the Zoning Code or Subdivision Code, as they pertain to creation of an urban lot split under Government Code Section 66411.7:

a. *Flag/corridor lots.* The access corridor of a flag/corridor lot (Town Code Section 29.10.085) shall be either in fee as part of the parcel or as an easement, and shall be a minimum width of 12 feet;

b. *Minimum lot size.* Each new parcel shall be approximately equal in lot area provided that one (1) parcel shall not be smaller than forty (40) percent of the lot area of the original parcel proposed for subdivision. In no event shall a new parcel be less than one thousand two hundred (1,200) square feet in lot area. If one (1) of the proposed lots is a flag/corridor lot, the area of the access corridor shall count toward the lot area as follows:

1. When an easement is used to provide access, the access corridor is included in the gross lot size for the lot granting the easement; and

2. When the access corridor is owned in-fee and is part of the rear lot, the access corridor is included in the gross lot size for the rear lot.

c. *Minimum lot width.* Each new parcel shall maintain a minimum lot width of twenty (20) feet;

d. *Minimum public frontage.* Each new parcel shall have frontage upon a street with a minimum frontage dimension of twenty (20) feet, except as allowed above for flag/corridor lots;

e. *Number of lots.* The parcel map to subdivide an existing parcel shall result in no more than two (2) parcels; and

f. *Lot Merger.* Lots resulting from an urban lot split shall not be merged unless that lot merger can be done without loss of housing units and without causing a non-conforming building, lot, or use.

(2) *General requirements and restrictions.* The following requirements and restrictions apply to all proposed urban lot splits:

a. *Adjacent parcels.* Neither the owner of the parcel being subdivided nor any person acting in concert with the owner has previously conducted an urban lot split to create an adjacent parcel as provided for in this division;

b. *Dedication and easements.* The Town Engineer shall not require dedications of rights-of-way nor the construction of offsite improvements but may, however, require recording of easements necessary for the provision of private services, facilities, and future public improvements or future public services, facilities, and future public improvements;

c. *Existing structures.* Existing structures located on a parcel subject to an urban lot split shall not be subject to a setback requirement. However, any such existing structures shall not be located across the shared property line resulting from an urban lot split, unless the structure is converted to an attached unit as provided for in Table 1-2 (Setback Requirements, Exception Number 3). All other existing structures shall be modified, demolished, or relocated prior to recordation of a parcel map;

d. *Intent to occupy.* The applicant shall submit a signed affidavit to the Community Development Director attesting that the applicant intends to occupy one (1) of the housing units on the newly created parcels as their principal residence for a minimum of three (3) years from either:

1. The date of the approval of the urban lot split when the intent is to live in an existing residence; or

2. Certificate of occupancy when the intent is to occupy a newly constructed residential unit.

This requirement shall not apply to an applicant that is a "community land trust," as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code, or a "qualified nonprofit corporation" as described in Section 214.15 of the Revenue and Taxation Code;

e. *Non-conforming conditions.* The Town shall not require, as a condition of approval, the correction of nonconforming zoning conditions. However, no new nonconforming conditions may result from the urban lot split other than setbacks as specified by Table 1-2 (Setback Requirements, Exception Number 2), maximum allowed lot coverage, and maximum allowed floor area ratio;

f. *Number of units.* No more than two (2) dwelling units may be located on any lot created through an urban lot split, including primary dwelling units, accessory dwelling units, junior accessory dwelling units, density bonus units, and units created as two-unit developments. Any excess dwelling units that do not meet these requirements shall be relocated, demolished, or otherwise removed prior to approval of a parcel map;

g. *Prior subdivision.* A parcel created through a prior urban lot split may not be further subdivided. The subdivider shall submit a signed deed restriction to the Community Development Director documenting this restriction. The deed restriction shall be recorded on the title of each parcel concurrent with recordation of the parcel map;

h. *Restrictions on demolition.* The proposed urban lot split shall not require either the demolition of more than twenty-five (25) percent of the exterior walls or alteration of any of the following types of housing:

1. Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income. This shall be evidenced by an attestation from the property owner;

2. Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power. This shall be evidenced by an attestation from the property owner; or

3. Housing that has been occupied by a tenant in the last three (3) years. This shall be evidenced by an attestation from the property owner;

If any existing housing is proposed to be altered or demolished, the owner of the property proposed for an urban lot split shall sign an affidavit, stating that none of the conditions listed above exist and shall provide a comprehensive history of the occupancy of the units to be altered or demolished for the past three (3) years on a form prescribed by the Town. The owner and applicant shall also sign an affidavit stating that neither the owner nor applicant, nor any person acting in concert with the owner or applicant, has previously subdivided an adjacent parcel using and urban lot split;

i. *Replacement units.* If any existing dwelling unit is proposed to be demolished, the applicant will comply with the replacement housing provisions of Government Code Section 66300(d);

j. *Recorded covenant.* Prior to approval and recordation of the parcel map, the applicant shall record a restrictive covenant and agreement in the form prescribed by the Town, which shall run with the land and provide for the following:

1. A prohibition against further subdivision of the parcel using the urban lot split procedures as provided for in this section;
2. A limitation restricting the properties to residential uses only; and
3. A requirement that any dwelling units on the property may only be rented for a period longer than thirty (30) days.

k. *Stormwater management.* The subdivision shall comply with the requirements of the Town's National Pollution Discharge Elimination System Permit as implemented by Chapter 22 of the Town Code, and as demonstrated by a grading and drainage plan prepared by a registered civil engineer;

l. *Utility providers.* The requirements of the parcel's utility providers shall be satisfied prior to recordation of a parcel map; and

m. *Compliance with Subdivision Map Act.* The urban lot split shall conform to all applicable objective requirements of the Subdivision Map Act (commencing with Government Code Section 66410), except as otherwise expressly provided in Government Code Section 66411.7.

(Ord. No. 2334, § 2, 11-15-22; Ord. No. 2359, § VI, 5-21-24)

Sec. 29.10.660. Application process for urban lot splits.

Applications for urban lot splits shall be submitted and processed in compliance with the following requirements:

(1) *Application type.* Urban lot splits shall be reviewed ministerially by the Community Development Director for compliance with the applicable regulations. A tentative parcel map shall not be required;

(2) *Application filing.* An urban lot split application, including the required application materials and fees, shall be filed with the Community Development Department;

(3) *Neighbor notification.* In addition to the standard application materials, the applicant will be required to submit one (1) set of stamped, addressed envelopes to neighboring residents and property owners. The Planning Department will assist the applicant in determining the neighboring properties to be notified (which will consist of all properties abutting the applicant's parcel, properties directly across the street and the two (2) parcels on each side of the properties directly across the street).

(4) *Parcel map.* Approval of an urban lot split permit shall be required prior to acceptance of an application for a parcel map for an urban lot split. Applicants shall apply for an urban lot split parcel map and pay all fees;

(5) *Development.* Development on the resulting parcels is limited to a project approved by the two-unit housing development process, the Town's Accessory Dwelling Unit process, or through the Town's standard discretionary process;

(6) *Denial.* The Community Development Director may deny an urban lot split only if the Building Official makes a written finding, based upon a preponderance of the evidence, that an urban lot split or two-unit housing development located on the proposed new parcels would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety or the physical environment and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact; and

(7) *Appeals.* Urban lot split application decisions are ministerial and are not subject to an appeal.

(Ord. No. 2334, § 2, 11-15-22; Ord. No. 2359, § VI, 5-21-24)

Sec. 29.10.670. Sunset clause.

If SB 9 is repealed or otherwise rescinded by the California State Legislature or by the People of the State of California, this division shall be repealed."

(Ord. No. 2334, § 2, 11-15-22)

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STATE OF CALIFORNIA
AUTHENTICATED
ELECTRONIC LEGAL MATERIAL

Senate Bill No. 450

CHAPTER 286

An act to amend Sections 65852.21 and 66411.7 of the Government Code, and to amend Section 4 of Chapter 162 of the Statutes of 2021, relating to land use.

[Approved by Governor September 19, 2024. Filed with Secretary of State September 19, 2024.]

LEGISLATIVE COUNSEL'S DIGEST

SB 450, Atkins. Housing development: approvals.

(1) The Planning and Zoning law requires a proposed housing development containing no more than 2 residential units within a single-family residential zone to be considered ministerially, without discretionary review or hearing, if the proposed housing development meets certain requirements, including that the proposed housing development does not allow for the demolition of more than 25% of the existing exterior structural walls, except as provided. Existing law authorizes a local agency to impose objective zoning standards, objective subdivision standards, and objective design standards, as defined, except as specified, on the proposed housing development. Existing law authorizes a local agency to deny a proposed housing development if specified conditions are met, including that the building official makes a written finding that the proposed housing development project would have a specific, adverse impact upon public health and safety or the physical environment, as provided.

This bill would remove the requirement that a proposed housing development does not allow for the demolition of more than 25% of the existing exterior structural walls to be considered ministerially. The bill would prohibit a local agency from imposing objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone, but would specify that these provisions do not prohibit a local agency from adopting or imposing objective zoning standards, objective subdivision standards, and objective design standards on the development if the standards are more permissive than applicable standards within the underlying zone. The bill would remove the authorization for a local agency to deny a proposed housing development if the building official makes a written finding that the proposed housing development project would have a specific, adverse impact upon the physical environment. The bill would require the local agency to consider and approve or deny the proposed housing development application within 60 days from the date the local agency receives the completed application, and would deem the application approved after that time. The bill would require a permitting agency, if it denies an application,

to provide a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant.

(2) The Subdivision Map Act vests the authority to regulate and control the design and improvement of subdivisions in the legislative body of a local agency and sets forth procedures governing the local agency's processing, approval, conditional approval or disapproval, and filing of tentative, final, and parcel maps, and the modification of those maps.

Existing law requires a local agency to ministerially approve a parcel map for an urban lot split that meets certain requirements. Existing law authorizes a local agency to impose objective zoning standards, objective subdivision standards, and objective design standards, as defined, except as specified. Existing law authorizes a local agency to deny an urban lot split if specified conditions are met, including that the building official makes a written finding that the proposed housing development project would have a specific, adverse impact upon public health and safety or the physical environment, as provided.

This bill would specify that objective zoning standards, objective subdivision standards, and objective design standards imposed by a local agency must be related to the design or improvements of a parcel. This bill would remove the authorization for a local agency to deny a proposed housing development if the building official makes a written finding that the proposed housing development project would have a specific, adverse impact upon the physical environment. The bill would require the local agency to consider and approve or deny the proposed housing development application within 60 days from the date the local agency receives the completed application, and would deem the application approved after that time. The bill would require a permitting agency, if it denies an application, to provide a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant.

(3) This bill would make additional nonsubstantive and conforming changes to these provisions.

(4) The bill would include findings related to changes proposed by this bill and would amend certain findings in existing law to state that the provisions address a matter of statewide concern rather than a municipal affair and, therefore, apply to all cities, including charter cities.

(5) By increasing the duties of local agencies with respect to land use regulations, the bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

The people of the State of California do enact as follows:

SECTION 1. Section 65852.21 of the Government Code is amended to read:

65852.21. (a) A proposed housing development containing no more than two residential units within a single-family residential zone shall be considered ministerially, without discretionary review or a hearing, if the proposed housing development meets all of the following requirements:

(1) The parcel subject to the proposed housing development is located within a city, the boundaries of which include some portion of either an urbanized area or urban cluster, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

(2) The parcel satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4, as that section read on September 16, 2021.

(3) Notwithstanding any provision of this section or any local law, the proposed housing development would not require demolition or alteration of any of the following types of housing:

(A) Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income.

(B) Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power.

(C) Housing that has been occupied by a tenant in the last three years.

(4) The parcel subject to the proposed housing development is not a parcel on which an owner of residential real property has exercised the owner's rights under Chapter 12.75 (commencing with Section 7060) of Division 7 of Title 1 to withdraw accommodations from rent or lease within 15 years before the date that the development proponent submits an application.

(5) The development is not located within a historic district or property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a site that is designated or listed as a city or county landmark or historic property or district pursuant to a city or county ordinance.

(b) (1) Notwithstanding any local law and except as provided in paragraphs (2) and (3), a local agency may impose objective zoning standards, objective subdivision standards, and objective design review standards that do not conflict with this section.

(2) (A) The local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that would have the effect of physically precluding the construction of up to two units or that would physically preclude either of the two units from being at least 800 square feet in floor area.

(B) (i) Notwithstanding subparagraph (A), no setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.

(ii) Notwithstanding subparagraph (A), in all other circumstances not described in clause (i), a local agency may require a setback of up to four feet from the side and rear lot lines.

(3) A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone. This subdivision shall not prevent a local agency from adopting or imposing objective zoning standards, objective subdivision standards, and objective design standards on development authorized by this section if those standards are more permissive than applicable standards within the underlying zone.

(c) In addition to any conditions established in accordance with subdivision (b), a local agency may require any of the following conditions when considering an application for two residential units as provided for in this section:

(1) Offstreet parking of up to one space per unit, except that a local agency shall not impose parking requirements in either of the following instances:

(A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop, as defined in Section 21064.3 of the Public Resources Code.

(B) There is a car share vehicle located within one block of the parcel.

(2) For residential units connected to an onsite wastewater treatment system, a percolation test completed within the last 5 years, or, if the percolation test has been recertified, within the last 10 years.

(d) Notwithstanding subdivision (a), a local agency may deny a proposed housing development project if the building official makes a written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

(e) A local agency shall require that a rental of any unit created pursuant to this section be for a term longer than 30 days.

(f) Notwithstanding Article 2 (commencing with Section 66314) or Article 3 (commencing with Section 66333) of Chapter 13, a local agency shall not be required to permit an accessory dwelling unit or a junior accessory dwelling unit on parcels that use both the authority contained within this section and the authority contained in Section 66411.7.

(g) Notwithstanding subparagraph (B) of paragraph (2) of subdivision (b), an application shall not be rejected solely because it proposes adjacent or connected structures provided that the structures meet building code safety standards and are sufficient to allow separate conveyance.

(h) (1) An application for a proposed housing development pursuant to this section shall be considered and approved or denied within 60 days from the date the local agency receives a completed application. If the local agency has not approved or denied the completed application within 60 days, the application shall be deemed approved.

(2) If a permitting agency denies an application for a proposed housing development pursuant to paragraph (1), the permitting agency shall, within the time period described in paragraph (1), return in writing a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant.

(i) Local agencies shall include units constructed pursuant to this section in the annual housing element report as required by subparagraph (I) of paragraph (2) of subdivision (a) of Section 65400.

(j) For purposes of this section, all of the following apply:

(1) A housing development contains two residential units if the development proposes no more than two new units or if it proposes to add one new unit to one existing unit.

(2) The terms "objective zoning standards," "objective subdivision standards," and "objective design review standards" mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by a local agency, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(3) "Local agency" means a city, county, or city and county, whether general law or chartered.

(k) A local agency may adopt an ordinance to implement the provisions of this section. An ordinance adopted to implement this section shall not be considered a project under Division 13 (commencing with Section 21000) of the Public Resources Code.

(*l*) Nothing in this section shall be construed to supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code), except that the local agency shall not be required to hold public hearings for coastal development permit applications for a housing development pursuant to this section.

SEC. 2. Section 66411.7 of the Government Code is amended to read:

66411.7. (a) Notwithstanding any other provision of this division and any local law, a local agency shall ministerially approve, as set forth in this section, a parcel map for an urban lot split only if the local agency determines that the parcel map for the urban lot split meets all the following requirements:

(1) The parcel map subdivides an existing parcel to create no more than two new parcels of approximately equal lot area provided that one parcel

shall not be smaller than 40 percent of the lot area of the original parcel proposed for subdivision.

(2) (A) Except as provided in subparagraph (B), both newly created parcels are no smaller than 1,200 square feet.

(B) A local agency may by ordinance adopt a smaller minimum lot size subject to ministerial approval under this subdivision.

(3) The parcel being subdivided meets all the following requirements:

(A) The parcel is located within a single-family residential zone.

(B) The parcel subject to the proposed urban lot split is located within a city, the boundaries of which include some portion of either an urbanized area or urban cluster, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

(C) The parcel satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4, as that section read on September 16, 2021.

(D) The proposed urban lot split would not require demolition or alteration of any of the following types of housing:

(i) Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income.

(ii) Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power.

(iii) A parcel or parcels on which an owner of residential real property has exercised the owner's rights under Chapter 12.75 (commencing with Section 7060) of Division 7 of Title 1 to withdraw accommodations from rent or lease within 15 years before the date that the development proponent submits an application.

(iv) Housing that has been occupied by a tenant in the last three years.

(E) The parcel is not located within a historic district or property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a site that is designated or listed as a city or county landmark or historic property or district pursuant to a city or county ordinance.

(F) The parcel has not been established through prior exercise of an urban lot split as provided for in this section.

(G) Neither the owner of the parcel being subdivided nor any person acting in concert with the owner has previously subdivided an adjacent parcel using an urban lot split as provided for in this section.

(b) An application for a parcel map for an urban lot split shall be approved in accordance with the following requirements:

(1) (A) A local agency shall approve or deny an application for a parcel map for an urban lot split ministerially without discretionary review.

(B) An application for an urban lot split shall be considered and approved or denied within 60 days from the date the local agency receives a completed

application. If the local agency has not approved or denied the completed application within 60 days, the application shall be deemed approved.

(C) If a permitting agency denies an application for an urban lot split pursuant to subparagraph (B), the permitting agency shall, within the time period described in subparagraph (B), return in writing a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant.

(2) A local agency shall approve an urban lot split only if it conforms to all applicable objective requirements of the Subdivision Map Act (Division 2 (commencing with Section 66410)), except as otherwise expressly provided in this section.

(3) Notwithstanding Section 66411.1, a local agency shall not impose regulations that require dedications of rights-of-way or the construction of offsite improvements for the parcels being created as a condition of issuing a parcel map for an urban lot split pursuant to this section.

(c) (1) Except as provided in paragraph (2), notwithstanding any local law, a local agency may impose objective zoning standards, objective subdivision standards, and objective design review standards that are related to the design or to improvements of a parcel, consistent with paragraph (3) of subdivision (b) and with subdivision (e), and are applicable to a parcel created by an urban lot split that do not conflict with this section.

(2) A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design review standards that would have the effect of physically precluding the construction of two units on either of the resulting parcels or that would result in a unit size of less than 800 square feet.

(3) (A) Notwithstanding paragraph (2), no setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.

(B) Notwithstanding paragraph (2), in all other circumstances not described in subparagraph (A), a local agency may require a setback of up to four feet from the side and rear lot lines.

(d) Notwithstanding subdivision (a), a local agency may deny an urban lot split if the building official makes a written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

(e) In addition to any conditions established in accordance with this section, a local agency may require any of the following conditions when considering an application for a parcel map for an urban lot split:

(1) Easements required for the provision of public services and facilities.

(2) A requirement that the parcels have access to, provide access to, or adjoin the public right-of-way.

(3) Offstreet parking of up to one space per unit, except that a local agency shall not impose parking requirements in either of the following instances:

(A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop as defined in Section 21064.3 of the Public Resources Code.

(B) There is a car share vehicle located within one block of the parcel.

(f) A local agency shall require that the uses allowed on a lot created by this section be limited to residential uses.

(g) (1) A local agency shall require an applicant for an urban lot split to sign an affidavit stating that the applicant intends to occupy one of the housing units as their principal residence for a minimum of three years from the date of the approval of the urban lot split.

(2) This subdivision shall not apply to an applicant that is a "community land trust," as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code, or is a "qualified nonprofit corporation" as described in Section 214.15 of the Revenue and Taxation Code.

(3) A local agency shall not impose additional owner occupancy standards, other than provided for in this subdivision, on an urban lot split pursuant to this section.

(h) A local agency shall require that a rental of any unit created pursuant to this section be for a term longer than 30 days.

(i) A local agency shall not require, as a condition for ministerial approval of a parcel map application for the creation of an urban lot split, the correction of nonconforming zoning conditions.

(j) (1) Notwithstanding any provision of Section 65852.21, 65915, Article 2 (commencing with Section 66314) or Article 3 (commencing with Section 66333) of Chapter 13 of Division 1, or this section, a local agency shall not be required to permit more than two units on a parcel created through the exercise of the authority contained within this section.

(2) For the purposes of this section, "unit" means any dwelling unit, including, but not limited to, a unit or units created pursuant to Section 65852.21, a primary dwelling, an accessory dwelling unit as defined in subdivision (a) of Section 66313, or a junior accessory dwelling unit as defined in subdivision (d) of Section 66313.

(k) Notwithstanding paragraph (3) of subdivision (c), an application shall not be rejected solely because it proposes adjacent or connected structures provided that the structures meet building code safety standards and are sufficient to allow separate conveyance.

(*l*) Local agencies shall include the number of applications for parcel maps for urban lot splits pursuant to this section in the annual housing element report as required by subparagraph (I) of paragraph (2) of subdivision (a) of Section 65400.

(m) For purposes of this section, both of the following shall apply:

(1) "Objective zoning standards," "objective subdivision standards," and "objective design review standards" mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by a local agency, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(2) "Local agency" means a city, county, or city and county, whether general law or chartered.

(n) A local agency may adopt an ordinance to implement the provisions of this section. An ordinance adopted to implement this section shall not be considered a project under Division 13 (commencing with Section 21000) of the Public Resources Code.

(o) Nothing in this section shall be construed to supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code), except that the local agency shall not be required to hold public hearings for coastal development permit applications for urban lot splits pursuant to this section.

SEC. 3. Section 4 of Chapter 162 of the Statutes of 2021 is amended to read:

SEC. 4. (a) The Legislature finds and declares all of the following:

(1) The state faces a housing crisis of availability and affordability, in large part due to a severe shortage of housing.

(2) Solving the housing crisis therefore requires a multifaceted, statewide approach which will include, but is not limited to, any or some of the following:

(A) Encouraging an increase in the overall supply of housing.

(B) Encouraging the development of housing that is affordable to households at all income levels.

(C) Removing barriers to housing production.

(D) Expanding homeownership opportunities.

(E) Expanding the availability of rental housing.

(b) Therefore, addressing the housing crisis and the severe shortage of housing is a matter of statewide concern and not a municipal affair as that term is used in Section 5 of Article XI of the California Constitution. Therefore, Sections 1 and 2 of this act adding Sections 65852.21 and 66411.7 to the Government Code and Section 3 of this act amending Section 66452.6 of the Government Code apply to all cities, including charter cities.

SEC. 4. (a) The Legislature finds and declares all of the following:

(1) The state faces a housing crisis of availability and affordability, in large part due to a severe shortage of housing.

(2) Solving the housing crisis therefore requires a multifaceted, statewide approach which will include, but is not limited to, any or some of the following:

(A) Encouraging an increase in the overall supply of housing.

(B) Encouraging the development of housing that is affordable to households at all income levels.

(C) Removing barriers to housing production.

(D) Expanding homeownership opportunities.

(E) Expanding the availability of rental housing.

(b) Therefore, addressing the housing crisis and the severe shortage of housing is a matter of statewide concern and is not a municipal affair as that term is used in Section 5 of Article XI of the California Constitution. Therefore, Sections 1 and 2 of this act amending Sections 65852.21 and 66411.7 of the Government Code apply to all cities, including charter cities.

SEC. 5. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

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CALIFORNIA LEGISLATURE— 2025–2026 REGULAR SESSION

ASSEMBLY BILL **NO. 1061**

Introduced by Assembly Member Quirk-Silva
(Coauthor: Senator Wiener)

February 20, 2025

An act to amend Sections 65852.21 and 66411.7 of the Government Code, relating to land use.

LEGISLATIVE COUNSEL'S DIGEST

AB 1061, as introduced, Quirk-Silva. Housing developments: urban lot splits: historical resources.

Under the Planning and Zoning Law, the legislative body of a county or city may adopt ordinances that, among other things, regulate the use of buildings, structures, and land, as provided. The Subdivision Map Act vests the authority to regulate and control the design and improvement of subdivisions in the legislative body of a local agency and sets forth procedures governing the local agency's processing, approval, conditional approval or disapproval, and filing of tentative, final, and parcel maps. Existing law requires a local agency to consider ministerially a specified proposed housing development or to ministerially approve a parcel map for an urban lot split if the development or parcel meets specified requirements, including, that the development or parcel is not located within a historic district or property included on the State Historic Resources Inventory or within a site that is designated or listed as a city or county landmark or historic property pursuant to city or county ordinance, as specified. The law authorizes a local agency to impose specified objective standards on the development or parcel created by an urban lot spit.

This bill would, if the other specified requirements are met, instead require a local agency to consider ministerially a proposed housing development or ministerially approve an urban lot split if the development or proposed urban lot split is not located within a historic landmark property included on the State Historical Resources Inventory or within a site that is designated or listed as a city or county landmark pursuant to a city or county ordinance. The bill would additionally require that the development or proposed urban lot split not require demolition of specified structures that are included on the State Historic Resources Inventory or designated or listed as a historic resource pursuant to city or county ordinance. The bill would additionally authorize a local agency to adopt objective standards on the development or parcel that prevents adverse impact on a property that is included on the State Historic Resources Inventory and would apply the federal Secretary of Interior's Standards for Rehabilitation in the absence of objective standards. By imposing additional duties on local agencies, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Digest Key

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

Bill Text

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 65852.21 of the Government Code is amended to read:

65852.21. (a) A proposed housing development containing no more than two residential units within a single-family residential zone shall be considered ministerially, without discretionary review or a hearing, if the proposed housing development meets all of the following requirements:

(1) The parcel subject to the proposed housing development is located within a city, the boundaries of which include some portion of either an urbanized area or urban cluster, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

(2) The parcel satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4, as that section read on September 16, 2021.

(3) Notwithstanding any provision of this section or any local law, the proposed housing development would not require demolition or alteration of any of the following types of housing:

(A) Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income.

(B) Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power.

(C) Housing that has been occupied by a tenant in the last three years.

(4) The parcel subject to the proposed housing development is not a parcel on which an owner of residential real property has exercised the owner's rights under Chapter 12.75 (commencing with Section 7060) of Division 7 of Title 1 to withdraw accommodations from rent or lease within 15 years before the date that the development proponent submits an application.

(5) The development is not located within a ~~historic district or~~ *historical landmark* property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a site that is designated or listed as a city or county landmark ~~or historic property or district~~ pursuant to a city or county ordinance.

(6) The development does not require demolition of more than 25 percent of either of the following: included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or designated or listed as a city or county historic resource pursuant to city or county ordinance:

(A) An existing exterior structural wall of a property.

(B) A contributing structure located within a historical district.

(b) (1) Notwithstanding any local law and except as provided in paragraphs (2) and (3), a local agency may impose objective zoning standards, objective subdivision standards, and objective design review standards that do not conflict with this section.

(2) (A) The local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that would have the effect of physically precluding the construction of up to two units or that would physically preclude either of the two units from being at least 800 square feet in floor area.

(B) (i) Notwithstanding subparagraph (A), no setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.

(ii) Notwithstanding subparagraph (A), in all other circumstances not described in clause (i), a local agency may require a setback of up to four feet from the side and rear lot lines.

(3) A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone. This subdivision shall not prevent a local agency from adopting or imposing objective zoning standards, objective subdivision standards, and objective design standards on development authorized by this section if those standards are more permissive than applicable standards within the underlying zone.

(4) A local agency may adopt objective standards that prevent adverse impacts on a property that is included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code. In the absence of objective standards, the federal Secretary of the Interior's Standards for Rehabilitation, as found in Part 67 of Title 36 of the Code of Federal Regulations, shall apply.

(c) In addition to any conditions established in accordance with subdivision (b), a local agency may require any of the following conditions when considering an application for two residential units as provided for in this section:

(1) Offstreet parking of up to one space per unit, except that a local agency shall not impose parking requirements in either of the following instances:

(A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop, as defined in Section 21064.3 of the Public Resources Code.

(B) There is a car share vehicle located within one block of the parcel.

(2) For residential units connected to an onsite wastewater treatment system, a percolation test completed within the last 5 years, or, if the percolation test has been recertified, within the last 10 years.

(d) Notwithstanding subdivision (a), a local agency may deny a proposed housing development project if the building official makes a written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

(e) A local agency shall require that a rental of any unit created pursuant to this section be for a term 30 days.

(f) Notwithstanding Article 2 (commencing with Section 66314) or Article 3 (commencing with Section 66333) of Chapter 13, a local agency shall not be required to permit an accessory dwelling unit or a junior accessory dwelling unit on parcels that use both the authority contained within this section and the authority contained in Section 66411.7.

(g) Notwithstanding subparagraph (B) of paragraph (2) of subdivision (b), an application shall not be rejected solely because it proposes adjacent or connected structures provided that the structures meet building code safety standards and are sufficient to allow separate conveyance.

(h) (1) An application for a proposed housing development pursuant to this section shall be considered and approved or denied within 60 days from the date the local agency receives a completed application. If the local agency has not approved or denied the completed application within 60 days, the application shall be deemed approved.

(2) If a permitting agency denies an application for a proposed housing development pursuant to paragraph (1), the permitting agency shall, within the time period described in paragraph (1), return in writing a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant.

(i) Local agencies shall include units constructed pursuant to this section in the annual housing element report as required by subparagraph (I) of paragraph (2) of subdivision (a) of Section 65400.

(j) For purposes of this section, all of the following apply:

(1) A housing development contains two residential units if the development proposes no more than two new units or if it proposes to add one new unit to one existing unit.

(2) The terms “objective zoning standards,” “objective subdivision standards,” and “objective design review standards” mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by a local agency, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(3) “Local agency” means a city, county, or city and county, whether general law or chartered.

(k) A local agency may adopt an ordinance to implement the provisions of this section. An ordinance adopted to implement this section shall not be considered a project under Division 13 (commencing with Section 21000) of the Public Resources Code.

(l) Nothing in this section shall be construed to supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code), except that the local agency shall not be required to hold public hearings for coastal development permit applications for a housing development pursuant to this section.

SEC. 2. Section 66411.7 of the Government Code is amended to read:

66411.7. (a) Notwithstanding any other provision of this division and any local law, a local agency shall ministerially approve, as set forth in this section, a parcel map for an urban lot split only if the local agency determines that the parcel map for the urban lot split meets all the following requirements:

(1) The parcel map subdivides an existing parcel to create no more than two new parcels of ap[illegible] equal lot area provided that one parcel shall not be smaller than 40 percent of the lot area of the original parcel proposed for subdivision.

(2) (A) Except as provided in subparagraph (B), both newly created parcels are no smaller than 1,200 square feet.

(B) A local agency may by ordinance adopt a smaller minimum lot size subject to ministerial approval under this subdivision.

(3) The parcel being subdivided meets all the following requirements:

(A) The parcel is located within a single-family residential zone.

(B) The parcel subject to the proposed urban lot split is located within a city, the boundaries of which include some portion of either an urbanized area or urban cluster, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

(C) The parcel satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4, as that section read on September 16, 2021.

(D) The proposed urban lot split would not require demolition or alteration of any of the following types of housing:

(i) Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income.

(ii) Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power.

(iii) A parcel or parcels on which an owner of residential real property has exercised the owner's rights under Chapter 12.75 (commencing with Section 7060) of Division 7 of Title 1 to withdraw accommodations from rent or lease within 15 years before the date that the development proponent submits an application.

(iv) Housing that has been occupied by a tenant in the last three years.

(E) The parcel is not located within a ~~historic district or~~ *historical landmark* property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a site that is designated or listed as a city or county landmark ~~or historic property or district~~ pursuant to a city or county ordinance.

(F) The proposed urban lot split does not require demolition of either of the following that is included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or designated or listed as a city or county historic resource pursuant to city or county ordinance:

(i) An existing exterior structural wall of a property.

(ii) A contributing structure located within a historical district.

~~(F)~~

(G) The parcel has not been established through prior exercise of an urban lot split as provided for in this section.

~~(G)~~

(H) Neither the owner of the parcel being subdivided nor any person acting in concert with the owner has previously subdivided an adjacent parcel using an urban lot split as provided for in this section.

(b) An application for a parcel map for an urban lot split shall be approved in accordance with the following requirements:

(1) (A) A local agency shall approve or deny an application for a parcel map for an urban lot split ministerially without discretionary review.

(B) An application for an urban lot split shall be considered and approved or denied within 60 days from the date the local agency receives a completed application. If the local agency has not approved or denied the completed application within 60 days, the application shall be deemed approved.

(C) If a permitting agency denies an application for an urban lot split pursuant to subparagraph (B), the permitting agency shall, within the time period described in subparagraph (B), return in writing a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant.

(2) A local agency shall approve an urban lot split only if it conforms to all applicable objective requirements of the Subdivision Map Act (Division 2 (commencing with Section 66410)), except as otherwise expressly provided in this section.

(3) Notwithstanding Section 66411.1, a local agency shall not impose regulations that require dedications of rights-of-way or the construction of offsite improvements for the parcels being created as a condition of issuing a parcel map for an urban lot split pursuant to this section.

(c) (1) Except as provided in paragraph (2), notwithstanding any local law, a local agency may impose objective zoning standards, objective subdivision standards, and objective design review standards that are related to the design or to improvements of a parcel, consistent with paragraph (3) of subdivision (b) and with subdivision (e), and are applicable to a parcel created by an urban lot split that do not conflict with this section.

(2) A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design review standards that would have the effect of physically precluding the construction of two units on either of the resulting parcels or that would result in a unit size of less than 800 square feet.

(3) (A) Notwithstanding paragraph (2), no setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.

(B) Notwithstanding paragraph (2), in all other circumstances not described in subparagraph (A), a local agency may require a setback of up to four feet from the side and rear lot lines.

(4) A local agency may adopt objective standards that prevent adverse impacts on a property that is included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code. In the absence of objective standards, the federal Secretary of the Interior's Standards for Rehabilitation, as found in Part 67 of Title 36 of the Code of Federal Regulations, shall apply.

(d) Notwithstanding subdivision (a), a local agency may deny an urban lot split if the building official makes a written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

(e) In addition to any conditions established in accordance with this section, a local agency may require any of the following conditions when considering an application for a parcel map for an urban lot split:

(1) Easements required for the provision of public services and facilities.

(2) A requirement that the parcels have access to, provide access to, or adjoin the public right-of-way.

(3) Offstreet parking of up to one space per unit, except that a local agency shall not impose parking requirements in either of the following instances:

(A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop as defined in Section 21064.3 of the Public Resources Code.

(B) There is a car share vehicle located within one block of the parcel.

(f) A local agency shall require that the uses allowed on a lot created by this section be limited to residential uses.

(g) (1) A local agency shall require an applicant for an urban lot split to sign an affidavit stating that the applicant intends to occupy one of the housing units as their principal residence for a minimum of three years from the date of the approval of the urban lot split.

(2) This subdivision shall not apply to an applicant that is a "community land trust," as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code, or is a "qualified nonprofit corporation" as described in Section 214.15 of the Revenue and Taxation Code.

(3) A local agency shall not impose additional owner occupancy standards, other than provided for in this subdivision, on an urban lot split pursuant to this section.

(h) A local agency shall require that a rental of any unit created pursuant to this section be for a term longer than 30 days.

(i) A local agency shall not require, as a condition for ministerial approval of a parcel map application for the creation of an urban lot split, the correction of nonconforming zoning conditions.

(j) (1) Notwithstanding any provision of Section 65852.21, 65915, Article 2 (commencing with Section 66314) or Article 3 (commencing with Section 66333) of Chapter 13 of Division 1, or this section, a local agency shall not be required to permit more than two units on a parcel created through the exercise of the authority contained within this section.

(2) For the purposes of this section, "unit" means any dwelling unit, including, but not limited to, a unit or units created pursuant to Section 65852.21, a primary dwelling, an accessory dwelling unit as defined in subdivision (a) of Section 66313, or a junior accessory dwelling unit as defined in subdivision (d) of Section 66313.

(k) Notwithstanding paragraph (3) of subdivision (c), an application shall not be rejected solely because it proposes adjacent or connected structures provided that the structures meet building code safety standards and are sufficient to allow separate conveyance.

(l) Local agencies shall include the number of applications for parcel maps for urban lot splits pursuant to this section in the annual housing element report as required by subparagraph (I) of paragraph (2) of subdivision (a) of Section 65400.

(m) For purposes of this section, both of the following shall apply:

(1) "Objective zoning standards," "objective subdivision standards," and "objective design review standards" mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the

development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by a local agency, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(2) “Local agency” means a city, county, or city and county, whether general law or chartered.

(n) A local agency may adopt an ordinance to implement the provisions of this section. An ordinance adopted to implement this section shall not be considered a project under Division 13 (commencing with Section 21000) of the Public Resources Code.

(o) Nothing in this section shall be construed to supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code), except that the local agency shall not be required to hold public hearings for coastal development permit applications for urban lot splits pursuant to this section.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or assessments sufficient to pay for the program or level of service mandated by this act, within the meaning of Section 17556 of the Government Code.

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT
DIVISION OF HOUSING POLICY DEVELOPMENT
651 Bannon Street, Suite 400
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May 5, 2026

Sean Mullin, Planning Manager
Planning Department
Town of Los Gatos
110 E. Main St
Los Gatos, CA 95030

Dear Sean Mullin:

RE: Los Gatos Senate Bill (SB) 9 Ordinance-Technical Assistance Letter

HCD has reviewed the Town's Municipal Code for SB 9 Governance and submits these written findings pursuant to Government Code section 65585, subdivision (j). HCD finds that the Municipal Code fails to comply with SB 9 in the manner noted below. Accordingly, the Town must provide a written response to these findings no later than June 5, 2026.

The Municipal Code addresses many statutory requirements; however, HCD finds that the Municipal Code is inconsistent with state law in the following ways:

1. Section 29.10.610 – *Definition of Two-Unit Development* – The Municipal Code defines a two unit housing development as "… either the construction of no more than two (2) new primary dwelling units, one (1) new primary dwelling unit and retention of one (1) existing primary dwelling unit, or retention of two (2) existing legal non-conforming primary dwelling units where one (1) or both units are subject to a proposed addition or alteration." However, this applies SB 9 law only in the case that two units are created and/or retained.

   SB 9 states, "[a] proposed housing development *containing no more than* two residential units within a single-family residential zone shall be considered ministerially, if the proposed housing development meets all of the following requirements..."[1] [emphasis added]. Therefore, SB 9 is applicable in a scenario where construction results in the construction of either one or two primary dwelling units on a lot. Both the first and the second primary dwelling unit constructed on a lot are eligible for SB 9. An applicant can choose to utilize SB 9 to construct a single primary structure on a lot even if there are no existing units on the site. The Municipal Code must be modified to clarify that both first and second primary dwelling units are eligible for SB 9 processes and applicable development standards.

[1] Gov. Code § 65852.21, subd. (a).

2. Section 29.10.620 (3) – *Historic Property* – The municipal code contains outdated historic exclusion language under Section 29.10.620(3). Pursuant to Assembly Bill 1061 of 2025, the historic exclusions under SB 9 were amended as detailed in Government Code Sections 65852.21(a)(5) and 66411.7(a)(3)(E). The municipal code must be amended to reflect SB 9's current historic exclusion language.

3. Section 29.10.630 (1)(a) – *Height in Setbacks* – The Municipal Code states, "[b]uildings located within the required side or rear setbacks of the applicable zoning district, and those located in the Hillside Residential (HR) zones, shall not exceed sixteen (16) feet in height." However, Government Code section 65852.21, subdivision (b)(3) states, "[a] local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone." There is no generally applicable height limitation imposed on other structures within rear and side setbacks, and section 29.40.275 sets height maximums in the Hillside Residential at 30 feet. The limit of 16 feet for SB 9 units is more restrictive than the underlying zoning and is therefore inconsistent with state SB 9 law. The Town must amend the municipal code to remove this height limitation.

4. Section 29.10.630(1)(f)(2) – *Grading* – The Municipal Code states "Grading activity associated with a two-unit housing development shall not exceed fifty (50) cubic yards, cut plus fill…". However, this is a restriction that is exclusive to SB 9 development, and which does not appear in the underlying zoning. Government Code section 65852.21, subdivision (b)(3) prohibits "objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone." The Town must remove this limitation.

5. Section 29.10.630 (3) and (4) – *Maximum Size* – The Municipal Code states, "[t]he maximum size of the first new residential unit shall not exceed one thousand two hundred (1,200) square feet." It later states, "[w]hen a two-unit housing development is proposed and the existing structures are at or below the maximum allowed floor area, a ten (10) percent increase in the floor area ratio standards for residential structures is allowed, excluding garages, and this increase in floor area cannot be combined with a separate increase for an accessory dwelling unit allowed by Town Code Section 29.10.320. The additional floor area allowed by this subsection shall not exceed one thousand two hundred (1,200) square feet." In both cases, the Town is restricting SB 9-unit size below the allowances provided to conventional single-family residential development in the underlying zoning. Government Code section 65852.21, subdivision (b)(3) prohibits "objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone." Therefore, the Town must remove these SB 9-specific size maximums.

6. Table 1-2 – *Setback Requirements* – The Municipal Code appears to omit reference to rear yard setbacks. Per Government Code section 65852.21, subdivision (c)(3)(B) states that, “a local agency may require a setback of up to four feet from the side and rear lot lines.” While the Town is not required to apply setback requirements, please note that new construction SB 9 units may not be subject to rear setbacks larger than four feet.

7. Table 1-2 – *Street Side Yard Setback* – The Municipal Code requires “street side” setbacks “per the applicable zoning district” for corner lots. However, state SB 9 law does not refer to “street side” setbacks, and Government Code section 65852.21, subdivision (c)(3)(B) requires side and rear setbacks of no more than four feet. The Town must remove requirements for underlying setbacks that exceed four feet for street-facing sides of corner lots.

8. Section 29.10.630 (e) – *Second Story Setback* – The Municipal Code states, “[t]he interior side and rear elevations of the second story of a two-story primary dwelling unit shall have a minimum setback of nine (9) feet.” However, this second story setback does not appear in the underlying zoning. Government Code section 65852.21, subdivision (b)(3) prohibits the application of development standards that do not appear in the underlying zoning to units subject to state SB 9 law. The Town must amend the Municipal Code to remove this second story setback requirement.

9. Section 29.10.630 (g) – *Plate Height* – The Municipal Code states “[t]he plate height of each story shall be limited to a maximum of ten (10) feet as measured from finished floor, and when above the first floor the plate height shall be limited to a maximum of eight (8) feet…” However, this height restriction does not appear in the underlying zoning. Government Code section 65852.21, subdivision (b)(3) prohibits the application of development standards that do not appear in the underlying zoning to units subject to state SB 9 law. The Town must amend the Municipal Code to remove more restrictive height requirements.

10. Section 29.10.630 (h) and (i) – *Development Standards* – The Municipal Code requires clerestory windows and prohibits vinyl siding and plywood as external materials. Neither of these requirements appear to apply to conventional residential development in the underlying zoning, which is inconsistent with Government Code section 65852.21, subdivision (b)(3). The Town must remove these requirements.

11. Section 29.10.630 (3)(a) and (3)(b) – *Duplex Unit Cap* – The Municipal Code allows “[a] maximum of four (4) units, with a maximum of two (2) primary dwelling units, on lots that have not undergone an urban lot split… In addition to the two (2) residential units allowed under this section, consistent with Chapter 29, Article 1, Division 7, Accessory Dwelling Units," of the Municipal Code, one (1) accessory dwelling unit and one (1) junior accessory dwelling unit shall be allowed on lots that have not undergone an urban lot split.”

Government Code section 65852.21, subdivision (f) states, “[n]otwithstanding Article 2 (commencing with Section 66314) or Article 3 (commencing with Section 66333) of Chapter 13, a local agency shall not be required to permit an accessory dwelling unit or a junior accessory dwelling unit on parcels that use both the authority contained within this section and the authority contained in Section 66411.7.” Thus, in instances where a property has only utilized SB 9 duplex law (Government Code 65852.21), the number of ADUs or JADUs allowed is to be consistent with what is allowed by State ADU Law. The Town must amend the code to reflect this allowance. In some instances, the creation of more than two ADUs may be possible.

12. Section 29.10.630 (3)(c) – *Building Code* – The Municipal Code states, “[T]he International Building Code ("Building Code"), and the California Fire Code and International Fire Code (together, "Fire Code"), as adopted by Chapter 6 of the Town Code, respectively, apply to all two-unit housing developments.” However, this would apply current building/fire codes to all SB 9 units, including existing dwellings on a site. For example, if an existing site contains one primary dwelling and a second, detached primary dwelling is proposed pursuant to SB 9, this Town code provision could result in the application of building/fire code requirements for the existing dwelling (such as building sprinkler systems) above and beyond what the building/fire codes would typically require for an existing detached unit. Per Government Code section 65852.21, subdivision (b)(3), “A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone.” The Town must remove this language or clarify that existing structures are not subject to additional building/fire code requirements above and beyond what the building and fire codes would ordinarily require of residential development in single-family zones.

13. Section 29.10.630 (e) – The Municipal Code states, “[t]he two-unit housing development shall not require either demolition of more than twenty-five (25) percent of the exterior walls”. However, SB 450 removed language requiring a demolition cap of 25 percent from State SB 9 Law in 2021; therefore, the Town must remove this language.

14. Section 29.10.630 (4) – *Exceptions* – The Municipal Code exempts zoning standards that would preclude a two-unit development but omits a necessary reference to split lots. Government Code section 66411.7, subdivision (c)(2) states, “[A] local agency shall not impose objective zoning standards, objective subdivision standards, and objective design review standards that would have the effect of physically precluding the construction of two units on either of the resulting parcels or that would result in a unit size of less than 800 square feet.” The Town must add language to include split lots in this exception clause.

15. Section 29.10.640 (3) and 29.10.660 (3) – *Neighbor Notification* – The Municipal Code states, “[i]n addition to the standard application materials, the applicant will be required to submit one (1) set of stamped, addressed envelopes to

neighboring residents and property owners" in the case of either a two-unit development or a lot split. However, this does not appear to apply to conventional residential development in the underlying zoning, which would conflict with Government Code section 65852.21, subdivision (b)(3). Furthermore, this requirement is not related to "the design or to improvements of a parcel", which are the only standards that may be applied to split lots. The Town must remove these sections.

16. Section 29.10.640(5) and 29.10.660(6) – *Denial* – The Municipal Code refers to "the physical environment" in the sections describing denial conditions. However, SB 450 removed references to "the physical environment" from Government Code section 66411.7, subdivision (d) and section 65852.21, subdivision (d), which now refer to an "…adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact." The Town must remove the reference.

17. Section 29.10.640 (l) – *Utility Providers* – The Municipal Code states, "[t]he requirements of the parcel's utility providers shall be satisfied prior to recordation of a parcel map." However, SB 9 states, "Notwithstanding Section 66411.1, a local agency shall not impose regulations that require dedications of rights-of-way or the construction of offsite improvements for the parcels being created as a condition of issuing a parcel map for an urban lot split pursuant to this section." Neither the Town nor utility provider may require offsite improvements to approve or record an urban lot split and the Town must modify the zoning code to clarify this.

HCD looks forward to assisting the Town in its compliance with state housing laws and reminds the Town that HCD has enforcement authority over SB 9, among other state housing laws. Accordingly, HCD may review local government actions and inactions to determine consistency with these laws. If HCD finds that a Town's actions do not comply with state law, HCD may notify the California Office of the Attorney General that the local government is in violation of state law.'

HCD appreciates the Town's efforts in the preparation and adoption of the Ordinance and welcomes the opportunity to assist the Town in fully complying with state law. Please feel free to contact Mindy Wilcox at Mindy.Wilcox@hcd.ca.gov if you have any questions.

Sincerely,



Brian Heaton
Section Chief, Land Use Policy
Housing Accountability Unit

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TOWN OF LOS GATOS
COMMUNITY DEVELOPMENT DEPARTMENT
PLANNING DIVISION
(408) 354-6872 Fax (408) 354-7593

CIVIC CENTER
110 E. MAIN STREET
LOS GATOS, CA 95030

June 5, 2026

Brian Heaton
Section Chief, Land Use Policy
Housing Accountability Unit
Department of Housing and Community Development
651 Bannon Street, Suite 400
Sacramento, CA 95811
Via email

RE: Los Gatos Senate Bill (SB) 9 Ordinance-Technical Assistance Letter

Dear Mr. Heaton,

Thank you for your Technical Assistance Letter dated May 5, 2026. The Town is committed to enforcing current state law regarding Senate Bill 9 (SB 9), which aids in the streamlining of housing production for the Town. The Town acknowledges that its existing SB 9 ordinance is not consistent with current state law and is taking action to remedy the situation. While we work to update our ordinance, when discrepancies exist between the existing ordinance and state law, the Town defers to state law and does not enforce conflicting local regulations.

An updated SB 9 ordinance has been drafted that the Town believes aligns with current state law and is responsive to the findings outlined in the Technical Assistance Letter dated May 5, 2026. The Planning Commission is scheduled to consider the updated ordinance on August 26, 2026. Following its review, the Commission will provide a recommendation to the Town Council, which will take action at a subsequent meeting.

Below are HCD's 17 findings provided in the Technical Assistance Letter regarding the Town's SB 9 ordinance followed by the Town's response.

1. Section 29.10.610 – *Definition of Two-Unit Development* – The Municipal Code defines a two unit housing development as "… either the construction of no more than two (2) new primary dwelling units, one (1) new primary dwelling unit and retention of one (1) existing primary dwelling unit, or retention of two (2) existing legal non-conforming primary dwelling units where one (1) or both units are subject to a proposed addition or alteration." However, this applies SB 9 law only in the case that two units are created and/or retained.

SB 9 states, "[a] proposed housing development *containing no more than* two residential units within a single-family residential zone shall be considered ministerially, if the proposed housing development meets all of the following requirements..." [emphasis added]. Therefore, SB 9 is applicable in a scenario where construction results in the construction of either one or two primary dwelling units on a lot. Both the first and the second primary dwelling unit constructed on a lot are eligible for SB 9. An applicant can choose to utilize SB 9 to construct a single primary structure on a lot even if there are no existing units on the site. The Municipal Code must be modified to clarify that both first and second primary dwelling units are eligible for SB 9 processes and applicable development standards.

TOWN RESPONSE: In practice, the Town currently allows both first and second primary dwelling units to be processed ministerially through SB 9. The draft ordinance is consistent with HCD's finding.

2. Section 29.10.620 (3) – *Historic Property* – The municipal code contains outdated historic exclusion language under Section 29.10.620(3). Pursuant to Assembly Bill 1061 of 2025, the historic exclusions under SB 9 were amended as detailed in Government Code Sections 65852.21(a)(5) and 66411.7(a)(3)(E). The municipal code must be amended to reflect SB 9's current historic exclusion language.

   TOWN RESPONSE: The Town's draft ordinance includes exclusions for historic properties consistent with CA Government Code Sections 65852.21(a)(5) and 66411.7(a)(3)(E).

3. Section 29.10.630 (1)(a) – *Height in Setbacks* – The Municipal Code states, "[b]uildings located within the required side or rear setbacks of the applicable zoning district, and those located in the Hillside Residential (HR) zones, shall not exceed sixteen (16) feet in height." However, Government Code section 65852.21, subdivision (b)(3) states, "[a] local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone." There is no generally applicable height limitation imposed on other structures within rear and side setbacks, and section 29.40.275 sets height maximums in the Hillside Residential at 30 feet. The limit of 16 feet for SB 9 units is more restrictive than the underlying zoning and is therefore inconsistent with state SB 9 law. The Town must amend the municipal code to remove this height limitation.

   TOWN RESPONSE: In practice, the Town currently defers to the height limitation of the underlying zone. The draft ordinance does not include height limitations specific to SB 9 projects.

4. Section 29.10.630(1)(f)(2) – *Grading* – The Municipal Code states "Grading activity associated with a two-unit housing development shall not exceed fifty (50) cubic yards, cut plus fill…". However, this is a restriction that is exclusive to SB 9 development, and which does not appear in the underlying zoning. Government Code section 65852.21, subdivision (b)(3) prohibits "objective zoning standards, objective subdivision standards, and objective

design standards that do not apply uniformly to development within the underlying zone." The Town must remove this limitation.

TOWN RESPONSE: The draft ordinance removes the grading language included in Section 29.10.630 (1)(f)(2).

5. Section 29.10.630 (3) and (4) – *Maximum Size* – The Municipal Code states, "[t]he maximum size of the first new residential unit shall not exceed one thousand two hundred (1,200) square feet." It later states, "[w]hen a two-unit housing development is proposed and the existing structures are at or below the maximum allowed floor area, a ten (10) percent increase in the floor area ratio standards for residential structures is allowed, excluding garages, and this increase in floor area cannot be combined with a separate increase for an accessory dwelling unit allowed by Town Code Section 29.10.320. The additional floor area allowed by this subsection shall not exceed one thousand two hundred (1,200) square feet." In both cases, the Town is restricting SB 9-unit size below the allowances provided to conventional single-family residential development in the underlying zoning. Government Code section 65852.21, subdivision (b)(3) prohibits "objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone." Therefore, the Town must remove these SB 9-specific size maximums.

   TOWN RESPONSE: The 1,200-square foot limitation for the first unit is no longer enforced. The draft ordinance does not include this limitation.

6. Table 1-2 – *Setback Requirements* – The Municipal Code appears to omit reference to rear yard setbacks. Per Government Code section 65852.21, subdivision (c)(3)(B) states that, "a local agency may require a setback of up to four feet from the side and rear lot lines." While the Town is not required to apply setback requirements, please note that new construction SB 9 units may not be subject to rear setbacks larger than four feet.

   TOWN RESPONSE: In practice, the Town requires a four-foot rear setback for new units under SB 9. The draft ordinance clarifies the four-foot rear setback requirement in Table 1-2.

7. Table 1-2 – *Street Side Yard Setback* – The Municipal Code requires "street side" setbacks "per the applicable zoning district" for corner lots. However, state SB 9 law does not refer to "street side" setbacks, and Government Code section 65852.21, subdivision (c)(3)(B) requires side and rear setbacks of no more than four feet. The Town must remove requirements for underlying setbacks that exceed four feet for street-facing sides of corner lots.

   TOWN RESPONSE: The Town enforces a setback of four feet from rear, side, and street side property lines, consistent with state law. The draft ordinance clarifies the required street-side setback.

8. Section 29.10.630 (e) – *Second Story Setback* – The Municipal Code states, "[t]he interior side and rear elevations of the second story of a two-story primary dwelling unit shall have a minimum setback of nine (9) feet." However, this second story setback does not appear in the underlying zoning. Government Code section 65852.21, subdivision (b)(3) prohibits the application of development standards that do not appear in the underlying zoning to units subject to state SB 9 law. The Town must amend the Municipal Code to remove this second story setback requirement.

   TOWN RESPONSE: The design review standards included in Section 29.10.630 (2), including the *second-story setback* requirement, are no longer enforced by the Town. The SB 9 specific design review standards are not included in the draft ordinance.

9. Section 29.10.630 (g) – *Plate Height* – The Municipal Code states "[t]he plate height of each story shall be limited to a maximum of ten (10) feet as measured from finished floor, and when above the first floor the plate height shall be limited to a maximum of eight (8) feet…" However, this height restriction does not appear in the underlying zoning. Government Code section 65852.21, subdivision (b)(3) prohibits the application of development standards that do not appear in the underlying zoning to units subject to state SB 9 law. The Town must amend the Municipal Code to remove more restrictive height requirements.

   TOWN RESPONSE: The design review standards included in Section 29.10.630 (2), including the *plate height* limitation, are no longer enforced by the Town. The SB 9 specific design review standards are not included in the draft ordinance.

10. Section 29.10.630 (h) and (i) – *Development Standards* – The Municipal Code requires clerestory windows and prohibits vinyl siding and plywood as external materials. Neither of these requirements appear to apply to conventional residential development in the underlying zoning, which is inconsistent with Government Code section 65852.21, subdivision (b)(3). The Town must remove these requirements.

    TOWN RESPONSE: The design review standards included in Section 29.10.630 (2), including the *windows* and *prohibited materials* standards, are no longer enforced by the Town. The SB 9 specific design review standards are not included in the draft ordinance.

11. Section 29.10.630 (3)(a) and (3)(b) – *Duplex Unit Cap* – The Municipal Code allows "[a] maximum of four (4) units, with a maximum of two (2) primary dwelling units, on lots that have not undergone an urban lot split… In addition to the two (2) residential units allowed under this section, consistent with Chapter 29, Article 1, Division 7, Accessory Dwelling Units," of the Municipal Code, one (1) accessory dwelling unit and one (1) junior accessory dwelling unit shall be allowed on lots that have not undergone an urban lot split."

    Government Code section 65852.21, subdivision (f) states, "[n]otwithstanding Article 2 (commencing with Section 66314) or Article 3 (commencing with Section 66333) of Chapter 13, a local agency shall not be required to permit an accessory dwelling unit or a junior accessory dwelling unit on parcels that use both the authority contained within this section

and the authority contained in Section 66411.7." Thus, in instances where a property has only utilized SB 9 duplex law (Government Code 65852.21), the number of ADUs or JADUs allowed is to be consistent with what is allowed by State ADU Law. The Town must amend the code to reflect this allowance. In some instances, the creation of more than two ADUs may be possible.

TOWN RESPONSE: For a property that has only utilized SB 9 duplex law, the Town currently allows for two primary dwelling units and the maximum number of ADUs and a JADU pursuant to CA Gov. Code Sections 66310 through 66342. Section 29.10.630 (3)(b) permits ADUs and a JADU on a property that has not undergone an urban lot split consistent with Chapter 29, Article 1, Division 7, "Accessory Dwelling Units," of the Town Code. The draft SB 9 ordinance is consistent with state law.

The Town recognizes that its existing ADU ordinance is not consistent with current state law. A draft ADU ordinance has been prepared and shared with HCD that the Town believes to be consistent with state law. The Town's draft ADU ordinance will be considered by the Planning Commission on June 10, 2026. Following its review, the Commission will provide a recommendation to the Town Council, which will take action at a subsequent meeting.

12. Section 29.10.630 (3)(c) – *Building Code* – The Municipal Code states, "[T]he International Building Code ("Building Code"), and the California Fire Code and International Fire Code (together, "Fire Code"), as adopted by Chapter 6 of the Town Code, respectively, apply to all two-unit housing developments." However, this would apply current building/fire codes to all SB 9 units, including existing dwellings on a site. For example, if an existing site contains one primary dwelling and a second, detached primary dwelling is proposed pursuant to SB 9, this Town code provision could result in the application of building/fire code requirements for the existing dwelling (such as building sprinkler systems) above and beyond what the building/fire codes would typically require for an existing detached unit. Per Government Code section 65852.21, subdivision (b)(3), "A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone." The Town must remove this language or clarify that existing structures are not subject to additional building/fire code requirements above and beyond what the building and fire codes would ordinarily require of residential development in single-family zones.

    TOWN RESPONSE: The draft ordinance clarifies that the requirements included in Section 29.10.630 (3)(c) do not apply to existing structures.

13. Section 29.10.630 (e) – The Municipal Code states, "[t]he two-unit housing development shall not require either demolition of more than twenty-five (25) percent of the exterior walls". However, SB 450 removed language requiring a demolition cap of 25 percent from State SB 9 Law in 2021; therefore, the Town must remove this language.

    TOWN RESPONSE: The Town does not currently enforce this limitation. The draft ordinance does not include this limitation.

14. Section 29.10.630 (4) – *Exceptions* – The Municipal Code exempts zoning standards that would preclude a two-unit development but omits a necessary reference to split lots. Government Code section 66411.7, subdivision (c)(2) states, "[A] local agency shall not impose objective zoning standards, objective subdivision standards, and objective design review standards that would have the effect of physically precluding the construction of two units on either of the resulting parcels or that would result in a unit size of less than 800 square feet." The Town must add language to include split lots in this exception clause.

    TOWN RESPONSE: The draft ordinance includes language exempting urban lot splits from applicable zoning standards that would have the effect of precluding the construction of two units on either of the resulting parcels.

15. Section 29.10.640 (3) and 29.10.660 (3) – *Neighbor Notification* – The Municipal Code states, "[i]n addition to the standard application materials, the applicant will be required to submit one (1) set of stamped, addressed envelopes to neighboring residents and property owners" in the case of either a two-unit development or a lot split. However, this does not appear to apply to conventional residential development in the underlying zoning, which would conflict with Government Code section 65852.21, subdivision (b)(3).

    Furthermore, this requirement is not related to "the design or to improvements of a parcel", which are the only standards that may be applied to split lots. The Town must remove these sections.

    TOWN RESPONSE: The Town no longer requires neighbor notification for SB 9 projects. This notification requirement is not included in the draft ordinance.

16. Section 29.10.640(5) and 29.10.660(6) – *Denial* – The Municipal Code refers to "the physical environment" in the sections describing denial conditions. However, SB 450 removed references to "the physical environment" from Government Code section 66411.7, subdivision (d) and section 65852.21, subdivision (d), which now refer to an "…adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact." The Town must remove the reference.

    TOWN RESPONSE: The draft ordinance does not include "the physical environment" in Sections 29.10.640 (5) or 29.10.660 (6).

17. Section 29.10.640 (l) – *Utility Providers* – The Municipal Code states, "[t]he requirements of the parcel's utility providers shall be satisfied prior to recordation of a parcel map." However, SB 9 states, "Notwithstanding Section 66411.1, a local agency shall not impose regulations that require dedications of rights-of-way or the construction of offsite improvements for the parcels being created as a condition of issuing a parcel map for an urban lot split pursuant to this section." Neither the Town nor utility provider may require offsite improvements to approve or record an urban lot split and the Town must modify the

zoning code to clarify this.

TOWN RESPONSE: The draft ordinance clarifies that neither the Town nor utility provider may require offsite improvements to approve or record an urban lot split.

If you have any questions, I can be contacted by phone at (408) 354-6823 or by email at smullin@losgatosca.gov.

Best regards,



Sean Mullin, AICP
Planning Manager

Attachments: HCD TA Letter dated May 5, 2026

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DIVISION 10. TWO-UNIT HOUSING DEVELOPMENTS AND URBAN LOT SPLITS

Sec. 29.10.600. Purpose and applicability.

The Town Council finds and determines that this ~~d~~Division is applicable only to voluntary applications for two-unit housing developments and urban lot splits consistent with Government Code Sections 65852.21 and 66411.7~~Senate Bill (SB) 9~~. Owners of real property or their representatives may continue to exercise rights for property development in conformance with the Zoning Code and Subdivision Code. Development applications that do not satisfy the definitions for a two-unit housing development or an urban lot split provided in Section 29.10.610 (Definitions) shall not be subject to this Ordinance. Any provision of this ~~d~~Division which is inconsistent with Government Code Sections 65852.21 and 66411.7~~SB 9~~ shall be interpreted in a manner which is the most limiting on the ability to create a two-unit housing development or urban lot split, but which is consistent with State law. The provisions of this Division shall supersede and take precedence over any inconsistent provision of the Town Code to the extent necessary to effect the provisions of this division.

Sec. 29.10.610. Definitions.

In addition to definitions contained in Chapter 24 (Subdivision Regulations) and Chapter 29 (Zoning Regulations), the following definitions apply for purposes of this division. Where a conflict may exist, the definitions in this division shall apply.

Acting in concert means persons, as defined by Government Code Section 82047, as that section existed on January 1, 2022, acting jointly to pursue development of real property whether or not pursuant to a written agreement and irrespective of individual financial interest.

Addition means any construction which increases the size of a building or facility in terms of site coverage, height, length, width, or gross floor area.

Adjacent parcel means any parcel of land that is: touching the parcel at any point; separated from the parcel at any point only by a public right-of-way, private street or way, or public or private utility, service, or access easement; or separate from another parcel only by other real property which is in common ownership or control of the applicant.

Alteration means any construction or physical change in the arrangement of rooms or the supporting members of a building or structure or change in the relative position of buildings or structures on a site, or substantial change in appearances of any building or structure.

Car-share vehicle means a motor vehicle that is operated as part of a regional fleet by a public or private car sharing company or organization and provides hourly or daily service.

Common ownership or control means property owned or controlled by the same person, persons, or entity, or by separate entities in which any shareholder, partner, member, or family member of an investor of the entity owns ten (10) percent or more of the interest in the property.

Demolition means any act or process that may cause partial or total razing, removal, destruction, or dismantling of a structure, whether or not permitted by the Town.

~~*Entry feature* means a structural element, which leads to an entry door.~~

Existing structure means a lawfully constructed building that has received final building permit clearance.

~~*First residential unit* means one (1) of two (2) primary dwelling units developed under a two-unit housing development and can be an existing primary dwelling unit if it meets or is modified to meet the 1,200-square foot floor area limitation on first residential units.~~

Flag lot means "lot, corridor" as defined in Section 29.10.020 of Town Code.

Nonconforming zoning condition means a physical improvement on a property that does not conform with current zoning standards.

Public transportation means a high-quality transit corridor, as defined in subdivision (b) of Public Resources Code Section 21155, or a major transit stop, as defined in Public Resources Code Section 21064.3.

Single-family residential zone means a "R-1 or Single-Family ~~r~~Residential Zone", "R-1D or Single-Family Residential Downtown Zone", or "HR or Hillside Residential Zone" as specified in article IV, "Residential Zones," of the Zoning Code.

Street means any thoroughfare for ~~the~~ motor vehicle travel which affords the principal means of access to abutting property, including public and private rights-of-way and easements.

Subdivision Code means Chapter 24 of the Los Gatos Town Code.

Sufficient for separate conveyance means that each attached or adjacent dwelling unit is constructed in a manner adequate to allow for the separate sale of each unit in a common interest development as defined in Civil Code Section 1351 (including a residential condominium, planned development, stock cooperative, or community apartment project), or into any other ownership type in which the dwelling units may be sold individually.

Two-unit housing development means a~~n~~ ministerial application proposing no more than two (2) primary dwelling units on a single parcel located within a single-family residential zone as authorized by Government Code Section 65852.21. ~~A two-unit housing development shall consist of either the construction of no more than two (2) new primary dwelling units, one (1) new primary dwelling unit and retention of one (1) existing primary dwelling unit, or retention of two (2) existing legal non-conforming primary dwelling units where one (1) or both units are subject to a proposed addition or alteration.~~

Urban lot split means a ministerial application for a parcel map to subdivide an existing parcel located within a single-family residential zone into two (2) parcels, as authorized by Government Code Section 66411.7.

Zoning Code means Chapter 29 of the Los Gatos Town Code.

Sec. 29.10.620. Eligibility.

An urban lot split or a two-unit housing development may only be created on parcels satisfying all of the following general requirements:

(1) *Zoning district.* A parcel that is located within a single-family residential zone.

(2) *Legal parcel.* A parcel which has been legally created in compliance with the Subdivision Map Act (Government Code Section 66410 et seq.) and the Town's Subdivision Regulations in effect at the time the parcel was created. Applications for an urban lot split or two-unit housing development will only be accepted on parcels with either a recorded parcel map or certificate of compliance. When both an urban lot split and two-unit housing development application are submitted simultaneously, no construction or building permits for new construction or grading activities may be issued until the new parcel map for the urban lot split approval has been recorded.

~~(3) *Excluding historic property.* A parcel that is not located within a historic district or property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or a parcel that does not contain a Historic Structure, as defined in Town Code Section 29.10.020, or is not listed on the Town of Los Gatos Historic Resource Inventory, as defined by Town Code Chapter 29, Article VII, Division 3, "Historic Preservation and LHP or Landmark and Historic Preservation Overlay Zone."~~

(34) *Excluding very high fire hazard severity zone.* A parcel that is not within a very high fire hazard severity zone, as determined by the Department of Forestry and Fire Protection pursuant to Government Code Section 51178, or within a state responsibility area, as defined in Section 4102 of the Public Resources Code. This subparagraph does not apply to sites that have adopted fire hazard mitigation measures pursuant to existing building standards or state fire mitigation measures applicable to the development, including, but not limited to, standards established under all of the following or their successor provisions: (i) Section 4291 of the Public Resources Code or Section 51182, as applicable; (ii) Section 4290 of the Public Resources Code; and (iii) Section 7A of the California Building Code (Title 24 of the California Code of Regulations).

(45) *Excluding hazardous waste sites.* A parcel that is not identified as a hazardous waste site pursuant to Government Code Section 65962.5 or a hazardous waste site designated by the Department of Toxic Substances Control pursuant to Health and Safety Code Section 25356, unless the State Department of Public Health, State Water Resources Control Board, or Department of Toxic Substances Control has cleared the site for residential use.

(56) *Excluding earthquake fault zone.* A parcel that is not located within a delineated earthquake fault zone as determined by the State Geologist on any official maps published by the State Geologist, unless the two-unit housing development complies with applicable seismic protection building code standards adopted by the California Building Standards Commission under the California Building Standards Law (Part 2.5 (commencing with Section 18901) of Health and Safety Code Division 13), and by any local building department under Chapter 12.2 (commencing with Section 8875) of Division 1 of Title 2.

(67) *Excluding flood zone.* A parcel that is not located within a special flood hazard area subject to inundation by the 1 percent annual chance flood (100-year flood) on the official maps published by the Federal Emergency Management Agency unless a letter of map revision prepared by the Federal Emergency Management Agency has been issued or if the proposed two-unit housing development is constructed in compliance with the provisions of Town Code Chapter 29, Article XI, "Floodplain Management," as determined by the floodplain administrator.

(78) *Excluding natural habitat.* A parcel that is not recognized by the Town as a habitat for protected species identified as a candidate, sensitive, or species of special status by State or Federal agencies, fully protected species, or species protected by the Federal Endangered Species Act of 1973 (16 U.S.C. Sec. 1531 et seq.), the California Endangered Species Act (Chapter 1.5 (commencing with Section 2050) of Division 3 of the Fish and Game Code), or the Native Plant Protection Act (Chapter 10 (commencing with Section 1900) of Division 2 of the Fish and Game Code).

(89) *Excluding prime farmland and wetlands.* A parcel that does not contains either prime farmland or farmland of statewide importance, as defined pursuant to the United States Department of Agriculture land inventory and monitoring criteria, as modified for California, and designated on the maps prepared by the Farmland Mapping and Monitoring Program of the Department of Conservation, or land zoned or designated for agricultural protection or preservation by a local ballot measure that was approved by the voters of that jurisdiction; or wetlands, as defined in the United States Fish and Wildlife Service Manual, Part 660 FW 2 (June 21, 1993).

(910) *Excluding conservation easements.* A parcel subject to a recorded conservation easement.

Sec. 29.10.630. ~~Requirements~~Two-unit housing development standards.

Two-unit housing developments must comply with the following objective zoning standards, design review standards, and general requirements and restrictions:

(1) *Zoning standards.* The following objective zoning standards supersede any other standards to the contrary that may be provided elsewhere in the Zoning Code, as they pertain to a two-unit housing development under Government Code Section 65852.21. Two-unit housing developments shall be constructed only in accordance with the following objective zoning standards, except as provided by subsection (4), "Exceptions:"

a. *Building height.* Maximum building height shall be as specified by the applicable zoning district for the main structure.~~Buildings located within the required side or rear setbacks of the applicable zoning district, and those located in the Hillside Residential (HR) zones, shall not exceed sixteen (16) feet in height;~~

b. *New driveways.* Each parcel shall be connected to an adjacent street with a driveway. ~~include no more than a single driveway unless the parcel has more than one hundred (100) feet of contiguous street frontage or more than one (1) existing driveway.~~ Any new driveway shall satisfy the following requirements:

1. A minimum paved width of ten (10) feet~~ up to a maximum width of eighteen (18) feet. Driveways in the Hillside Residential (HR) zones shall have a minimum width of twelve (12) feet~~; and

~~2. A minimum depth of eighteen (18) feet measured from the front or street side property line;~~

2~~3~~. Surfacing shall comply with Town Code Section 29.10.155 (e);

~~4. Only a single driveway curb-cut shall be permitted per parcel unless the parcel has more than one hundred (100) feet of contiguous street frontage, designed in accordance with the Town's Standard Specifications and Plans for Parks and Public Works Construction; and~~

~~5. A maximum slope of fifteen (15) percent.~~

c. *Dwelling unit type.* The primary dwelling units comprising a two-unit housing development may take the form of detached single-family dwellings, attached units, and/or duplexes. A duplex may consist of two (2) dwelling units in a side-by-side or front-to-back configuration within the same structure or one (1) dwelling unit located atop another dwelling unit within the same structure. Proposed adjacent or attached dwelling units shall meet all applicable ~~b~~Building ~~c~~Code standards and be designed sufficient to allow separate conveyance;

d. *Fencing.* All new fences~~ing~~, walls, and gates shall comply with the requirements of sections 29.40.030 through 29.40.0325 of the Zoning Code;

e. *Floor area ratio and lot coverage:* ~~.~~

1. The maximum floor area ratio and lot coverage shall be as specified by the applicable zoning regulations.

2. For flag/corridor lots, the gross lot size includes the access corridor for the purposes of determining maximum floor area ratio and lot coverage as follows:

i. When an easement is used to provide access, the access corridor is included in the gross lot size for the lot granting the easement; and

ii. When the access corridor is owned in-fee and is part of the rear lot, the access corridor is included in the gross lot size for the rear lot.

~~3. The maximum size of the first new residential unit shall not exceed one thousand two hundred (1,200) square feet.~~

34. When two new primary dwelling units are proposed, or one new primary dwelling unit and the retention of an existing primary dwelling is proposed, as part of a two-unit housing development ~~is proposed~~ and the existing structures are at or below the maximum allowed floor area, a ten (10) percent increase in the floor area ratio standards for residential structures is allowed, excluding garages.~~, and t~~This increase in floor area cannot be combined with a separate increase for an accessory dwelling unit allowed by Town Code Section 29.10.320. The additional floor area allowed by this subsection shall not exceed one thousand two hundred (1,200) square feet.

4. Below-grade square footage, in accordance with Town Code Sections 29.10.020 and 29.40.072, is exempt from the floor area maximum.

5. Detached garages shall not exceed 450 square feet without obtaining a separate Minor Residential Planning Application in accordance with Town Code Section 29.20.480.

65. Notwithstanding the floor area ratio and lot coverage standards in this subsection, a new two-unit housing development with unit sizes of 800 square feet or less shall be permitted.

~~f. *Grading.*~~

~~1. To the extent required by Chapter 12, Article II and Section 29.10.09045(b) of the Town Code, the grading activities set forth in subsection 2. below may require a grading permit, but will not require discretionary review of an architecture and site application;~~

~~2. Grading activity associated with a two-unit housing development shall not exceed fifty (50) cubic yards, cut plus fill, except:~~

~~i. Light wells that do not exceed the minimum required per Building Code shall not count as grading activity for the purpose of this section;~~

~~ii. Grading activities required to provide the minimum driveway and fire access as required by the Santa Clara County Fire Department shall not count as grading activity for the purpose of this section; and~~

~~iii. Excavation within the footprint of a primary dwelling unit or garage shall not count as grading activity for the purpose of this section.~~

~~g. Cut and Fill. Two-unit housing developments shall be subject to the cut and fill requirements specified by Table 1-1 (Cut and Fill Requirements) below:~~

~~Table 1-1 - Cut and Fill Requirements~~

~~Site Element~~	~~Cut *~~	~~Fill *~~
~~House and attached garage~~	~~8' **~~	~~3'~~
~~Detached accessory building *~~	~~4'~~	~~3'~~
~~Driveways ***~~	~~4'~~	~~3'~~
~~Other (decks, yards) *~~	~~4'~~	~~3'~~
~~* Combined depths of cut plus fill for development other than the main residence shall be limited to 6 feet.~~		
~~** Excludes below grade square footage pursuant to Section 29.40.072 of the Town Code and light wells that do not exceed the minimum required per Building Code.~~		
~~*** Excludes cut and fill for the minimum driveway and fire access standards as required by the Santa Clara County Fire Department.~~		

~~h. *Building Sites.* The footprint of the proposed residential unit(s) and garage(s) shall not be located on lands with slopes exceeding thirty (30) percent. This provision applies only to the building site, not the property as a whole;~~

~~i. *Retaining walls.* Retaining walls shall not exceed five (5) feet in height and shall not run in a straight continuous direction for more than fifty (50) feet without a break, offset, or planting pocket. Retaining walls shall have a five-foot landscaped buffer when adjacent to the street;~~

~~j. *Light reflectivity value.* Exterior material colors for primary dwelling units and garages in the Hillside Residential (HR) zones shall comply with requirements in Chapter V, Section I, of the Town's Hillside Development Standards and Guidelines;~~

fk. *Landscaping requirement.* All landscaping shall comply with the California Model Water Efficient Landscape Ordinance (MWELO);

gl. *Lighting.* New exterior lighting fixtures shall be downward directed and utilize shields so that no bulb is visible to ensure that the light is directed to the ground surface and does not spill light onto neighboring parcels consistent with Section 29.10.09015 of the Zoning Code. In the Hillside Area, decorative lighting, sports court lighting, and unshaded or non-recessed spotlights are prohibited;

h. *Glare*. Direct or reflected glare, such as that produced by floodlight, visible from outside any boundary line of a property on which the glare is produced, is prohibited;

im. *Trees.* Any proposed work shall comply with the protection, removal, and replacement requirements for protected trees in Chapter 29, Article 1, Division 2, "Tree Protection," of Town Code;

jn. *Minimum living area.* The minimum living area of a primary dwelling unit shall be 150 square feet, subject to the restrictions specified by Health and Safety Code Section 17958.1;

ko. *Parking:*

1. One (1) parking stall per primary dwelling unit shall be required on-site, except for two-unit housing developments located on parcels within one-half mile walking distance of public transportation; or where there is a designated parking area for one (1) or more car-share vehicles within one (1) block of the parcel.

2. Parking stalls may either be uncovered or covered (garage or carport) in compliance with applicable developments standards of the Zoning Code, including Chapter 29, Article I, Division 4, "Parking," except that uncovered parking spaces may be provided in a front or side setback abutting a street on a driveway (provided that it is feasible based on specific site or fire and life safety conditions) or through tandem parking.

3. Parking space dimensions, whether uncovered or covered, shall comply with the size requirements in Town Code Section 29.10.155(d).

lp. *Setbacks:*

1. Two-unit housing developments and attached garages shall be subject to the setback and building separation requirements specified by Table 1-2 (Setback Requirements), below. Detached garages and detached accessory structures shall meet the setback requirements specified in Town Code Section 29.40.015 (Accessory Buildings).

~~1.~~2. Development proposed adjacent to a protected waterway shall comply with the standards and provisions of the Santa Clara County Valley Water Resources Protection Collaborative Guidelines and Standards for Land Use Near Streams document when applicable.

Table 1-2 - Setback Requirements		
Setback		Requirement[2]
Property Line Setbacks[1]	Front[7]	Per the applicable zoning district.[5]
	Garage Entry	18 feet, when the required garage setback is less than 18 feet
	~~Interior~~ Sides	4 feet[3]
	Rear[7]	4 feet[3]
	~~Street Side~~	~~Per the applicable zoning district.~~
Separation Between Detached Structures[3][4]		5 feet

Exceptions:
(1) Cornices, eaves, belt courses, sills, canopies, bay windows, chimneys, or other similar architectural features may extend into required setbacks as specified Section 29.40.070(b) of the Zoning Code.
(2) No setback shall be required for an existing structure, or a structure constructed in the same location and to the same dimensions as an existing structure.
(3) For parcels created through an urban lot split where the parcels are under the same ownership, no interior side setback shall be required for two-unit housing development units constructed as attached units on separate lots, provided that the structures meet building code safety standards and are sufficient to allow separate conveyance as a separate fee parcel. Similarly, no rear setback (for the front property) or front setback (for the rear property) shall be required for two-unit housing development units constructed as attached units in a flag-lot configuration where the parcels are under the same ownership.
(4) Except for primary dwellings constructed as a duplex or attached single-family residences.
(5) Flag/corridor lots shall use the interior side setback requirement listed aboves for all property lines other than the rear.
(7) Primary dwelling units on a through lot with frontage along two streets, and are not a corner lot, shall meet the front setback requirement along both street frontages.

m~~q~~. *Stormwater management.* The development shall comply with the requirements of the Town's National Pollution Discharge Elimination System Permit as implemented by Chapter 22 of the Town Code, and as demonstrated by a grading and drainage plan prepared by a registered civil engineer; and

n~~r~~. *Utilities.* New units shall be designed as individual units, with separate gas, electric, and water utility connections directly between each dwelling unit and the utility.

(2) *Design review standards.* The following objective design review standards apply to construction of new primary dwelling units and to any addition and/or alteration to existing primary dwelling units as part of a two-unit housing development, except as provided by subsection (4) below, "Exceptions:"

~~a. *Balconies/decks.* Rooftop and second floor terraces and decks are prohibited. Balconies shall only be permitted on the front- and street-side elevations of a primary dwelling unit fronting a public street. Such balconies shall be without any projections beyond the building footprint;~~

a. *Objective Design Standards for New Single-Family and Two-Family Residential Dwelling Units and Second Story Additions.* Compliance with all applicable provisions of the Town's Objective Design

Standards for New Single-Family and Two-Family Residential Dwelling Units and Section Story Additions, within Town Code Sections 29.40.080 – 29.40.100, is required.

~~b. Finished floor. The finished floor of the first story shall not exceed three (3) feet in height as measured from finished grade;~~

~~c. Front entryway. A front entryway framing a front door shall have a roof eave that matches or connects at the level of the adjacent eave line;~~

~~d. Front porch. If proposed, porches shall have a minimum depth of six (6) feet and a minimum width equal to twenty-five (25) percent of the linear width of the front elevation;~~

~~e. Second story setback. The interior side and rear elevations of the second story of a two-story primary dwelling unit shall have a minimum setback of nine (9) feet;~~

~~f. Garages. Street-facing attached garages shall not exceed fifty (50) percent of the linear width of the front-yard or street-side yard elevation;~~

~~g. Plate height. The plate height of each story shall be limited to a maximum of ten (10) feet as measured from finished floor, and when above the first floor the plate height shall be limited to a maximum of eight (8) feet; and~~

~~h. Windows. All second story windows less than ten (10) feet from rear and interior side property lines shall be clerestory with the bottom of the glass at least six (6) feet above the finished floor except as necessary for egress purposes as required by the Building Code.~~

~~i. Prohibited materials. The following exterior materials are prohibited on all building exteriors:~~

~~1. Vinyl siding; and~~

~~2. Plywood.~~

~~j. Mechanical equipment. Heating, ventilation, and air conditioning (HVAC) units, generators, energy storage systems (ESS), and other similar ground-mounted mechanical equipment shall be screened from view from any adjacent street if not already located out of view behind a building or solid fence.~~

(3) General requirements and restrictions. The following requirements and restrictions apply to all two-unit housing developments, inclusive of existing and new primary dwelling units, except as provided by subsection (4) below, "Exceptions:"

~~a. *Number of units.* A maximum of four (4) units, with a maximum of two (2) primary dwelling units, on lots that have not undergone an urban lot split.~~

a~~b~~. ~~*Accessory dwelling* *Number of* units.~~ In addition to the two (2) residential units allowed under this section, accessory dwelling unit(s) consistent with Chapter 29, Article 1, Division 7, "Accessory Dwelling Units~~," of the Town Code, one (1) accessory dwelling unit and one (1) junior accessory dwelling unit~~ shall be allowed on lots that have not undergone an urban lot split.

b~~c~~. *Building and Fire Codes.* The International Building Code ("Building Code"), and the California Fire Code and International Fire Code (together, "Fire Code"), as adopted by Chapter 6 of the Town Code, respectively, apply to all new two-unit housing developments.

c~~d~~. *Encroachment permits.* Separate ~~e~~Encroachment ~~p~~Permits, issued by the Parks and Public Works Department, shall be required for the installation of utilities to serve two-unit housing developments. Applicants shall apply for and pay all necessary fees for utility permits for sanitary sewer, gas, water, electric, and all other utility work.

d~~e~~. *Restrictions on demolition.* The two-unit housing development shall not require ~~either~~ demolition ~~of more than twenty-five (25) percent of the exterior walls~~ or alteration of any of the following types of housing:

1. Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income. This shall be evidenced by an attestation from the property owner;
2. Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power. This shall be evidenced by an attestation from the property owner; or
3. Housing that has been occupied by a tenant in the last three (3) years. This shall be evidenced by an attestation from the property owner.

If any existing housing is proposed to be altered or demolished, the owner of the property proposed for a two-unit housing development shall sign an affidavit, stating that none of the conditions listed above exist and shall provide a comprehensive history of the occupancy of the units to be altered or demolished for the past three (3) years on a form prescribed by the Town.

If any existing dwelling unit is proposed to be demolished, the applicant shall comply with the replacement housing provisions of Government Code Section 66300 (d).

e. *Ellis Act*. Parcels on which an owner of residential real property has exercised the owner's rights under state law (Government Code Section 7060) to withdraw accommodations from rent or lease within fifteen (15) years preceding the development application are not eligible for a two-unit housing development.

f. *Historic exclusions*. The development is not located in any of the following:

1. A contributing structure within a historic district included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code;
2. A parcel individually listed as a historical resource included in the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code; or
3. A historic property or district within a Landmark and Historic Preservation (LHP) Overlay Zone, adopted by ordinance, or properties containing historic structures designated by adoption of a Historic Designation (HD) ~~o~~Ordinance, pursuant to Town Code Chapter 29, Article VII, Division 3, "Historic Preservation and LHP or Landmark and Historic Preservation Overlay Zone."

g~~f~~. *Recorded covenant.* Prior to ~~b~~Building ~~p~~Permit issuance, the applicant shall record a restrictive covenant in the form prescribed by the Town, which shall run with the land and provide for the following:

1. A limitation restricting the property to residential uses only; and
2. A requirement that any dwelling units on the property may only be rented for a period longer than thirty (30) days.

(4) *Exceptions.* If any of the provided objective zoning standards, objective subdivision standards, or objective design ~~review~~ standards would have the effect of physically precluding construction of up to two (2) primary dwelling units or physically preclude either of the two (2) primary dwelling units from being at least eight hundred (800) square feet in floor area, the Community Development Director shall grant an exception to the applicable standard(s) to the minimum extent necessary as specified by this section. An exception request shall be explicitly made on the application for a two-unit housing development.

a. *Determination.* In order to retain adequate open space to allow for recreational enjoyment, protection of the urban forest, preservation of the community character, reduction of the ambient air temperature, and to allow for the percolation of rainfall into the groundwater system, when considering an exception request, the Community Development Director shall first determine that a reduction in any other zoning and/or design review standard(s) will not allow the construction of the two-unit housing development as specified by this section prior to allowing an exception(s) to ~~the landscaping requirement,~~ front-yard setback~~,~~ or street-side setbacks standards.

Sec. 29.10.640. Application process for two-unit housing development.

Applications for two-unit housing developments shall be submitted and processed in compliance with the following requirements:

(1) *Application type.* Two-unit housing developments shall be reviewed ministerially by the Community Development Director for compliance with the applicable regulations. The permitting provisions of Town Code Sections 29.20.135 through 29.20.160, "Architecture and Site Approval," shall not be applied;

(2) *Applicability.* When an application is submitted that includes both the construction of a two-unit housing development under this section and other redevelopment work that is not integral to the creation of a new dwelling unit and would generally require discretionary review, only the portions required for construction of the new dwelling unit shall be reviewed ministerially;

(3) *Review Process.* The Community Development Director shall consider and approve or deny an application for a proposed two-unit housing development pursuant to this section within 60 days from the date the Town receives a completed application. If the Director has not approved or denied the completed application within 60 days, the application shall be deemed approved. A completed application must include all the submittal requirements listed in the associated ~~SB 9~~two-unit housing development application packet, as well as the required processing fees;

(4~~2~~) *Application filing.* An application for a two-unit housing development, including the required application materials and fees, shall be filed with the Community Development Department;

~~(3) *Neighbor notification.* In addition to the standard application materials, the applicant will be required to submit one (1) set of stamped, addressed envelopes to neighboring residents and property owners. The Planning Department will assist the applicant in determining the neighboring properties to be notified (which will consist of all properties abutting the applicant's parcel, properties directly across the street and the two (2) parcels on each side of the properties directly across the street).~~

(5~~4~~) *Building Permits.* Approval of a two-unit housing development application shall be required prior to acceptance of an application for ~~b~~Building ~~p~~Permit(s) for the new and/or modified primary dwelling unit(s) comprising the two-unit housing development;

(6) *Expiration*. Approval of a two-unit housing development application shall expire two (2) years after the date of approval unless the approval is used and vested before expiration, per Town Code Sections 29.20.320 and 29.20.335;

(7~~5~~) *Denial.* The Community Development Director may deny a two-unit housing development project only if the Building Official makes a written finding, based upon a preponderance of the evidence, that the two-unit housing development would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Government Code Section 65589.5, upon public health and safety ~~or the physical environment~~ and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact~~; and~~.

If the Director denies an application for a proposed two-unit housing development pursuant to this section, the Director shall, within 60 days of receipt of the completed application, return in writing a full set of comments to the application with a list of items that are defective or deficient and a description of how the applicant can remedy the application; and

(~~8~~6) *Appeals.* Two-unit housing application decisions are ministerial and are not subject to an appeal.

Sec. 29.10.650. ~~Subdivision~~ Urban lot split standards.

Urban lot splits shall comply with the following objective subdivision standards, and general requirements and restrictions:

(1) *Subdivision standards.* The following objective subdivision standards supersede any other standards to the contrary that may be provided in the Zoning Code or Subdivision Code, as they pertain to creation of an urban lot split under Government Code Section 66411.7:

a. *Flag/corridor lots.* The access corridor of a flag/corridor lot (Town Code Section 29.10.085) shall be either in fee as part of the parcel or as an easement, and shall be a minimum width of 12 feet;

b. *Minimum lot size.* Each new parcel shall be approximately equal in lot area provided that one (1) parcel shall not be smaller than forty (40) percent of the lot area of the original parcel proposed for subdivision. In no event shall a new parcel be less than one thousand two hundred (1,200) square feet in lot area. If one (1) of the proposed lots is a flag/corridor lot, the area of the access corridor shall count toward the lot area as follows:

1. When an easement is used to provide access, the access corridor is included in the gross lot size for the lot granting the easement; and

2. When the access corridor is owned in-fee and is part of the rear lot, the access corridor is included in the gross lot size for the rear lot.

c. *Minimum lot width.* Each new parcel shall maintain a minimum lot width of twenty (20) feet;

d. *Minimum public frontage.* Each new parcel shall have frontage upon a street with a minimum frontage dimension of twenty (20) feet, except as allowed above for flag/corridor lots;

e. *Parking.* Each dwelling unit within an urban lot split shall contain adequate space for one on-site parking space, except for parcels within one-half mile walking distance of public transportation; or where there is a designated parking area for one or more car-share vehicles within one block of the parcel;

f~~e~~. *Number of lots.* The parcel map to subdivide an existing parcel shall result in no more than two (2) parcels; and

g~~f~~. *Lot Merger.* Lots resulting from an urban lot split shall not be merged unless that lot merger can be done without loss of housing units and without causing a non-conforming building, lot, or use.

(2) *General requirements and restrictions.* The following requirements and restrictions apply to all proposed urban lot splits:

a. *Adjacent parcels.* Neither the owner of the parcel being subdivided nor any person acting in concert with the owner has previously conducted an urban lot split to create an adjacent parcel as provided for in this division;

b. *Dedication and easements.* The Town Engineer shall not require dedications of rights-of-way nor the construction of offsite improvements but may, however, require recording of easements necessary for the provision of private services, facilities, and future public improvements or future public services, facilities, and future public improvements;

c. *Existing structures.* Existing structures located on a parcel subject to an urban lot split shall not be subject to a setback requirement. However, any such existing structures shall not be located across the shared property line resulting from an urban lot split, unless the structure is converted to an attached unit as provided for in Table 1-2 (Setback Requirements, Exception Number 4~~3~~). All other existing structures shall be modified, demolished, or relocated prior to recordation of a parcel map;

d. *Intent to occupy.* The applicant shall submit a signed affidavit to the Community Development Director attesting that the applicant intends to occupy one (1) of the housing units on the newly created parcels as their principal residence for a minimum of three (3) years from either:

1. The date of the approval of the urban lot split when the intent is to live in an existing residence; or

2. Certificate of occupancy when the intent is to occupy a newly constructed residential unit.

This requirement shall not apply to an applicant that is a "community land trust," as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code, or a "qualified nonprofit corporation" as described in Section 214.15 of the Revenue and Taxation Code;

e. *Non-conforming conditions.* The Town shall not require, as a condition of approval, the correction of nonconforming zoning conditions. However, no new nonconforming conditions may result from the urban lot split other than setbacks as specified by Table 1-2 (Setback Requirements, Exception Number 2), maximum allowed lot coverage, and maximum allowed floor area ratio;

f. *Number of units.* No more than two (2) dwelling units may be located on any lot created through an urban lot split, including primary dwelling units, accessory dwelling units, junior accessory dwelling units, density bonus units, and units created as two-unit developments. Any excess dwelling units that do not meet these requirements shall be relocated, demolished, or otherwise removed prior to approval of a parcel map;

g. *Prior subdivision.* A parcel created through a prior urban lot split may not be further subdivided. The subdivider shall submit a signed deed restriction to the Community Development Director documenting this restriction. The deed restriction shall be recorded on the title of each parcel concurrent with recordation of the parcel map;

h. *Restrictions on demolition.* The proposed urban lot split shall not require ~~either the~~ demolition ~~of more than twenty-five (25) percent of the exterior walls~~ or alteration of any of the following types of housing:

1. Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income. This shall be evidenced by an attestation from the property owner;

2. Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power. This shall be evidenced by an attestation from the property owner; ~~or~~

3. Housing that has been occupied by a tenant in the last three (3) years. This shall be evidenced by an attestation from the property owner; or

4. Ellis Act parcels on which an owner of residential real property has exercised the owner's rights under state law (Government Code Section 7060) to withdraw accommodations from rent or lease within fifteen (15) years preceding the development application.

If any existing housing is proposed to be altered or demolished, the owner of the property proposed for an urban lot split shall sign an affidavit, stating that none of the conditions listed above exist and shall provide a comprehensive history of the occupancy of the units to be altered or demolished for the past three (3) years on a form prescribed by the Town. The owner and applicant shall also sign an affidavit stating that neither the owner nor applicant, nor any person acting in concert with the owner or applicant, has previously subdivided an adjacent parcel using and urban lot split;

i. *Replacement units.* If any existing dwelling unit is proposed to be demolished, the applicant will comply with the replacement housing provisions of Government Code Section 66300 (d);

j. Historic exclusion. The parcel is not located within a historical landmark property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a historic site in a Landmark and Historic Preservation (LHP) Overlay Zone, adopted by ordinance, or properties containing historic structures designated by adoption of a Historic Designation (HD) ordinance, pursuant to Town Code Chapter 29, Article VII, Division 3, "Historic Preservation and LHP or Landmark and Historic Preservation Overlay Zone."

kj. *Recorded covenant.* Prior to approval and recordation of the parcel map, the applicant shall record a restrictive covenant and agreement in the form prescribed by the Town, which shall run with the land and provide for the following:

1. A prohibition against further subdivision of the parcel using the urban lot split procedures as provided for in this section;

2. A limitation restricting the properties to residential uses only; and

3. A requirement that any dwelling units on the property may only be rented for a period longer than thirty (30) days.

lk. *Stormwater management.* The subdivision shall comply with the requirements of the Town's National Pollution Discharge Elimination System Permit as implemented by Chapter 22 of the Town Code, and as demonstrated by a grading and drainage plan prepared by a registered civil engineer; and

~~l. *Utility providers.* The requirements of the parcel's utility providers shall be satisfied prior to recordation of a parcel map; and~~

m. *Compliance with Subdivision Map Act.* The urban lot split shall conform to all applicable objective requirements of the Subdivision Map Act (commencing with Government Code Section 66410), except as otherwise expressly provided in Government Code Section 66411.7.

Sec. 29.10.660. Application process for urban lot splits.

Applications for urban lot splits shall be submitted and processed in compliance with the following requirements:

(1) *Application type.* Urban lot splits shall be reviewed ministerially by the Community Development Director for compliance with the applicable regulations. A tentative parcel map shall not be required;

(2) *Application filing.* An urban lot split application, including the required application materials and fees, shall be filed with the Community Development Department;

(3) *Review Process.* The Community Development Director shall consider and approve or deny an application for a proposed urban lot split pursuant to this section within 60 days from the date the Town receives a completed application. If the Director has not approved or denied the completed

application within 60 days, the application shall be deemed approved. A completed application must include all the submittal requirements listed in the associated SB 9 application packet, as well as the required processing fees;

~~(3) *Neighbor notification.* In addition to the standard application materials, the applicant will be required to submit one (1) set of stamped, addressed envelopes to neighboring residents and property owners. The Planning Department will assist the applicant in determining the neighboring properties to be notified (which will consist of all properties abutting the applicant's parcel, properties directly across the street and the two (2) parcels on each side of the properties directly across the street).~~

(4~~4~~) *Parcel map.* Approval of an urban lot split permit shall be required prior to acceptance of an application for an urban lot split parcel map ~~for an urban lot split~~. Applicants shall apply for an urban lot split parcel map and pay all fees;

(5) *Expiration.* Approval of an urban lot split permit shall expire two (2) years after the date of approval per Town Code Section 24.20.070 unless the Parcel Map is recorded;

(6~~5~~) *Development.* Development on the resulting parcels is limited to a project approved by the two-unit housing development process, the Town's Accessory Dwelling Unit process, or through the Town's standard discretionary process;

(7~~6~~) *Denial.* The Community Development Director may deny an urban lot split only if the Building Official makes a written finding, based upon a preponderance of the evidence, that an urban lot split or two-unit housing development located on the proposed new parcels would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety ~~or the physical environment~~ and for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact~~; and~~.

If the Director denies an application for a proposed urban lot split pursuant to this section, the Director shall, within 60 days of receipt of the completed application, return in writing a full set of comments to the application with a list of items that are defective or deficient and a description of how the applicant can remedy the application; and

(8~~7~~) *Appeals.* Urban lot split application decisions are ministerial and are not subject to an appeal.

Sec. 29.10.670. Sunset clause.

If the provisions of Government Code Sections 65852.21 and 66411.7 are~~SB 9 is~~ repealed or otherwise rescinded by the California State Legislature or by the People of the State of California, this division shall be repealed."

(Ord. No. 2334, § 2, 11-15-22)

TOWN OF LOS GATOS
PLANNING COMMISSION
REPORT

MEETING DATE: 10/14/

ITEM NO: 2

ADDENDUM

DATE: October 12, 2026

TO: Planning Commission

FROM: Joel Paulson, Community Development Director

SUBJECT: Forward a Recommendation to the Town Council on an Ordinance Amending Chapter 29 (Zoning Regulations) of the Town Code for Senate Bill 9 (SB 9) Regarding Urban Lot Splits and Two-Unit Housing Developments in Response to Changes in State Law. The Proposed Amendments to the Town Code are Not Considered a Project Under Section 15378 of the California Environmental Quality Act, and in Accordance with Government Code Section 66411.7 (n) and 66452.21 (g), Senate Bill 9 Ordinances are Not a Project Subject to the California Environmental Quality Act. Town Code Amendment Application A-26-004. **Project Location: Town Wide**. Applicant: Town of Los Gatos.

REMARKS:

Public comments received between 3:01 p.m., Friday, October 9, 2026, and 3:00 p.m., Monday, October 12, 2026, are included as Exhibit 8. The public comment noted that Exhibit 4 includes an older version of AB 1061, which was revised before adoption. Exhibit 9 includes the final, adopted version.

EXHIBITS:

Previously Received with the October 14, 2026, Staff Report:

1. Required Findings
2. Current Senate Bill 9 Ordinance 2359
3. Senate Bill 450 State Law
4. Assembly Bill 1061 State Law
5. HCD Senate Bill 9 Ordinance Technical Assistance Letter
6. Town Response to HCD Technical Assistance Letter
7. Draft Senate Bill 9 Ordinance

PREPARED BY: Ryan Safty
Associate Planner

Reviewed by: Planning Manager and Community Development Director

Received with this Addendum Report:

8. Public comments received between 3:01 p.m., Friday, October 9, 2026, and 3:00 p.m., Monday, October 12, 2026
9. Assembly Bill 1061 State Law, Adopted Version

PREPARED BY: Ryan Safty
Associate Planner

Reviewed by: Planning Manager and Community Development Director

From: [redacted]
To: Joel Paulson; Sean Mullin; Ryan Safty; Gabrielle Whelan
Subject: SB 9 Ordinance Amendments (A-26-004) — Letter to Planning Commission
Date: Sunday, October 11, 2026 8:44:42 AM

[EXTERNAL SENDER]

Please include as a desk item to the Planning Commission

To: Planning Commission, Town of Los Gatos

Cc: Joel Paulson, Community Development Director; Sean Mullin, Planning Manager; Ryan Safty, Associate Planner; Gabrielle Whelan, Town Attorney; Town Council

From: Jim Lyon, Los Gatos resident; former Planning Commissioner (1998–2002) and Historic Preservation Committee member (1996–2002)

Re: Item 2, October 14, 2026 — SB 9 Ordinance Amendments, Town Code Amendment A-26-004

Dear Chair and Members of the Planning Commission:

I am writing about the proposed amendments to the Town's SB 9 ordinance. Much of this update is required. SB 450 and AB 1061 changed state law, and HCD's May 5, 2026 letter identified 17 provisions the Town must revise. I am not asking the Commission to defy state law. I am asking it to give away nothing that state law does not require, and to use every tool the law still leaves the Town.

The stakes are concrete. My neighborhood has spent the past year on 176 Loma Alta Avenue, where an urban lot split and two two-unit developments would place up to four homes on what was one single-family hillside lot, in a high fire hazard area with unresolved emergency access. Under the draft ordinance, that outcome becomes easier to repeat and harder for neighbors even to learn about.

My recommendation: forward the ordinance only with the modifications below. Above all, it should take effect no earlier than the Town's new Objective Design Standards. If the Council cannot adopt those standards first, the Commission should continue this item.

1. The Objective Design Standards must come first

The draft deletes the Town's SB 9 design review standards and replaces them with one sentence requiring compliance with "Objective Design Standards" in Town Code

Sections 29.40.080 through 29.40.100 (Exhibit 7, Sec. 29.10.630(2)). **Those sections do not exist yet.**

- The Commission recommended the standards (Application A-26-003) on August 12, 2026.
- As of October 11, the Town Council has not adopted them. They do not appear on the Council's September 1, September 15, or October 6 agendas. The September 1 item was the separate multi-family standards.
- Staff's October 9 report says only that the Council is "tentatively scheduled" to hear them in October.

Staff also told HCD in June that the Town already does not enforce its SB 9 design standards. If this ordinance takes effect before the Objective Design Standards do, SB 9 projects would have **no** second-story setback, window privacy, deck, plate height, or hillside grading limits at all. The cross-reference would point to nothing.

The Objective Design Standards are the Town's main remaining tool. SB 450 bars SB 9-only standards, but it allows standards that apply uniformly to all homes in the zone. That is exactly what A-26-003 does. Several protections are being dropped, however, without a replacement:

Current SB 9 standard	**Draft Objective Design Standards**	**Request**
Retaining walls max. 5 ft, no straight run over 50 ft	Not carried over	Add for all homes in the Hillside Area
Cut-and-fill limits (8 ft cut for house; 4 ft cut / 3 ft fill elsewhere)	Not carried over; grading limited only to footprint, driveway, and turnaround	Add the cut-and-fill table for the Hillside Area
50 cubic yard grading cap	Replaced by footprint-based limit	Add a numeric cap or a cap scaled to lot area
First-floor finished floor max. 3 ft above grade	Not carried over	Add for all homes
Street-facing garage max. 50% of front elevation	Not carried over	Add for all homes
Second story 9 ft from property line	Reduced to 8 ft	Keep 9 ft
No rooftop or second-floor	Upper decks allowed 20 ft from	Keep the rooftop

decks; balconies only on street side	rear, 10 ft from other lines, with screening	deck prohibition

I support the draft's reduction of Hillside Area height to 18 feet, or 25 feet with a visibility analysis. The Commission should confirm that the 25-foot limit applies uniformly in the R-1 and R-1D portions of the Hillside Area, as it does in the HR and RC zones.

Request: Recommend that the Council adopt the Objective Design Standards, with the additions above, before or at the same meeting as these amendments. These amendments should take effect no earlier than the standards.

2. Keep one lot from becoming four, five, or more units

Under current state law, an urban lot split followed by two-unit developments allows four primary units where one home stood. Without a lot split, the draft deletes the Town's four-unit cap and defers to state ADU law. HCD's letter notes that "the creation of more than two ADUs may be possible," which could put five or more units on a single-family lot. The Town cannot lower these counts. It can control how much building those units share, and it should not add any allowance state law does not require.

- **Delete the 10% floor area bonus.** Sec. 29.10.630(1)(e) grants SB 9 projects 10% more floor area than any other home in the zone. State law does not require it. It only guarantees that two 800-square-foot units cannot be precluded, and the draft already includes that guarantee in Sec. 29.10.630(1)(e)(6). Without the bonus, every unit on the lot shares the same floor area and lot coverage envelope as one conventional house. If the bonus stays, the 1,200-square-foot cap on it must remain. The draft and staff report are unclear on whether it does.
- **Apply floor area and lot coverage to the total of all units on the lot,** including ADUs to the full extent state ADU law allows, and say so expressly.
- **Tie flag-lot access to fire access.** The draft allows a 12-foot access corridor for a rear lot (Sec. 29.10.650(1)(a)). Where any part of a home on the rear lot would be beyond the Fire Code's hose-pull distance from a street, require the corridor to meet County Fire's apparatus access width. This is an objective standard tied to the design of the parcel and to life safety, which SB 9 permits.
- **Keep one curb cut per parcel** through the Town's Standard Specifications, applied uniformly to all residential lots, so the limit survives SB 450.
- **Track the owner-occupancy affidavit.** State law requires urban lot split applicants to attest they will live on the property for three years. The Town should track compliance and report it with its annual housing data.

3. Hillsides, fire safety, and the 60-day clock

The draft makes three process changes that matter most in the hills:

1. Applications are **deemed approved** if the Town does not act within 60 days of a complete application.
2. The Town may deny only if the Building Official finds a "specific, adverse impact" on **public health and safety**. The "physical environment" basis is removed.
3. The requirement that utility providers be satisfied before a lot split's parcel map is recorded is deleted.

Under Gov. Code § 65589.5(d)(2), a specific, adverse impact must be based on "objective, identified written public health or safety standards, policies, or conditions" in effect when the application is deemed complete. The Building Official's only remaining basis for denial is therefore only as strong as the Town's written safety standards. I ask the Commission to recommend three things.

- **Adopt written, objective fire-safety standards for all new homes in the Hillside Area and very high fire hazard severity zones,** prepared with County Fire. They should cover minimum access road width and grade, turnarounds, hydrant distance and fire flow, and evacuation access. Because they would apply to every new home, they are lawful under SB 450. They would also give the Building Official a written basis for a finding when a site cannot be served safely.
- **Spell out fire-zone eligibility.** SB 9 excludes parcels in very high fire hazard severity zones unless the site meets Public Resources Code §§ 4290 and 4291 and Chapter 7A of the Building Code. The ordinance should state how an applicant demonstrates that, and require County Fire's written sign-off before an application is deemed complete. The Town has already required County Fire's approval of the 176 Loma Alta parcel map because of the site's fire-zone status. That practice should be codified, not left to case-by-case judgment.
- **Publish a complete-application checklist with the ordinance.** The 60-day clock runs from a *complete*application. For hillside and fire-zone parcels, a complete application should include a fire access and water supply plan, a geotechnical report for slopes, an arborist report, a boundary and topographic survey, and evidence of on-site utility service.

On utilities, I accept that state law bars the Town from requiring off-site improvements or dedications for a lot split. It still allows the Town to require easements for public services and access to the public right-of-way (Gov. Code § 66411.7(e)). The ordinance should keep those requirements explicit and require proof of on-site utility service

before building permits issue.

4. Historic protections after AB 1061

AB 1061 took effect January 1, 2026. It narrowed SB 9's historic exclusion to designated landmarks, properties on the State Historic Resources Inventory, and locally designated historic resources and districts. As staff notes, pre-1941 homes that have not been designated by ordinance are no longer excluded. Under the final law, the district exclusion also turns on contributing structures. Non-contributing parcels inside a historic district may become eligible even though staff's draft treats all LHP-district properties as excluded.

AB 1061 also gave cities something: authority to adopt objective standards that prevent adverse impacts on historic resources and districts, such as height, setbacks, materials, and lot size. The draft ordinance uses none of it. I ask the Commission to recommend two things:

- **Objective historic-district standards.** Direct staff, with the Historic Preservation Committee, to prepare objective standards for SB 9 projects in the Town's four historic districts (Almond Grove, Broadway, Fairview Plaza, and University/Edelen) and on parcels next to designated landmarks.
- **A designation program.** Designation by ordinance is now the only protection for an older home. The Historic Preservation Committee should identify eligible pre-1941 homes and potential districts, and the Town should begin designating them, starting with neighborhoods where SB 9 applications are concentrated.

Finally, Exhibit 4 in the packet is AB 1061 **as introduced** in February 2025, not the law as signed. Several provisions changed before enactment. The Commission should act on the chaptered text.

5. Notice, transparency, and outreach

SB 9 decisions already cannot be appealed. The draft now also removes the requirement that applicants mail notice to neighbors, at HCD's direction. Neighbors will learn of a four-unit project on the next lot when construction begins.

HCD's objection was to a requirement imposed on the *applicant*. Nothing prevents the *Town* from publishing its own records. I ask the Commission to recommend that the Town:

Post every SB 9 application online. The posting should list the address, application type, date filed, date deemed complete, and decision, within five business days of each step. It should also offer an email subscription and a map layer on the Town's GIS.

- **Keep corner sight-distance rules.** On corner lots, the draft reduces the street-side setback to four feet. The Town's corner visibility rules should continue to apply to all residential lots, including SB 9 projects.
- **Broaden outreach before the Council hearing.** Staff's outreach for both this item and the Objective Design Standards went to architects and designers and to the Town's social media pages, and no public comments were received on either. Single-family homeowners are the people most affected. Direct notice through the Town newsletter and to neighborhood and homeowner associations should precede Council action.

Requests

I respectfully ask the Commission to forward this ordinance to the Council only with the following recommendations:

1. **Sequence.** Adopt the Objective Design Standards (A-26-003) before or with these amendments, and make these amendments effective no earlier than those standards.
2. **Strengthen the Objective Design Standards.** Restore the retaining wall, cut-and-fill, finished floor, garage width, 9-foot second-story, and rooftop deck standards so they apply to all homes. Confirm the 25-foot Hillside Area height limit across the R-1 and R-1D zones.
3. **Floor area.** Delete the 10% SB 9 floor area bonus, or at minimum keep its 1,200-square-foot cap. Apply floor area and lot coverage to the total of all units on a lot.
4. **Flag lots.** Require rear-lot access corridors to meet County Fire apparatus access width where fire access requires it.
5. **Fire safety.** With County Fire, adopt written, objective fire-safety standards for the Hillside Area and fire hazard zones. Codify the eligibility showing for very high fire hazard severity zone parcels, including County Fire sign-off before an application is complete.
6. **Completeness.** Publish a complete-application checklist with the ordinance, including fire access, water supply, geotechnical, arborist, survey, and utility items.
7. **Historic.** Direct staff and the Historic Preservation Committee to prepare objective historic-district standards and begin designating eligible pre-1941 homes

and districts.

8. **Transparency.** Post all SB 9 applications and decisions online, with email notice and a GIS map layer.
9. **Record.** Replace Exhibit 4 with the chaptered text of AB 1061, and broaden public outreach before the Council hearing.

If the Objective Design Standards cannot be adopted first, I ask that the Commission continue this item rather than forward it.

Thank you for your service and your consideration.

Sincerely,

Jim Lyon

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ITEM NO. 11.

Assembly Bill No. 1061

CHAPTER 505

An act to amend Sections 65852.21 and 66411.7 of the Government Code, relating to land use.

[Approved by Governor October 10, 2025. Filed with Secretary of State October 10, 2025.]

LEGISLATIVE COUNSEL'S DIGEST

AB 1061, Quirk-Silva. Housing developments: urban lot splits: historical resources.

Under the Planning and Zoning Law, the legislative body of a county or city may adopt ordinances that, among other things, regulate the use of buildings, structures, and land, as provided. The Subdivision Map Act vests the authority to regulate and control the design and improvement of subdivisions in the legislative body of a local agency and sets forth procedures governing the local agency's processing, approval, conditional approval or disapproval, and filing of tentative, final, and parcel maps. Existing law requires a local agency to consider ministerially a specified proposed housing development or to ministerially approve a parcel map for an urban lot split if the development or parcel meets specified requirements, including, that the development or parcel is not located within a historic district or property included on the State Historic Resources Inventory or within a site that is designated or listed as a city or county landmark or historic property or district pursuant to city or county ordinance, as specified. Existing law authorizes a local agency to impose specified objective standards on the development or parcel created by an urban lot split, except as specified.

With respect to ministerial review of a proposed housing development under the above-described provisions, this bill would, if the other specified requirements are met, instead require a local agency to consider ministerially the development that is not located in either a contributing structure within a historic district included on the State Historical Resources Inventory or within a historic property or district pursuant to city or county ordinance or in a parcel individually listed as a historical resource included in the State Historical Resources Inventory or within a property individually designated or listed as a city or county landmark under a city or county ordinance. The bill would also authorize a local agency to adopt objective standards for the purposes of maintaining the historical value of a historic district listed in the California Register of Historical Resources, as specified.

With respect to an urban lot split under the above-described provisions, this bill would, if the other specified requirements are met, instead require a local agency to ministerially approve the urban lot split if the parcel is not located within a historic landmark property included on the State Historical Resources Inventory or within a site that is designated or listed as a city or county landmark pursuant to a city or county ordinance. The bill would additionally require that the proposed urban lot split not require demolition or alteration of specified structures.

By imposing additional duties on local agencies, this bill would impose a state-mandated local program.

The California Constitution requires the state to reimburse local agencies and school districts for certain costs mandated by the state. Statutory provisions establish procedures for making that reimbursement.

This bill would provide that no reimbursement is required by this act for a specified reason.

Digest Key

Vote: majority Appropriation: no Fiscal Committee: yes Local Program: yes

Bill Text

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 65852.21 of the Government Code is amended to read:

65852.21. (a) A proposed housing development containing no more than two residential units within a single-family residential zone shall be considered ministerially, without discretionary review or a hearing, if the proposed housing development meets all of the following requirements:

(1) The parcel subject to the proposed housing development is located within a city, the boundaries of which include some portion of either an urbanized area or urban cluster, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

(2) The parcel satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4, as that section read on September 16, 2021.

(3) Notwithstanding any provision of this section or any local law, the proposed housing development would not require demolition or alteration of any of the following types of housing:

(A) Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income.

(B) Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power.

(C) Housing that has been occupied by a tenant in the last three years.

(4) The parcel subject to the proposed housing development is not a parcel on which an owner of residential real property has exercised the owner's rights under Chapter 12.75 (commencing with Section 7060) of Division 7 of Title 1 to withdraw accommodations from rent or lease within 15 years before the date that the development proponent submits an application.

(5) The development is not located in either the following:

(A) A contributing structure within a historic district included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or historic property or district pursuant to a city or county ordinance.

(B) A parcel individually listed as a historical resource included in the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a property individually designated or listed as a city or county landmark under a city or county ordinance.

(b) (1) Notwithstanding any local law and except as provided in paragraphs (2) and (3), a local agency may [illegible]bjective zoning standards, objective subdivision standards, and objective design review standards that

do not conflict with this section.

(2) (A) The local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that would have the effect of physically precluding the construction of up to two units or that would physically preclude either of the two units from being at least 800 square feet in floor area.

(B) (i) Notwithstanding subparagraph (A), no setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.

(ii) Notwithstanding subparagraph (A), in all other circumstances not described in clause (i), a local agency may require a setback of up to four feet from the side and rear lot lines.

(3) A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design standards that do not apply uniformly to development within the underlying zone. This subdivision shall not prevent a local agency from adopting or imposing objective zoning standards, objective subdivision standards, and objective design standards on development authorized by this section if those standards are more permissive than applicable standards within the underlying zone.

(4) A local agency may adopt objective standards for the purposes of maintaining the historical value of a historic district listed in the California Register of Historical Resources.

(c) In addition to any conditions established in accordance with subdivision (b), a local agency may require any of the following conditions when considering an application for two residential units as provided for in this section:

(1) Offstreet parking of up to one space per unit, except that a local agency shall not impose parking requirements in either of the following instances:

(A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor, as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop, as defined in Section 21064.3 of the Public Resources Code.

(B) There is a car share vehicle located within one block of the parcel.

(2) For residential units connected to an onsite wastewater treatment system, a percolation test completed within the last 5 years, or, if the percolation test has been recertified, within the last 10 years.

(d) Notwithstanding subdivision (a), a local agency may deny a proposed housing development project if the building official makes a written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

(e) A local agency shall require that a rental of any unit created pursuant to this section be for a term longer than 30 days.

(f) Notwithstanding Article 2 (commencing with Section 66314) or Article 3 (commencing with Section 66333) of Chapter 13, a local agency shall not be required to permit an accessory dwelling unit or a junior accessory dwelling unit on parcels that use both the authority contained within this section and the authority contained in Section 66411.7.

(g) Notwithstanding subparagraph (B) of paragraph (2) of subdivision (b), an application shall not be rejected solely because it proposes adjacent or connected structures provided that the structures meet building code safety standards and are sufficient to allow separate conveyance.

(h) (1) An application for a proposed housing development pursuant to this section shall be considered approved or denied within 60 days from the date the local agency receives a completed application. If the local agency has not approved or denied the completed application within 60 days, the application shall be deemed approved.

(2) If a permitting agency denies an application for a proposed housing development pursuant to paragraph (1), the permitting agency shall, within the time period described in paragraph (1), return in writing a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant.

(i) Local agencies shall include units constructed pursuant to this section in the annual housing element report as required by subparagraph (I) of paragraph (2) of subdivision (a) of Section 65400.

(j) For purposes of this section, all of the following apply:

(1) A housing development contains two residential units if the development proposes no more than two new units or if it proposes to add one new unit to one existing unit.

(2) The terms "objective zoning standards," "objective subdivision standards," and "objective design review standards" mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by a local agency, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(3) "Local agency" means a city, county, or city and county, whether general law or chartered.

(k) A local agency may adopt an ordinance to implement the provisions of this section. An ordinance adopted to implement this section shall not be considered a project under Division 13 (commencing with Section 21000) of the Public Resources Code.

(l) Nothing in this section shall be construed to supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code), except that the local agency shall not be required to hold public hearings for coastal development permit applications for a housing development pursuant to this section.

SEC. 2. Section 66411.7 of the Government Code is amended to read:

66411.7. (a) Notwithstanding any other provision of this division and any local law, a local agency shall ministerially approve, as set forth in this section, a parcel map for an urban lot split only if the local agency determines that the parcel map for the urban lot split meets all the following requirements:

(1) The parcel map subdivides an existing parcel to create no more than two new parcels of approximately equal lot area provided that one parcel shall not be smaller than 40 percent of the lot area of the original parcel proposed for subdivision.

(2) (A) Except as provided in subparagraph (B), both newly created parcels are no smaller than 1,200 square feet.

(B) A local agency may by ordinance adopt a smaller minimum lot size subject to ministerial approval under this subdivision.

(3) The parcel being subdivided meets all the following requirements:

(A) The parcel is located within a single-family residential zone.

(B) The parcel subject to the proposed urban lot split is located within a city, the boundaries of which include some portion of either an urbanized area or urban cluster, as designated by the United States Census Bureau, or, for unincorporated areas, a legal parcel wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

(C) The parcel satisfies the requirements specified in subparagraphs (B) to (K), inclusive, of paragraph (6) of subdivision (a) of Section 65913.4, as that section read on September 16, 2021.

(D) The proposed urban lot split would not require demolition or alteration of any of the following types of housing:

(i) Housing that is subject to a recorded covenant, ordinance, or law that restricts rents to levels affordable to persons and families of moderate, low, or very low income.

(ii) Housing that is subject to any form of rent or price control through a public entity's valid exercise of its police power.

(iii) A parcel or parcels on which an owner of residential real property has exercised the owner's rights under Chapter 12.75 (commencing with Section 7060) of Division 7 of Title 1 to withdraw accommodations from rent or lease within 15 years before the date that the development proponent submits an application.

(iv) Housing that has been occupied by a tenant in the last three years.

(E) The parcel is not located within a historical landmark property included on the State Historic Resources Inventory, as defined in Section 5020.1 of the Public Resources Code, or within a site that is designated or listed as a city or county landmark pursuant to a city or county ordinance.

(F) The proposed urban lot split does not require demolition or alteration of either of the following:

(i) A contributing structure located within either a historic district that is included on the California Register of Historical Resources or within a historic district listed or designated pursuant to a city or county ordinance.

(ii) An existing exterior structural wall of a structure located within either a historic district that is included on the California Register of Historical Resources or within a historic district listed or designated pursuant to a city or county ordinance.

(G) The parcel has not been established through prior exercise of an urban lot split as provided for in this section.

(H) Neither the owner of the parcel being subdivided nor any person acting in concert with the owner has previously subdivided an adjacent parcel using an urban lot split as provided for in this section.

(b) An application for a parcel map for an urban lot split shall be approved in accordance with the following requirements:

(1) (A) A local agency shall approve or deny an application for a parcel map for an urban lot split ministerially without discretionary review.

(B) An application for an urban lot split shall be considered and approved or denied within 60 days from the date the local agency receives a completed application. If the local agency has not approved or denied the completed application within 60 days, the application shall be deemed approved.

(C) If a permitting agency denies an application for an urban lot split pursuant to subparagra permitting agency shall, within the time period described in subparagraph (B), return in writing a full set of comments to the applicant with a list of items that are defective or deficient and a description of how the application can be remedied by the applicant.

(2) A local agency shall approve an urban lot split only if it conforms to all applicable objective requirements of the Subdivision Map Act (Division 2 (commencing with Section 66410)), except as otherwise expressly provided in this section.

(3) Notwithstanding Section 66411.1, a local agency shall not impose regulations that require dedications of rights-of-way or the construction of offsite improvements for the parcels being created as a condition of issuing a parcel map for an urban lot split pursuant to this section.

(c) (1) Except as provided in paragraph (2), notwithstanding any local law, a local agency may impose objective zoning standards, objective subdivision standards, and objective design review standards that are related to the design or to improvements of a parcel, consistent with paragraph (3) of subdivision (b) and with subdivision (e), and are applicable to a parcel created by an urban lot split that do not conflict with this section.

(2) A local agency shall not impose objective zoning standards, objective subdivision standards, and objective design review standards that would have the effect of physically precluding the construction of two units on either of the resulting parcels or that would result in a unit size of less than 800 square feet.

(3) (A) Notwithstanding paragraph (2), no setback shall be required for an existing structure or a structure constructed in the same location and to the same dimensions as an existing structure.

(B) Notwithstanding paragraph (2), in all other circumstances not described in subparagraph (A), a local agency may require a setback of up to four feet from the side and rear lot lines.

(d) Notwithstanding subdivision (a), a local agency may deny an urban lot split if the building official makes a written finding, based upon a preponderance of the evidence, that the proposed housing development project would have a specific, adverse impact, as defined and determined in paragraph (2) of subdivision (d) of Section 65589.5, upon public health and safety for which there is no feasible method to satisfactorily mitigate or avoid the specific, adverse impact.

(e) In addition to any conditions established in accordance with this section, a local agency may require any of the following conditions when considering an application for a parcel map for an urban lot split:

(1) Easements required for the provision of public services and facilities.

(2) A requirement that the parcels have access to, provide access to, or adjoin the public right-of-way.

(3) Offstreet parking of up to one space per unit, except that a local agency shall not impose parking requirements in either of the following instances:

(A) The parcel is located within one-half mile walking distance of either a high-quality transit corridor as defined in subdivision (b) of Section 21155 of the Public Resources Code, or a major transit stop as defined in Section 21064.3 of the Public Resources Code.

(B) There is a car share vehicle located within one block of the parcel.

(f) A local agency shall require that the uses allowed on a lot created by this section be limited to residential uses.

(g) (1) A local agency shall require an applicant for an urban lot split to sign an affidavit stating that the applicant intends to occupy one of the housing units as their principal residence for a minimum of three years from the date of the approval of the urban lot split.

(2) This subdivision shall not apply to an applicant that is a "community land trust," as defined in clause (ii) of subparagraph (C) of paragraph (11) of subdivision (a) of Section 402.1 of the Revenue and Taxation Code, or is a "qualified nonprofit corporation" as described in Section 214.15 of the Revenue and Taxation Code.

(3) A local agency shall not impose additional owner occupancy standards, other than provided for in this subdivision, on an urban lot split pursuant to this section.

(h) A local agency shall require that a rental of any unit created pursuant to this section be for a term longer than 30 days.

(i) A local agency shall not require, as a condition for ministerial approval of a parcel map application for the creation of an urban lot split, the correction of nonconforming zoning conditions.

(j) (1) Notwithstanding any provision of Section 65852.21, 65915, Article 2 (commencing with Section 66314) or Article 3 (commencing with Section 66333) of Chapter 13 of Division 1, or this section, a local agency shall not be required to permit more than two units on a parcel created through the exercise of the authority contained within this section.

(2) For the purposes of this section, "unit" means any dwelling unit, including, but not limited to, a unit or units created pursuant to Section 65852.21, a primary dwelling, an accessory dwelling unit as defined in subdivision (a) of Section 66313, or a junior accessory dwelling unit as defined in subdivision (d) of Section 66313.

(k) Notwithstanding paragraph (3) of subdivision (c), an application shall not be rejected solely because it proposes adjacent or connected structures provided that the structures meet building code safety standards and are sufficient to allow separate conveyance.

(l) Local agencies shall include the number of applications for parcel maps for urban lot splits pursuant to this section in the annual housing element report as required by subparagraph (I) of paragraph (2) of subdivision (a) of Section 65400.

(m) For purposes of this section, both of the following shall apply:

(1) "Objective zoning standards," "objective subdivision standards," and "objective design review standards" mean standards that involve no personal or subjective judgment by a public official and are uniformly verifiable by reference to an external and uniform benchmark or criterion available and knowable by both the development applicant or proponent and the public official prior to submittal. These standards may be embodied in alternative objective land use specifications adopted by a local agency, and may include, but are not limited to, housing overlay zones, specific plans, inclusionary zoning ordinances, and density bonus ordinances.

(2) "Local agency" means a city, county, or city and county, whether general law or chartered.

(n) A local agency may adopt an ordinance to implement the provisions of this section. An ordinance adopted to implement this section shall not be considered a project under Division 13 (commencing with Section 21000) of the Public Resources Code.

(o) Nothing in this section shall be construed to supersede or in any way alter or lessen the effect or application of the California Coastal Act of 1976 (Division 20 (commencing with Section 30000) of the Public Resources Code), except that the local agency shall not be required to hold public hearings for coastal development permit applications for urban lot splits pursuant to this section.

SEC. 3. No reimbursement is required by this act pursuant to Section 6 of Article XIII B of the California Constitution because a local agency or school district has the authority to levy service charges, fees, or

assessments sufficient to pay for the program or level of service mandated by this act, within the Section 17556 of the Government Code.

A P P E A R A N C E S:

Los Gatos Planning Commissioners:	Jeffrey Barnett, Vice Chair Susan Burnett Adam Mayer Joseph Sordi Rob Stump Emily Thomas
Community Development Director:	Joel Paulson
Town Attorney:	Gabrielle Whelan
Transcribed by:	Vicki L. Blandin (619) 541-3405

P R O C E E D I N G S:

VICE CHAIR BARNETT: We'll move forward to Item 2, which is a request for a recommendation to the Town Council on an ordinance amending Chapter 29, Zoning Regulations, of the Town Code for the Senate Bill SB 9 regarding urban lot splits and two-unit housing developments in response to changes in State law.

The proposed amendments to the Town Code are not considered under Section 15378 of the California Environmental Quality Act and in accordance with Government Code Section 66411.7(n) and 66452.21(g)to be a project subject to CEQA.

Town Amendment Application is A-26-004. Location is Town Wide. The Applicant is the Town of Los Gatos.

Request a Staff Report, Mr. Safty.

RYAN SAFTY: Certainly, and good evening, Commissioners. Before you tonight is a proposed ordinance amending Chapter 29 of the Town Code regarding SB 9, Urban Lot Splits and Two-Unit Housing Developments.

Back in 2021, SB 9 was first adopted, which requires ministerial approval of two-unit housing developments and urban lot splits on single-family zoned properties. The previous, or initial, law allowed

jurisdictions to adopt Objective Design Standards specific to SB 9 applications so long as they would not preclude the construction of two 800 square-foot units.

As SB 9 allowed reduced side and rear setbacks with no discretionary review, the Town previously adopted Objective Standards specific to just SB 9 units in an attempt to protect neighbor privacy and enforce some of the Town's design guidelines.

In the past few years, Senate Bill 450 and Assembly Bill 1061 were adopted, which modified the provisions of SB 9.

The first, SB 450, amends several aspects of SB 9. The most impactful is that the Town is now prohibited from applying specific Objective Design Standards for SB 9 projects that do not already apply uniformly to development in the underlining zoning district for all application types.

As a result, the Town is proposing the creation of new Objective Design Standards to be applicable across the board for all new single-family and two-family projects, as well as second-story additions. These proposed Objective Design Standards were reviewed by the Planning Commission back in August and is scheduled for Town Council review next week.

This is the most impactful edit proposed in the draft ordinance in Exhibit 7. You'll see several design standards removed and instead a reference to a new Town Code section for these Objective Design Standards being added.

SB 450 also made modifications to the demolition allowance of existing residential units, processing timelines, and denial findings.

AB 1061, on the other hand, refined and further limits previous historic restrictions applicable to these SB 9 applications, specifically, the assembly bill narrows the historic exemption so that it now only applies to State or local designated landmark properties or historic resources designated specifically by a Town ordinance.

That means that the Town's historic districts and those individual properties adopted by ordinance are still excluded, but these pre-1941 residences which we were previously able to exclude are no longer exempt from SB 9.

Additionally, the California Department of Housing and Community Development, also known as HCD, provided the Town a letter earlier this year highlighting 17 items in our current ordinance that we're no longer in compliance with. The draft amendments in Exhibit 7 address each of these items.

Public comment received following publication of the Staff Report was distributed on Monday as an Addendum Report. The Addendum Report also provides the full adopted version of AB 1061. It was noted to Staff that the previous version in Exhibit 4 was not the final adopted and was just one of the chaptered versions.

As with any ordinance amendment, Town Council approval is required. Tonight Planning Commission will be reviewing and forwarding a recommendation to the Town Council.

This concludes Staff's presentation, and we're happy to answer any questions.

VICE CHAIR BARNETT: Thank you, Mr. Safty. Are there any questions for Staff? Please, Commissioner Stump.

COMMISSIONER STUMP: Can I ask a question back on the pre-1941 homes and lot splits? I'm assuming that just deals with the lot split itself, it does not address the structure itself?

RYAN SAFTY: Unfortunately, no. Pre-1941 residences could be fully demolished with an SB 9 application.

VICE CHAIR BARNETT: Other questions? Commissioner Stump.

COMMISSIONER STUMP: First of all, it seems like Mr. Lyon, who made the comment and was one heck of a detail-oriented planning commissioner… My question is he's making a recommendation to forward the ordinance only with the modifications to the Objective Standards, I guess, that he's suggesting being made. Is that an accurate statement, what he's looking for? What is he requesting specifically?

RYAN SAFTY: Ultimately, I can't speak to somebody else's intent. There were several different recommendations within Mr. Lyon's letter. I don't know.

COMMISSIONER STUMP: It seems like he's made some pretty thoughtful Objective Design Standards suggestions. Do his suggested changes and additions have merit?

RYAN SAFTY: If you don't mind, Staff would recommend, or actually ask, that you point to a specific standard. Again, this is a multi-page letter that was provided.

COMMISSIONER STUMP: I guess I was sort of looking for an overall thought on what is being presented here (inaudible). By the way, Mr. Safty, I'll take a look at that. I'm not interested in really going line-by-line. Does his document have relevance to what we're talking about? Are there things that when we look at it that would say hey, maybe we might have missed something that should

have been included in our Objective Standards? Is what he submitted not considered relevant? I'm just looking for kind of a Staff opinion on this.

RYAN SAFTY: I'll take the first stab; Mr. Paulson or Mullin can chime in. Ultimately, the comments on the Objective Design Standards were reviewed by Planning Commission in August. Town Council is reviewing Objective Design Standards next week. Comments on the Objective Design Standards don't really fit in this hearing. The comments on the SB 9 application themselves are what we're reviewing tonight.

SEAN MULLIN: I'll just further clarify. The reason that they don't really bear much weight in tonight's discussion is that the State has come in through SB 450—correct me if I'm wrong—and said that we can't impose Objective Design Standards that are specific to SB 9 projects, so Staff has pivoted by taking those Objective Design Standards out of our existing ordinance, modifying them based on a lot of different factors, and putting them in a separate new section of the code that would apply to all residential development.

So, if it goes forward, those Objective Design Standards would apply to SB 9 as well as all other residential projects. The reason that it doesn't really

bear any weight tonight is that we can't make Objective Design Standards specific to SB 9. We're only talking about the SB 9 ordinance tonight.

Mr. Lyon is more than welcome to provide these comments ahead of the Council meeting next week, which is considering Objective Design Standards for single-family residences that the Planning Commission has already reviewed and recommended.

COMMISSIONER STUMP: Okay, thank you.

VICE CHAIR BARNETT: Other questions for Staff? Commissioner Burnett.

COMMISSIONER BURNETT: Yes, thank you. I don't know if this discussion is after we make the motion, the first and second, or continuing on with Commissioner Stump's questions here, because this is very important, what we're forwarding to the Town Council regarding SB 9.

I think that if it is forwarded the Commissioners should be able to make request modifications like with AB 1061, as well as some other of Mr. Lyon's suggestions, because I think they're very pertinent, and I think this would be the time that we could get them in, because we are able to do that.

SB 450 does not address a couple of things, mainly like the 10% FAR, and I don't know if this is the

time I ask these questions, but I think we should be able to make modifications or recommendations in the record for our Town Council to be able to see what we talked about and what other concerns are, because if this moves forward I don't see how we'll have another chance to get some very important considerations in, especially with AB 1061, which gave cities something, an authority to adopt Objective Standards that prevent adverse impacts on historic resources, and I think that's very important, so I don't know where that would fit in.

SEAN MULLIN: The Commission can include any relevant points in their recommendation, obviously, to the Town Council. Objective Design Standards outside of the context of historic, because that is a little carve-out with AB 1061, Objective Design Standards has already come through this committee, and I just want to clarify, that's why I'm saying it doesn't really bear much weight. I'm not saying you can't make comments about it, but that ship has already kind of sailed, but feedback can be provided to the Council.

COMMISSIONER BURNETT: If I may continue, to further if the Council hears some of our worries or questions on this, they could actually add those comments to the new SB 9. And SB 9, it's very interesting if people

don't understand, citizens have been under quite an issue here. I was just trying to make a comment.

VICE CHAIR BARNETT: Related to the procedure, is it possible for the Planning Commission to address the Objective Standards since A) they were already submitted to the Council, and B) it's not agendized for tonight?

ATTORNEY WHELAN: It's not on the agenda. If there are standards that the Commission would like to see incorporated into the SB 9 Ordinance, the SB 9 Ordinance is on the agenda and the Commission is free to make recommendations related to the SB 9 Ordinance.

VICE CHAIR BARNETT: Okay, thank you. Commissioner Thomas.

COMMISSIONER THOMAS: My understanding though is that the Objective Standards are being removed from the SB 9 Ordinance because it's against State law to have specific language applied to SB 9 but not in the rest of the code.

ATTORNEY WHELAN: That's correct.

COMMISSIONER THOMAS: So, if we made specific recommendations to include Objective Design Standards, then we would be going against State law?

ATTORNEY WHELAN: Yes.

VICE CHAIR BARNETT: Further questions? Commissioner Sordi.

COMMISSIONER SORDI: I did want to just ask a couple specific questions that kind of go off of Mr. Lyon's memo, and that way we can drill into it a little bit more, but partly just out of curiosity.

One of the things he says is he suggests that we delete the 10% floor area bonus, and he makes reference to 29.10-630. SB 9 basically grants projects 10% more floor area than any other home in the zone is the way it's characterized, and I don't really remember that being in the Objective Design Standards. Is that something that's more pertinent directly to this ordinance? I'll start with that.

RYAN SAFTY: The 10% bump is something the Town has done for Accessory Dwelling Units and SB 9 units since they were first allowed in the Town, or at least for the last four to five years, so that isn't proposed to change, but Mr. Lyon is correct that it is a little bit unique.

COMMISSIONER SORDI: What's the purpose for the 10%?

RYAN SAFTY: The purpose is to encourage these more affordable units, and it's worth noting that the conversation over the 10% bump did come up during conversations with HCD during our Housing Element, and—Mr. Mullin, correct me if I'm wrong—but it was kind of used to

prove that we are doing our best to develop these more affordable units in the Town.

COMMISSIONER SORDI: Okay, and is it 10% of the minimum required 800 square feet?

RYAN SAFTY: Ten.

SEAN MULLIN: The 10% bump originally came from the ADU Ordinance, which predates SB 9, and during that deliberation the Council decided to provide a 10% bump in floor area ratio, so if you're sitting at a .32 as your maximum, you get a .42, and that extra 10% could be used towards an ADU. That was really targeting folks that had already built-out properties, and the Council wanted to provide opportunities for them to build a modest sized unit that could be naturally affordable by size; and so, when SB 9 came forward several years later, they said it's very similar, let's add the 10% into here, let's be consistent between the ADU and the SB 9 Ordinance.

Then to touch on Mr. Safty's point, HCD saw this favorably as an incentive to housing development, that it creates additional opportunities for properties that may not have additional floor area. Some of this—especially the 10% piece—all predates these mandatory 800 square-foot units, but the suggestion here to delete it may be not looked favorably upon by HCD.

DIRECTOR PAULSON: And to add, through the Chair, I think the other distinction which may get lost in translation is you can't have one house, you don't get the 10% bump. It's only if you have any existing house and you're adding one, or if you're doing two, so it's not just an automatic… Because you can do one unit as part of SB 9, but they're not eligible for the bump as it's written, which is similar to ADUs. We don't let people take the extra 10% and put it in their house if they're not doing an ADU.

COMMISSIONER SORDI: I'm also curious to know about tracking the owner occupancy affidavit. I work in multiple jurisdictions where I've had a little bit of trouble, and I read about other jurisdictions having trouble tracking some of the things that people say. I think the State law requires applicants to attest that they'll live on the property for three years. Is that something that we could do from a practical standpoint?

RYAN SAFTY: I'm happy to answer this question. To be honest, we tried. The Town tried to actually require more than intent affidavits originally. We tried to do deed restrictions, because at the end of the day, you can't prove intent. So, all the State is allowing us to require is that when they submit the application, they sign a form

saying on that day it is their intention to live on the property for three years. So, honestly, I just don't know how Staff would even be able to enforce it or track it, and if we did, there's no enforcement we'd be able to do.

COMMISSIONER SORDI: Okay, thank you. I figured that would be the logical answer, but it's interesting how the State law comes up with these things and then kind of doesn't give us a real practical way of enforcing it.

One of the more provocative things that he suggested we do is to adopt some type of our own version as a town of objective fire safety standards for all new homes in hillsides. Sounds a little impractical to me, but I would like to hear Staff comment on the practicality of doing that. It sounds like that's something that would be kind of outside of the Fire jurisdiction's realm and in the Town's domain, so just curious.

SEAN MULLIN: I can start. In a way, the Town, through the Building and Fire Code, I think it's Title 24, always has Objective Fire Standards, so if you're building in a High Fire Zone or a Very High Fire Zone, you have to build with specific materials and specific venting, and then vegetation management. In theory, the Town could go further, but we have the Fire Department that manages that, and that's not something that's been explored as of yet.

COMMISSIONER SORDI: Thank you.

RYAN SAFTY: If I could just add on, it's worth noting that the County Fire Department does review and approve these projects in the Very High Hazard Severity Zone, so they have that ability to deny it if it doesn't meet their requirements.

COMMISSIONER SORDI: Okay, thank. One other quick one, just since AB 1061 focuses on historic. I think Mr. Lyon made a recommendation in his memo that we also tried to, as a town, respond to this in some fashion by creating our own historic preservation set of Objective Design Standards specifically as it applies to SB 9. It seems a little bit cart-before-the-horse to me, but again, it would be interesting just to hear… It sounds to me a little bit like that would be an attempt to make an adjustment after the fact, after State law changed, and that might not be viewed by the State as proper sequence, but I'm curious to know if that could work.

RYAN SAFTY: The Town's reading of AB 1061 is that essentially all of our districts, regardless of how you're identified in that district, are prohibited from using SB 9. What this standard is saying is that if you have situations where they are eligible to use SB 9, but it's still some sort of historic resource, then you can

create these Objective Design Standards. It's our stance that we're not going to allow anybody in these districts, so there is no point to create Objective Design Standards in our district. All of our districts are adopted by ordinance; they all list every single property within then as a part of that district. It's the Town stance that it's simply not needed.

COMMISSIONER SORDI: Okay, thank you.

VICE CHAIR BARNETT: Commissioner Burnett, you had your hand up.

COMMISSIONER BURNETT: Yes, thank you. Going back to Commissioner Sordi about the fire, I think the question would be if we write it in an ordinance it will give a little bit more teeth to the whole process as far as fire safety standards. I think that's what maybe we would consider.

Then the other thing on the 10% floor area bonus, that's not required by State law, and I think the idea on that is reducing the density or intensity of a building, and I think it's come up before—I know I've brought it up before—to reduce the overall size in some of our smaller neighborhoods.

Then the third one, I would ask about keeping the one curb per parcel, which also SB 450 doesn't necessarily

say we have to have two curbs for a lot split; we could have one curb if it's 100'.

Than as far as AB 1061, I think we actually should be addressing that, and as I said before, it gives cities something, an authority to adopt Objective Standards that prevent aversive impacts on historic resources and districts. So, I think we can discuss it and maybe just make a suggestion or a recommendation to Town Council to further look at that.

VICE CHAIR BARNETT: Commissioner, you're not asking a question of Staff, with due respect.

COMMISSIONER BURNETT: I was going over those, and then…

VICE CHAIR BARNETT: I didn't hear a question. Sorry, I don't mean to be rude, but this is the time to ask questions of Staff, not discussion among the commissioners.

COMMISSIONER BURNETT: Yes, and that was one of my first comments to begin with. I didn't know if we were going to be discussing this, but it started…seemed to be discussed. So, my question would be those things that I mentioned, can we bring those up and forward them to Town Council?

RYAN SAFTY: I'm going to skip the first one and let Mr. Mullin come back to it; that was regarding the fire standards.

The 10% bump is a part of the SB 9 ordinance, and you can make a recommendation on it, because SB 9 is agendized for tonight.

The curb cut is not. The curb cut in a part of the Objective Design Standards that went already, so just a reminder, the only reference to the Objective Design Standards in what we're looking at tonight is a line saying all SB 9 projects have to comply with them, so it's Staff's opinion that I don't think that recommendation can really be made as a part of tonight's item, and Mr. Mullin, let me know if I'm wrong there.

Then, just back to the historic districts, essentially I just want to make sure I'm being clear here. We're simply saying that our read of it is that you cannot even apply in an historic district. What AB 1061 is saying here is that if for some reason you are going to allow people to apply in an historic district, then you can create Objective Design Standards. We're saying there's no need to create them, because we're telling them they can't even apply.

COMMISSIONER BURNETT: Okay, thank you.

VICE CHAIR BARNETT: Thank you, Commissioner Burnett. Other questions for Staff?

I'll ask one having to do with the transparency and making the public more aware of an application under SB 9. Is there a comment from Staff on that recommendation?

RYAN SAFTY: There is. I guess there was actually two parts of the transparency that were being noted. One was kind of broadening the outreach for Council, and I'll comment on that one first.

We did our standard social media blast where it's on our website, our Twitter accounts, our Facebook, or LinkedIn, and then we also reached out to our very core group of architects and design professionals; that's kind of standard for these types of applications.

In terms of transparency of each individual application, we do post all of our SB 9 applications online. The request to continue sending the letters, we simply just cannot do; HCD has told us multiple times that we have to stop doing that.

We don't have a map layer on the Town's GIS, but we actually have a Google Maps layer where we show all of our active projects, so Staff feels like we do a pretty good job with our transparency.

On top of all of that, our permit system is accessible to the public, and you can check and see active statuses of things.

VICE CHAIR BARNETT: Thank you for the complete answer; I appreciate it. Any other questions? Commissioner Stump.

COMMISSIONER STUMP: I just wanted to come back and ask a question about the pre-1941 homes. Has this come up as an issue, item of discussion, at the Historic Preservation Committee? Not at all?

VICE CHAIR BARNETT: No.

COMMISSIONER STUMP: Okay, thank you.

VICE CHAIR BARNETT: All right, there being no more questions of Staff, we'll open the public portion of the public meeting on Item 2 and invite members of the public to comment on the item, and I have two speaker cards, and then we'll go on to Zoom. First, Ms. Quintana.

LEE QUINTANA: I have just a few comments to make. The first one is that many years ago when the Hillside Standards were adopted, the committee that worked on them, that I was chair of, recommended that they be made part of the Zoning Code, and we were told that a standard in the Hillside Standards and Guidelines was the same as being in the Zoning Code.

My comment here is to be careful about the decisions that you make, because they affect further decisions at other times, and clearly this is going to affect the historic preservation program of the Town.

We have a lot of pre-1941 homes that are not located in historic districts, and therefore I ask that you ask the Town Council to consider this when they're considering it, and to push for the review and implementation of some of the suggestions that the Historic Preservation Committee submitted to the Town Council. Without that, we are going to lose a lot of pre-1941 homes that are potentially eligible to be in a historic district if the Town choses to create more historic districts, which was some of the recommendations from the study that was done.

My basic comment here is that this is a very complicated and confusing process, and it seems like the Objective Design Guidelines and the SB 9 Guidelines should have been looked at in concert together, because they affect one another and it affects the transparency of what is going on in this town. I try very hard to keep up with things, and this, to me, has been very confusing.

I do think that you should ask that Staff address the questions that were raised by Jim Lyon. He does a lot

of research, and again, this is a matter or transparency. People write things to the Council and to the Planning Commission, and there is no response. That was not the way it was done at San Jose. I had to write responses to every single comment that came in that was going to either the Planning Commission or the Council.

VICE CHAIR BARNETT: Thank you for that. Are there questions for the speaker? I have one for you, Ms. Quintana, and that is what specifically were you asking the Planning Commission to forward to the Council with respect to the issues? I think that was your first point.

LEE QUINTANA: Let me find my notes. I don't even remember what I was referring to.

VICE CHAIR BARNETT: Is it the workplan that was previously discussed?

LEE QUINTANA: Yes, yes. That's been put on hold until after the Objective Standards have been approved.

VICE CHAIR BARNETT: Right.

LEE QUINTANA: And if nothing else, just a statement of when that might occur, because now it's really important to have those.

VICE CHAIR BARNETT: Got it. Okay, thank you for that clarification. Commissioner Stump.

COMMISSIONER STUMP: I may be a little dense tonight, but I know you were specifically referring to the pre-1941 homes in Los Gatos and that this could really be harmful, and I'm assuming again you're saying that there was something in the workplan related to this, or your encouragement is that we send something along to the Council.

LEE QUINTANA: No, I'm saying that the Historic Preservation Committee already sent something on to the Council, and it was deferred for consideration to be done until after all the Objective Standards have been implemented and there is no longer any work connected with them, but there is no guarantee that there won't be some other immediate problem that has to be taken care of that's going to push it down further and further.

And when I was talking about the pre-1941 homes that aren't in the historic districts, most of those pre-1941 homes… Not most of them, but there were seven additional historic districts that were recommended by the Bloomberg, and they haven't been initiated, but what happened was that if a pre-1941 home outside a district was identified by Bloomberg as being eligible for a potential historic district, that gave us more power to impose things

on those pre-1941 homes, so that they didn't get altered beyond and lose their eligibility if those were ever done.

In other words, we have a lot of homes in those seven proposed districts that could be exempt, I guess, from SB 9 objectives if we do the work that we need to do.

Actually, there is a question I want to ask, if you could ask Staff, does the State say that if you adopt additional standards now, that you can't apply them to SB 9? Or if you adopt additional standards after this is approved, that they can't be added to SB 9?

VICE CHAIR BARNETT: Well, we'll see if Commissioner Stump wants to ask that question, but are there any further questions for Ms. Quintana?

COMMISSIONER STUMP: Yes, Staff, I was going to say what she said.

ATTORNEY WHELAN: I'll start.

COMMISSIONER STUMP: Yes, please.

ATTORNEY WHELAN: SB 450 dictates that any Objective Standards that the Town applies to SB 9 projects have to apply Town wide.

Then, AB 1061 does authorize the Town to adopt special Objective Standards within historic districts, and the Town does have several historic districts, but it's important to read the language of the statute, because

there is a conceivable instance in which there might be a structure within a historic district that is deemed a non-contributing structure, and the exclusion from SB 9 would not apply to a structure that was a non-contributing structure to the district. So, there is the ability for the Commission to recommend standards that apply in districts to guard against the possibility that there would be a non-contributing structure that would affect the look of the district.

VICE CHAIR BARNETT: Commissioner Thomas, and then Commissioner Burnett.

COMMISSIONER THOMAS: I have a clarification. When you say Town wide, you mean…

ATTORNEY WHELAN: When I was speaking about SB 450?

COMMISSIONER THOMAS: Yes.

ATTORNEY WHELAN: SB 450 says cities and towns, you can no longer have Objective Design Standards that pertain only to SB 9 projects. If you're applying it to an SB 9 project, it has to apply to any other…it has to be a uniform rule that applies to any project in the Town.

COMMISSIONER THOMAS: In the entire Town, or for that specific zoning?

ATTORNEY WHELAN: Oh, sorry, for that specific zoning district.

COMMISSIONER THOMAS: Okay, sorry. I was like that's different than what my other saying was. So, Town wide as in like wherever that zone applies in Town?

ATTORNEY WHELAN: Right.

COMMISSIONER THOMAS: Great. Okay, thank you.

VICE CHAIR BARNETT: Commissioner Burnett.

COMMISSIONER BURNETT: Yes, question for Ms. Quintana. I'm sure you read Mr. Lyon's letter here. So, are you suggesting that maybe if this is moved forward to the Town Council that they would take a second look if it's recommended by the Planning Commission? That maybe the Town Council members, and I think some of them would like to take a second look at this, because I think it's a very important issue regarding historic protections for AB 1061, because are you thinking that even in an historic district, if there are no protections put in that you could actually have a home that would not be considered historic or a contributor in a historic district, but you could actually do a lot split in there and end up with something that would not normally be in a historic district? Is that some of your concern?

LEE QUINTANA: Yes, that is. But I would also say that I think Jim Lyon raised many issues, and that I would request that the Commission direct Staff to address his concerns as part of the Staff Report that goes to Council.

COMMISSIONER BURNETT: Thank you.

VICE CHAIR BARNETT: Other questions for Staff? Just to clarify, Mr. Lyon's letter is submitted as part of the Staff Report, and so that will naturally be considered by the Council at that time, right?

SEAN MULLIN: The Planning Commission packet includes Mr. Lyon's letter and will be forwarded to the Council with their report.

VICE CHAIR BARNETT: Thank you.

RYAN SAFTY: Including verbatim minutes, which would include all the back and forth we had tonight on his letter specifically.

VICE CHAIR BARNETT: Okay, thank you for noting that. Out next speaker is Gus Who.

GUS WHO: A couple comments. First off the hand, there is not enough time to actually dig into this. This is, I guess, mailed late Friday and it's a couple days, and there are only three people here.

It is a somewhat big… Because I think that from my perspective, my dad was civil engineer and bridge, and

he did the roadwork bridges and tunnels and stuff like that, and this town wasn't built to withstand…

The biggest thing on this town, and anybody says, is the traffic. You go to any city, like Saratoga. When the police thing… I went there. They just said traffic. How you guys going to do this? Traffic, traffic, traffic. We're already congested, and you have to have to something that…

The State has, or the Town has, to first see if this many people can fit there, because it can't. You see these red lines in the stuff, so that has to be something, a part of what you're trying to… You can't overbuild, unless you have a walking zone and it's going to be like downtown Reno, put a strip in. But this is a town. I mean, okay, Reno says it's the biggest city, town, or whatever. The smallest biggest city in the world or whatever. You know, it's the same thing. We gotta keep it as a… Either you want it as a town, or you're just overcrowded.

And with this, I think what he's trying to say is slow down, see if we can't put the brakes on, because things are going to change. You know with the elections coming and stuff like that, a lot of things are going to change. You guys don't see it, but I do. But there is change in the process, and a lot of this is just an okay,

we gotta stop building, especially these big high-rises, and you can't…

You know, the developers… I was a builder, and I went to Saratoga, and one guy was building four houses, and all the neighbors came in, it was during the… And they just ripped into this guy, and then people got up and… I even got tempted, hey, I gotta put my two-cents in. No, you can't build things. And finally, they found something that, oh, you're trying to build a deck up high, and they actually turned one down, because he was building four units on one little thing right on the, right in the middle of their intersection there down near 9 and Saratoga/Sunnyvale Road; it was really close to that.

But you have to look at the traffic and have a study on that. The State has to be responsible. If it's over… You know, if it's pushing us into fighting with each other, and we're yelling at the Town Council, "No more buildings. No more buildings," you know, you hear it, and everybody is pissed off about that.

I know I'm using my time up, so please consider traffic.

VICE CHAIR BARNETT: Thank you for your comments, and for recognizing your time. Are there questions? I don't see any, thank you. Next, Mr. Fagot.

LEE FAGOT: Lee Fagot, 31-year resident of Los Gatos. I've lived in four countries, and once my wife and I and family moved to Los Gatos, this is where we wanted to stay, and the only way I'm leaving here is in handcuffs or a wooden box. We love it here, and we'd like to preserve… The reason is the character of the Town, the sense of community.

Yes, there are new people moving in, but the character of the Town can still be preserved while welcoming new residents, including additional new housing for residents. But let's preserve the character of the Town, and preserve the historic housing in town, the pre-1941 housing, not just in districts but in individual neighborhoods, and if there is a lot split, it should not allow for dismissal of the guidance required for building in a style, a character, that matches the 1941 and earlier style, so that should be part of an ordinance in town, to with a lot split make sure that the new building matches the character of the house that is already onsite as a pre-1941 historic house.

So, with that, and my support of everything I heard Ms. Quintana say, bringing all these points together, please act as the ambassadors of the residents of our Town

to the Council, Town Staff, and to the State's agencies that are providing the oversight to all of this.

So, again, thank you for the work that you're doing, but let's preserve the character of why we're all staying here, and it is the sense of what our housing, what our community looks like and how it functions, so please do that, and let the Staff know that they are to be working with you to do that. Thank you.

VICE CHAIR BARNETT: Thank you. Questions? Commissioner Thomas.

COMMISSIONER THOMAS: Thank you for being here tonight, and always coming to our meetings, even when the topics are not as popular as others.

I hear what you're saying, and I think that there are a lot of people in town, obviously, that feel the same way, but we also have the responsibility of balancing State law. Do you think that it would be worth it to make some of these recommended changes or things that have been brought up if it meant that HCD might revoke our certification of our Housing Element?

LEE FAGOT: I can't answer that, because I don't know how HCD will perform. They have rejected, in this last Housing Element, six applications, so we see that they will act that way if they don't believe that we're in

compliance; but at the same time, we need to try to preserve the character of what's here.

COMMISSIONER THOMAS: From what I understand, and what my understanding is from Staff and the legal perspective, is that making a law in town that directly conflicts with State housing laws is a reason to decertify a Housing Element, and so I think that from that perspective…

VICE CHAIR BARNETT: I'm sorry, can you ask a question.

COMMISSIONER THOMAS: Yes, I think if that is the case, if Town Staff is telling us that what we are recommending would go against a State law related to housing, I think that does run a risk, and would that then concern you?

LEE FAGOT: It would concern me, and at the same time, in the back of my mind I'm thinking well, why do we have a Planning Commission? Why do we have Town Staff? We can just let Sacramento decide everything. Let Ringling Brothers up there make the decisions for everything that goes on throughout the State. No, that's not acceptable. I think it's worth negotiating with the agency that we have to make our Housing Elements submitted to and find ways to work together. I know we can arrange meetings in advance

before making a submission, and I think it's worth doing that, but still try to get preservation into these new regulations.

COMMISSIONER THOMAS: Okay, thank you.

LEE FAGOT: Did I answer that?

COMMISSIONER THOMAS: Yes, yes, you did. Thank you.

VICE CHAIR BARNETT: Other questions for the speaker? I don't see any, thank you very much, Mr. Fagot. Do we have anyone on Zoom, Mr. Paulson?

DIRECTOR PAULSON: Thank you, Chair. I do not see any hands raised. Let's give it a couple of seconds if someone would like to speak on this item. No hands are raised.

VICE CHAIR BARNETT: Okay, then in that case, I'll close the public hearing on Item 2 and invite questions that Commissioners may still want to ask of Staff, or propose a motion related to Staff's recommendations so that we can address the issue and discussion can begin under Rosenberg's Rules of Order. Commissioner Burnett.

COMMISSIONER BURNETT: I just want to get this clarified. Back with a question for Staff. With the AB 1061 where it clearly says, "AB 1061 also gives cities

something…" of which Jim Lyon had put in his letter, "the authority to adopt…" and it goes forward, "objective standards that prevent adverse impacts on historic resources and districts."

Isn't that an opening for us to somehow… Because you could have a historic district for just 1941 homes. There are no criteria for a historic district. You could describe 1941s as a separate entity historic district. I know that may sound strange, but it is possible to do that, because many of our 1941 homes were not just drive-by homes. A lot of people say they are windshield drive-by homes; that is not correct. A lot of them went into a lot of depth describing the history of it, who did it, and they're valuable, so to just throw them away now without some kind of fighting for them, and I would think that this AB 1061 and its wording gives us a little bit of teeth to look into this further, instead of just moving forward and accepting that. That was a question for Staff.

ATTORNEY WHELAN: Through the Chair, would you like me to respond now, or later?

COMMISSIONER BURNETT: Thank you.

VICE CHAIR BARNETT: Please, now.

ATTORNEY WHELAN: I wanted to read from the statute. It provides that "A local agency may adopt

objective standards for the purposes of maintaining the historical value of a historic district listed in the California Register of Historical Resources." So, it would need to be a historic district that is in the California Register.

COMMISSIONER BURNETT: So, AB 1061 doesn't play any part in this?

ATTORNEY WHELAN: As I read it, only if the district is listed in the California Register of Historical Resources.

COMMISSIONER BURNETT: Okay, thank you.

VICE CHAIR BARNETT: Other questions? Commissioner Stump.

COMMISSIONER STUMP: Just have an SB 9 question around how many SB 9 lot splits have we had? That could be this year, it could be… I mean, what's an average year as far as SB 9 lot splits for Los Gatos?

RYAN SAFTY: We just got a PRA on this. It's about 40, I think, total urban lot splits and 60 total two-unit developments since 2022.

COMMISSIONER STUMP: Oh, I thought I saw something from the City of San Jose that said they'd done like 17, and they just don't consider SB 9 to really be a

great option, but it's interesting to know the number. Thank you.

VICE CHAIR BARNETT: Other questions for Staff? On the flag lot issue that was raised by Mr. Lyon, is that something that would ordinarily get picked up in a review?

RYAN SAFTY: Thank you for the question. Let's see, going back to his letter, so the 12' access corridor was actually worked out with Fire; that's what they require. And then, as noted earlier, any property in the Very High Fire Hazard Severity Zone has to get Fire approval before the planning issuance of the SB 9 application, and then it's also worth noting and remembering that every single one of these projects need a Building Permit, and these are primary dwelling units that have to comply with every aspect of the Building Code.

VICE CHAIR BARNETT: Thank you, that's very helpful. Other questions for Staff, or else we need to get a motion on the table. Commissioner Thomas.

COMMISSIONER THOMAS: I can make a motion.

VICE CHAIR BARNETT: Thank you.

COMMISSIONER THOMAS: Let me pull up my notes. I move to forward a recommendation to the Town Council on an ordinance amending Chapter 29 of the Town Code for Senate Bill 9 regarding urban lot splits and two-unit housing

developments in response to changes in State law, and the proposed amendments are not considered a project under Section 15378 of CEQA, and I can make the findings that CEQA doesn't apply, and that it is consistent with our overall General Plan.

VICE CHAIR BARNETT: Thank you for that. Second? Commissioner Sordi. Thank you. And discussion. Commissioner Burnett.

COMMISSIONER BURNETT: I would just like to say that I'm for moving this forward to the Town Council, but at the same time… And I think, actually, this has been good to get HCD's letter saying there were 17 areas where we were out of whack, we weren't correct, because now it's more of a level playing field, and actually, some of our "standards" instead of "guidelines," because the problem has been we've been talking about guidelines; we actually need standards, which is what we're doing now. They are a little tougher, where our citizens have had to go along with the rules that are in place now where there are real issues with the SB 9 standards, so this is good; I think we have toughened up some areas here.

At the same time, there are some concerns, and I think instead of moving… I know it's very important to get this forward and get it passed, so that we can make these

little bit tougher standards, especially for our citizens with homes next to lot splits, because they really aren't being impacted, and this would toughen those standards. Or, yes, standards.

Anyway, but again, I say there are a few things here that I think it will be in the record like our Vice Chair did say, Mr. Lyon's letter, so the Town Council can take another look at that, and so we may not have to go into too much detail on that one.

But I think there were a couple of other concerns, like the 10%, and the driveway for the Fire hoses not being able to get to the back lots, so just those kind of concerns, but I think it's an important thing and I think it's good that we did get that letter, because I think it's moved us forward to getting this on the books.

VICE CHAIR BARNETT: Thank you for the comment. Other discussion on the motion? Commissioner Mayer.

COMMISSIONER MAYER: Yes, just a few thoughts. After listening to the public comment and some of the discussion here too, I think the biggest issue with this right now is the potential loss of pre-1941 homes outside of historic districts that townspeople would consider historic resources not just by virtue of just their age,

but their architectural character and how they contribute to the Town.

I think Mr. Fagot brought up a good point. Thinking of SB 9 as like an architectural problem coming from my work as an architect, I know we had to do Objective Design Standards, but for me, that's not really great that we apply it blanket to all different types of projects, because an SB 9 project is different than another type of project, but to Mr. Fagot's point, I think there is, architecturally at least, if a homeowner came to me with a pre-1941 historic home and they said, "I want to do an SB 9 lot split," there are ways architecturally to preserve the character of that house, of that property, while still adding the units that they want to use SB 9 for, so I'm struggling to find any tools in our toolbox to suggest that or enforce that, rather than have someone that owns a pre-1941 house outside of a historic district to just demolish it completely and start brand new from scratch.

So, I understand that we want to comply with the State's laws, but at the same time, I also understand wanting to preserve the neighborhood character, so I guess I'm just looking for guidance from Staff. Are there any tools in our toolbox here?

SEAN MULLIN: I can start. One point of clarification with the Objective Standards for single-family and two-family homes, there was a concern expressed that that would—I don't know how you put it—but basically it would paint those projects that aren't SB 9 into a corner where they would have to apply… We have created that ordinance to allow flexibility, so if they go through the regular process and don't use SB 9, there is a way to get exceptions granted so it wouldn't really be so prescriptive that you would be the same cookie cutter house. I just want to put that on the record.

To your other points, I think it's frustrating looking for tools that may not exist or may not pass State muster. We're happy to provide any response that we can at this time if there are any ideas on the dais. We've looked at this; we're pretty limited based on State law.

DIRECTOR PAULSON: Through the Chair, I think one option would be, as part of the motion, direction to the Town Council to ask Staff at a later date to look into potential options to address that concern. We're always looking at what other jurisdictions… We're obviously not the only jurisdiction in California that has historic homes outside of districts, so I think that's one option.

And the other is fortunately, unfortunately, depending on which side of the aisle you sit, this probably isn't the last time we're going to modify our SB 9 ordinance.

COMMISSIONER MAYER: Just one quick follow-up question of Staff. If the Town were to adopt future historic districts, would SB 9 apply in those future historic districts?

ATTORNEY WHELAN: Yes, but there does have to be evidence to support the creation of the historic district. I mean, some cities have even had conversations about creating historic districts for the purpose of thwarting SB 9, and that's not looked on favorably.

COMMISSIONER MAYER: Yes, I'm sure HCD doesn't look favorably on that.

ATTORNEY WHELAN: So, as long as the Town had evidence to support the creation of the historic district, districts can be added.

COMMISSIONER MAYER: Thank you.

VICE CHAIR BARNETT: Commissioner Thomas.

COMMISSIONER THOMAS: I'm assuming that the creation of the historic districts or doing an entire overlay zone of the whole Town would be looked upon just

like what a neighboring town tried to do with considering the whole area protected habitat?

ATTORNEY WHELAN: I don't think there's evidence to support rendering the whole Town an historic district, but there is probably evidence to support adding districts.

COMMISSIONER THOMAS: Okay, thank you. I did have a couple of more specific questions. Mr. Safty, can you say how many SB 9 applications have we processed again?

RYAN SAFTY: Hopefully I'm remembering correctly. It's 100 total between the urban lot splits and the two-unit housing developments over the last three-and-a-half years.

COMMISSIONER THOMAS: And then, I know that we probably don't have all the specific data about those in front of us tonight, but if you had to say how many of those were full demos, because I think that that is something that is scary and what people are concerned about with regard to the pre-1941 homes, but I feel like a lot of the ones that I've been looking at, and seeing not all 100 of them, but have more been a lot split to then build another house or something.

RYAN SAFTY: I'd say somewhere between 40%-50% have involved at least some sort of demolition of the

existing structure out there. A lot of the urban lot splits are actually requiring partial demo.

COMMISSIONER THOMAS: Okay, but when we say partial demo, that might be a technical demolition or something perhaps, but also could be preserving the original architecture of the home?

RYAN SAFTY: Potentially, and that's where our pre-1941 historic tech demo definition would not be meeting those. It would probably be meeting our non-pre-1941 tech demo requirement.

COMMISSIONER THOMAS: Thank you. I do think that yes, there are some. I was even just commuting along Los Gatos Boulevard now, and I know that some of those bigger, older Victorian homes are already split into multiple units inside, and that was all way before SB 9 stuff was happening, but I think that those are some examples of it would be a much faster route today than maybe a decade ago with trying to get those approved.

My other questions are really random and specific about the list of terms and just a couple of definitions. One is about… I understand all the parking and blah, blah, blah, and all of that that's relevant to what we see pretty regularly.

A couple were about some of the exclusion stuff. We talk a lot about the Very High Fire Hazard Severity Zones, etc., and hazardous waste sites, etc. There was Earthquake Fault Zone. My question was just about it says that it's a fault zone. It's determined by the State Geologist on any official maps published by the State Geologist, blah, blah, blah, and then it says it has to comply with applicable seismic protection Building Code standards. Are there different standards for a specific… Are there actually different Building Code standards?

RYAN SAFTY: Yes and no. I'll answer it this way. Both the exclusion for the Earthquake Fault Zone and the exclusion for the Very High Fire Hazard Severity Zones really are not exclusions. Our Building Code has provisions on how to build if you're in these areas, and so that second line where it says, "unless the local jurisdiction has adopted State fire mitigation measures," or the same thing with the Earthquake Fault Zone, "complying with applicable seismic protection Building Code and standards," so it's not an exclusion, it's you have to meet these.

COMMISSIONER THOMAS: But are there different Building Code standards that apply to areas that are in these maps?

DIRECTOR PAULSON: Through the Chair, what we most typically see is a 50' setback for habitable structures, so that's usually the zone that they have to stay out of.

COMMISSIONER THOMAS: Like you can't build on top of the fault?

DIRECTOR PAULSON: You can't build within 50' of the fault; that's the fault zone.

COMMISSIONER THOMAS: Which is like 50' is pretty…that's pretty close geologically. Okay, so that's pretty much the one.

DIRECTOR PAULSON: Yes, that's what we typically see, and I'm thinking specifically of one of our SB 330s, that was the setback was 50'.

COMMISSIONER THOMAS: And then it also, there's the natural habitat one too, and I was just wondering if we have any areas that we consider natural habitat actually in town, or if that's just in our definitions of Town Code, etc.

DIRECTOR PAULSON: I can start. Yes, of course we have natural habitat in town. Typically, what we're looking at is wetlands, riparian corridors, things like that typically are what come up and are discussed. If I remember correctly, these are kind of just mirrored from the SB 35,

which was adopted many, many moons ago, and so they just keep carrying forward the same list of exceptions that, as Mr. Safty mentioned, are not always actually exclusions.

COMMISSIONER THOMAS: So, basically these are like exceptions. They're specific Building Code or Safety Code around each of these things, but it's typically just related to County or State law?

DIRECTOR PAULSON: And some federal; it depends on the specific topic.

COMMISSIONER THOMAS: Okay, thank you.

VICE CHAIR BARNETT: All right, are there further discussion points on the motion? Commissioner Stump.

COMMISSIONER STUMP: I want to come back to what Mr. Paulson said, that we could add to our motion related to directing Staff to do some additional work on pre-1941 homes, do some benchmarking, take a look at what other jurisdictions are doing. I just think it's such an important issue that somehow, some way, we need to get this into the record, and I'm not sure if amending the motion is the way to go about it. I would certainly look for some direction from Staff on that.

DIRECTOR PAULSON: I'll say ultimately it's up to the Maker of the Motion and the Seconder, so if they want to add that direction. I envision this getting packaged

with—as Ms. Quintana spoke about earlier, and I think Commissioner Burnett—the effort that we're going to be taking back to Council to discuss what they want us to work on, so this would get included in that package when we are ready to bring that forward.

COMMISSIONER STUMP: Would the Maker of the Motion be amenable to adding that to the motion as an amendment?

COMMISSIONER THOMAS: I don't think so. Not because I don't want Council to look at it again, but I think that it is a moot point to add it in, 1) because they're going to get these minutes and see what we discussed tonight, but 2) because if they are going to be looking at the HPC workplan, one of the specific recommendations was to look at what has been discussed, additional historic districts, and looking at the way that we currently classify these pre-1941 homes in the standards, and because such specific State law will apply to whatever happens with that moving forward, I think that it's inherent that Staff will have to look at both things at the same time.

We have repeatedly asked Council to go back and look at it, and I know that Council and the Town Manager have also repeatedly said we will get there, and there are

other things that they have to prioritize and do first, so I just kind of want to respect that, because I know that we're on a time and budget crunch at the Town level for a lot of things, but that being said, it's not that I don't support that work being done.

VICE CHAIR BARNETT: Okay, so we have a motion, a second, we've discussed it…

COMMISSIONER STUMP: I guess my only other point…

VICE CHAIR BARNETT: …the Maker of the Motion has rejected that proposed amendment.

COMMISSIONER STUMP: No, I understand. My point is, I guess what my hope is, is this really framed now as it relates to SB 9, because to me this seems to be a new wrinkle in even maybe the historic preservation plan and the way it's talked about, so I guess I'm just trying to make sure that the context is accurate, and also that the Council is aware that we're potentially on a path. And when does this go into effect, our ordinance? How many days after our Council approves it, 30?

RYAN SAFTY: Thirty days after second reading.

COMMISSIONER STUMP: So, it ends before the end of the year.

RYAN SAFTY: But again, it's worth noting that all these State laws are in effect.

COMMISSIONER STUMP: Right. So, I guess I'm trying to make sure that the Council understands this point, and that's all that I would be saying, and maybe they will see it in the record here, so I'm not going to push this big time, but I just see this, as Commissioner Mayer did as well, and I think others here see it, as a real concern, and we don't want to stand by and see things happen that we would really rather not see happen as an unintended consequence.

VICE CHAIR BARNETT: Thank you for that. Commissioner Sordi.

COMMISSIONER SORDI: Yes, since I seconded the motion, I just wanted to have a quick chance to speak to it. First, a quick question.

One of the things that always occurs to me with all of these sort of heavy-handed State rules, some of which I think have really good intent and might even result in some positive outcomes that might be unforeseen, is how it plays out in the real world, and when it comes to SB 9, are we going to at any point be provided with a report on how things shake out?

I presume that in the next Housing Element a part of the analysis to the State will be how the SB 9 program has worked, or would it even be in there? And if it's not,

can we get some kind of report from Staff on like…we know that we've got like the 60/40, a hundred or so that have been approved. I'm always interested in how they actually look, so I don't know if that's a question.

SEAN MULLIN: The Town submits their Annual Progress Report the HCD every year, which includes all the permits that resulted in new units. We can certainly and easily pull the data out that were SB 9-specific that resulted in new housing units, because really what the most important number when you look at the Housing Element is your progress on your RHNA, and so some SB 9 projects don't result in net new units, because they might be demoing one and building one, or demoing two and building two, so we track them all, but we track the ones specifically that are net new units.

COMMISSIONER SORDI: Yes, and obviously HCD cares about numbers and data. What we care about, as people in Town, is how these look and how they affect our neighborhoods. I think the State laws are scary for a lot of people. We've had all these mandates come at us, and I think we have members of the community that glom onto the worst-case scenario based on what theoretically could happen.

But what I see playing out now, and this has been in place now since 2022, and granted, it sounds like we've had a decent number, maybe 40 or so, that have actually been SB 9 houses, and then we've had 60 urban lot splits, I think maybe the market conditions and the nature of whoever is investing and building, comes along a little bit slower, but I've seen some pretty interesting things.

I have one in my neighborhood that I thought it's like a really, really good outcome. It's at Hilow and Marchmont, and this was just like the perennial crummy little rental house that, granted somewhat naturally affordable maybe, but that house was purchased by somebody; they kept the house and they remodeled the house really, really nicely. The site, the house, the whole thing, they did an amazing job, totally stayed within the building envelope. It's created a lot, so this is a corner lot condition, which I think really lends itself well to SB 9, and then now they're building a house next-door, which they've got a totally different architectural look to it, but it adds a lot of really nice interest and variety to the neighborhood.

This is an example of an SB 9 that's been a total value add, in my opinion. It's just going to increase property values in the neighborhood. And at first it was a

lot of people saying oh gosh, here we are, SB 9 is going to happen all over the place.

We have another one down the street not so good. The guy took the lot and divided it in half longitudinally and stuck two houses on it that don't fit too well. Not a big fan of that one. He hasn't finished remodeling the house that he sort of subdivided around, and that may end up looking kind of okay in the end.

So, we're going to end up with a little bit of a mixed bag, but what I don't see is any kind of tragic, horrifying situation unfolding, and I think we have members of the community that keep saying hey…

And it is scary to think about. You have the potential for maybe four, six, eight units popping up when you add ADUs to the whole thing, but I think we should stay focused on how this is playing out. We should communicate and talk to one another about how these look, and we should provide feedback to those people that come into the community and build here, and if they build something terrible, feel free to tell them about it.

I just think that instead getting too freaked out about what the potential is, because it's clear that what the State wants us to do is get rid of limitations and allow people to get creative and maybe even push the

envelope a little bit, but the fact of the matter is the market condition, whatever it is that's driving what we have here in Los Gatos, is not creating anything that's truly horrifying yet. I'm not saying something bad couldn't happen, but I would just encourage everyone to stay focused on what is occurring and how the community is changing.

So, just wanted to make that comment. I support the motion. Thanks.

VICE CHAIR BARNETT: Thank you for those comments. Commissioner Thomas.

COMMISSIONER THOMAS: Thank you for those comments, Commissioner Sordi. I just want to echo what Commissioner Sordi said, because I do think that we're also insulated from some change, and lucky because we have property values that are really, really high here and people do value the character of the community, and I think that that creates some self-enforcement with regard to what some individuals decide to do, and making decisions on just the possibility of the worst-case outcome is where we're not going to make any progress on anything in town.

That being said, I think that change is always scary, but I think that most people in Town would say that Builder's Remedy projects and having more of those in the future is a much higher concern than a duplex being built

in your neighborhood, so I really think that HCD put forward a really, really comprehensive workplan, list of suggestions, to Town Council.

I don't want to use this as a way to… I don't want to rope that and those priorities into this process, because I think that that really risks HCD coming in and saying you guys are doing this for the wrong reasons, and like I said, I think that one of the biggest concerns in our job up here as Planning Commissioners is making sure that we don't end up with a decertified Housing Element and end up in a bunch of Builder's Remedy situations again, because we know that that is something that people would like to avoid.

That being said, I think that it's really important that we encourage Town Council to look at that workplan for all the reasons that the Historic Preservation Committee outlined and spent a lot of time working on, however, I don't think that we should use this, and these changes, and the fact that we are out of compliance with 17 different things right now as a reason to push that forward and get that all mixed up in this.

VICE CHAIR BARNETT: Thank you, Commissioner Thomas. Commissioner Burnett.

COMMISSIONER BURNETT: I just want to make the comment that I agree with Commissioner Stump that this is something new we're looking at. We're looking at the SB 9 and the impact, and because we have so few homes that we may want to retain, or historic districts or whatever, it doesn't hurt to just take another look at that. It wouldn't be changing what State law is or whatever, but as Commissioner Mayer said, let's look at what's still in the toolbox and just put it out there.

I don't think that hurts anything to take a look at that, and I think it's important, because we're talking about SB 9 changes now, and this is something different. So, what Mr. Paulson had mentioned, I think it would be appropriate. If the Maker of the Motion and the Seconder of the Motion don't want to go on with that, I understand, but I want to have it on the record that I think it would be an appropriate thing to do.

VICE CHAIR BARNETT: Thank you. Other comments before we vote? Commissioner Mayer.

COMMISSIONER MAYER: I'll just sort of reiterate my point from before. Commissioner Thomas, I think you brought up a good point. Density, more units on a single-family lot, is not automatically bad design. Density does not equal bad design. You can have low density and it could

be good or bad design. You could have high density and it could be good or bad design. I think my concern is that the SB 9 projects are not the bad design. It's not the density that's the problem, but I know that HCD sees cities trying to do history preservation and this sort of a thing as sort of a Trojan horse to try to block SB 9 outright, and I don't think that's what I'm suggesting or any of us are suggesting. I think we just want to make sure that there is not like allowing people to just demolish the character of the Town, and I think that's the intent of what everyone is trying to express here, and I think the Historic Preservation Committee workplan is a good place to start, so as you mentioned, Town Council does have that, but I just wanted to reiterate that point.

VICE CHAIR BARNETT: I have a question for Staff. A lot of the issues that Planning Commission kind of bridles at in terms of State control possibly could be—a best case scenario—addressed before they became law. Is there a way to subscribe to receive notice of changes in State housing law?

SEAN MULLIN: Thank you for that question. Planning Staff sits through bi-monthly or monthly meetings where we're briefed by a lobbyist for, I think it's the California League of Cities, that talks about all of these

laws as they're moving forward from introduction through chaptering and signing by the governor. I think the statistic was that the governor in his two terms has signed 1,800 bills into law, not housing bills but just 1,800 bills, so if you imagine if even 10% of those or 5% of those were touching housing, that's a significant number.

I think the challenge is the speed at which these things move, how quickly they change from committee to committee, and then once they get signed, they become law sometimes immediately, and most often from between October and January 1st. That speed is very difficult for cities to pivot and update ordinances and stay current.

So, rest assured we do track them and keep an eye on them. Because they change, it's a moving target. We can't start moving on these until they become law, and then we can start moving.

VICE CHAIR BARNETT: I was suggesting something slightly different, that Planning Commissioners and perhaps Council Members might have an opportunity to weigh in through their representatives of State senators if they had an easy way to call out these bills, and it seems like there would have to be some special service to do that.

DIRECTOR PAULSON: I'll start, and then Ms. Whelan probably actually knows what I'm going to try to

say, which is the Council actually has a policy for supporting bills or not supporting bills. We don't see a whole lot of that come out of our Council, and many of them are pretty tied into State laws as they're going through the process, but we can definitely see what other options there are.

VICE CHAIR BARNETT: I think that would be appreciated, because other people sitting in our position and other Town Councils are being dealt with a fait accompli rather than having some opportunity, even if it's pie in the sky to make a difference, so if there's any way to do that, I would invite that.

So, we have a motion and second. I think we've exhausted discussion, so I'll call the question. Those in favor of the motion, please raise your hand, and it passes unanimously. Thank you very much.

(END)

From: [redacted]
To: Wilcox, Mindy@HCD
Cc: Sean Mullin; Ryan Safty; Joel Paulson
Subject: Re: Planning Commission Hearing for Senate Bill 9 Updates on 10-14-26
Date: Wednesday, October 14, 2026 12:50:13 PM

[EXTERNAL SENDER]

Ms. Wilcox, I haved reviewed the staff report to Planning Commission for SB9 ordinance corrections. Staff have addressed all my concerns which were sent to you in thd form of a complaint.

The larger concern is freelancing by Town Council. We'll need to monitor that hearing.

Thanks, Terry
Terence J. Szewczyk. P.E.
[redacted]

On Fri, Oct 2, 2026, 9:43 AM Wilcox, Mindy@HCD <Mindy.Wilcox@hcd.ca.gov> wrote:

> Hi Terry,
>
> Thanks, we'll be reviewing to confirm they complied with our comments.
>
> *Respectfully,*
>
> ***Mindy Wilcox, AICP***
>
> Land Use Policy Supervisor
>
> All Housing Accountability Unit technical assistance and enforcement letters are now available here: https://www.hcd.ca.gov/hau/enforcement-letters.
>
> **From:** [redacted]
> **Sent:** Thursday, October 1, 2026 8:16 PM
> **To:** Wilcox, Mindy@HCD <Mindy.Wilcox@hcd.ca.gov>
> **Subject:** Fwd: Planning Commission Hearing for Senate Bill 9 Updates on 10-14-26

Hello Ms. Wilcox, Town is finally revising their ord and objective standards. Should I review and send you my comments?

Best regards, Terry

Terence J. Szewczyk. P.E.

TS/Civil Engineering, Inc

[redacted]

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 11/24/2026
ITEM NO: 12

TO: Mayor and Town Council

FROM: Chris Constantin, Town Manager

SUBJECT: **Adopt a Resolution Proclaiming that a Local Emergency Exists Due to the 2026-2027 El Niño Winter Storm Season Conditions**

RECOMMENDATION: Adopt a Resolution proclaiming the existence of a local emergency due to the 2026-2027 El Niño winter storm conditions.

FISCAL IMPACT:

There is no fiscal impact associated with adoption of the proposed resolution itself. However, emergency preparedness, response, mitigation, and recovery activities may result in expenditures that are not included in the Town's adopted budget. Departments will use existing appropriations when available, and staff will return to the Town Council for any budget adjustment or additional appropriation requiring Council approval. Staff is documenting personnel time, equipment usage, contractor costs, emergency protective measures, debris removal activities, and any storm-related damage assessments to preserve the Town's eligibility for potential reimbursement under applicable disaster assistance programs.

Adoption of the resolution supports the Town's ability to seek state or federal disaster assistance and reimbursement for eligible costs through the California Disaster Assistance Act and other available state or federal disaster assistance programs, subject to applicable eligibility requirements, documentation requirements, and agency approvals. Any reimbursement received would offset only eligible and approved costs.

STRATEGIC PRIORITY:

This item is aligned with the Strategic Priority related to furthering emergency response capabilities. This item also aligns with the Core Goals of Public Safety by supporting effective

PREPARED BY: Wendy Wood
Town Clerk

Reviewed by: Town Manager, Assistant Town Manager, Interim Town Attorney, and Administrative Services Director

emergency response and community-wide preparedness, and Quality Public Infrastructure by supporting measures to protect and restore essential public facilities and infrastructure.

BACKGROUND:

On September 21, 2026, Governor Gavin Newsom proclaimed a statewide State of Emergency related to the developing 2026-2027 El Niño event. The proclamation allows agencies to move proactively and faster to protect communities, stage critical resources, and strengthen readiness for severe weather.

California Government Code section 8630 authorizes the governing body of a local agency to proclaim a local emergency. It also requires the governing body to review the need for continuing the local emergency at least once every 60 days and to proclaim termination at the earliest possible date conditions warrant. Los Gatos Municipal Code section 8.10.035 establishes local emergency powers and authorizes the Director of Emergency Services to proclaim a local emergency when the Town Council is not in session. In this instance, the proposed resolution would constitute the Town Council's direct proclamation of the local emergency, rather than ratification of a proclamation issued by the Director of Emergency Services.

The 2026-2027 El Niño storm season creates an increased risk of prolonged heavy rainfall, flooding, strong winds, falling debris, downed trees, power outages, roadway closures, landslides, debris flows, and damage to public and private property. These conditions may affect public safety, critical infrastructure, and the Town's ability to maintain essential services. The proposed resolution is presented to allow the Town Council to formally proclaim a local emergency and activate the authorities and administrative mechanisms available under state and local law.

On November 18, 2026, the Town experienced significant storm activity associated with the developing 2026-2027 El Niño winter season. Town personnel responded to storm-related incidents including downed trees and tree limbs, roadway obstructions, drainage concerns, localized flooding conditions, utility impacts, and other public safety issues. Town departments continue to assess impacts, monitor weather forecasts, coordinate preparedness activities, and implement measures intended to reduce risks associated with additional storms anticipated during the 2026-2027 winter season.

DISCUSSION:

The proposed resolution finds that the developing 2026-2027 El Niño winter storm season creates conditions of extreme peril to persons and property within the Town and are, or are likely to be, beyond the control of the Town's ordinary services, personnel, equipment, and facilities. The resolution proclaims that a local emergency exists within the Town due to the 2026-2027 El Niño winter storm season and confirms that the powers, functions, and duties of

the Town's emergency organization will be exercised in accordance with state law, the Los Gatos Municipal Code, other applicable Town ordinances and resolutions, and the Town Emergency Operations Plan.

While the proposed resolution is intended to address continuing and anticipated storm conditions associated with the 2026-2027 El Niño season, it is informed by actual storm impacts already experienced within the Town. The November 18, 2026 storm event required deployment of Town personnel and resources and demonstrated the potential for future storms to adversely affect public safety, public infrastructure, transportation routes, utilities, drainage facilities, and essential Town operations.

The proclamation strengthens the Town's ability to coordinate emergency preparedness and response; obtain and deploy resources; document emergency activities and costs; and request assistance from county, state, or federal agencies if local capabilities are insufficient.

The California Disaster Assistance Act authorizes the California Governor's Office of Emergency Services to administer state financial assistance for eligible disaster-related costs incurred by local governments. Depending on the circumstances of the event, funding may become available following a Director's concurrence with a local emergency proclamation or a Governor's State of Emergency proclamation. Eligible assistance may include certain emergency response costs and costs to repair, restore, or replace damaged public facilities. Eligibility and reimbursement remain subject to state approval, cost documentation, applicable deadlines, and other program requirements.

Pursuant to Government Code section 8630, if the local emergency remains in effect, the Town Council shall review the need to continue the local emergency at least once every 60 days and shall proclaim the termination of the local emergency at the earliest possible date that conditions warrant.

CONCLUSION:

The developing 2026-2027 El Niño winter storm season conditions present potential risks to public safety, property, critical infrastructure, and essential Town services. Adoption of the proposed resolution would allow the Town Council to proclaim a local emergency, support coordinated emergency preparedness and response, and preserve the Town's ability to request available disaster assistance for eligible costs.

Staff recommends adoption of the resolution and if adopted staff will return to the Town Council as required by law until such time as the Town Council proclaims termination of the local emergency.

COORDINATION:

This report and the proposed resolution were coordinated with the Town Manager's Office, Town Attorney's Office, and Emergency Manager.

ENVIRONMENTAL ASSESSMENT:

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

Attachments:
1. Draft Resolution

RESOLUTION 2026-__

RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS PROCLAIMING THAT A LOCAL EMERGENCY EXISTS DUE TO THE 2026-2027 EL NIÑO WINTER STORM SEASON CONDITIONS

WHEREAS, Los Gatos Municipal Code section 8.10.035 authorizes the Town Council to proclaim the existence or threatened existence of a local emergency when the Town is affected or likely to be affected by a public calamity; and

WHEREAS, on September 21, 2026, Governor Gavin Newsom declared a State of Emergency directing state agencies to mobilize resources, streamline procurement activities for flood protection, and expedite permitting reviews and approvals; and

WHEREAS, the developing 2026-2027 El Niño event, together with current and anticipated winter storms, collectively referred to as the 2026-2027 El Niño winter storm season conditions, presents an increased threat of prolonged heavy rainfall, flooding, strong winds and wind gusts, falling debris, downed trees, and widespread power outages that threaten persons, property, public infrastructure, and essential services within the Town; and

WHEREAS, on November 18, 2026, the Town experienced significant storm impacts, including periods of heavy rainfall, localized flooding, downed trees and tree limbs, roadway obstructions, storm drainage system impacts, utility disruptions, and the deployment of Town personnel and resources to protect public safety and maintain essential services; and

WHEREAS, these conditions threaten the Town's critical infrastructure, including roadways, bridges, storm drainage systems, creeks, public facilities, and essential services, and may overwhelm stormwater drainage infrastructure, cause localized and creek-related flooding, destabilize hillsides, and increase the potential for mudslides and debris flows; and

WHEREAS, these conditions may also result in roadway closures, restricted access, damage to public and private property, downed trees, utility disruptions, and power outages affecting Town residents, businesses, and visitors; and

WHEREAS, emergency response and recovery measures are necessary to protect life, property, public infrastructure, and the health, safety, and welfare of Town residents, businesses, and visitors; and

WHEREAS, the foregoing conditions constitute conditions of extreme peril to the safety of persons and property within the Town and are, or are likely to be, beyond the control of the services, personnel, equipment, and facilities of the Town and may require the assistance of additional public agencies, mutual aid resources, utility providers, contractors, and other responding organizations; and

WHEREAS, the efforts required to respond to and recover from these conditions are likely to impose extraordinary requirements and expenses on the Town and require the diversion of resources from day-to-day operations; and

WHEREAS, the California Disaster Assistance Act (Government Code sections 8680 et seq.) provides that, following the proclamation of a local emergency and subject to applicable state requirements and approvals, local agencies may be eligible to seek state financial assistance and reimbursement for certain costs incurred in responding to and recovering from disaster-related conditions.

NOW, THEREFORE, BE IT RESOLVED that the Town Council of the Town of Los Gatos does hereby declare, determine, and order as follows:

1. **Proclamation of Local Emergency.** The Town Council hereby proclaims that a local emergency exists within the Town of Los Gatos due to the 2026-2027 El Niño winter storm conditions, flooding, and related impacts to persons, property, and public infrastructure.
2. **Emergency Powers and Duties.** During the existence of the local emergency, the powers, functions, and duties of the Town's emergency organization shall be those prescribed by state law, the Los Gatos Municipal Code, other ordinances and resolutions of the Town, and the Town Emergency Operations Plan.
3. **Continued Local Emergency.** The local emergency shall remain in effect until terminated by the Town Council. The Town Council shall review the need for continuing the local emergency at the intervals required by applicable law.
4. **Effective Date.** This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the ____ day of _____, 2026, by the following vote:

COUNCIL MEMBERS:
AYES:
NAYS:
ABSENT:
ABSTAIN:

SIGNED:

_____
MAYOR OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

ATTEST:

_____
TOWN CLERK OF THE TOWN OF LOS GATOS
LOS GATOS, CALIFORNIA

DRAFT

TOWN OF LOS GATOS
COUNCIL AGENDA REPORT

MEETING DATE: 12/01/2026
ITEM NO: 13

DATE: December 1, 2026

TO: Mayor and Town Council

FROM: Kristina Alfaro, Administrative Services Director

SUBJECT: **Receive the Fiscal Condition Analysis Report, Future Growth and Sustainability Study Fiscal Impact Analysis, and Asset Liability Management Study; Authorize a $5.5 Million Additional Discretionary Payment to CalPERS; and Direct Future Annual Pension Payments**

RECOMMENDATION:

Authorize a one-time Additional Discretionary Payment (ADP) to CalPERS of up to $5.5 million, funded with approximately $4.2 million from the Section 115 Pension Trust and $1.3 million from the Pension/OPEB Committed Reserve; authorize the Town Manager, or designee, to identify the CalPERS amortization bases to be paid down and execute any necessary documents and budget adjustments necessary to implement the ADP, provided the total payment does not exceed $5.5 million or the confirmed available balances; and direct staff to replace the existing annual $390,000 Pension Trust contribution with a direct annual ADP to CalPERS, subject to appropriation in each annual budget and consistent with adopted Town financial policies.

FISCAL IMPACT

Approval would authorize a one-time $5.5 million Additional Discretionary Payment to CalPERS, funded by approximately $4.2 million from the Section 115 Pension Trust and $1.3 million from the Pension/OPEB Committed Reserve. Staff has confirmed that these balances are available for pension purposes. The Council action shall include any budget amendment or appropriation necessary to authorize the transfer and payment. Once transmitted to CalPERS, the payment is irrevocable. The annual $390,000 direct ADP would be subject to appropriation in each annual budget and would not create an obligation beyond amounts subsequently appropriated by the Council.

PREPARED BY: Kristina Alfaro
Administrative Services Director

Reviewed by: Town Manager

SUBJECT: Receive the Fiscal Condition Analysis Report, the Future Growth and Sustainability Study Fiscal Impact Analysis, and the Asset Liability Management Study to the Town Council; and Recommend an Additional Discretionary Payment to CalPERS

DATE: December 1, 2026

STRATEGIC PRIORITY

This action supports the Strategic Priority to ensure prudent financial management to result in a structurally balanced 5-year budget and managing pension costs.

BACKGROUND:

In December 2025, the Town began working with NHA Advisors, with subcontractor support from Raftelis Financial Consultants and Willdan. Raftelis is leading the first study with the development of a baseline long-term financial model. Willdan is supporting the second study, focusing on a fiscal impact analysis that incorporates proposed and planned growth based on the Housing Element Plan and General Plan. The study also includes sensitivity analysis regarding the percentage of new units designated as affordable. Both studies will support the future Asset Liability Management (ALM) study.

A preliminary Fiscal Condition Assessment with Five-Year and Long-Term Financial Projections and Fiscal Impact Analysis for Proposed and Planned Growth was presented to the Finance Commission at its February 2, 2026, meeting. The Commission requested an assumptions memo for the five-year and long-term forecast and changes to the methodology for the study focused on the fiscal impact of proposed and planned growth based on the Housing Element. Memos were posted to the Town's Finance website on March 18, 2026, and were brought to the Finance Commission on April 13, 2026.

On April 21, 2026, the memos were reviewed by the Town Council, and recommendations were provided on scenarios to inform the Asset Liability Management Study.

On August 10, 2026, the final reports for the three studies were presented to the Finance Commission. The Finance Commission requested that the Asset Liability Management (ALM) Study incorporate information from the Fiscal Condition Analysis, Future Growth and Sustainability Study, Fiscal Impact Analysis, and Council recommendations. The updated ALM Study was subsequently submitted to the Commission for review.

DISCUSSION:

On November 9, 2026, the Finance Commission voted to approve the findings of the fiscal studies prepared by Raftelis, Willdan, and NHA Advisors, made additional recommendations regarding pension liability management. The Commission express concerns regarding staff's conclusion that the Town's operating budget is balanced and fiscally sound; requested revisions and additional analysis to the fiscal forecast and supporting reports; and requested preparation of a condition assessment and long-term capital improvement and funding plan for major Town

infrastructure and facilities. Separately, the Commission recommended that the Town Council approve an additional discretionary payment of $5.5 million to CalPERS, funded from the Section 115 Pension Trust and Pension/OPEB Committed Reserve, and convert the Town's annual $390,000 contribution to the Section 115 Pension Trust into an annual discretionary payment applied directly to pension liabilities.

Should the Council request additional consultant analysis, the agreement with NHA Advisors would require an amendment to increase its scope and compensation. This Council meeting represents the final remaining item under the existing agreement.

In addition, the improvement in the baseline forecast is driven by the use of Other Post Employment Benefits (OPEB) Trust and a reduction in assumed COLAs consistent with historical practices versus recent history. Staff estimated these costs. Below is a table that shows the value of each change separately. Please note that the OPEB numbers will not tie one-for-one with the actuarial valuation chart in the ALM. This is because, as part of our effort to become more familiar with our new model, we used it to update both new baseline scenarios. The model, as it is currently set up, does not allow us to change just one account; we must apply an escalator to an entire category. This is why you will see some years match up and some not. We will be working with Raftelis to update the model to ensure we can do both percentages across a category and line-item changes when needed.

CATEGORY	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Original Raftelis Baseline Forecast	**0.1**	**(0.5)**	**(1.5)**	**(2.8)**	**(2.6)**	**(3.5)**	**(4.4)**	**(4.9)**	**(5.8)**	**(6.8)**	**(7.5)**
Use of OPEB Trust (Revenue Increase)	$ -	$ (0.5)	$ (0.3)	$ (0.5)	$ (0.6)	$ (0.8)	$ (0.9)	$ (1.1)	$ (1.3)	$ (1.5)	$ (1.6)
Reduction of COLAs (Expenditure Decrease)	$ -	$ -	$ (0.3)	$ (0.5)	$ (0.8)	$ (1.0)	$ (1.4)	$ (1.8)	$ (2.1)	$ (2.5)	$ (2.9)
New Baseline Forecast Scnario 2	**$ 0.1**	**$ -**	**$ (0.9)**	**$ (1.8)**	**$ (1.2)**	**$ (1.7)**	**$ (2.1)**	**$ (2.0)**	**$ (2.4)**	**$ (2.8)**	**$ (3.0)**

Based on Finance Commission recommendations, staff has included an additional analysis impacting COLAs. In the model below, we take the midpoint between Raftelis original forecast and Town staff's updated forecast. The midpoint COLA scenario increases cumulative forecasted personnel costs by approximately $2.1 million through FY 2035-36 compared with staff's lower-COLA scenario.

CATEGORY	25/26	26/27	27/28	28/29	29/30	30/31	31/32	32/33	33/34	34/35	35/36
Original Baseline	$0.1	-$0.5	-$1.5	-$2.8	-$2.6	-$3.5	-$4.4	-$4.9	-$5.8	-$6.8	-$7.5
Use of OPEB Trust (Revenue Increase)	$0.0	-$0.5	-$0.3	-$0.5	-$0.6	-$0.8	-$0.9	-$1.1	-$1.3	-$1.5	-$1.6
Reduction of COLAs (Expenditure Decrease)	$0.0	$0.0	-$0.2	-$0.4	-$0.7	-$0.9	-$1.2	-$1.5	-$1.8	-$2.1	-$2.4
New Modeled Midpoint of COLAs	$0.1	$0.0	-$1.0	-$1.9	-$1.3	-$1.8	-$2.3	-$2.3	-$2.7	-$3.2	-$3.5
Variance between staff COLA changes and Finance Commission requested Model	**$0.0**	**$0.0**	**$0.1**	**$0.1**	**$0.1**	**$0.1**	**$0.2**	**$0.3**	**$0.3**	**$0.4**	**$0.5**

FY 2025-26 Raftelis Model Reconciliation

The Raftelis model forecasted ending FY 2025-26 with $60.5M in revenue and $60.5M in expenditures. Expenditures have materialized in line with the forecast at $60.8M. Revenue is

estimated to exceed the Raftelis forecast by approximately $6.3 million. The reconciliation of the Raftelis forecast to FY 2025-26 year-end actuals identified several areas where the model may require adjustment. Licenses and permits exceeded the model by approximately $1.65 million, Town services by $0.93 million, investment earnings by $0.87 million, other sources by $0.53 million, and business license tax by $0.34 million. These differences suggest that the model understated certain revenue bases and did not sufficiently distinguish revenues with different forecast drivers. Pass-through plan-check and engineering receipts were included in Town services, while COP, GASB 96, insurance, and other reimbursements were grouped within Other Sources. Staff will update the model's account crosswalk, isolate these material accounts, and revise future assumptions based on the appropriate driver for each revenue source.

CONCLUSION:

As we near the conclusion of NHA's work with Raftelis and Willdan, the Town has gained the benefits of an independent review of forecasted numbers. This has allowed staff to consider some potentially different approaches to forecasting and solidify others. As we approach the mid-year financial report and FY 2027-28 Proposed Budget, staff will continue to refine the forecast to produce forecasts that align with historical results. The Willdan study allowed staff to gain development revenue numbers to include in the future, a missing component of the current forecast.

Staff applied the following adjustments to Scenario 2 for purposes of developing an operating-only sensitivity analysis: lower projected COLAs, use of OPEB Trust funds to offset retiree medical costs, inclusion of net recurring revenue from potential new development, and removal of capital-project funding, including the $1 million annual amount in the Raftelis baseline. After these adjustments, the operating-only scenario remains balanced through most of the forecast period.

This differs from the Raftelis baseline, which projects operating deficits beginning in FY 2026-27, and from the ALM analysis, which concludes that the Town has a long-term structural deficit when capital needs are incorporated. The table below has been updated based on feedback from the Finance Commission to include only the positive annual General Fund impact growth from new development instead of impact fees.

SUBJECT: Receive the Fiscal Condition Analysis Report, the Future Growth and Sustainability Study Fiscal Impact Analysis, and the Asset Liability Management Study to the Town Council; and Recommend an Additional Discretionary Payment to CalPERS

DATE: December 1, 2026

	FISCAL YEAR										
	25/26	**26/27**	**27/28**	**28/29**	**29/30**	**30/31**	**31/32**	**32/33**	**33/34**	**34/35**	**35/36**
Baseline Structural deficit projected by Raftelis with both OPEB and COLA Reduction Savings Estimated by Town Staff	**$0.1**	**$ -**	**$(0.9)**	**$(1.8)**	**$ (1.2)**	**$(1.7)**	**$ (2.1)**	**$(2.0)**	**$(2.4)**	**$(2.8)**	**$ (3.0)**
PENSION											
Projected June 30, 2025 UAL adjustment	**$-**	**$-**	**$(0.2)**	**$0.1**	**$ 0.3**	**$ 0.6**	**$ 0.8**	**$ 0.8**	**$ 0.8**	**$0.8**	**$ 0.8**
$5.5M ADP Payment Reduction	**$-**	**$-**	**$ 1.3**	**$1.0**	**$ 1.1**	**$ 1.1**	**$ 0.8**	**$ 0.7**	**$ 0.4**	**$0.2**	**$ 0.1**
Cash draw for ADP	**$-**	**$(5.5)**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**	**$-**
CAPITAL PROGRAM											
Remove $1M CIP Funding is Baseline	**$-**	**$ 1.0**	**$ 1.0**	**$1.0**	**$ 1.0**	**$ 1.0**	**$ 1.0**	**$ 1.0**	**$ 1.0**	**$1.0**	**$ 1.0**
NEW REVENUE											
Positive annual General Fund Impact from new development projected by Fiscal Impact Study	**$-**	**$ 0.1**	**$ 0.2**	**$0.3**	**$ 0.5**	**$ 0.6**	**$ 0.7**	**$ 0.8**	**$ 1.0**	**$1.1**	**$ 1.2**
Net deficit including new revenue	**$0.1**	**$ (4.4)**	**$ 1.4**	**$ 0.6**	**$ 1.7**	**$ 1.6**	**$ 1.2**	**$ 1.3**	**$ 0.8**	**$ 0.3**	**$ 0.1**

Additionally, the Finance Commission recommended modeling a cost-of-living adjustment (COLA) between the original Raftelis model and updated staff numbers. The table below shows the impact of that change on the "net deficit including the new revenue bottom line." The adjusted operating-only scenario removes the separate $1 million annual transfer for future capital projects included in the Raftelis baseline. It does not remove operating expenditures already budgeted through the Town's Internal Service Funds for ongoing facility maintenance. No separate Internal Service Fund savings adjustment is included in this scenario. With this change, the surplus decreases in almost all years shown, and the last two years of the forecast become negative.

	FISCAL YEAR										
	25/26	**26/27**	**27/28**	**28/29**	**29/30**	**30/31**	**31/32**	**32/33**	**33/34**	**34/35**	**35/36**
Net deficit including new revenue	**$0.1**	**$ (4.4)**	**$ 1.4**	**$ 0.6**	**$ 1.7**	**$ 1.6**	**$ 1.2**	**$ 1.3**	**$ 0.8**	**$ 0.3**	**$ 0.1**
Midpoint COLA Model	$-	$ -	$0.1	$0.1	$0.1	$0.1	$0.2	$0.3	$0.3	$0.4	$0.5
Net deficit including new revenue, updated with midpoint COLAs	**$0.1**	**$(4.4)**	**$1.3**	**$0.6**	**$1.5**	**$1.5**	**$1.0**	**$1.0**	**$0.4**	**$(0.1)**	**$ (0.4)**

In the first scenario shown, the introduction of capital funding at any level results in modeled deficits even with additional net positive new development revenues.

In the updated scenario with higher COLAs, deficits begin in FY 2034-35 and continue to FY 2035-36.

ALTERNATIVES:

The Council could authorize an ADP limited to the available balance of the Section 115 Pension Trust. The $1.3 million committed reserve could then remain committed for pension or OPEB purposes or be considered separately for recommitment or reclassification, consistent with applicable Town policies. Alternatively, the Council could discontinue the annual $390,000 payment rather than redirect it to an annual ADP, making that amount available for other budget priorities.

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

Attachments:
1. Fiscal Condition Analysis Report
2. Future Growth and Sustainability Study Fiscal Impact Analysis
3. Asset and Liability Management Study
4. Commissioner Comments

RAFTELIS

TOWN OF LOS GATOS

Fiscal Condition Analysis

Draft Report / July 2026



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July 7, 2026

Kristina Alfaro
Administrative Services Director
Town of Los Gatos
110 E. Main St.
Los Gatos, CA 95030

Subject: Fiscal Condition Analysis

Dear Kristina Alfaro:

Raftelis is pleased to provide this Fiscal Condition Analysis for the Town of Los Gatos (Town) to help the Town forecast future financial conditions and assess the impact of potential policy decisions or other changes to the Town's financial condition.

The report summarizes the Town's current financial condition and projected condition over a 10-year period. It also details the assumptions made to develop that projection and assesses how projections alter when key variables are changed. This report accompanies a separate financial forecasting model provided to the Town for use as an ongoing projection tool.

It has been a pleasure working with you, and we thank you and the Town staff for the support provided during the course of this project.

Sincerely,



Jonathan Ingram
Vice President - Organizational Assessment

Trade Street, Suite 1400, Charlotte, NC 28202 / www.raftelis.com

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Executive Summary

One feature that defines high-functioning organizations is their ability to proactively identify and plan for future opportunities and risks. Financial projections are a valuable tool in future planning, as they allow organizations to better understand potential future trends and supports them in developing a financial structure that mitigates potential risks and helps the organization achieve its strategic goals.

In 2025, the Town of Los Gatos, California engaged NHA Advisors, along with subcontracted firms Raftelis Financial Consultants (Raftelis) and Willdan, to develop a long-term Fiscal Condition Assessment, Fiscal Condition Analysis, and Asset Liability Management (ALM) Study. Raftelis developed the Financial Condition Assessment, as detailed in this report, defining assumptions to project revenues and expenditures for the Town's General Fund and capital funds over a ten-year period.

Raftelis worked closely with Town staff and leadership to develop a robust forecast for future revenues and expenditures. It is important to note that the projections in the baseline model developed by Raftelis are intended to reflect the current status quo, without any significant policy changes or shifts in demographic or economic trends. The model assumes that Town staffing will remain flat over the projection period and that there will not be any significant new program areas, revenue sources, or changes to Town service levels.

The projections in this baseline model do not represent actual revenues and expenditures; the Town will certainly make policy changes over the next 10 years that impact its financial condition. Instead, the purpose of the baseline forecast is to illustrate the potential impact of revenue and expenditure trends, as well as to serve as a planning tool for the Town's leadership to frame high-level policy and investment considerations. Prospective policy changes can be forecast in the model and then compared to this baseline projection to better understand the potential impact.

Model forecasts were developed by category using the best-available data to project future trends. Data sources and assumptions for each category are discussed in detail further in this report. Key information used to develop the forecasts include trends in actual revenue and expenditures, assessed valuation, population, and cost of living.

The forecast model projects that revenue in the baseline scenario will grow by an average of 3.6% per year, while expenditures will grow by an average of 4.4% per year. The following tables summarize projected General Fund revenues and expenditures by category for the base year, Fiscal Year (FY) 2026, as well as the 10-year projection period.

Table 1: Projected Baseline General Fund Revenues, FY2026-FY2036 ($M)

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Property Tax and VLF Backfill	$27.1	$29.0	$30.6	$32.2	$34.1	$35.9	$38.0	$40.1	$42.4	$44.7	$47.2
Sales and Use Tax	$9.1	$9.3	$9.5	$9.7	$9.8	$10.1	$10.3	$10.5	$10.7	$10.9	$11.1
Other Taxes[1]	$5.9	$6.1	$6.2	$6.3	$6.4	$6.6	$6.8	$6.9	$7.1	$7.2	$7.4
Licenses & Permits	$6.3	$6.3	$6.4	$6.4	$6.4	$6.5	$6.5	$6.5	$6.5	$6.6	$6.6
Town Services	$5.7	$5.9	$6.1	$6.3	$6.5	$6.7	$6.9	$7.1	$7.3	$7.5	$7.7
Other Revenue	$6.4	$6.4	$6.0	$6.1	$6.0	$5.8	$5.6	$5.7	$5.5	$5.6	$5.7
Total	**$60.5**	**$63.0**	**$64.8**	**$67.0**	**$69.2**	**$71.6**	**$74.1**	**$76.8**	**$79.5**	**$82.5**	**$85.7**
Percent Change	N/A	4.0%	2.9%	3.5%	3.2%	3.6%	3.4%	3.7%	3.6%	3.8%	3.8%

Table 2: Projected Baseline General Fund Expenditures, FY2026-FY2036 ($M)

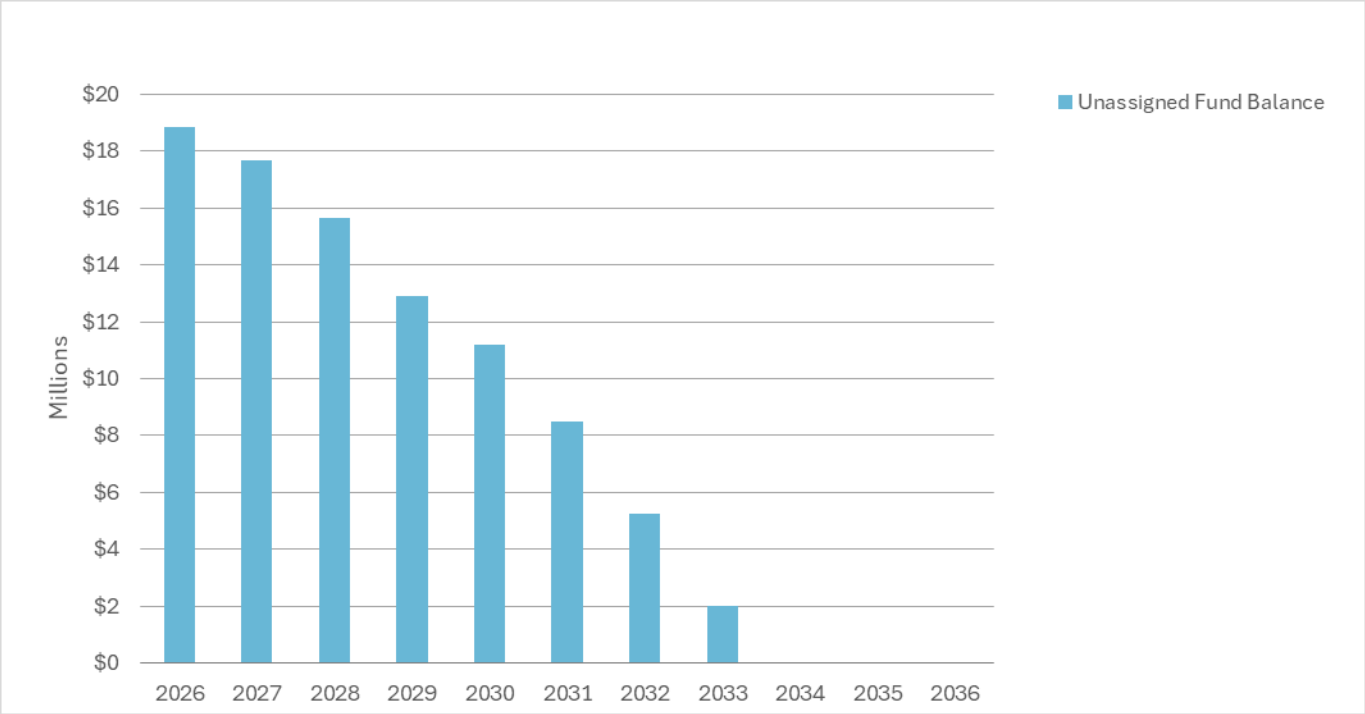
Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Personnel Costs	$40.9	$42.9	$44.8	$47.4	$49.7	$52.0	$54.3	$57.1	$59.5	$62.3	$64.7
Internal Service Charges	$6.5	$7.0	$7.2	$7.5	$7.7	$7.9	$8.2	$8.4	$8.7	$8.9	$9.2
Debt Service[2]	$2.1	$2.1	$2.1	$2.1	$0.8	$0.8	$0.7	$0.0	$0.0	$0.0	$0.0
Capital Transfers	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0
Other Expenditures	$10.0	$10.4	$11.2	$11.8	$12.5	$13.5	$14.3	$15.2	$16.1	$17.1	$18.2
Total	**$60.5**	**$63.4**	**$66.3**	**$69.8**	**$71.7**	**$75.2**	**$78.5**	**$81.7**	**$85.3**	**$89.3**	**$93.1**
Percent Change	N/A	4.9%	4.5%	5.3%	2.7%	4.8%	4.4%	4.0%	4.4%	4.7%	4.3%

[1] Includes Business License Tax, Transient Occupancy Tax, and Franchise Fees

[2] Reflects existing debt service schedules; no new debt is assumed in the baseline model

Expenditures are expected to outpace revenues, leading to a projected operating deficit starting in FY2027. Under these forecast assumptions the Town would deplete its unassigned[3] General Fund balance by approximately 2034, as illustrated in the following figure.

Figure 1: Los Gatos Base Scenario General Fund Unassigned Fund Balance Projections



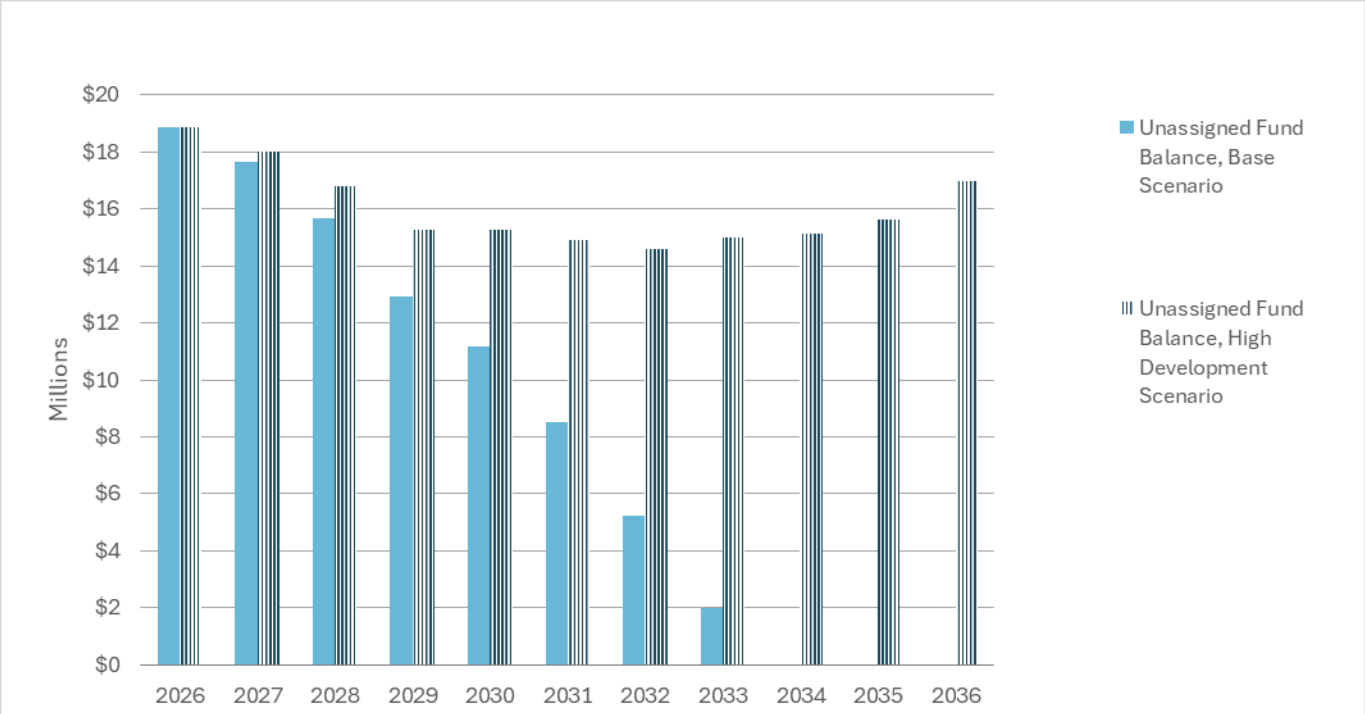
These projections illustrate the potential risks of the Town's current financial condition. However, it is important to reiterate that this scenario assumes no policy intervention by Town leadership. It is a baseline scenario intended to help identify future risks and to serve as a point of comparison to other potential scenarios.

The forecast is also intentionally conservative about the Town's population and development trends to reflect the possibility of an economic downturn and/or slower development during the projection period. If the economy and growth are more robust than assumed in the baseline model, the Town's financial position could look quite different. For example, the figure below compares projected unassigned fund balance in the baseline scenario to a scenario with more development and faster growth in property valuation.[4]

[3] The portion of General Fund balance above the minimum. Minimum General Fund balance is defined by Town policy to be 25% of expenditures in a given year.

[4] The Scenarios and Sensitivity Analysis section of this report provides more detail on the assumptions used to develop this scenario

Figure 2: Los Gatos Base Scenario General Fund High Development Sensitivity Analysis



As the figure illustrates, the Town's actual economic conditions in the coming years could look significantly different based on external factors as well as internal policy decisions. However, it remains important for the Town to take note of the trends identified in the baseline scenario: the Town is currently at risk of a growing General Fund deficit in the coming years. However, the Town's foresight in commissioning this study has created an opportunity to proactively address these emerging risks and better position the organization to meet future conditions.

The following sections provide more detailed analysis of the Town's financial condition and the assumptions used to project future expenditures and revenues.

Introduction

Background

In 2025, the Town of Los Gatos issued a request for proposals to conduct three studies:

1. Fiscal Condition Assessment with Five-Year and Long-Term Financial Projections
2. Fiscal Impact Analysis for proposed and planned growth
3. An ALM Study

The contract was awarded to NHA Advisors with sub-contract support from Raftelis and Willdan. Raftelis is leading the first study with the development of a baseline long-term financial model, which is the focus of this report. Willdan is supporting the second study, focusing on fiscal impact analysis that incorporates proposed and planned growth based on the Housing Element Plan and General Plan, with sensitivity analysis regarding the percentage of new units designated as affordable. Both of these studies will support the future ALM study. Work began in December 2025, with ongoing coordination from each consulting firm.

Development of a long-term financial model began with a detailed review of the Town's financial data, policies, and economic factors influencing the fiscal outlook. This included working closely with Town Finance staff to understand their budgeting and forecasting methodology. The team then used this data and feedback to develop reasonable, defensible financial projections by category for revenues and expenditures in the Town's General Fund and capital funds. The forecasts show trends over a 10-year period, with FY2026 as the base year and FY2027-2036 as the projection years.

As part of this project, Raftelis also provided the financial model used to the Town, so that Town staff can use it for future projections. The model allows users to compare the baseline scenario against other potential scenarios to illustrate those scenarios' potential impact. The model can also be updated with new data so that it can be used in future years.

Town Financial and Staffing Overview

General Fund Revenue and Expenditure Trends

The following tables illustrate historical General Fund revenues and expenditures by category for FY2019 through FY2025.

Table 3: Historical General Fund Revenues, FY2019-FY2025 ($M)

Category	2019	2020	2021	2022	2023	2024	2025	Average Change
Property Tax	$13.6	$14.5	$15.8	$16.9	$18.2	$19.3	$20.2	6.7%
Sales and Use Tax (non-Measure G)[5]	$7.9	$6.5	$6.8	$7.2	$7.5	$6.8	$7.0	-1.7%
Sales and Use Tax (Measure G)[6]	$0.2	$1.0	$0.5	$0.6	$0.6	$0.6	$0.7	51.7%
Licenses & Permits	$3.0	$2.7	$3.0	$4.8	$3.3	$4.0	$6.7	19.6%
Town Services	$4.4	$4.4	$4.8	$5.3	$4.6	$5.9	$5.4	4.2%
Vehicle and License Fee Backfill Property Tax	$3.7	$3.9	$4.1	$4.2	$4.6	$4.9	$5.1	5.6%
Business License Tax	$1.5	$1.4	$1.4	$1.5	$2.4	$1.5	$3.0	19.6%
Other Sources	$6.6	$2.7	$3.6	$6.4	$6.9	$3.6	$2.5	-3.3%
Transient Occupancy Tax	$2.7	$1.9	$1.0	$1.9	$2.2	$2.4	$2.4	5.4%
Interest	$0.8	$1.1	$0.8	$0.6	$0.6	$0.9	$1.7	22.0%
Intergovernmental	$0.9	$1.1	$1.6	$1.3	$1.6	$1.2	$1.4	9.1%
Mark to Market[7]	$0.6	$1.1	-$0.8	-$2.0	$0.0	$1.7	$1.2	8898.6%
Franchise Fees	$2.5	$2.5	$2.5	$2.8	$3.1	$2.5	$1.1	-8.8%
Transfers In	$1.6	$0.6	$0.7	$0.6	$0.5	$0.6	$0.8	-3.7%
Fines & Forfeitures	$0.5	$0.3	$0.1	$0.3	$0.4	$0.5	$0.4	22.2%
Total	**$50.7**	**$45.6**	**$46.0**	**$52.5**	**$56.4**	**$56.4**	**$59.5**	**3.0%**

[5] Revenue received by the Town equivalent to 1% of the State's base sales tax rate (7.25%)

[6] Revenue from additional 1/8 cent general sales tax approved by Town voters in 2018

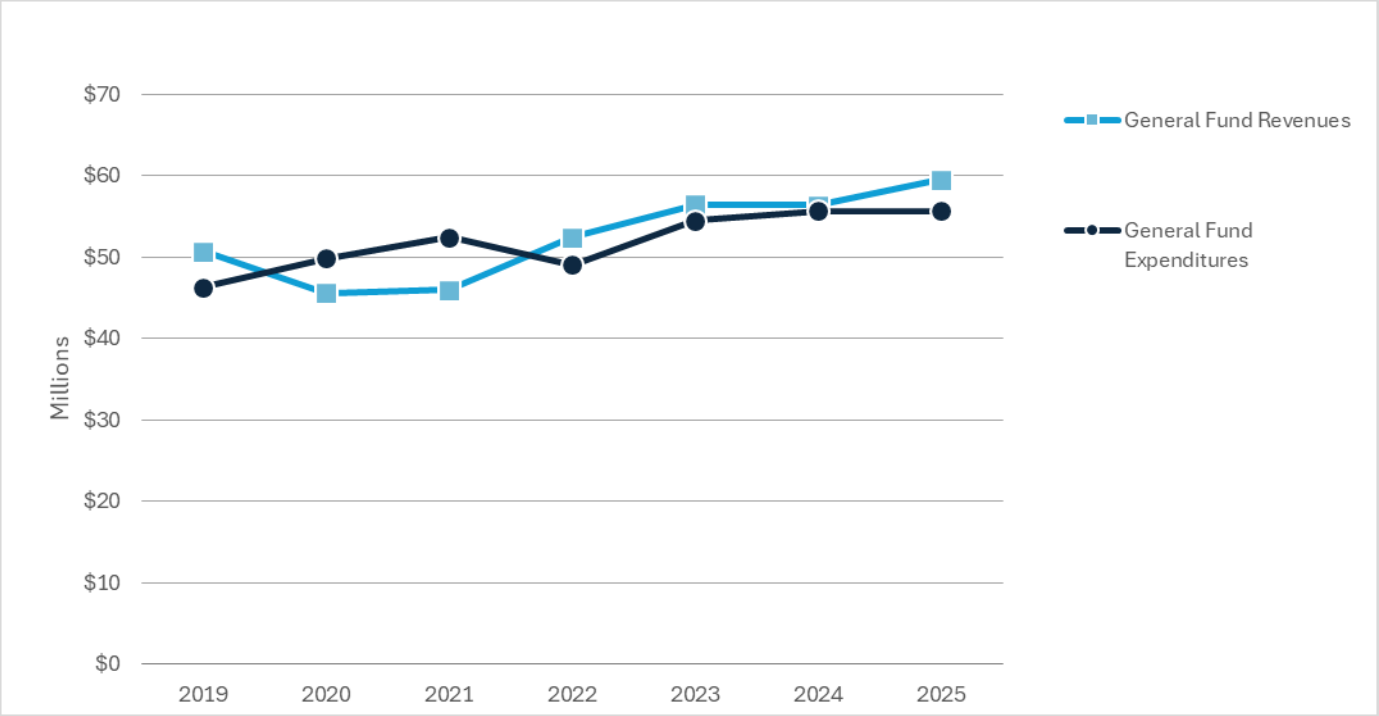
[7] These are accounting gains and are not considered in the financial projections

Table 4: Historical General Fund Expenditures, FY2019-FY2025 ($M)

Category	2019	2020	2021	2022	2023	2024	2025	Average Change
Personnel- Salary	$17.2	$18.2	$19.0	$18.3	$20.0	$21.2	$21.8	4.1%
Personnel- Overtime	$0.7	$0.7	$0.9	$1.1	$1.4	$1.3	$1.3	11.9%
Personnel- California Public Employees' Retirement System (CalPERS)	$5.3	$6.1	$6.4	$6.5	$7.1	$7.4	$8.2	7.7%
Personnel- Healthcare	$1.9	$1.9	$2.0	$2.0	$2.1	$2.5	$2.6	5.4%
Personnel- Other Post-Employment Benefits (OPEB) Pay as You Go	$1.2	$1.2	$1.3	$1.4	$1.5	$1.6	$1.9	8.2%
Personnel- Other Benefits	$1.6	$1.7	$1.7	$1.7	$1.7	$1.8	$2.3	6.3%
Internal Service Charges	$2.5	$2.2	$2.3	$2.6	$2.6	$3.2	$4.2	9.6%
Other Operating Expenditures	$2.7	$2.4	$2.7	$4.2	$7.0	$4.7	$3.9	12.3%
Purchased Services	$3.5	$3.4	$2.9	$3.3	$2.8	$4.2	$3.1	0.5%
Debt Service	$1.9	$1.9	$2.0	$2.1	$2.0	$2.1	$2.1	1.7%
Transfers Out	$6.4	$8.4	$9.5	$2.4	$3.7	$2.7	$1.9	-5.9%
Materials and Supplies	$0.5	$1.0	$1.0	$1.0	$1.3	$1.3	$0.9	15.8%
Utilities	$0.5	$0.5	$0.6	$0.6	$0.6	$0.7	$0.8	10.9%
Grants and Awards	$0.3	$0.3	$0.3	$1.8	$0.6	$0.7	$0.6	75.6%
Total	**$46.3**	**$49.9**	**$52.4**	**$49.0**	**$54.5**	**$55.7**	**$55.7**	**3.3%**

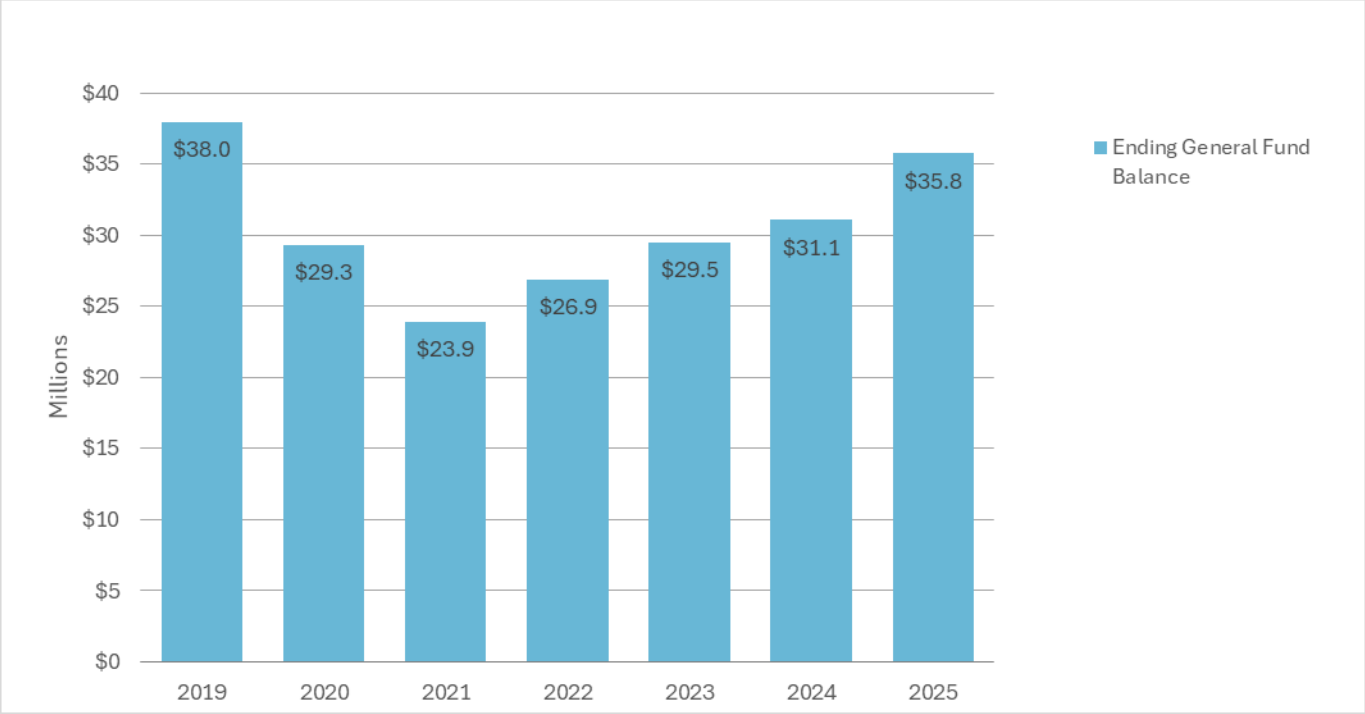
The Town's General Fund revenues decreased and expenditures increased during the Covid-19 pandemic years, but revenues have exceeded expenditures since 2022, as illustrated in the following figure.

Figure 3: General Fund Revenues and Expenditures, FY2019-FY2025



This revenue has helped the Town build up its General Fund balance in recent years, as shown below.

Figure 4: General Fund Ending Fund Balance, FY2019-FY2025

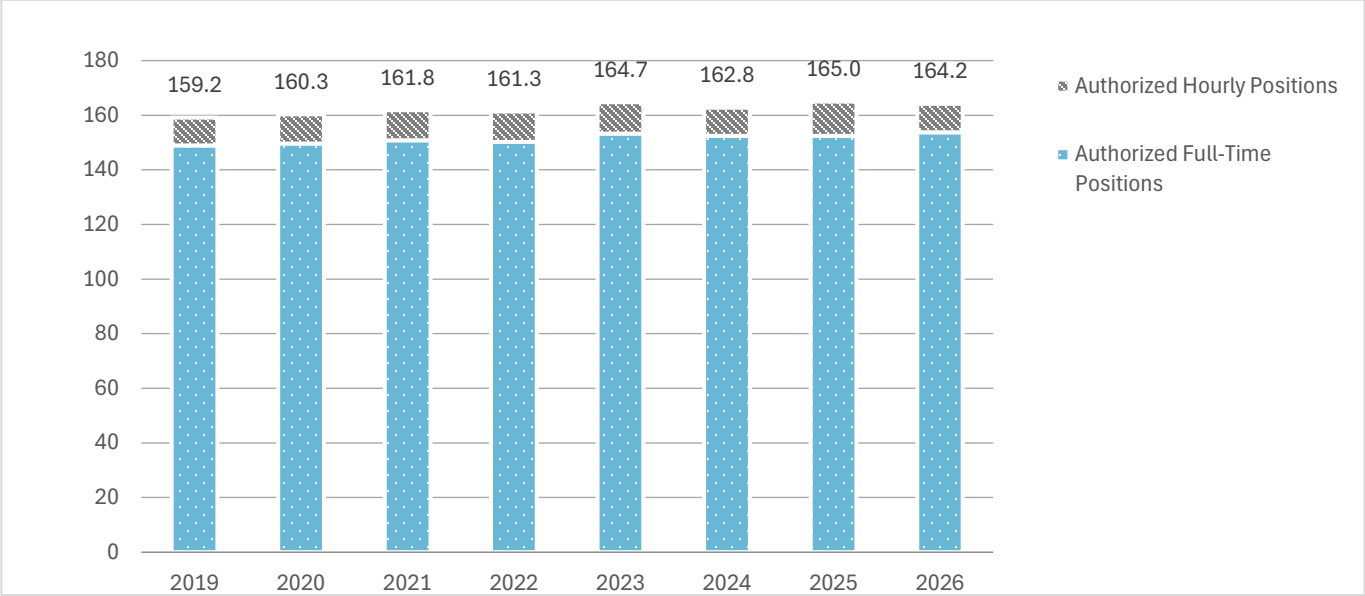


The Town has benefited from strong revenue in recent years, as well as policies to limit expenditure growth. However, it is important to note that these historical trends reflect a period of high growth. The economy has been strong in recent years, and an economic downturn would have a significant impact on revenue received.

Town Staffing Trends

Town staffing levels have remained relatively consistent in recent years, as illustrated in the figure below. The total number of Full-Time Equivalent positions (FTEs) increased by only 3% between 2019 and 2026.

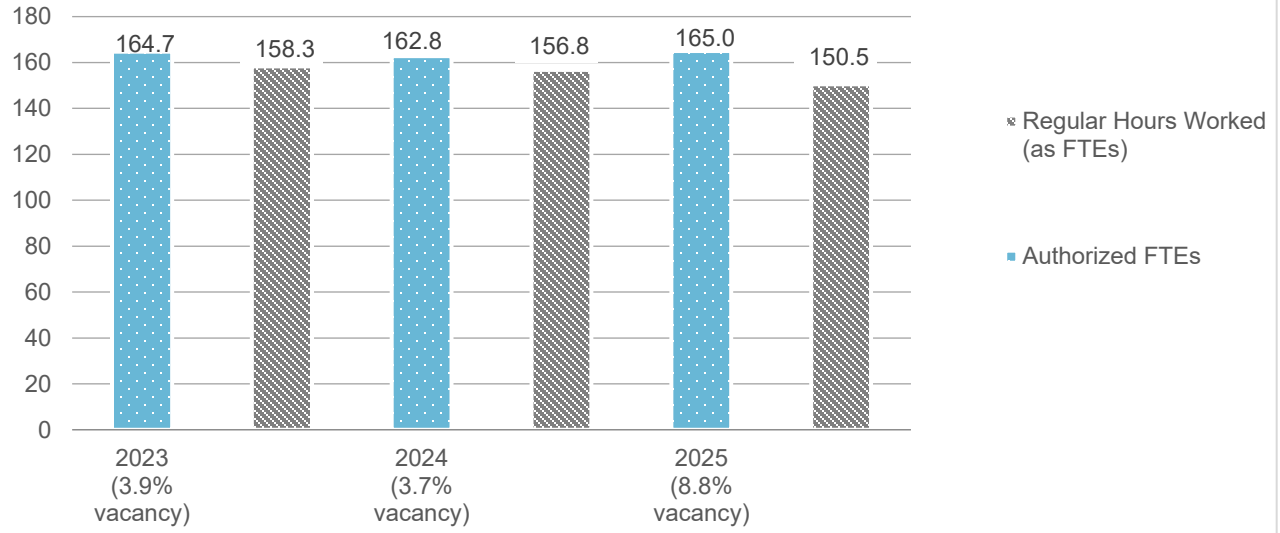
Figure 5: Authorized Full-Time Equivalent Staffing, FY2019-FY2025



The project team also reviewed actual staff hours to understand how they compare to authorized staffing levels. In 2025, Los Gatos staff (both benefitted full-time and hourly) worked a total of 313,083 regular hours[8], the equivalent of approximately 150.5 FTEs. In comparison, the Town had 165.0 authorized FTEs in 2025, which means the Town's vacancy rate in 2026 was approximately 14.5 FTEs or 8.8% of authorized positions. The following figure compares authorized positions for 2023 through 2025.

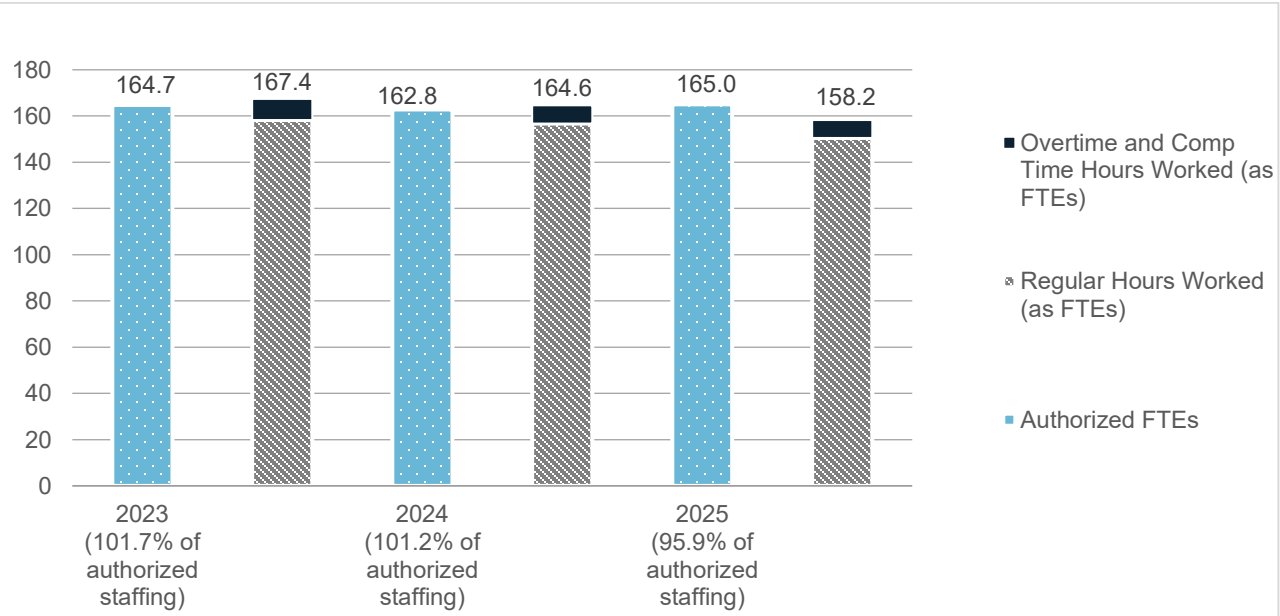
[8] Includes hours worked and leave, except for overtime hours and compensatory time earned.

Figure 6: Authorized Full-Time Equivalent Staffing versus Regular Hours Worked (All Staff)



The Town averaged 9.0 vacant FTEs per year between 2023 and 2025. However, much of that staffing gap was mitigated through staff working overtime or earning compensatory (comp) time. In 2025, staff worked a total of 14,082 hours of additional time above the standard 2,080 hours, the equivalent of approximately 7.7 FTEs. This means that the effective vacancy rate, when additional work hours are included, was 4.1%. In both 2024 and 2025 staff worked more hours than were authorized, as illustrated in the figure below.

Figure 7: Authorized Full-Time Equivalent Staffing versus Total Hours Worked (All Staff)



Appendix A of this report includes additional staffing analysis, including hours worked for full-time employees only and hours worked by department.

Financial Projection Methodology and Assumptions

The financial projections prepared for the Town of Los Gatos were made using a Microsoft Excel™-based financial model that projects General Fund revenues and expenditures, as well as capital expenditures, over a ten-year period. This section of the report provides an overview of the general methodology used for the projections and the model's structure. It also details the model's assumptions for each category of revenues and expenditures, including the data used as a basis for those assumptions.

Methodology for Developing Projections

The baseline forecast assumes normalized historical patterns will continue without major policy intervention. Normalized historical patterns leverage actual revenue and expenditure trends, after adjusting for one-time events or anomalies that may skew expected future results. Budget-to-actual results remain a relevant metric to understand how the Town has historically estimated major revenue and expenditure categories, including recent adjustments to the base budget that may be more in-line with actual performance.

The primary data source used to build the model is a line-item record of budgeted and actual revenues and expenditures by fund from FY2019 through FY2026, provided by Town Finance staff. Other information was also used to develop the model, including personnel history, collective bargaining agreements, economic and population data, and permit data. Further sections of this memo provide more detail on the specific information used to inform each assumption.

The baseline model was also built to balance accuracy with usability. It is meant to be a tool used by staff for years to come, and the more complex the model the more difficult it is to use and the more prone it is to errors. This is the reason why the project team, for example, looks at aggregate data on assessed value and new construction to estimate property taxes, rather than more specific data by census tract, because collecting and maintaining that data would be a significant burden on Town staff. Aggregate data also allows for better identification of trends that may not be apparent at a more granular level. Where appropriate, granular level data such as new housing units for a potential new development can be used in scenario analysis to understand the underlying adjustment or change in assumption required to compare with the baseline forecast.

Financial Model Structure

The model focuses on forecasting General Fund and capital expenditures and revenues over a 10-year period, from FY2027 through FY2036. The FY2026 budget is the initial base year for the model, although in some cases base year assumptions differ from budget, as discussed further in this report. For the purposes of this model, all Measure G Sales Tax revenue is considered part of the General Fund.

Revenue and Operating Expenditure Categories

The model forecasts operating expenditures and revenues by category. Revenue categories largely align with categories used in the Town's audited Annual Comprehensive Financial Report (ACFR), Budget Document, and State Controller's Office required Town Financial Transactions Report. In some cases, more granular categories were developed in consultation with Town staff. Categories were selected with the intention of balancing accuracy with the model's ease of use.

Categories of revenue and operating expenditures used in the model are listed below.

Table 5: Revenue and Operating Expenditure Categories in Model

Revenues	Operating Expenditures
• Property Tax • Vehicle and License Fee (VLF) Backfill Property Tax • Sales and Use Tax (Non-Measure G) • Sales and Use Tax (Measure G) • Licenses & Permits • Franchise Fees • Town Services • Business License Tax • Transient Occupancy Tax • Intergovernmental • Fines & Forfeitures • Investment Income • Other Revenue • Transfers In	• Personnel- Salary • Personnel- Overtime • Personnel- CalPERS • Personnel- OPEB Pay As You Go • Personnel- Other Benefits • Personnel- Vacancy Savings • Grants and Awards • Materials and Supplies • Utilities • Purchased Services • Other Operating Expenditures • Internal Service Charges • Debt Service • Transfers Out- New Capital • Transfers Out- Other (including Pension Trust)

Excluded Revenues and Expenditures

The model uses actual and budgeted revenue and expenditure data as provided by Town staff. This line-item data was mapped to the higher level categories outlined in this memo. Raftelis continues to work with the Town to reconcile actual expenditures provided in the line-item financial system detail with audited financial statements and budget documents. The ACFR reports by function (department), therefore, a direct reconciliation by expenditure classification as structured for the forecast model is not possible. This includes identifying accounts and/or one-time amounts to exclude for normalizing trends. Specific accounts and one-time amounts are identified below; however, this list may continue to change as we refine our understanding of the underlying data and chart of account/fund structure with Town staff.

Excluded accounts typically relate to non-cash or Generally Accepted Accounting Principles (GAAP) adjustments such as depreciation and mark-to-market adjustments. This allows for a forecast that reflects actual funds available for the Town's use.

Table 6: "Non-Cash" Revenue and Expenditure Accounts Excluded from Model

Account Description	Actual Amount
Revenue 45218 - GASB31 to Market	
2019	$643,911
2020	$1,092,564
2021	($780,399)
2022	($2,015,501)
2023	$3,197
2024	$1,712,246
2025	$1,201,824
Expenditures 62142 - Depreciation Expense[9]	
2019	$102,250
2020	$101,693
2021	$101,693
2022	$101,693
2023	$101,693
2024	$77,081,050[10]
2025	$5,914,417

Additionally, one-time revenues and operating expenditures are not considered in the model, because it is not assumed that they would carry forward into future years. This includes American Rescue Plan Act funds that the Town received from 2021 – 2025. The remaining one-time revenues and expenditures excluded from the model are listed in the table below.

[9] Depreciation expense is not recorded to the General Fund. Amounts represent total for all Town funds, including Internal Service Funds and Development Agency Fund.

[10] Fiscal Year 2024 includes a one-time, non-recurring depreciation adjustment related to the implementation of the Town's new financial system. Prior to this only Redevelopment Agency depreciation expenses were shown. This accounting entry established beginning balances for accumulated depreciation and is not comparable to prior years. Values going forward are larger due to the inclusion of all depreciation, not just RDA.

Table 7: One-Time Revenues and Expenditures Excluded from Model

Model Category	Account Number	Fiscal Year(s)	Amount	Town Chart of Accounts Description
Revenues				
Licenses and Permits	42416	2022 Actuals	$1,200,000	Contra revenue for bmp
Intergovernmental	43210	2021 Actuals	$388,181	CARES Act Coronavirus Relief
Intergovernmental	43211	No actual funds logged	$0	American Rescue Plan Act 2021
N/A – Capital Fund	45946	2023 Actuals	$1,565,000	Insurance Settlement
Other Sources	45949	2023-2025 Actuals	$45,323	Misc. Non-Operating Revenues
Town Services	45961	2025 Actuals	($344,388)	Contra revenue for bmp
Transfers In	49411	2025 Actuals	$250,000	Community Grants
Expenditures				
N/A	67109	No actual funds logged	$0	ARPA- American Rescue Plan Act
Grants and Awards	67506	2022 Actuals	$1,200,000	20 dittos ln BMR housing loan
Materials and Supplies	82202	2023, 2025 Actuals	$0	Land Acquisition
Purchased Services	81505	2024 Actuals	$706,713	Subscriptions - GASB 96

Capital

The model also estimates future capital costs for capital projects, vehicles and equipment, and technology. Costs are estimated based on the Town's adopted Capital Improvement Program (CIP), as well as equipment and technology replacement schedules provided by Town staff. The model projects the amount of money transferred from the General Fund to finance these investments, based on past history and Town direction. It assumes no new debt to support capital maintenance needs, although the model allows users to project the potential impact of new debt.

It is important to distinguish capital needs assumed in the baseline model from potential scenarios. For the baseline forecast, ongoing maintenance and replacement needs for existing assets are factored in. If the Town's historical funding for maintenance and replacement have not kept pace with actual need then there is inherent deferred maintenance. A catch-up or higher level of investment to address any deferred maintenance would be a potential scenario. A large-scale capital investment required to support anticipated development would also be considered a scenario.

Financial Forecast Assumptions by Category

The following sections detail assumptions used to project a 10-year General Fund baseline forecast, including projected revenues, operating expenditures, and transfers to other funds.

Revenues

The following sections detail the model's revenue assumptions by category. The sections discuss the model's assumptions for revenues in the base year of the model, FY2026, as well as assumptions for how that amount is projected to change over time during the model period.

The following table compares the categories used in the model to the categories reported in the Town's ACFR and provides context for any variation.

Table 8: Model vs. ACFR Revenue Categories

ACFR Category	Model Category	Comments
Property Taxes	Property Tax VLF Backfill	VLF Backfill is separated because it is revenue from the State, and so forecasts may vary
Sales Taxes	Sales and Use Tax (Non-Measure G) Sales and Use Tax (Measure G)	Separated due to potential differences in forecasts
Transient Occupancy Taxes	Transient Occupancy Tax	
Licenses & Permits	Licenses & Permits Town Services	Separated based on the Town's internal categories and to allow for more specific forecasts
Intergovernmental	Intergovernmental	
Fines and Forfeitures	Fines & Forfeitures	
Franchise Fees	Francise Fees	
Interest	Interest	
Other Taxes Use of Property Other	Business License Tax Other Sources	Business Licenses Tax separated to allow for forecasting based on economic conditions. Other categories are combined for model usability.
Transfers In	Transfers In	

Property Tax

The following table illustrates the Town's historical trend for actual property tax revenue collected, as well as the average annual change.

Table 9: Property Tax Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$13,636,099	N/A
2020	$14,454,513	6.0%
2021	$15,826,162	9.5%
2022	$16,899,618	6.8%
2023	$18,187,388	7.6%
2024	$19,321,147	6.2%
2025	$20,157,765	4.3%
Average		**6.7%**

2026 Budget: $21,450,971

Base Year Estimate: $21,450,971

Historically, General Fund revenue has been 5.6% higher than budget, but in the most recent year actual revenues were close to budget. The model maintains the 2026 budget as the base for forecasting property tax growth over the next ten years.

Potential Revenue Risks and Restrictions

California law restricts the amount of funds that local governments can collect through property tax, primarily through two mechanisms summarized below:

- Proposition 13 was adopted in 1978. It limits property tax assessed value increases at 2% per year and limits property tax revenue to 1% of assessed value (unless a higher rate is approved by voters). Properties can only be assessed at market value for new construction or when a property changes ownership.
- Proposition 4, commonly known as the Gann Limit, was adopted in 1978 and caps local revenue at 1979 expenditure levels, adjusted annually based on population and income.
- Proposition 98, adopted in 1992, requires each local government to set aside a portion of its tax revenues for the Educational Revenue Augmentation Fund (ERAF) to ensure that school districts meet minimum funding levels.[11] Between FY2019 and FY2025, an average of 11.9% of Town property tax revenue was designated for ERAF. However, it is important to note that currently any ERAF funding not needed to meet school funding minimums has been returned to the Town. If the State changes this policy it would reduce total property tax funding available to the Town.

[11] The State is responsible for ensuring that schools receive at least minimum funding. The ERAF allocation reduces the State's funding obligation.

Annual Change Assumption: 5.2%, on average

Estimates of future property tax revenue were based on several factors, selected to account for State revenue restrictions and available information.

The primary information source used to estimate future property tax revenue was data from Santa Clara County on historical valuation trends. As stated above, Proposition 13 restricts changes in valuation except in cases of new construction or when property is bought and sold, so the team evaluated trends separately for new construction, changes in ownership, and other properties.

The team used trends for each of these categories, as well as reported FY2026 valuations and data prepared by a separate company, HdL Companies (HdL), on historical trends in the median value of new construction and the median sales price of homes, to estimate total valuation per year over the course of the model period. The model also assumes that 15% of property tax funds in the base year will be allocated to ERAF, based on Santa Clara County FY2026 budget allocations[12].

Finally, the model calculates the estimated Gann appropriation limit each year, based on a State law limiting property tax revenue that can be collected based on changes in population and income. The team estimated the Gann limit for each model year based on historical population and income trends reported by the United States Census Bureau and verified that the projected revenue did not hit that limit.

The annual change in projected revenue based on these assumptions varies from year to year based on the estimate for each valuation component: new construction, home sales, ERAF, and base valuation. On average, it increases approximately 5.2% per year between FY2027 and FY2036. The assumed growth for new construction considered the Town's Housing Element Plan and anticipated new housing units outlined in that plan. After further discussion with staff and Finance Commission members, there is uncertainty in how those units may be realized over time and whether they will meet state required affordability metrics. As such, the baseline model maintains a steady growth assumption for new residential development but relies on historical trend with a more moderate long-term outlook than the post-pandemic era given recent softness in real estate market activity.

The following table summarizes model assumptions.

[12] The County estimates a $3.2 million allocation to ERAF in 2026.

Table 10: Property Tax Performance History and Assumptions by Component

Property Tax Component	Five Year Average Annual Change[13]	Assumed Portion of Revenue	Assumed Annual Change	Comments
New Construction	12.5%	0.3%	0.0%	Assumed flat to be conservative due to variations in the change of value from year to year
Changes in Ownership	17.1%	2.8%	4.0%	Reduced to be conservative due to variations in the change of value from year to year
ERAF	19.1%	14.9%	6.9%[14]	Based on the average of the past two years to normalize post-pandemic volatility
Base Valuation	6.2%	81.9%	5.6%	Based on the average of the past two years to normalize post-pandemic volatility

Vehicle and License Fee (VLF) Backfill Property Tax

The VLF backfill is a payment from the State of California intended to reimburse local governments for losses due to a State VLF reduction. The annual amount allocated is based on the Town's assessed property valuation. The following table illustrates the category's historical trend for actual revenue collected, as well as the average annual change.

Table 11: VLF Backfill Property Tax Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$3,685,247	N/A
2020	$3,875,914	5.2%
2021	$4,052,672	4.6%
2022	$4,229,462	4.4%
2023	$4,555,700	7.7%[15]
2024	$4,906,019	7.7%
2025	$5,109,100	4.1%
Average		**5.6%**

[13] Based on Santa Clara County valuation reports

[14] Based on the average of the past two years to normalize post-pandemic volatility

[15] Higher increases in FY2023 and 2024 are aligned with higher increases in the Town' property valuation in those years.

2026 Budget: $5,377,328

Base Year Estimate: $5,557,685

Historically, since FY2019, General Fund revenue has consistently outperformed budget by approximately 3.4%. The model assumes the FY2026 base amount will be higher than the current budgeted amount by this average variance.

Potential Revenue Risks and Restrictions

VLF revenue is allocated from the State and is therefore subject to changes in State law. A future legislature could opt to reduce or eliminate this revenue source.

Annual Change Assumptions: 5.4%

VLF revenue is allocated based on property value. The project team used the property value assumptions discussed in the Property Tax section above to project VLF revenue. The model assumes a 5.4% average annual property value increase over the next 10 years.

Sales and Use Tax

The Town has two sources of sales tax revenue:

- The Town, like all California municipalities, receives 1% of the State's base sales tax rate (7.25%)
- The Town has adopted an additional 1/8 cent general sales tax (Measure G)

The following tables illustrate the category's historical sales tax revenue trends.

Table 12: Sales and Use Tax (non-Measure G) Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$7,930,021	N/A
2020	$6,535,034	-17.6%
2021	$6,794,218	4.0%
2022	$7,177,597	5.6%
2023	$7,507,068	4.6%
2024	$6,795,037	-9.5%
2025	$6,992,336	2.9%
Average		**-1.7%**

Table 13: Sales and Use Tax (Measure G) Revenue History[16]

Year	Actual Revenue	Annual Percent Change
2019	$0	N/A
2020	$0	N/A
2021	$1,139,386	N/A
2022	$1,306,076	14.6%
2023	$1,299,409	-0.5%
2024	$1,276,698	-1.7%
2025	$1,338,642	4.9%
Average		**4.3%**

2026 Budget: ***Non-Measure G:*** ***$6,639,081***
Measure G: ***$1,298,825***

Base Year Estimate: ***Non-Measure G:*** ***$7,780,826***
Measure G: ***$1,329,000***

The Town engaged a separate firm, HdL, to forecast sales tax in FY2026. HdL's forecasts were used to inform the base estimate for 2026 as well as future growth detailed below. There is a significant increase in the non-Measure G base estimate for 2026. This is driven by the most recent projections from HdL, which include proprietary, confidential local economic data to inform estimates. This information was not known at the time of budget adoption.

Potential Revenue Risks and Restrictions

Sales tax revenue is closely tied to economic conditions. An economic downturn would have a significant impact on revenue in this category. Additionally, the 1% of the State's sales tax revenue is defined by State legislation and is subject to change by the Legislature.

Annual Change Assumptions: 2.0% (weighted average)

Projections of sales tax revenue are based on industry data as well as trend projections prepared by the Town's economic advisor. The model projects revenue by industry to allow each industry's revenue trends to be separately modeled.

[16] This includes all Measure G revenue, not just the revenue allocated to the General Fund.

Previously, an Economic Review prepared for the Town by an outside firm, MuniServices, provided information on the Town's historical sales tax revenue trends by industry along with estimates for future sales tax collection. As the Town transitions to a new economic advisor (HdL), Raftelis relied on both historical MuniServices reports as well as the first, and most recent, HdL report to establish a framework for detailing the various components that comprise overall sales tax revenue collection.

The industry components of sales tax revenue are detailed in the table below. Historically, the largest generators of sales tax revenue have been the Food and General Retail industries, and they are assumed to remain the largest generators moving forward.

Table 14: Sales Tax Revenue Historical Performance and Assumptions by Industry, as Reported by MuniServices

Industry	Five Year Average Annual Change	Assumed Portion of Revenue[17]	Assumed Annual Change	Comments
Food Products	5.4%	28.7%	2.0%	Based on HdL projection
General Retail	-1.6%	21.1%	2.0%	Based on HdL projection
Transportation	-8.9%	19.6%	2.5%	Based on HdL projection, reduced slightly based on past history (HdL generally projects 3.0-3.5% per year)
County Pool	-4.7%	19.2%	2.0%	Based on HdL projection, reduced slightly based on past history (HdL generally projects 3.0% per year)
Business to Business	0.3%	4.8%	1.0%	Based on HdL projection, reduced slightly based on past history (HdL generally projects 2.2-2.8% per year)
Misc.	-33.0%	3.9%	0.0%	Kept flat due to past volatility
Construction	7.5%	2.6%	2.5%	Based on HdL projection

The historic volatility of sales tax collections and dynamic local economic conditions led the project team to take a conservative approach to forecasting the Town's second-largest revenue source. The baseline model incorporates the significant increase to 2026 base estimates and then uses a lower annual growth rate assumption compared to HdL. The first report from HdL suggests higher growth across each of the industries noted in the table above during 2026-2027 and then settles to a blended average that is slightly below 3%. Some industries like transportation, which have experienced decline in past years due to higher use of electric vehicles, and construction, assume a higher rate of growth (2.5%) because of known development activity expected to have a positive influence on collections. Other sources like general retail and food products rely more on regional inflation trends for cost of goods and no significant variation or increase to the volume of goods purchased from historical experience.

[17] Based on five-year historical average for that industry's representative share of overall sales tax revenue to the Town.

Licenses & Permits

The following table illustrates the Town's historical Licenses & Permits revenue, as well as the average annual change. The significant revenue increase in FY2025 is due to a change in how the Town accounts for Solid Waste revenue; before FY2025, the Town classified it as a Franchise Fee. The revenue collected by the Town from the Solid Waste Joint Powers Agreement (JPA) also increased from prior years as a result of a recently updated valuation report used to determine payment amount.

Table 15: Licenses & Permits Actual Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$3,044,490	N/A
2020	$2,673,706	-12.2%
2021	$3,003,475	12.3%
2022	$3,614,650	20.3%
2023	$3,283,848	-9.2%
2024	$3,993,247	21.6%
2025	$6,681,657	67.3%
Average		**16.7%**

2026 Budget: $6,322,712

Base Year Estimate: $6,322,712

Historically, actual General Fund revenue has been 12.1% higher than budget, on average, but there has been significant volatility after the pandemic. This is coupled with the Solid Waste revenue transfer, updated valuation, and in the 2026 budget changes to permit fees that also increased overall revenue collected in this category. The 2026 budget is in line with most recent 2025 actuals and is used as the base estimate in the forecast model.

Potential Revenue Risks and Restrictions

The amount of License & Permit revenue received by the Town can vary based on external factors, such as the amount of development occurring in the community, but the Town also has the ability to revise fees as needed to cover costs. Additionally, less revenue also means a lower cost to process license and permit applications.

Annual Change Assumptions: 0.4%

The types of licenses and permits issued vary from department to department, so the project team used revenue history by department to estimate future trends. For the Community Development Department, historical permit trends were also used to inform the projection. Other departments' revenue is projected based on past history, due to lack of additional available data.

Although Community Development Department Licenses & Permit revenue has generally been increasing in recent years, with an average increase of 19.4% between FY2019 and FY2025, the number and value of permits has been decreasing, as illustrated in the table below. Because of this decline, it is assumed that Community Development Licenses & Permit revenue will have minimal growth over the next ten years.

Table 16: Building Permit History[18]

Year	Number of Permits	Annual Percent Change	Permit Value	Annual Percent Change
2021	1,196	N/A	$148,527,983	N/A
2022	1,261	5.4%	$156,227,403	5.2%
2023	1,202	-4.7%	$92,855,563	-40.6%
2024	1,019	-15.2%	$94,598,614	1.9%
2025	980	-3.8%	$103,021,665	8.9%
Average		**-4.6%**		**-6.1%**

The following table illustrates assumed annual Licenses & Permits revenue change by department. Police and Solid Waste (non-departmental) revenue are assumed to be flat with the most recent solid waste valuation adjustment reflected in the 2026 base.

Table 17: Licenses & Permits Revenue Assumptions by Department

Department	Five Year Average Change	Average Portion of Revenue	Assumed Annual Change	Comments
Administrative Services	91.7%	0.1%	2.0%	Assumed lower due to volatility
Community Development	19.4%	59.0%	0.5%	Assumed lower due to permit trends
Police	-6.9%	1.8%	0.0%	Assumed flat due to volatility
Parks and Public Works	10.0%	24.8%	0.5%	Assumed lower due to volatility
Non-Departmental	1663.2%	14.2%	0.0%	Significant increase reflects Solid Waste revenue- assumed flat due to volatility

Franchise Fees

The following table illustrates the Town's historical Franchise Fee revenue, as well as the average annual change. The significant revenue decrease in FY2025 is due to a change in how the Town accounts for Solid Waste revenue; before FY2025, the Town considered it a Franchise Fee but is now categorized under Licenses & Permits.

[18] Provided by Town staff

Table 18: Franchise Fees Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$2,475,916	N/A
2020	$2,495,792	0.8%
2021	$2,499,463	0.1%
2022	$2,822,515[19]	12.9%
2023	$3,074,624	8.9%
2024	$2,547,012	-17.2%
2025	$1,057,484	-58.5%
Average		**-8.8%**

2026 Budget: $1,043,730

Base Year Estimate: $1,043,730

Historically, General Fund revenue has been 8.3% higher than budget; however, the recent base adjustment to remove solid waste JPA revenue impacts the future growth assumptions. For the baseline model, the 2026 budget is used as the initial base year estimate since it is in line with actual revenue collected in 2025 after the solid waste revenue transition.

Potential Revenue Risks and Restrictions

Franchise fee revenue depends on private companies' use of public infrastructure and can vary depending on the companies' needs and economic conditions.

Annual Change Assumptions: 1.7%

When Solid Waste revenue is not considered, annual increases in past years have ranged from 0.3% to 8.7%, as illustrated below. The project team believes that past history is the best available indicator to predict future revenue. Annual increases are assumed at 1.7%, which is the average over the past seven years when the outlier year, 2023, is removed.[20]

[19] Increased revenues in FY2022 and 2023 were largely due to increases in Solid Waste revenue, which went from $1.6 million in FY2021 to $1.9 in FY2022, then to $2.1 million in FY2023, only to reduce to $1.5 million in 2024.

[20] The increase is largely driven by a 23% increase in PG&E Franchise Fee revenues for that year.

Table 19: Franchise Fees Actual Revenue History (No Solid Waste Revenue)

Year	Actual Revenue	Annual Percent Change
2019	$892,980	N/A
2020	$898,636	0.6%
2021	$925,621	3.0%
2022	$941,647	1.7%
2023	$1,023,289	8.7%
2024	$1,053,827	3.0%
2025	$1,057,484	0.3%
Average		**2.9%**

Town Services

This revenue category essentially reflects charges for services where the Town has some cost recovery component. The two highest-revenue categories of Town services, accounting for more than $1 million in revenue each in 2025, were policing services for Monte Sereno and building plan reviews.

The following table illustrates the category's historical revenue, as well as the average annual change.

Table 20: Town Services Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$4,440,606	N/A
2020	$4,373,603	-1.5%
2021	$4,778,695	9.3%
2022	$5,310,271	11.1%
2023	$4,631,325	-12.8%
2024	$5,913,520	27.7%
2025	$5,749,895	-2.8%
2026	N/A	N/A
Average		**5.2%**

2026 Budget: $5,736,735

Base Year Estimate: $5,736,735

Actual revenue has averaged about $5 million annually, outperforming budget by approximately 12.1% on average. In 2026 the Town made a significant adjustment to the base budget that is reflective of actual collections the past two years. This is the base estimate used in the forecast.

Potential Revenue Risks and Restrictions

Like sales tax, this is a customer-driven revenue source that has experienced greater volatility over the past seven years. The Town has maintained a conservative budget approach for this revenue source given the difficulty predicting the volume of customer activity from year to year.

Annual Change Assumptions: 3.0%

The types of services offered vary from department to department, so the project team used revenue history by department to estimate future trends. In many departments revenue has varied significantly from year to year. The projections in the model are intended to smooth out this growth from year to year, while also generally assuming a conservative projection to avoid over-estimating revenue with future economic uncertainty.

The following table illustrates assumed annual revenue change by department.

Table 21: Town Services Revenue Historical Performance and Assumptions by Department

Department	Five Year Average Change	Average Portion of Revenue	Assumed Annual Change	Comments
Administrative Services	8.9%	2.2%	5.0%	Assumed lower than average due to past variance
Community Development	1.7%	40.1%	2.0%	Assumed in line with past average
Police	7.4%	24.2%	5.0%	Assumed lower than average due to past variance
Parks and Public Works	9.2%	30.9%	3.0%	Assumed lower than average due to past variance
Non-Departmental	-11.3%	2.6%	0.0%	Assumed flat due to past variance

The following table compares the highest revenue line items that are categorized as Town Services versus those categorized as License & Permits.

Table 22: Town Services and Licenses & Permits Top Revenue Source, FY2025

Town Services	Licenses and Permits
PD Services for Monte Sereno- $1,135,514	Wasteholder Encroachment Fee (Solid Waste)- $2,297,703
Plan Check- $1,043,926	Building Permit Fees- $2,205,805
Plan Check Building- $529,251	Planning Permits- $902,524
Engineering Review Surcharge- $323,972	Encroachment Permits- $459,831
Environmental Impact- $277,397	Tree Removal Permits- $155,535

Business License Tax

The following table illustrates the Town's historical Business License Tax revenue, as well as the average annual change. The revenue has significant year-to-year variation due to economic factors as well as delays in revenue collection. Revenue from one of the largest businesses in the Town was delayed due to an appeal of the tax rate, for example, which is one of the reasons for the significant variation in recent years.

Table 23: Business License Actual Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$1,526,894	N/A
2020	$1,357,080	-11.1%
2021	$1,386,943	2.2%
2022	$1,481,667	6.8%
2023	$2,361,862	59.4%
2024	$1,519,960	-35.6%
2025	$2,975,721	95.8%
Average		**19.6%**

2026 Budget: $2,493,992

Base Year Estimate: $2,470,000

The Town commissioned HdL to project future Business License Tax revenue. The firm created aggressive, conservative, and moderate projection scenarios. Under the moderate scenario, a total of $2.47 million in revenue is estimated for FY2026. HdL bases this forecast on actual payments received in the beginning of the fiscal year as well as projected trends for the remaining months. The forecast leverages this estimate as the 2026 base.

Potential Revenue Risks and Restrictions

The variation from year to year illustrated in the table above illustrates the volatility of this revenue source. It is influenced by economic trends as well as Town tax policy, potential court challenges, and other external factors.

Annual Change Assumptions: 1.5%

Business License Tax revenue has increased significantly in the past years, but there has also been a great deal of variation from year to year. HdL acknowledges this volatility in its projections and forecasts three scenarios: an aggressive estimate, a moderate estimate, and a conservative estimate. HdL's assumption for a moderate Business License Tax growth rate is 1.5% per year, and this assumption is used for the model.

This estimate may be somewhat conservative when compared against past trends in the Consumer Price Index (CPI) for the San Francisco region. The CPI can be considered an indicator of long-term growth, and the past five years of CPI growth have averaged 3.8% per year, as illustrated below. However, we believe that HdL's estimate is appropriate given future economic uncertainty.

Table 24: San Francisco Region CPI History

Year	Annual CPI: All Costs	Percent Change
2020	300.084	1.7%
2021	309.721	3.2%
2022	327.06	5.6%
2023	339.05	3.7%
2024	348.417	2.8%
Average		**3.8%**

Transient Occupancy Tax

The Town charges a Transient Occupancy Tax on hotels and other short-term lodging. Revenue is based on the nightly room rate and number of days at each establishment. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 25: Transient Occupancy Tax Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$2,692,043	N/A
2020	$1,869,685	-30.5%
2021	$1,044,820	-44.1%
2022	$1,895,064	81.4%
2023	$2,228,190	17.6%
2024	$2,367,653	6.3%
2025	$2,417,630	2.1%
Average		**5.4%**

2026 Budget: $2,422,390

Base Year Estimate: $2,412,087

Actual Transient Occupancy Tax revenues have been an average of 10.4% higher than budgeted over the last seven years. However, one of the hotels in the community closed in 2026, and this change will likely reduce the amount of revenue collected from the Transient Occupancy Tax. The Town provided us with the revenue history per establishment and based on this we calculated that the closure will mean a reduction of approximately $260,000 in FY2026. Based on these assumptions, we estimate a base year revenue of approximately $2.4 million.

Potential Revenue Risks and Restrictions

Transient Occupancy Tax revenue varies significantly from year to year, as illustrated above. It is tied to the level of tourism and business travel in the community, which is heavily influenced by economic trends. Additionally, the number of hospitality establishments in the Town also influence the amount of revenue generated.

Annual Change Assumptions: 3.0%

Transient Occupancy Tax revenue is projected forward based on the most recent two years of available historical data on revenue by establishment. Older data is not used due to the impact of the pandemic on hotel occupancy. Data for the establishment that closed was not considered when projecting future trends.

Intergovernmental Revenue

The Town receives some intergovernmental revenue, such as state and federal grants. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 26: Intergovernmental Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$945,191	N/A
2020	$1,094,075	15.8%
2021	$1,185,516	8.4%
2022	$1,263,352	6.6%
2023	$1,553,397	23.0%
2024	$1,157,225	-25.5%
2025	$1,357,593	17.3%
Average		**7.6%**

2026 Budget: $838,936

Base Year Estimate: $1,300,000

Actual intergovernmental revenue has been an average of 29.6% higher than budgeted revenue over the past seven years. The budget in FY2026 is somewhat lower than the past, at $838,936 compared to more than $950,000 in previous years. Political and economic uncertainty justifies a lower budget estimate, but the model seeks to normalize revenues over the 10-year projection period. For this reason, we are assuming a base year revenue of $1.3 million to align with previous years' actual revenue.

Potential Revenue Risks and Restrictions

Intergovernmental revenue is dependent on the state of the economy, as well as the philosophies and priorities of the governments in power. These external factors are difficult to predict, which is one reason why revenues are assumed to be flat for this category as discussed below.

Annual Change Assumptions: 0.0%

Intergovernmental revenue is assumed to be flat due to past volatility and to political uncertainty on the state and federal levels.

Fines & Forfeitures

The Town receives revenue from fines levied for infractions, as well as asset forfeitures. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 27: Fines & Forfeitures Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$510,266	N/A
2020	$271,117	-46.9%
2021	$103,467	-61.8%
2022	$319,170	208.5%
2023	$416,951	30.6%
2024	$480,634	15.3%
2025	$420,127	-12.6%
Average		**22.2%**

2026 Budget: $315,200

Base Year Estimate: $440,000

Actual revenue has consistently been higher than budgeted in recent years, with an average variance of 27.7%. To estimate a reasonable base year revenue, the team averaged the actual fine & forfeiture revenue for the past three years, which translates to approximately $440,000. This is somewhat higher than the budgeted figure for FY2026 but was chosen to establish a reasonable basis for future projections, beyond year-over-year volatility.

Potential Revenue Risks and Restrictions

Fines and forfeiture revenue can vary significantly, as illustrated above, because it depends on the frequency with which individuals incur fines and other penalties. The Town does have some ability to influence revenue by adjusting the amount of the fines and by determining the level of enforcement.

Annual Change Assumptions: 0.8%

Revenue in this category is largely influenced by the frequency of fines incurred, which can vary significantly from year to year. It is reasonable, however, to assume that fines incurred will increase over time somewhat proportionally to population. The average population growth over the past two years of available United States Census data (2023 and 2024) was 0.8%, so it is assumed that fine & forfeiture revenue will increase by 0.8% per year.

It is important to reiterate that revenue in this category could be influenced by policy and practice changes, such as new or increased fines or increased enforcement. The model assumes no changes in fines or enforcement levels in the base scenario, but users can project the impact of potential changes moving forward.

Investment Income

The Town also receives income from funds it has invested. Investment income for the General Fund model excludes earnings from the pension trust designated to support the Town's long-term pension liability. Earnings are generated from operating cash accounts as well as pooled cash funds invested in the state Local Agency Investment Fund (LAIF). The interest rate environment has gone through a period of significant change over the past several years, emerging from near 0% rates for cash-related investments to spikes in interest rates to help curb inflation after the pandemic, and most recently steady reductions from the Federal Reserve. The following table illustrates the category's historical revenue, including GAAP-based revenue that includes required mark-to-market non-cash accounting adjustments and interest income without this adjustment as a proxy for cash-based collections.

Table 28: Investment Income Revenue History

Year	Actual Revenue	Annual Percent Change	Actual Revenue (No Mark-to-Market Adjustment)	Annual Percent Change
2019	$1,445,640	N/A	$801,728	N/A
2020	$2,238,102	54.8%	$1,145,537	42.9%
2021	$58,250	-97.4%	$838,649	-26.8%
2022	($1,404,526)	-2511.2%	$610,975	-27.1%
2023	$584,171	-141.6%	$580,975	-4.9%
2024	$2,597,723	344.7%	$885,477	52.4%
2025	$2,935,466	13.0%	$1,733,643	95.8%
2026	N/A	N/A	N/A	N/A
Average		**-389.6%**		**22.0%**

2026 Budget: $1,567,774

Base Year Estimate: $1,567,774

The model maintains a base estimate equal to the 2026 budget. This estimate is consistent with 2025 earnings.

Potential Revenue Risks and Restrictions

The amount of income generated by the Town's investments is dependent on market changes. It can be volatile from year to year, as illustrated above, and in an economic downturn the Town risks a significant reduction in revenue.

Annual Change Assumptions: 2.0% for LAIF and 2.8% remaining cash investments

There are two offsetting factors influencing the projected interest earnings over the next ten years. First, the assumption for interest earned on investment balance is split between a steady LAIF balance of $15m returning 2.0% on average over the forecast period and approximately $45m of investment account balance that is expected to decline over the forecast period as the projected structural deficit will reduce fund balance and cash on hand for the Town. This declining balance, however, is expected to return interest earnings of approximately 2.8% annually. The interest rate assumptions are lower than the most recent rate of return the Town has experienced of 3.4%. This is influenced by recent Federal Reserve actions to reduce rates.

Actual interest earnings collected by the Town declines over the ten-year period from an estimated $1.5m in 2027 to $700,000 in 2036. This is driven by a lower investment balance of $65 million today to approximately $30 million in 2036. This decline assumes the Town will rely more on fund balance to meet balanced budget requirements, decreasing the amount of cash available to invest.

Other Revenue

The final external revenue category in the model encompasses all revenue not falling into another category, such as donations or property sales. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 29: Other Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$6,575,936	N/A
2020	$2,731,171	-58.5%
2021	$3,550,564	30.0%
2022	$2,410,531	-32.1%
2023	$2,755,697	14.3%
2024	$3,156,921	14.6%
2025	$2,517,861	-20.2%
Average		**-8.7%**

2026 Budget: $2,188,465

Base Year Estimate: $2,800,000

The Town's budgeted revenues in this category for FY2026 are lower than FY2025, reflecting the decrease that took place between FY2024 and FY2025. This is appropriate for the FY2026 budget but may be artificially low if used as the basis for future projections. Instead, the project team used the average revenue for the past three years, approximately $2.8 million, as a basis for future projections.

Potential Revenue Risks and Restrictions

There are a variety of revenue sources in this category, many of which vary significantly from year to year. This impacts the Town's ability to reliably predict future revenues.

Annual Change Assumptions: 0.0%

The base year assumption is intended to normalize revenue projections in this category based on past years' average, but volatility in annual revenue makes it difficult to predict future revenues. For the purposes of the model, revenue is assumed to be flat in the base scenario.

Transfers In

Some General Fund revenue is transfers from other Town funds. The following table illustrates the category's historical revenue, as well as the average annual change.

Table 30: Transfers In Revenue History

Year	Actual Revenue	Annual Percent Change
2019	$1,578,911	N/A
2020	$599,669	-62.0%
2021	$652,056	8.7%
2022	$633,352	-2.9%
2023	$538,536	-15.0%
2024	$564,910	4.9%
2025	$812,411	43.8%
Average		**-3.7%**

The two largest sources of transfers are the General Fund Appropriation Reserve (GFAR) Fund 411 and the Gas Tax Fund; all other transfer amounts have historically been $10,000 or less. The GFAR Fund is used to finance capital projects, and the transfers into the General Fund are intended to represent excess unspent funds in a given year. The Gas Tax Fund transfers go towards operating costs that can legally be paid out of Gas Tax revenue, such as the cost of mowing lawns and trimming trees in Town Right-Of-Way. Historically, the Town has transferred a standard amount year for this purpose.

2026 Budget: $562,411

Base Year Estimate: $321,280

The Town has historically transferred a set amount from most funds each year, as shown in the table below, and these amounts are also assumed in the base budget. The exception is the GFAR Fund 411, where amounts have varied. The GFAR Fund is used to finance capital projects, and over the past seven years GFAR transfers into the General Fund have averaged 6.9% of expenditures. We applied this 6.9% to the average annual assumed GFAR capital expenditures over the model period and based on these assumptions an average of approximately $321,280 is expected to be transferred into the General Fund. This is assumed as the base revenue for FY2026.

Table 31: Assumed Transfers In by Fund, FY2026

Fund	FY2026 Transfers In
General Fund Appropriated Reserve Fund 411	$200,970
Gas Tax Fund	$106,000
Traffic Mitigation Fund	$10,000
Kennedy Assessment District Fund	$1,510
Vasona Assessment District Fund	$1,430
Santa Rosa Assessment District Fund	$660
Blackwell Assessment District Fund	$460
Hillbrook Assessment District Fund	$250
Total	**$321,280**

Annual Change Assumptions: 0.0%

The Town has had a historical practice of transferring in set amounts from various other funds, as discussed above, with the transfers generally remaining flat from year to year. The exception is GFAR transfers, but the base year assumption is the normalized annual projected transfer for the entire model period. For this reason, all transfers are assumed to remain flat.

Personnel Expenditures

The following sections detail personnel-related expenditures including salaries and overtime (e.g., wages) and benefits, including healthcare and retirement.

Personnel Costs- Salary

Personnel-related costs are the single largest driver of operating expenses for the Town. Wages, including salaries and overtime account for nearly 40% of total budgeted expenditures in 2026. Wages and benefit costs are nearly 70% of total cost. To determine the underlying assumption for personnel – salaries cost, the project team reviewed actual expenditure history since 2019 alongside the change in authorized staffing levels over that same period. The following table illustrates these trends.

Table 32: Personnel - Salary Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change	Authorized Staffing	Annual Percent Change	Cost per FTE	Annual Percent Change
2019	$17,223,545	N/A	148.99	N/A	$115,602	N/A
2020	$18,175,614	5.5%	149.63	0.4%	$121,470	5.1%
2021	$18,987,346	4.5%	150.00	0.2%	$126,582	4.2%
2022	$18,306,124	-3.6%	150.24	0.2%	$121,846	-3.7%
2023	$20,011,354	9.3%	153.26	2.0%	$130,571	7.2%
2024	$21,186,554	5.9%	152.51	-0.5%	$138,919	6.4%
2025	$21,813,266	3.0%	152.50	0.0%	$143,038	3.0%
Average		**4.1%**		**0.4%**		**3.7%**

Personnel Costs- Vacancy Savings

Budgeting for vacancy savings is a tool to improve realistic forecasting, especially in an environment of financial constraint. The underlying assumption should be rooted in actual experience for the Town and consider, where appropriate, department specific turnover rates that may have an outsized impact on overall savings, such as Police. The challenge is determining a vacancy factor that does not prevent hiring or influence policy/service level decisions. In other words, vacancy savings occur naturally each year based on normal staffing churn (e.g., time to hire, retirements, voluntary resignations etc.). Where the savings are generated can vary from year to year. Therefore, the estimate should rely on Town-wide experience without impacting individual department hiring practices to meet service level expectations.

Raftelis reviewed the recent budget-to-actual variance for personnel cost (excluding OPEB) to get a sense of annual vacancy savings generated compared to the Town's current vacancy savings estimate of $2.2 million, or 4.6%. The following table compares budgeted personnel costs (not including budgeted vacancy savings) to actual costs in order to understand the variance from year to year.

Table 33: Budgeted vs. Actual Personnel Costs, FY2019-2025[21]

Year	Budgeted Personnel Costs[22]	Actual Personnel Costs	Variance ($)	Variance (%)
2019	$27,182,218	$26,791,635	$390,583	1.4%
2020	$30,910,360	$28,563,165	$2,347,195	7.6%
2021	$31,578,999	$29,954,224	$1,624,775	5.1%
2022	$32,269,661	$29,651,637	$2,618,024	8.1%
2023	$35,472,824	$32,306,067	$3,166,757	8.9%
2024	$36,166,293	$34,234,940	$1,931,353	5.3%
2025	$38,518,446	$36,315,240	$2,203,206	5.7%
Average			**$2,040,270**	**6.0%**

The vacancy savings percentage estimate falls below historical experience; however, the amount is close to the historical average. The Town should exercise caution with this budgetary estimate going forward. Attrition data needs to be evaluated annually to see if staffing trends have changed and if so, adjust this estimate to remain conservative instead of in-line with actual experience. Reductions to the vacancy savings will *increase* the annual budget gap. In addition, part of the historical experience considers overtime and pension costs. While these costs are certainly related to personnel, they are not always linear in terms of impact. Overtime may spike due to service response needs and pension cost also factors in amortization of long-term liability based on market performance in addition to covered payroll.

Bargaining Units

Town staff fall within five different labor groups, with three groups governed by collective bargaining agreements or memorandums of understanding (MOUs). The MOUs indicate contractual salary increases over a set period of time. For purposes of the baseline forecast, Raftelis considered each of these labor groups individually and the associated historical trend for personnel costs. The current MOUs expire at the end of FY 2027. Details regarding salary assumptions for each of these labor groups are provided below.

2026 Personnel – Salary Budget without Vacancy Savings: $25,381,471
2026 Personnel – Salary Budget with Vacancy Savings: $23,182,932
Base Year Estimate: $22,794,863

For the long-term forecast, Raftelis chose to rely on historical trend and not include a vacancy savings factor. The base estimate for 2026 considers the most recent actual personnel cost of $21.8 million and assumed base increase of 4.5%.

[21] Includes salary, overtime, other benefits, and CalPERs pension.

[22] Does not include budgeted vacancy savings

Annual Change Assumptions: 3.9%, weighted average

The model assumes that the number of positions remains unchanged over the course of the model period.[23] Costs are projected forward based on the average annual salary increase by bargaining unit[24], the total number of positions per bargaining unit, and the average annual salary per position. All data was provided by Town staff. Based on these assumptions, salary costs are assumed to increase by an average of 3.9% per year.

The following table summarizes data used to create these assumptions.

Table 34: Salary Assumptions by Bargaining Group

Group	Average Salary Range Increase, Most Recent Three Years of Data	Total Authorized Positions, FY2026	Average Hourly Salary, FY2026
American Federation of State, County and Municipal Employees (AFSCME)	4.0%	14	$47.93
Los Gatos Police Officers' Association	5.2%	39	$81.72
Los Gatos Town Employees' Association	3.0%	56	$58.40
Confidential	3.7%	13	$57.25
Management	3.7%	32	$96.56

Personnel Costs- Overtime

As mentioned previously, overtime costs can vary and are typically tied to overall trends in staffing. Often, overtime costs run higher when staffing levels are lower (higher vacancy rates). The Town's budget for overtime has consistently lagged actual expenditures as illustrated in the following table.

Table 35: Overtime Budgeted and Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change	Adopted Budget
2019	$707,046	N/A	$387,204
2020	$708,955	0.3%	$477,890
2021	$882,421	24.5%	$424,560
2022	$1,134,177	28.5%	$472,270
2023	$1,373,672	21.1%	$604,678
2024	$1,342,518	-2.3%	$578,856
2025	$1,333,709	-0.7%	$599,171
Average		**11.9%**	

[23] The Excel model does include mechanisms to allow the user to project the cost of additional positions.

[24] Actual increases are used where negotiated agreements are available.

2026 Budget: $657,310

Base Year Estimate: $1,371,566

Overtime costs grew significantly between 2021 and 2023. This is likely correlated with lower staffing levels after the pandemic. As staffing levels have stabilized, overtime costs have also remained more consistent at approximately $1.3 million annually. Maintaining a historical trend-based methodology, the 2026 estimate for the General Fund forecast assumes an amount in line with recent experience.

Annual Change Assumptions: 1.0%

The project team analyzed trends in average overtime per authorized position in recent years to project future costs. Overtime per position has varied significantly over time, as illustrated below, but has decreased in recent years. The baseline model assumes no new positions are added; therefore, future overtime costs will be a factor of vacancy rates, changes in service level expectations (without corresponding funding), and the underlying base wage for overtime eligible positions. Because overall salary growth is projected to increase, a corresponding increase is expected for overtime. The projected growth is smaller than anticipated salary growth, assuming staffing levels remain consistent with recent experience and the actual amount of overtime hours incurred (overtime per person) continues to decline slightly.

Table 36: Historical Overtime Costs by Authorized Position

Year	Total Positions	Overtime Per Position	Annual Change
2019	148.99	$4,746	N/A
2020	149.64	$4,738	0%
2021	150.81	$5,851	24%
2022	150.24	$7,549	29%
2023	153.25	$8,964	19%
2024	152.50	$8,803	-2%
2025	152.50	$8,746	-1%
Average			**11.4%**

Personnel Costs- CalPERS

Current and former Town employees participate in the state's public pension fund – CalPERS Plan participation varies depending on when employees entered the system and the nature of their employment (general or public safety). The Town relies on actuarial consultants to provide estimates for annual contributions. These estimates include multiple factors such as current Town payroll for covered employees (those eligible to participate), accrued pension liability resulting from pension assets underperforming relative to plan assumptions, and the expected benefit payment for each vested employee based on demographics and plan features.

Similar to other personnel cost drivers, the project team first assessed actual pension cost paid annually to understand underlying growth trends. This data along with actuarial estimates provided by Foster and Foster® informed assumptions for expected future pension costs. The following table illustrates actual CalPERS costs, as well as the average annual change.

Table 37: CalPERS Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$5,282,681	N/A
2020	$6,059,646	14.7%
2021	$6,374,119	5.2%
2022	$6,531,958	2.5%
2023	$7,091,215	8.6%
2024	$7,431,198	4.8%
2025	$8,220,124	10.6%
Average		**7.7%**

2026 Budget: $9,907,119

Base Year Estimate: $9,114,430

The table below details how the 2026 base amount was determined relying on the actuarial estimates from the March 2025 Foster and Foster Report. Included in that report were estimates for covered payroll that support the model's 2026 base estimate for contributions.

Table 38: CalPERS Covered Payroll and Contribution by Group

Employee Group[25]	Employee Count	2025/26 Payroll	2025/26 Contribution[26]	FY2026 Base Estimate
Miscellaneous	114	$15,215,000	30.0%	$4,564,500
Safety	36	$6,842,000	66.5%	$4,549,930
Total	**150**	**$22,057,000**	**N/A**	**$9,114,430**

Annual Change Assumptions: 4.9% on average (varies by year)

The model projects annual covered payroll for Safety and miscellaneous employees based on the assumptions detailed in the salary section above. The Foster and Foster report projects the percentage of payroll contributions needed for both safety and miscellaneous employees over the next 10 years to cover normal cost and the unfunded accrued liability (UAL) payment. This percentage (50th percentile) is used to determine pension cost for the Town over the next ten years.

[25] Includes proportionate share of classic members utilizing final average contribution (FAC) of one year or three years as well as members who joined after the 2013 Public Employees' Retirement Reform Act (PEPRA).

[26] Includes normal cost and unfunded accrued liability (UAL) payment

It is important to note the baseline model does not consider changes to underlying pension assumptions, such as the discount rate used for market rate of return on assets. This type of change would be modeled as a scenario and may have a significant impact on the required contribution from the Town each year. To hedge against growing unfunded liability the Town has also established a pension trust, for which annual contributions are factored into the baseline model projection for the General Fund. Additional details can be found in that expenditure category section.

Figure 8: Foster and Foster Miscellaneous Employer Pension Contributions FY2026-2036

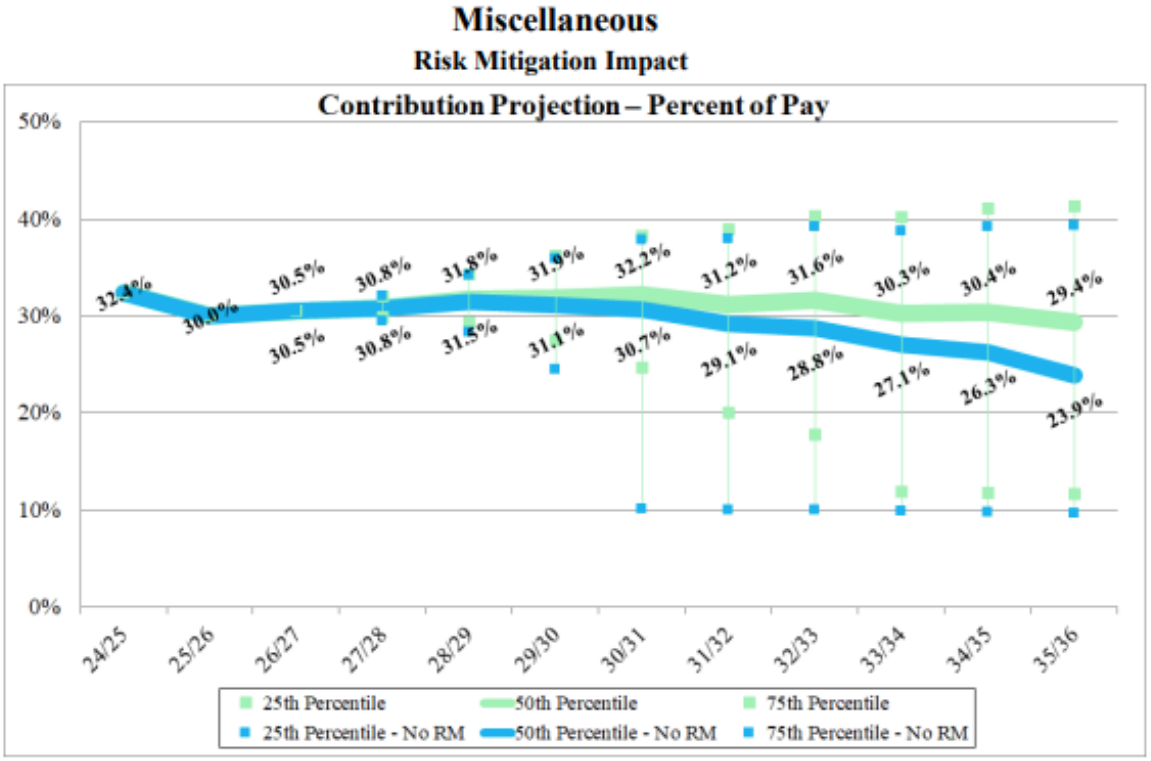
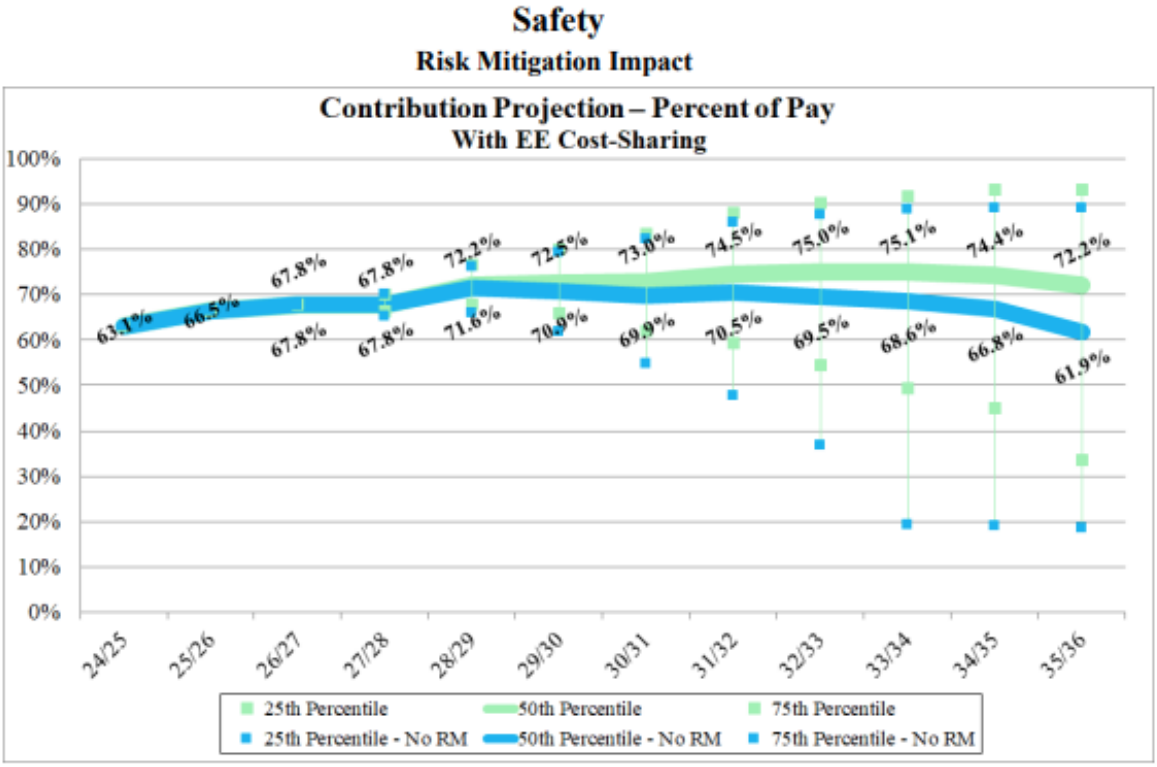


Figure 9: Foster and Foster Safety Employer Pension Contributions FY2026-2036



Personnel Costs- Other Benefits

The other benefits category encompasses costs primarily related to health insurance (including dental and vision) as well as other benefits such as disability and group life insurance. The Town is fully insured, paying a fixed premium to an insurance carrier to provide medical coverage for employees. The following table illustrates the category's historical actual costs, as well as the average annual change.

Table 39: Other Benefits Budgeted and Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$3,578,363	N/A
2020	$3,618,950	1.1%
2021	$3,710,338	2.5%
2022	$3,679,378	-0.8%
2023	$3,829,826	4.1%
2024	$4,274,670	11.6%
2025	$4,948,141	15.8%
Average		**5.7%**

2026 Budget: $6,265,770

Base Year Estimate: $5,548,868

Benefit costs were dormant through the pandemic years and then rebounded to above average increases, particularly within the past two years. The lower actual costs experienced in 2020 – 2022 are not anticipated in future years. Rather, it is expected that healthcare costs will settle into historic growth patterns of 6-8% employer cost increases annually. For this reason, the 2026 base estimate in the forecast is $5.5 million, reflecting approximately a 12% increase from the 2025. This is base assumes a "catch up" from the deflated costs experienced previously and is below the Town's 2026 budget. The growth in costs from this base estimate are not expected to increase as much as explained below.

Annual Change Assumptions: 6.6%

The project team looked at trends in healthcare costs from two industry experts, PricewaterhouseCoopers (PwC) and the National Association of Insurance Commissioners (NAIC), as well as the Town's own experience with costs the past several years to develop the annual benefit cost projection of a 6.6% annual increase.

Table 40: Industry Healthcare Cost Trends

Year	PwC Annual Change in Group Plan Healthcare Costs	NAIC Annual Change in Insurance Premiums
2021	7.0%	Not available
2022	5.5%	5.5%
2023	8.0%	5.2%
2024	8.5%	4.9%
2025	8.5%	7.1%
Average	**7.5%**	**5.7%**

Personnel Costs- Other Post-Employment Benefits (OPEB)

The Town's share of retiree medical expenses is categorized as OPEB. The Town is required to provide medical insurance for retirees who are not yet Medicare eligible. The underlying cost for this benefit is related to assumptions for healthcare cost increases (e.g., Other Benefits); however, the demographic composition is a higher age group that typically utilize medical benefits at a higher rate than the overall employee population. The historical trend data supports this, with Town-wide benefit costs growing at 5.7% on average the past seven years, while retiree's share of healthcare costs grew at 8.2%. The following table illustrates the category's historical actual costs, as well as the average annual change.

Table 41: OPEB Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$1,181,579	N/A
2020	$1,203,101	1.8%
2021	$1,286,285	6.9%
2022	$1,391,296	8.2%
2023	$1,527,074	9.8%
2024	$1,631,602	6.8%
2025	$1,883,528	15.4%
Average		**8.2%**

2026 Budget: $2,125,000

Base Year Estimate: $2,125,000

The Town's 2026 budget aligns with growth in actual costs of approximately 8% from the most recent fiscal year.

Annual Change Assumptions: 7.7%

Similar to the underlying industry data support total benefit costs for the Town, the anticipated growth for this expenditure category uses a higher overall percentage to mirror the differences in demographics and the higher end of anticipated national healthcare cost increases anticipated by industry experts.

Non-Personnel Expenditures

The Town has multiple ongoing operating expenditures required to support service delivery that do not involve personnel. Actual expenditure trend history and underlying cost assumptions for the General Fund baseline model are detailed by category below. Unless otherwise noted, historical averages shown by department or a more granular expense type reflect the seven-year average consistent with the historical trend data provided.

Grants and Awards

The Town has historically set aside funds for grant and awards programs in the community. The amount has varied depending on the Town's financial position and community/economic factors. For example, grants increased significantly after pandemic, likely related to one-time funding from state and federal sources to support various community programs. The amount of grants awarded is an annual discretionary policy decision. As such, for the baseline forecast model, we relied on Town staff guidance of $155,000 as the ongoing base amount of grants awarded annually with no anticipated increases over the ten year period.

Materials and Supplies

Police, Parks and Public Works, and Library comprise 88% of total materials and supplies expenditures for the Town. The following table illustrates the category's historical cost, as well as the average annual change. Amount have been adjusted to remove one-time anomalies.

Table 42: Materials and Supplies Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$506,425	N/A
2020	$954,191	88.4%
2021	$986,060	3.3%
2022	$976,524	-1.0%
2023	$1,004,047	2.8%
2024	$1,336,078	33.1%
2025	$1,205,674	-9.8%
Average		**19.5%**

2026 Budget: $1,341,030

Base Year Estimate: $1,101,676

In FY2024 the Town increased the base budget to $1.3 million, which is slightly higher than recent trends for the past three years. The model assumes an initial base estimate of $1.1 million, which is the five-year historical expenditure average since 2021.

Annual Change Assumptions: 7.4% (weighted average)

The types of materials and supplies purchased vary from department to department, so the project team used expenditure history by department to estimate future trends. As stated previously, three departments drive the majority of underlying cost for this category. The remaining departments make up a smaller share of costs with actual expenses varying from year to year. For those departments, expenditures are assumed to remain flat throughout the model period (e.g., existing allocation of base budget is sufficient to cover these departments collectively).

The following table illustrates historical and assumed annual expenditure change by department. A three-year (post pandemic) average growth rate was used to inform the future costs.

Table 43: Materials and Supplies Expenditure Assumptions by Department

Department	Average Portion of Expenditures	Three Year Average Annual Change	Assumed Annual Change
Police	41.9%	12.8%	10.0%
Parks and Public Works	29.2%	10.1%	7.0%
Library	16.9%	3.0%	2.0%
All Other	12.0%	-15.4%	0.0%

Utilities

The Town pays a variety of utilities including water, electricity, and telecommunications. The following table illustrates actual utilities costs, as well as the average annual change.

Table 44: Utilities Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$451,146	N/A
2020	$540,966	19.9%
2021	$572,195	5.8%
2022	$560,096	-2.1%
2023	$636,764	13.7%
2024	$723,753	13.7%
2025	$829,296	14.6%
Average		**10.9%**

2026 Budget: $721,546

Base Year Estimate: $900,000

Actual utilities costs since the pandemic have increased by 14%, exceeding budget estimates in FY2023-25. For the model, an initial 2026 base estimate of $900,000 is used. This is based on the recent three year growth trajectory.

Annual Change Assumptions: 10.6% (weighted average)

Costs were estimated by utility type, based on past history. Utilities with a minimal impact on overall cost and volatile changes year-over-year are assumed to be flat. The following table illustrates assumed annual expenditure change by utility.

Table 45: Utility Expenditure Assumptions by Type

Utility	Average Portion of Expenditures	Average Annual Change	Assumed Percent of Cost[27]	Assumed Annual Change
Electric	6.4%	11.4%	7.0%	12.0%
Water	50.6%	11.9%	51.6%	12.0%
St Lite / Signals Energy	31.1%	9.4%	30.9%	9.0%
911 Communications Line	5.2%	14.8%	5.3%	10.0%
Telephone	3.3%	11.7%	3.3%	8.0%
Mobile/Cell Phones	2.2%	3.2%	1.0%	1.0%
Communications Data Lines	0.3%	-39.2%	0.2%	0.0%
Cable	0.8%	2.9%	0.7%	0.0%

Purchased Services

Purchased services include contracts and third-party technical/advisory support services for the Town. Amounts can vary significantly by department, however, Police, Parks and Public Works, and Community Development account for almost two-thirds of costs, with the remaining share coming from administrative functions (including non-departmental). The table below provides historical expenditure trends.

Table 46: Purchased Services Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$3,518,231	N/A
2020	$3,408,461	-3.1%
2021	$2,899,476	-14.9%
2022	$3,308,630	14.1%
2023	$2,795,440	-15.5%
2024	$3,453,697	23.5%
2025	$3,063,557	-11.3%
Average		**-1.2%**

2026 Budget: $3,752,045

Base Year Estimate: $3,206,785

Actual purchased services costs have generally come in lower than budget. The model assumes a 2026 base estimate of $3.2 million, which is consistent with the historical average for expenditures over the past seven years.

[27] Based on most recent 2025 portion of actual cost.

Annual Change Assumptions: 4.6% (weighted average)

Costs were estimated by department, based on past history. Departments with volatile past change that are relatively small relative to total cost incurred are assumed to be flat. The following table illustrates assumed annual expenditure change by Department.

Table 47: Purchased Services Expenditure Assumptions by Department

Department	Average Portion of Expenditures	Average Annual Change	Assumed Percent of Cost[28]	Assumed Annual Change
Council	0.1%	55.1%	0.2%	0.0%
Attorney	5.1%	152.5%	16.2%	10.0%
Administrative Services	8.0%	14.8%	8.1%	5.0%
Community Development	17.1%	1.6%	17.0%	2.0%
Police	20.5%	18.8%	17.5%	10.0%
Parks and Public Works	19.7%	3.3%	19.4%	2.0%
Library	2.9%	7.8%	4.2%	2.0%
Non-Departmental	26.7%	-12.5%	17.5%	0.0%

Other Operating Expenditures

The final non-personnel operating expenditure category includes all operating expenditures that do not fall into another category. Examples include plan check fees, traffic signalization costs, and tax administration fees. The following table illustrates actual costs, as well as the average annual change.

Table 48: Other Operating Costs Budgeted and Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$2,732,835	N/A
2020	$2,363,715	-13.5%
2021	$2,656,065	12.4%
2022	$2,826,600	6.4%
2023	$2,898,164	2.5%
2024	$3,177,868	9.7%
2025	$3,907,189	23.0%
Average		**6.7%**

[28] Based on most recent 2025 portion of actual cost.

2026 Budget: $3,367,687

Base Year Estimate: $4,170,370

Actual expenditures increased significantly in 2024 and 2025. The base year estimate assumes this pattern continues with a 6.7% increase from 2025 actual.

Annual Change Assumptions: 6.7%

Based on the average annual change.

Internal Services Charges

The Town relies on internal service funds (ISF) for Town-wide insurance including general liability and workers compensation, as well as facility, Fleet/equipment replacement, and IT services. Each of these funds incur operating costs, including ongoing maintenance, repair, and small capital asset replacement. In some cases, they may also receive external revenue sources that support operating costs. The baseline model first calculates estimated operating costs including ongoing maintenance, repair, and replacement for each ISF, then applies any outside revenue sources, before determining the net "charge" required to be allocated to departments to fully recover operational cost. As a result, the General Fund model internal service charge category reflects this aggregate net "charge" to all General Fund departments. The following sections detail assumptions for each internal service fund.

Liability Self-Insurance Fund

The underlying cost of this fund reflects general liability insurance premiums, which are influenced by the Town's claims experience and insurance industry cost trends. The following table illustrates historical operating expenditures for the fund, as well as the average annual change. The fund does not consistently receive external revenue to support operating costs.

Table 49: Liability Self-Insurance Fund Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$338,617	N/A
2020	$400,823	18.4%
2021	$646,495	61.3%
2022	$583,924	-9.7%
2023	$988,486	69.3%
2024	$1,131,184	14.4%
2025	$1,320,458	16.7%
Average		**28.4%**

2026 Charges for Service Budget: $1,825,348

Base Year Estimate: $1,622,241

Actual costs spiked beginning in 2023 through 2025. The Town recently moved to a new JPA that is expected to yield some cost savings in future years. The 2026 base estimate reflects historical cost with anticipated growth of 22% from 2025 actual.

Annual Change Assumptions: 7.0%, on average

With the recent shift to a new JPA, the annual growth in insurance costs are expected to slow from recent historical averages. Costs are still projected to increase each year at a rate greater than inflation given insurance industry trends. This assumption will need to be closely monitored as the Town receives future premium and claims data under the new JPA.

Workers' Compensation Self-Insurance Fund

The underlying cost of this fund reflects workers compensation claims activity. The following table illustrates historical operating expenditures for the fund, as well as the average annual change.

Table 50: Workers' Compensation Self-Insurance Fund Actual Revenue and Expenditure History

Year	Actual Operating Expenditures	Annual Percent Change	Actual External Revenues	Annual Percent Change
2019	$1,270,628	N/A	412,720	N/A
2020	$1,525,589	20.1%	526,552	27.6%
2021	$1,381,049	-9.5%	327,768	-37.8%
2022	$1,533,045	11.0%	258,474	-21.1%
2023	$1,913,144	24.8%	163,755	-36.6%
2024	$1,332,697	-30.3%	392,310	139.6%
2025	$1,131,566	-15.1%	330,788	-15.7%
Average		**0.2%**		**9.3%**

2026 Charges for Service Budget: $1,901,696

Base Year Estimate: $1,650,000

Recently, workers compensation costs have declined from the 2023 peak of $1.9 million. With the difficulty predicting claims activity, some contingency or fund balance within the ISF is desired as a way to smooth incremental cost increases over time. The 2026 base estimate includes the historical average cost of $1.4 million with a $250,000 contingency.

Annual Change Assumptions: 2.3%, on average

The model projects Workers' Compensation Self-Insurance Fund costs using a general inflationary factor of 2%. Year-to-year costs have varied significantly. With some contingency built into the base estimate, ongoing growth assumptions are smoothed to consider inflation given the average historical experience has been relatively flat.

Facilities Maintenance Internal Service Fund

The facilities maintenance funds provides funding for the upkeep and maintenance of Town facilities. The following table illustrates actual operating expenditures, as well as the average annual change and external revenue sources (outside of charges to General Fund departments) that support facilities maintenance operating needs.

Table 51: Facilities Maintenance Fund Budgeted and Actual Contribution History

Year	Actual Operating Expenditures	Annual Percent Change	Actual External Revenues	Annual Percent Change
2019	$968,550	N/A	$904,548	N/A
2020	$1,002,775	3.5%	$233,302	-74.2%
2021	$1,063,763	6.1%	$333,649	43.0%
2022	$1,217,971	14.5%	$1,115,005	234.2%
2023	$1,298,219	6.6%	$394,952	-64.6%
2024	$1,330,691	2.5%	$490,512	24.2%
2025	$1,418,481	6.6%	$245,818	-49.9%
Average		**6.6%**		**18.8%**

2026 Charges for Service Budget: $1,175,983 (net of external revenue)

Base Year Estimate: $1,175,983

The Town has consistently charged the General Fund departments 100% of underlying operating expenditures. The 2026 base maintains the original adopted budget of $1.2 million, which is reflective of actual operating expenditures less external revenue sources.

Annual Change Assumptions: 7.2%, on average

The model projects Facilities Maintenance Fund costs by category, based on past history and consistent with underlying assumptions for General Fund costs for the same non-personnel expenditure categories. The expected charge is offset by approximately $340,000 in revenue, which does not include a growth factor over the ten years. The following table summarizes expenditure assumptions by category.

Table 52: Facilities Maintenance Fund Model Assumptions

Expenditure Category	FY2025 Actual Expenditures	Annual Change Assumed for Model
Materials and Supplies	$404,096	3.5%
Utilities	$817,793	8.0%
Purchased Services	$158,481	2.0%
Other Operating Expenditures	$58,836	6.1%

Information Technology (IT) Internal Service Fund

The IT ISF supports Town-wide application support and maintenance contracts, along with equipment (hardware) replacement cycles. The following table illustrates actual operating expenditures, as well as the average annual change.

Table 53: IT Internal Service Fund Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$566,952	N/A
2020	$796,071	40.4%
2021	$668,473	-16.0%
2022	$877,789	31.3%
2023	$538,282	-38.7%
2024	$731,789	35.9%
2025	$887,063	21.2%
Average		**12.4%**

2026 Charges for Service Budget: $954,554

Base Year Estimate: $1,067,101

Base year estimates for the IT ISF charges for services do not include any assumption for external revenue sources. In addition, the 2026 base estimate is reflective of the anticipated maintenance and replacement schedule provided by Town staff, not historical spending. This schedule reflects the true cost to maintain the IT infrastructure the Town has in place to support current service levels.

Annual Change Assumptions: 3.0%, on average

The Town provided an inventory of existing technology assets and planned replacement schedules, and the project team used this data to project annual technology replacement needs over the 10-year model period. The model projects that actual technology costs will be between approximately $1.1 and $1.5 million per year over the next 10 years. These figures are smoothed out over the model period to allow for a more predictable annual contribution. Contribution amounts are assumed to increase by 3% each year based on inflation and higher replacement costs over time.

The following table illustrates estimated actual technology needs by year. It is based on existing technology and does not assume any expansion of technology use.

Table 54: Estimated Technology Replacement Needs per Year, FY2026-2036

Year	Town Estimate of Maintenance and Replacement Needs	Smoothed Estimate for Forecast[29]
2026	$1,251,845	$1,042,067
2027	$1,420,894	$1,101,297
2028	$1,105,082	$1,134,336
2029	$1,157,701	$1,168,366
2030	$1,206,837	$1,203,417
2031	$1,138,311	$1,239,520
2032	$1,508,759	$1,276,705
2033	$1,214,200	$1,315,007
2034	$1,190,731	$1,354,457
2035	$1,196,769	$1,395,091
2036	$1,276,077	$1,436,943
Average	**$1,242,473**	**N/A**

Equipment Replacement Internal Service Fund

The Equipment Replacement ISF supports maintenance and replacement of vehicles and other large equipment used by various Town departments. The following table illustrates historical operating expenditures, as well as the average annual change. Since the fund supports vehicle and equipment replacement (capital costs), there is greater variation in funds expended annually. This may be due to market conditions delaying the purchasing and receipt of new vehicles, which was common immediately after the pandemic. The fund also relies more heavily on fund balance to support catch-up or timing of replacement.

[29] Includes 3% annual inflationary increase

Table 55: Equipment Replacement Fund Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change	Actual Revenues	Annual Percent Change
2019	$601,961	N/A	$22,492	N/A
2020	$540,036	-10.3%	$36,987	64.4%
2021	$248,302	-54.0%	$59,852	61.8%
2022	$157,761	-36.5%	$48,484	-19.0%
2023	$526,960	234.0%	$78,916	62.8%
2024	$187,323	-64.5%	$33,418	-57.7%
2025	$563,192	200.7%	$43,409	29.9%
Average		**44.9%**		**23.7%**

2026 Charges for Service Budget: $1,167,544

Base Year Estimate: $1,026,554

Base year estimates for the Equipment Replacement ISF charges for services includes a small assumption of $40,000 in external revenue to offset General Fund charges for services. This external revenue is typically generated by sale proceeds from auction on obsolete vehicles that have exceeded their useful life. In addition, the 2026 base estimate is reflective of the anticipated maintenance and replacement schedule provided by Town staff, not historical spending. This schedule reflects the ongoing cost required to replace the Town's current vehicle and equipment asset inventory.

Annual Change Assumptions: 3.0%, on average

The Town provided an inventory of equipment and planned replacement schedules, and the project team used this to project annual vehicle and equipment replacement needs over the 10-year model period. The Town replacement schedule projects that actual equipment costs will be between approximately $215,000 and $2.4 million per year over the next 10 years. These figures are smoothed out over the model period to allow for a more predictable annual contribution. Contribution amounts are assumed to increase by 3% each year.

The following table illustrates estimated actual equipment needs by year. It is based on existing equipment and does not assume any expansion for increased service levels.

Table 56: Estimated Equipment Replacement Needs per Year, FY2026-2036

Year	Town Estimate of Maintenance and Replacement Needs	Smoothed Estimate for Forecast[30]
2026	$584,890	$1,000,000
2027	$2,387,730	$1,089,741
2028	$2,014,115	$1,122,433
2029	$214,275	$1,156,106
2030	$1,029,654	$1,190,789
2031	$837,932	$1,226,513
2032	$532,015	$1,263,308
2033	$1,079,139	$1,301,207
2034	$1,414,414	$1,340,244
2035	$2,162,045	$1,380,451
2036	$1,403,991	$1,421,864
Average	**$1,241,836**	**N/A**

Debt Service

The following table illustrates historical debt service, as well as the average annual change and the average annual variance between budgeted and actual.

Table 57: Debt Service Budgeted and Actual Expenditure History

Year	Actual Expenditures	Annual Percent Change
2019	$1,909,073	N/A
2020	$1,905,024	-0.2%
2021	$1,960,505	2.9%
2022	$2,055,884	4.9%
2023	$2,049,747	-0.3%
2024	$2,119,919	3.4%
2025	$2,108,681	-0.5%
Average		**1.7%**

[30] Includes 3% annual inflationary increase

2026 Budget: $2,057,884

Base Year Estimate: $2,057,884

It is assumed that actual debt service expenditures will match the Town's adopted debt service schedule, as provided by Town staff.

Annual Change Assumptions: Varies

Debt service payments are based on debt service schedules provided by the Town. No additional debt is assumed during the model period.

Transfers Out

Pension Trust Transfers

The Town transfers General Fund balance to a pension trust each year as a policy directive to accumulate reserves and investment earnings that can be used to offset the anticipated growth in unfunded pension liability over time. Similar to Town grants, the amount funded to the Pension Trust is an annual discretionary policy decision. For the baseline forecast, the model assumes $390,000 is transferred annually from the General Fund.

Capital Transfers Out

For purposes of a baseline model forecast, transfers from the General Fund to support capital investment should only consider tier one funding, which is the required maintenance, repair, and replacement cost for existing assets used to provide services. If the Town has historically underfunded asset maintenance needs, this would not be reflected in the underlying baseline assumption. Rather, a scenario-based analysis could be used that incorporates higher funding levels to address deferred maintenance needs in a way that positions the Town to achieve desired replacement cycles for future years. The same scenario-based assumption is true for new capital projects tied to potential development or projects desired by Town Council.

The table below shows the history of capital expenditure, non-transfer revenue, and General Fund revenue (transfers in).

Table 58: Capital Improvement Projects Sources and Uses History

Year	Actual Capital Expenditures	Non-Transfer Revenue Sources	General Fund Transfer
2019	$9,521,126	$6,162,615	$2,335,220
2020	$8,477,293	$13,382,084	$6,982,591
2021	$6,398,953	$5,622,634	$3,401,479
2022	$18,257,900	$18,196,039	$1,750,001
2023	$10,617,693	$18,098,143	$3,006,978
2024	$13,375,941	$11,406,579	$1,615,000
2025	$16,525,663	$14,029,724	$1,110,000
Average	**$11,882,081**	**$12,413,974**	**$2,885,896**

The General Fund baseline model only considers pay-go cash sourced from the General Fund operating budget needed to support tier one capital needs after considering any external sources of designated revenue used for capital purposes. The model does not assume any new debt is issued to support ongoing tier one capital needs.

Base Year Estimate: $1,000,000

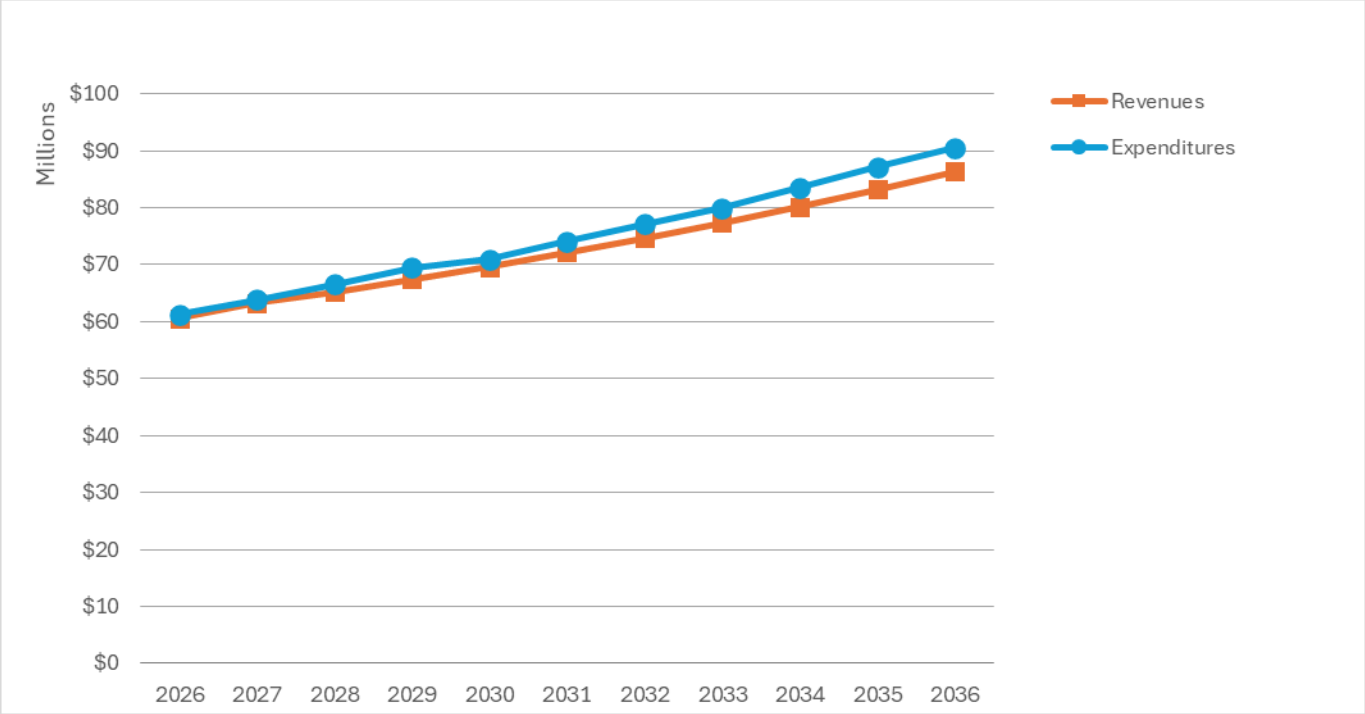
Ultimately, General Fund cash to support capital investment is a policy decision. Given the history of total capital expenditures and other capital revenue sources, the model assumes a conservative $1 million is transferred annually only to support tier one project needs. Additional capital investment is required but will be modeled as scenarios within the ALM study components of the project.

There are potential options to mitigate the impact of these capital needs on the General Fund. The Town's capital funds have an estimated FY2026 beginning fund balance of $17.3 million, per the Town's FY2026 budget book, and the strategic use of fund balance could minimize the need for General Fund transfers. The Town also has the option of incurring additional debt to finance capital project. No new debt is assumed in projections, but the Excel model allows users to project the impact of additional bond financing.

Financial Outlook

The following figure summarizes the projected revenues and expenditures under the baseline scenario.[31]

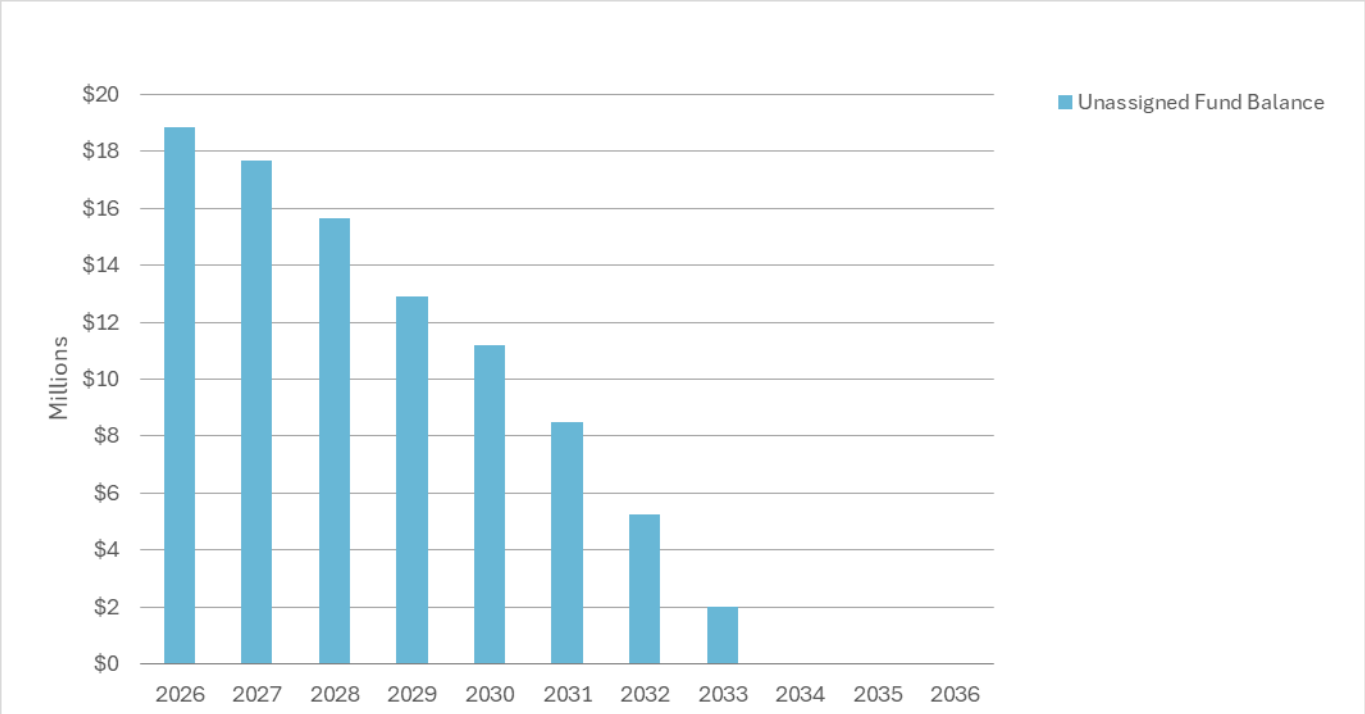
Figure 10: Los Gatos Base Scenario General Fund Revenue and Expenditure Projections



The model shows a gap between estimated revenues and expenditures that is projected to increase over time based on underlying assumptions for each of the model forecast categories detailed in this memo. Under these forecast assumptions the Town would deplete its unassigned General Fund balance by approximately 2034, as illustrated in the following figure.

[31] Any fund balance remaining beyond the minimum fund balance established by Town policy- the policy requires a minimum General Fund balance of 25% of annual expenditures

Figure 11: Los Gatos Base Scenario General Fund Unassigned Fund Balance Projections



It is again important to reiterate that these projections are based on a number of assumptions, and actual costs will vary significantly based on policy and operational decisions as well as external factors like the economy. The Excel model provided to staff as part of this project allows users to evaluate the potential impact of different scenarios.

The tables below show the estimated revenues, expenditures, and impact on fund balance in greater detail.

Table 59: Detailed General Fund Revenue Projections, FY2026-2036, in Millions

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Property Tax	$21.5	$23.1	$24.4	$25.7	$27.2	$28.7	$30.4	$32.1	$33.9	$35.8	$37.8
VLF Backfill	$5.6	$5.9	$6.2	$6.5	$6.9	$7.2	$7.6	$8.0	$8.5	$8.9	$9.4
Sales and Use Tax (non-Measure G)	$7.8	$7.9	$8.1	$8.3	$8.4	$8.6	$8.8	$9.0	$9.1	$9.3	$9.5
Sales and Use Tax (Measure G)	$1.3	$1.4	$1.4	$1.4	$1.4	$1.5	$1.5	$1.5	$1.6	$1.6	$1.6
Licenses & Permits	$6.3	$6.3	$6.4	$6.4	$6.4	$6.5	$6.5	$6.5	$6.5	$6.6	$6.6
Town Services	$5.7	$5.9	$6.1	$6.3	$6.5	$6.7	$6.9	$7.1	$7.3	$7.5	$7.7
Business License Tax	$2.5	$2.5	$2.5	$2.6	$2.6	$2.7	$2.7	$2.7	$2.8	$2.8	$2.9
Transient Occupancy Tax	$2.4	$2.5	$2.6	$2.6	$2.7	$2.8	$2.9	$3.0	$3.1	$3.2	$3.3
Intergovernmental	$1.3	$1.3	$1.3	$1.3	$1.3	$1.3	$1.3	$1.3	$1.3	$1.3	$1.3
Franchise Fees	$1.0	$1.1	$1.1	$1.1	$1.1	$1.1	$1.2	$1.2	$1.2	$1.2	$1.2
Fines & Forfeitures	$0.4	$0.4	$0.4	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5	$0.5
Transfers In	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3	$0.3
Interest	$1.6	$1.6	$1.2	$1.2	$1.0	$1.0	$0.8	$0.8	$0.7	$0.7	$0.7
Other Sources	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8	$2.8
Total Revenues	**$60.5**	**$63.0**	**$64.8**	**$67.0**	**$69.2**	**$71.6**	**$74.1**	**$76.8**	**$79.5**	**$82.5**	**$85.7**
Percent Change	**N/A**	**4.0%**	**2.9%**	**3.5%**	**3.2%**	**3.6%**	**3.4%**	**3.7%**	**3.6%**	**3.8%**	**3.8%**

Table 60: Detailed General Fund Expenditure Projections, FY2026-2036, in Millions

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Operating Expenditures											
Salary	$22.8	$23.6	$24.5	$25.5	$26.5	$27.6	$28.6	$29.8	$31.0	$32.2	$33.5
Overtime	$1.4	$1.4	$1.4	$1.4	$1.4	$1.4	$1.5	$1.5	$1.5	$1.5	$1.5
CalPERS	$9.1	$9.7	$10.1	$11.1	$11.7	$12.3	$12.8	$13.5	$13.9	$14.5	$14.7
OPEB	$2.1	$2.3	$2.5	$2.7	$2.9	$3.1	$3.3	$3.6	$3.9	$4.2	$4.5
Other Benefits	$5.5	$5.9	$6.3	$6.7	$7.2	$7.6	$8.1	$8.7	$9.2	$9.9	$10.5
Materials and Supplies	$1.1	$1.2	$1.3	$1.4	$1.5	$1.6	$1.7	$1.8	$1.9	$2.1	$2.2
Internal Service Charges	$6.5	$7.0	$7.2	$7.5	$7.7	$7.9	$8.2	$8.4	$8.7	$8.9	$9.2
Grants and Awards	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2	$0.2
Utilities	$0.9	$1.0	$1.1	$1.2	$1.3	$1.5	$1.6	$1.8	$2.0	$2.2	$2.5
Debt Service	$2.1	$2.1	$2.1	$2.1	$0.8	$0.8	$0.7	$0.0	$0.0	$0.0	$0.0
Purchased Services	$3.2	$3.4	$3.5	$3.7	$3.8	$4.0	$4.2	$4.4	$4.6	$4.8	$5.0
Other Operating Expenditures	$4.2	$4.5	$4.8	$5.1	$5.4	$5.8	$6.2	$6.6	$7.0	$7.5	$8.0
Total Operating Expenditures	**$59.1**	**$62.0**	**$64.9**	**$68.4**	**$70.3**	**$73.8**	**$77.1**	**$80.3**	**$83.9**	**$87.9**	**$91.8**
Transfers Out											
New Capital	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0	$1.0
Other	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4	$0.4
Total Transfers Out	**$1.4**	**$1.4**	**$1.4**	**$1.4**	**$1.4**	**$1.4**	**$1.4**	**$1.4**	**$1.4**	**$1.4**	**$1.4**
Total Expenditures	**$60.5**	**$63.4**	**$66.3**	**$69.8**	**$71.7**	**$75.2**	**$78.5**	**$81.7**	**$85.3**	**$89.3**	**$93.1**
Percent Change	**N/A**	**4.9%**	**4.5%**	**5.3%**	**2.7%**	**4.8%**	**4.4%**	**4.0%**	**4.4%**	**4.7%**	**4.3%**

Table 61: Total General Fund Balance Projections, FY2026-2036, in Millions

Category	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Revenues	$60.5	$63.0	$64.8	$67.0	$69.2	$71.6	$74.1	$76.8	$79.5	$82.5	$85.7
Total Expenditures	$60.5	$63.4	$66.3	$69.8	$71.7	$75.2	$78.5	$81.7	$85.3	$89.3	$93.1
Net Fund Balance Change	**$0.1**	**($0.5)**	**($1.5)**	**($2.8)**	**($2.6)**	**($3.5)**	**($4.4)**	**($4.9)**	**($5.8)**	**($6.8)**	**($7.5)**
Total Fund Balance	$34.9	$34.4	$32.9	$30.1	$27.6	$24.0	$19.6	$14.8	$9.0	$2.2	($5.2)
Total Unassigned Fund Balance	**$18.9**	**$17.7**	**$15.7**	**$12.9**	**$11.2**	**$8.5**	**$5.2**	**$2.0**	**$0.0**	**$0.0**	**$0.0**

Sensitivity Analysis

The baseline financial forecast relies on a number of assumptions, as detailed in the previous sections. Actual revenues and expenditures in future years will vary based on policy decisions made by the Town Council and external trends like the strength of the economy and the pace of growth and development,

The model provided to the Town allows users to project the impact of potential internal and external changes on the Town's estimated fund balance. These projections can be compared against the base scenario to understand the possible impact of these changes. The Town can use these comparisons to evaluate the potential impact of policy decisions as well as to better understand the potential risks and opportunities created by changing population levels and economic conditions.

The following sections briefly compare the base scenario to potential alternative scenarios to illustrate how different assumptions can impact model forecasts.

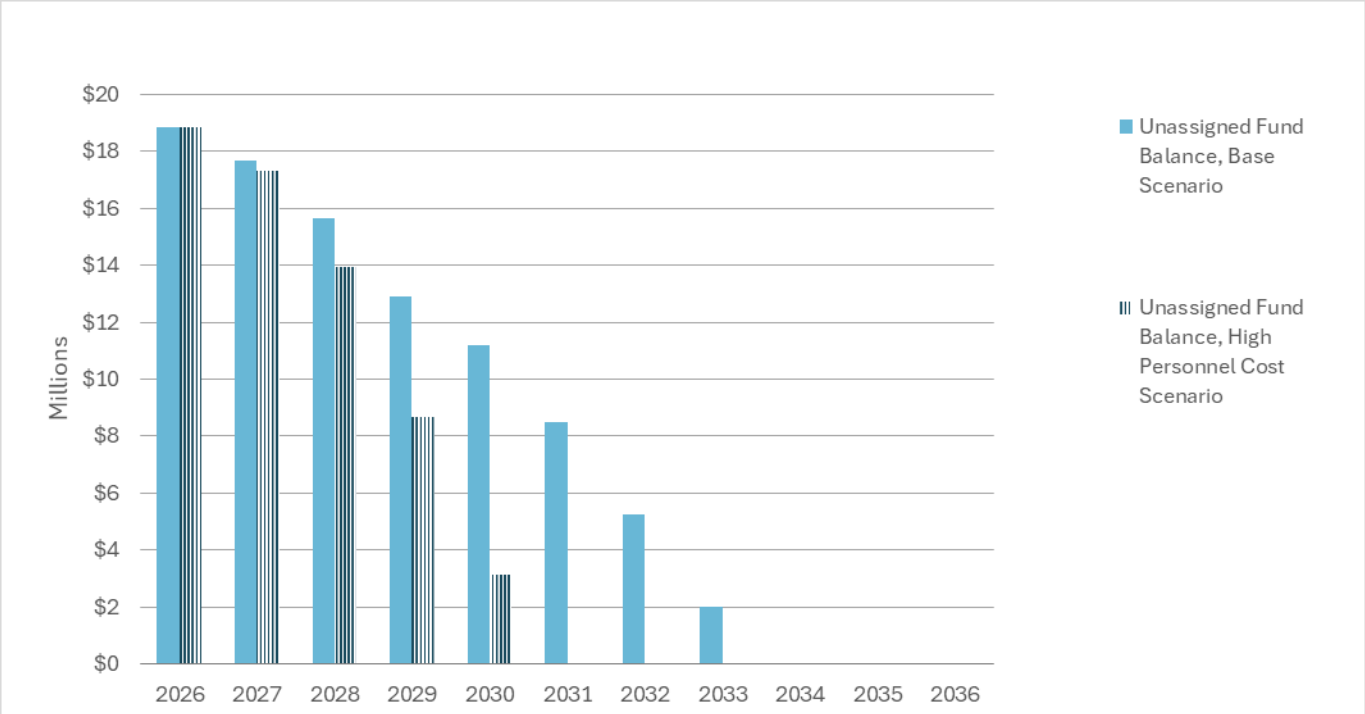
Potential Scenario: Staffing Costs Increase More Rapidly

Staffing costs accounted for approximately 63% of General Fund operating costs between FY2019 and FY2025. Personnel are the largest operating cost driver, so salary and benefits trends will have a significant impact on the Town's future financial condition. To understand the potential risk created by higher staffing costs, the team projected a high staffing cost scenario with the following assumptions:

- A 6% annual increase in salary costs, compared to approximately 4% in the base scenario
- A 5% annual increase in overtime costs, compared to approximately 1% in the base scenario
- An 8% annual increase in OPEB costs, compared to approximately 5% in the base scenario
- A 10% increase in healthcare costs, compared to approximately 7% in the base scenario

Based on these assumptions, with higher staffing costs the Town would deplete its unassigned General Fund balance by 2031, three years earlier than the base scenario. The forecasted impact of these higher costs is illustrated in the figure below.

Figure 12: Los Gatos Base Scenario General Fund Higher Salary Cost Sensitivity Analysis



Potential Scenario: The Town Develops More Rapidly

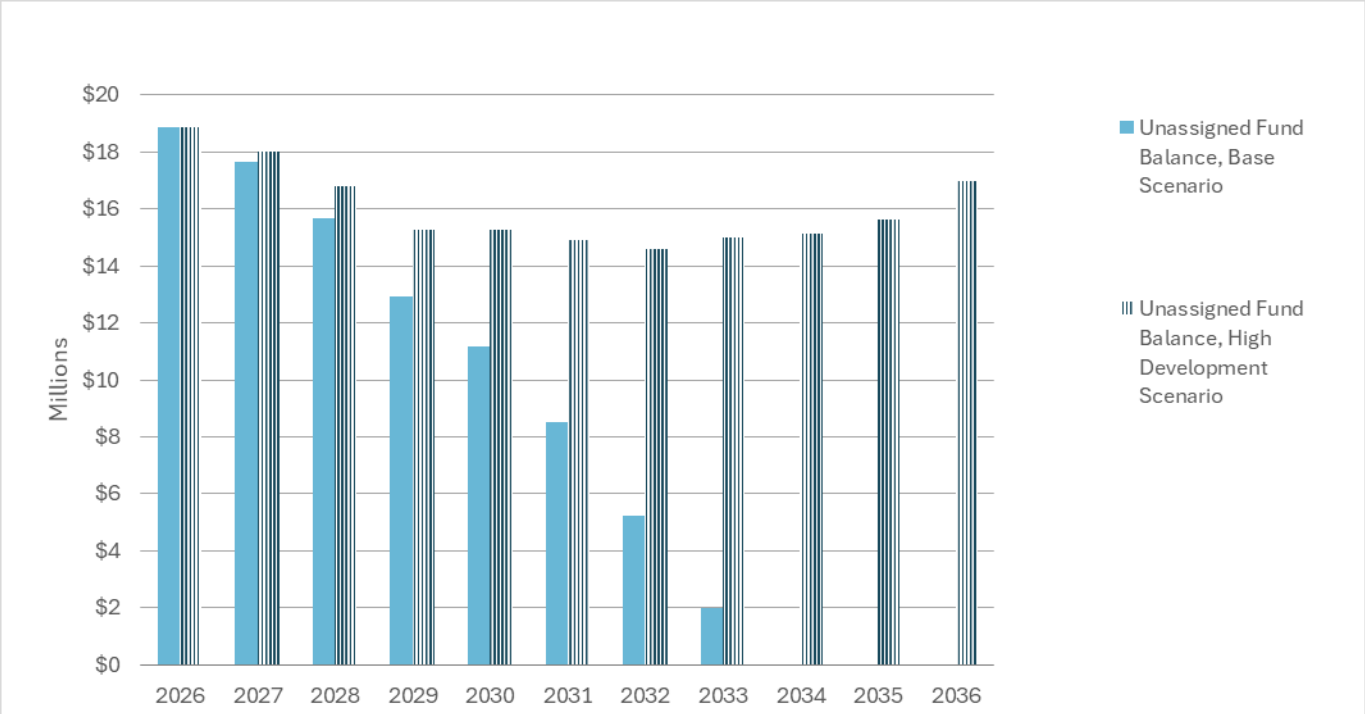
The base scenario is relatively conservative in its projections of the Town's future development, as discussed in previous sections. However, the Town could develop more rapidly than the baseline model projects, which would have a significant impact on the Town's revenue.

To understand the potential for increased revenue generation with more development, the team projected a scenario with the following assumptions:

- A 10% annual increase in new construction valuation, compared to keeping growth flat in the base scenario
- A 15% annual increase in change of ownership valuation, compared to approximately 4% in the base scenario
- A 6% annual increase in other valuation, compared to approximately 5% in the base scenario
- A 5% increase in Town development fee revenue, compared to approximately 2% in the base scenario
- A proportionate increase in annual VLF revenue

Based on these assumptions, with more property tax and VLF revenue the Town would be able to maintain a significant unassigned fund balance over the course of the model period. The forecasted impact of this increased revenue is illustrated in the figure below.

Figure 13: Los Gatos Base Scenario General Fund High Development Sensitivity Analysis



These variations illustrate the impact of both external trends and internal decision making on the Town's financial outlook. Although favorable economic trends have the potentially to significantly improve the Town's outlook, it is still important for the Town to proactively prepare for the risk of financial downturn and of increased operating costs.

Conclusion

The Town of Los Gatos is to be commended for its commitment to long-term thinking and proactive planning for its financial future. The forecasts detailed in this report are the result of extensive analysis using the best available data in order to develop the most reasonable and defensible projections for the Town's financial forecast under current conditions. However, as the Sensitivity Analysis section of this report illustrates, the Town's policy decisions and external trends can have a significant impact on the Town's financial future.

The model provided to the Town as part of this project is a tool that allows users to project the Town's finances under a variety of circumstances. The next step for the Town should be to continue to compare the base scenario projection to various additional scenarios to gain more insight into risk areas as well as opportunities to increase revenue or operate more efficiently. The model is also designed to be updated annually as new financial information becomes available, allowing it to be used in future years.

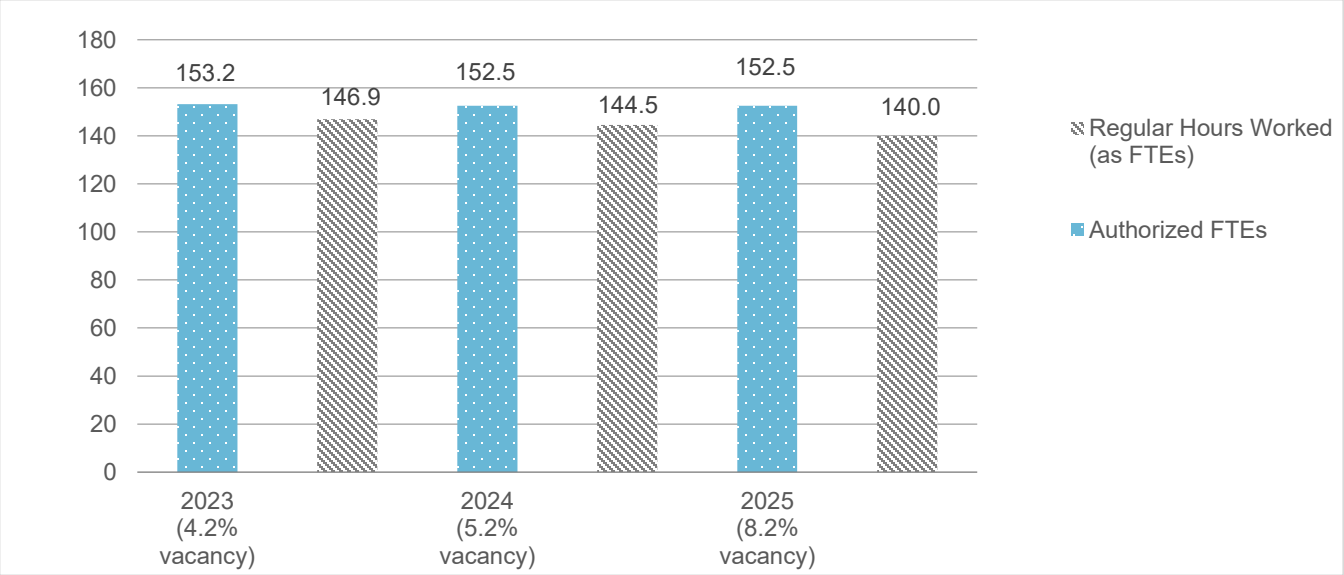
APPENDIX A:
Staff Hours Analysis

Staff Hours Analysis by Employee Type and Department

Full-Time Benefitted Employees

In 2025, Los Gatos full-time benefitted staff[32] worked a total of 291,178 regular hours[33], the equivalent of approximately 140.0 FTEs. In comparison, the Town had 152.5 full-time benefitted authorized FTEs in 2025, which means the Town's full-time benefitted vacancy rate in 2026 was approximately 12.5 FTEs, or 8.2% of authorized positions. The following figure compares authorized full-time benefitted positions for 2023 through 2025.

Figure 14: Authorized Full-Time Equivalent Staffing versus Regular Hours Worked (Full-Time Benefitted Staff)

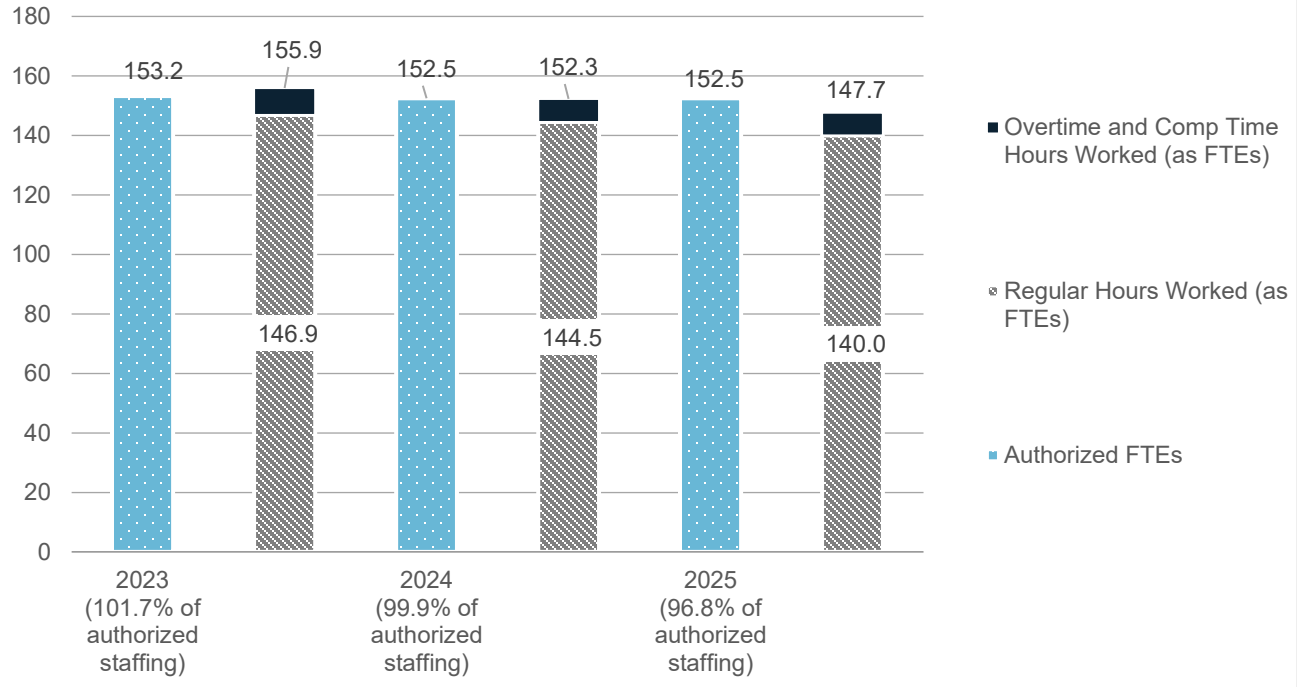


The Town averaged 9.0 vacant full-time benefitted FTEs per year between 2023 and 2025. However, much of that staff capacity gap was mitigated by staff working overtime or earning comp time. In 2025, full-time benefitted staff worked a total of 14,008 hours of additional time above the standard 2,080 hours, the equivalent of approximately 7.7 FTEs. This means that the effective vacancy rate, when additional work hours are included, was 3.2%. The figure below compares authorized full-time benefitted staffing to total hours worked (expressed as FTEs).

[32] Employees who are eligible for Town benefits.

[33] Includes hours worked and leave, except for overtime and compensatory time earned.

Figure 15: Authorized Full-Time Equivalent Staffing versus Total Hours Worked (Full-Time Benefitted Staff)



Staffing Levels by Department

The following table compares the average authorized and actual staffing levels by department for 2023 through 2025. It includes both full-time benefitted and hourly staff. The departments with the highest vacancy rates are Town Offices, which have an average vacancy rate of 21.5%, and Community Development, which has an average vacancy rate of 9.4%. The only department with staffing hours above authorized staffing was Police, as they rely heavily on overtime and comp time hours.

Table 62: Average Authorized and Actual Staffing by Department, 2023-2025

Department	Authorized Staffing	Total Regular Hours Worked (as FTEs)	Total OT and Comp Hours Worked (as FTEs)	Total Hours Worked (as FTEs)	Vacancy Rate (Regular Hours)	Vacancy Rate (When OT and Comp Hours Considered)
Administrative Services	21.8	21.3	0.2	21.5	2.6%	1.5%
Community Development	21.1	19.0	0.1	19.1	9.7%	9.4%
Library	16.0	15.2	0.2	15.3	5.4%	4.4%
Parks and Public Works	39.7	35.7	0.7	36.4	10.0%	8.2%
Police	63.2	62.1	7.0	69.1	1.6%	-9.5%
Town Offices	2.5	1.9	0.0	1.9	21.5%	21.5%

Town of Los Gatos

Future Growth and Sustainability Study

Fiscal Impact Analysis

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EXHIBIT A – Fiscal Impact Model

Executive Summary

The Town of Los Gatos (the "Town") is undertaking an integrated fiscal sustainability and growth impact analysis to evaluate the Town's outlook for fiscal sustainability. Included in that effort is a fiscal impact study to evaluate the fiscal implications of planned and potential development through 2040 on the Town's General Fund.

The development scenario analyzed in this report is projected to have a positive recurring impact on the Town's General Fund. At buildout, the model estimates that new residential development would generate approximately $10.8 million in annual General Fund revenues and approximately $9.0 million in annual General Fund expenditures, resulting in a positive annual net fiscal impact of approximately $1.8 million in 2026 dollars.

While this finding is important for long-term fiscal sustainability, the Town's need to increase its infrastructure investments in the short term, and that new infrastructure will bring additional operations, maintenance and servicing costs that have not been evaluated as part of this engagement. Major capital facilities, stormwater improvements, roadway capacity projects, or regional transportation improvements are not yet fully funded.

When reviewing these results, the Town should consider the annual expenditures calculated in this report to be an underestimate. In preparation for the few thousand units that may be constructed through 2040, the Town should consider implementing the following programs:

- A development impact fee program to ensure that new development is paying for its fair share allocation of new infrastructure.
- An annual transfer of new general tax revenues from new development should be set aside to help the Town build major capital facilities, public safety facilities, stormwater improvements, roadway capacity projects, and/or regional transportation improvements.
- A Community Facilities District special tax for services to ensure that new residential development is contributing to the service burden it creates on the Town's General Fund after accounting for the Town's general revenue needs.

The practical conclusion is that new development is not projected to create an annual operating deficit for the Town. However, the Town should still ensure that growth pays its fair share of the infrastructure, facilities, maintenance, and service obligations it creates. All available new development funding tools should be evaluated before unrestricted General Fund revenues are committed to growth-related service costs.

The unrestricted revenues generated by new development should be a part of the Town's broader fiscal strategy. They may be needed to support existing infrastructure, deferred capital needs, reserves, pension and OPEB obligations, and other Townwide priorities.

I. Introduction

The Town of Los Gatos (the "Town") is undertaking an integrated fiscal sustainability and growth impact analysis to evaluate the Town's outlook for fiscal sustainability. Included in that effort is a fiscal impact study to evaluate the fiscal implications of planned and potential development through 2040 on the Town's General Fund. The analysis began with the Town's General Fund forecast and the growth assumptions in the General Plan and Housing Element. It was then refined with input from the Finance Department, Community Development Department, Finance Commission, and Town Council to reflect the development scenario the Town believes is most useful for long-term fiscal planning.

The scenario analyzed in this report assumes 3,263 new housing units by 2040, including 400 ADUs, with development occurring evenly over the forecast period. It also assumes that 15 percent of new units will be affordable and that the remaining units will be market rate. The model estimates the new revenues, service costs, and net fiscal impact that this growth would have on the General Fund.

This study should be evaluated alongside the Fiscal Condition Analysis/Five-Year Forecast and the Asset Liability Management Study. Taken together, the three studies give the Town a fuller picture of its operating outlook, growth impacts, infrastructure needs, reserves, and long-term liabilities. That broader view is necessary for developing a fiscal strategy that is realistic, defensible, and actionable.

Key Findings

The 2040 development scenario is projected to generate more recurring General Fund revenues than recurring General Fund expenditures. On an annual operating basis, the assumed growth is fiscally positive.

However, that positive operating result does not resolve the Town's capital and infrastructure questions. An infrastructure deficit affects new residents as well as existing residents. Qualitatively, it can be assumed that the actual expenditure needs of new development are greater than the per-capita assumption presented in this analysis. A storm drain failure, roadway chokepoint, interchange project, or major facility deficiency cannot be estimated reliably by applying a simple per-capita multiplier.

Third, the Town should treat infrastructure funding as a separate but related policy question. New development should pay the portion of infrastructure and service costs that it requires to achieve a full level of service. Existing development should pay for existing deficiencies and Townwide improvements that are not attributable to new growth. Regional facilities should be funded with regional, state, federal, and grant sources wherever possible. However, it is likely that the Town will be required to contribute to those larger-scale infrastructure projects with unrestricted general revenues.

II. Development Assumptions

Number and Type of Residential Units

The scenario evaluated in this fiscal impact analysis assumes 3,263 new housing units by 2040. This number was selected as a median case, since it splits the difference between the 2,787 projected in the Housing Element and SB 330 project sites and the 3,738 projected in the Town's General Plan. This approach gives the Town a conservative but supportable 2040 planning scenario.

Of the 3,263 units, 2,863 are assumed to be planned residential units and 400 are assumed to be Accessory Dwelling Units (ADUs). Furthermore, fifteen percent (15%) of the planned residential units are assumed to be affordable. In determining the income levels of each affordable unit, the ratios in the Town's Housing Element were preserved.

A summary of the projected residential development by unit type is shown in Table 1 below.

Table 1
Residential Development Scenario by Unit Type

Category	No. Units	Share of Planned Residential Units
Very Low Income Planned Units	193	6.7%
Low Income Planned Units	112	3.9%
Moderate Income Planned Units	115	4.0%
Market-Rate Planned Units	2,443	85.3%
Subtotal: Planned Residential Units	**2,863**	**100.0%**
ADUs	400	NA
Total New Housing Units	**3,263**	**NA**

The model separates planned residential units from ADUs because they do not have the same fiscal profile. Planned residential units are modeled as multifamily units and carry the primary assessed value, population, and service-cost impacts. ADUs are modeled separately because they are expected to have lower assessed values and slightly lower household sizes.

For valuation purposes, the model assumes that roughly 15 percent of planned residential units will be affordable. To arrive at the specific affordable classifications, the allocations in the Housing Element were reduced by 75%, which places the percentage of affordable units at approximately 15% rather than 60%, preserving the relative proportions among very low-, low-, and moderate-income units. The remaining planned units are treated as above-moderate or market-rate units.

Construction and Absorption Assumptions

The model uses straight-line absorption to account for the fact that many of the planned units are already in the development pipeline, and demand for housing in Los Gatos is relatively high. Units will be added to the housing stock evenly over the forecast period rather than front-loaded in the early years. Please note that this is a modeling assumption rather than a forecast. Furthermore, due to the nature of this fiscal impact analysis, which assumes that revenues and expenditures accrue with new residential construction, the net fiscal impact per unit should remain relatively constant, regardless of when the residential units are constructed.

Planned residential units are phased in over 15 years, beginning in Fiscal Year 2026-27. ADUs are added at 25 per year, reaching 400 units by the end of the forecast period. Under this approach, the model reaches the full buildout of 3,263 units by Fiscal Year 2040-41.

Table 2
Construction and Absorption Assumptions

Development Component	Total Units	First Fiscal Year	Buildout Year
Planned Residential Units	2,863	2026-27	2040-41
ADUs	400	2025-26	2040-41
Total	**3,263**		

Value and Demographic Assumptions

Valuation is central to the fiscal impact analysis, because several revenue components accrue to the residential development based on market value and assessed value:

- Property taxes are based on assessed value, as determined by the County Assessor, in compliance with Proposition 13.
- Property tax in-lieu of vehicle license fees was created through a swap between the State and California cities, resulting in an ongoing general fund contribution that grows at the same rate as property taxes.
- Sales tax estimates are based on the estimated household income of the families that purchase the homes, which in turn is based on the estimated sales price value.

The model starts with the estimated Los Gatos single-family home value of approximately $2.45 million. It then applies a typical multi-family adjustment factor for multi-family homes at the moderate income level and uses income category adjustments for the affordable units to estimate the value of all planned residential units. ADUs are assigned a separate value of $350,000, based on the California ADU Handbook, which estimates the typical construction cost of ADUs in the Bay Area.

The resulting weighted average home value is approximately $2.33 million per planned residential unit and $350,000 per ADU.

Likewise, demographics are a core component of the analysis. Many expenditures and revenues accrue to each unit based on the number of people living in the household, such as license and permit revenues, police expenditures, parks and public works expenditures, and community development expenditures. Los Gatos averages 2.4 persons per household, and industry best practices generally assume that multi-family units have 90% as many people living in them as single family units. Accessory dwelling units are assumed to have 2.0 persons per household, in accordance with industry standards.

Assumptions regarding residential values and demographics are shown in Table 3 below.

Table 3
Value and Demographic Assumptions

Category	Total Units	Value per Unit	Persons per Household
Very Low Income Residential Units	193	$427,984	2.16
Low Income Residential Units	112	$1,112,758	2.16
Moderate Income Residential Units	115	$1,711,935	2.16
Market Rate Residential Units	2,443	$2,567,903	2.16
ADUs	400	$350,000	2.00
Total / Weighted Average	**3,263**	**$2,089,332**	2.14

III. Methodology

The Fiscal Year 2025-26 Proposed General Fund budget for the Town was reviewed to determine which revenues and expenditures would reasonably be affected by new residential development. The aim of this study is meant to complement the results of the Fiscal Conditions Analysis/Five-Year Forecast and Asset Liability Management Study. It answers a relatively narrow question: if the projected residential development occurs as planned, then what will the positive and negative impacts be to the Town's General Fund?

The analysis is presented in constant 2026 dollars. The purpose of this choice is threefold:

- The cumulative, annual and per-unit results are easy to understand in the context of current fiscal conditions.
- Revenues and expenditures tend to grow at similar rates.
- Adjusting different inflation factors (sometimes called "inflation hacking") to artificially inflate or deflate the results is not a possibility.

The revenues and expenditures reviewed in the model were classified as excluded, overhead, case study, or multiplier items. A summary of the methodology is outlined below:

- Excluded items are revenues or expenditures that do not have a clear relationship to new residential growth, are one-time in nature, are restricted for a specific purpose, or are principally borne by another agency or fund. These items are not used to estimate the recurring fiscal impacts from new development.
- Overhead items were identified separately from direct costs. The model calculates the relationship between overhead and eligible direct General Fund expenditures and calculate an overhead factor. That factor is then applied to the direct impacts to incorporate the administrative burden into the full cost estimate.
- Case study items were modeled individually in situations where an alternative methodology would produce a stronger model than the simpler multiplier approach. For this study, these items include property tax, property tax in-lieu of vehicle license fees, and sales and use tax. These revenues accrue to other measurable bases rather than to the number of people and/or employees being added to the service population.
- Multiplier-based items associated with the three population bases were summed up and divided by the Town's population basis to generate an appropriate multiplier. Then each multiplier was applied to the estimated future growth of that population base to estimate future impacts associated with those items, using the appropriate basis.

Property Tax Revenues

Property tax revenues from new development were estimated using a case study methodology. The model assigns assessed value to the planned residential units and ADUs included in the 2040 development scenario. Planned residential units are valued using a weighted average assessed value that reflects the assumed affordable and market-rate mix. ADUs are valued separately because they have a different fiscal profile.

At buildout, the model estimates approximately $6.819 billion in new secured residential assessed value from the development scenario. The model also includes unsecured assessed value equal to one percent of secured assessed value, or approximately $68.2 million. Total taxable assessed value used for the property tax calculation is therefore approximately $6.887 billion in FY 2025-26 dollars.

The Town's property tax revenue is calculated by applying the Town's estimated using the Town's Fiscal Year 2025-26 Adopted Budget to estimate the two principal revenue components associated with new property values.

The first is the general secured property tax revenues that are based on the Town's AB 8 apportionment factor multiplied by the general one percent (1%) property tax revenues collected by the County. Using the Fiscal Year 2025-26 secured property tax revenues of $18,615,157 and the FY 2025-26 local secured assessed value of $19,584,340,863, we determined that the Town receives approximately 9.51% of the 1% general property tax revenues.

The second component is Vehicle License Fee (VLF) backfill. This revenue source resulted from the State of California's 2004 VLF-property tax swap, under which cities and counties began receiving additional property tax revenue in lieu of the portion of VLF revenues that they previously received. Since the VLF backfill allocation changes in proportion with the growth or decline in local assessed valuation, it can be modeled in the same way general property tax revenues are. Dividing the Town's Fiscal Year 2025-26 VLF backfill revenue of $5,377,328 by the local secured assessed value results in an equivalent factor of 2.75% of the 1% general property tax revenue that can be added to the secured property tax allocation.

Where new residential development occurs on sites with existing commercial uses, the model accounts for the existing commercial base before estimating the net effect of redevelopment. That treatment is important. The fiscal impact should measure the change created by new growth, not simply the gross value of new housing.

Sales and Use Tax Revenues

Because the development scenario is primarily residential and does not assume a new retail center or defined new taxable commercial project, sales and use tax revenues were estimated indirectly. The model does not assume that all household spending by new residents will occur in Los Gatos. It estimates the portion of taxable sales likely to be captured by the Town.

The model evaluates taxable sales using resident spending patterns and local taxable sales relationships. The final model applies an estimated taxable sales factor of approximately $14,475 per new resident. The Town's local sales tax share is then applied to the estimated taxable sales generated by the new resident population.

This approach is more appropriate for Los Gatos than assigning sales tax on a per-household basis alone. Los Gatos has a substantial existing retail and restaurant base, but it also sits within a larger regional economy. New residents will spend some taxable dollars in Town and some elsewhere. The model therefore estimates local capture rather than total household spending.

Multiplier Revenues

The remaining eligible General Fund revenues were analyzed using a multiplier method. For each revenue source, the budgeted amount was divided by the appropriate demand basis: residents, employees, or persons served. The resulting multiplier was then applied to the increase in that same demand basis generated by the 2040 development scenario.

This method is used only for revenues that reasonably scale with growth. Revenues that are one-time, restricted, unrelated to population or service demand, or already captured through a case study method were excluded from the multiplier calculation.

The revenue methodology classifications and multipliers are presented in Table 4 below.

Table 4 – Town General Fund Revenues

Town of Los Gatos General Fund Revenues
Fiscal Year 2025-26 Proposed Budget

Revenue Category	Budgeted Amount	Analysis Classification	Qualified Revenues	Multiplier
Property Tax	$21,450,971	Case Study	$0	
VLF Backfill Property Tax	$5,337,328	Case Study	$0	
Sales & Use Tax	$6,639,081	Case Study	$0	
Measure G - Direct Sales Tax	$1,298,825	Case Study	$0	
Franchise Fees	$1,043,730	Per Person Served	$1,043,730	$23.77
Transient Occupancy Tax	$2,422,390	Case Study	$0	
Other Taxes (Bus. License Tax)	$2,493,992	Case Study	$0	
Licenses & Permits	$6,322,712	Per Person Served	$6,322,712	$144.00
Intergovernmental	$838,936	Excluded	$0	
Town Services [1]	$5,736,735	Excluded	$0	
Fines & Forfeitures	$315,200	Per Person Served	$315,200	$7.18
Interest	$1,567,774	Excluded	$0	
Other Sources	$3,795,502	Excluded	$0	
Total	**$59,263,176**		**$7,681,642**	

Multiplier Basis	Qty.
Number of Residents	33,355
Number of Employees	21,105
Number of Persons Served	43,908

1: User fees excluded from revenues and used as adjustments to expenditures.

Multiplier Expenditures

All Town Expenditures were analyzed using a multiplier method. The multiplier method takes the budgeted amount for a specific expenditure item and divides it by the appropriate basis for the expenditure, which is number of residents, number of employees, or persons served (which is represented by residents plus 0.5 times employees).

For Expenditures, we also classify some as Overhead Expenditures. The Overhead Expenditures are compared with the overall operating budget to determine an overhead rate. That rate is then applied to the Expenditure multiplier to get a fully-burdened rate.

The expenditure methodology classifications and multipliers are shown in Table 5 below.

Table 5 – Town General Fund Expenditures

Town of Los Gatos General Fund Expenditures
Fiscal Year 2025-26 Proposed Budget

Department	Budgeted Amount	Analysis Classification	Qualified Expenditures	Overhead	Adjustment [1]	Net Expenditures	Multiplier (No Overhead)	Multiplier (With Overhead)
Police Department	$23,504,430	Per Person Served	$23,504,430	$0	$0	$23,504,430	$535.32	$690.26
Parks & Public Works	$11,404,963	Per Person Served	$11,404,963	$0	($92,605)	$11,312,358	$257.64	$332.21
Non-Departmental	$5,345,295	Overhead	$0	$5,345,295	($95,950)	$5,249,345		
Community Development	$6,021,135	Per Person Served	$6,021,135	$0	($1,876,491)	$4,144,644	$94.39	$121.72
Administrative Services	$7,338,116	Overhead	$0	$7,338,116	$0	$7,338,116		
Library Services	$3,655,823	Per Resident	$3,655,823	$0	$0	$3,655,823	$109.60	$141.33
Town Council	$222,115	Overhead	$0	$222,115	$0	$222,115		
Town Attorney	$3,795,502	Excluded	$0	$0	$0	$0		
Total	**$61,287,379**		**$44,586,351**	**$12,905,526**	**($2,065,046)**	**$55,426,831**		

Multiplier Basis	Qty.
Number of Residents	33,355
Number of Employees	21,105
Number of Persons Served	43,908

Overhead Percentage:
28.9%

1: Adjustments represent the user fee revenues collected for each department. Source: Account-level adopted FY 2025-26 Budget

Operating and Capital Impacts

The fiscal impact model measures recurring General Fund revenues and recurring General Fund expenditures, estimating whether new development, once built and occupied, is likely to generate enough annual General Fund revenue to support the municipal services it requires.

Capital costs are fundamentally different from operating costs. Some capital costs are project-specific and can be addressed through conditions of approval, frontage improvements, dedications, impact fees, or other development requirements. Other capital costs are systemwide. These include facilities or infrastructure that serve both new and existing development, such as stormwater systems, arterial roadway improvements, public facilities, parks, and regional transportation projects.

System-wide capital costs should not be buried inside a per-capita operating model. Doing so would create a false level of precision. The cost of a major stormwater improvement, roadway expansion or interchange project depends on engineering scope, location, design standards, available grant funding, regional cost sharing, and timing. Those costs should be evaluated through the Town's capital planning process, engineering studies and/or a development impact fee nexus study.

For that reason, the net fiscal impact shown in this report should be understood as an operating result. It can be used to qualitatively inform the policy decision of requiring exactions from new development in the form of impact fees, special taxes and other mechanisms without providing a specific amount.

IV. Fiscal Impact Analysis Conclusions

Net Fiscal Impact from New Residential Development

The 2040 development scenario is projected to generate a positive recurring impact on the Town's General Fund. At buildout, the model estimates approximately $10.8 million in annual General Fund revenues and approximately $9.0 million in annual General Fund expenditures, resulting in a positive annual net fiscal impact of approximately $1.8 million in 2026 dollars.

The revenue estimate is driven primarily by property tax, property tax in-lieu of vehicle license fees, sales and use tax, and other General Fund revenues that increase with population or service demand. The expenditure estimate reflects the cost of providing municipal services to the new residents and service population generated by the development scenario.

Under the assumptions used in this analysis, the residential development scenario improves the Town's recurring General Fund operating position.

Table 6 – Net Fiscal Impact Summary

Budget Line Item	Buildout Impact
Revenues	
Sales and Use Tax	$1,137,282
Property Tax (incl. VLF Backfill)	$8,437,120
Franchise Fees	$166,019
Licenses & Permits	$1,005,713
Fines & Forfeitures	$50,137
Total	**$10,796,271**
Expenditures	
Police Department	$4,820,863
Parks & Public Works	$2,320,215
Community Development	$850,085
Library Services	$987,047
Total	**$8,978,210**
Net Fiscal Impact	**$1,818,061**
Net Fiscal Impact per Unit	**$557.17**

Capital and Infrastructure Funding Framework

Capital improvements identified through the Town's planning, engineering, and budgeting processes should be evaluated for funding based on the following principles:

- The capital improvements that satisfy the highest level of need should be prioritized.
- Funding sources that are funded or subsidized by the state or the federal government should be prioritized.
- Funding sources that do not require a two-thirds majority of registered voters in the Town should be prioritized.
- The responsibility for funding infrastructure improvements should generally be borne by the people and/or properties benefiting from the improvements and/or creating the need for the improvements.

Table 7 below outlines a general funding strategy for capital improvements.

Table 7 – Capital Improvement Funding Strategy

Category	Recommended Funding Strategy
Repair and replacement of infrastructure and public facilities that serve existing development only	Surplus general fund revenues, supplemental tax measures.
Construction of new infrastructure and public facilities needed to serve new and existing development	Development impact fees, development conditions and/or CFDs for new development's share, other funding sources needed for existing development's share.
Infrastructure needs created by new development with no perceivable nexus to existing development	Development conditions and/or CFDs.
Regional infrastructure projects	Prioritize state and federal grants and loans. Fund remainder with combination of sources discussed above to the extent possible.

Impact Fees, Conditions of Development and Other Exactions

Development impact fees and conditions of approval are the Town's primary tools for assigning development-related capital costs to new development. Impact fees are generally used for systemwide facilities or capacity improvements, while conditions of approval are generally used for project-specific improvements, dedications, or obligations tied to the impacts of a particular development application.

Where a cost is attributable to new development, the Town may evaluate development impact fees, conditions of approval, or other development exactions before relying on the General Fund. The legal requirement to establish an impact fee or condition a new development project to build a needed improvement is two-fold: (i) there must be a nexus or reasonable connection between

the project and the improvement, and (ii) the exaction imposed on the project must be roughly proportional to the benefit the project receives from the improvement.

Community Facilities Districts (CFDs)

CFDs are a flexible funding mechanism that is principally implemented in connection with new development projects.

The most common use is when a development project requests the ability to use a CFD to finance infrastructure and/or public facilities required for the development of the project. CFD bonds are issued which are secured by the underlying land rather than by a general or limited obligation of a public agency. These types of CFDs are often essential to ensure the financial viability of a development project. However, they have historically been criticized for shifting the burden for project financing from the developer to the future homeowners.

Over the past decade or so, CFDs have been increasingly used to fund public services rather than project-related infrastructure. As the services burden on local agencies outpaces growth in general revenues, cities, counties, towns and special districts increasingly implement CFDs to improve the fiscal balance of new development projects. These services CFDs generally have much lower special tax rates than facilities CFDs. Also, the property paying the CFD special tax receives a direct benefit from the services on an annual basis. As a result, services CFDs are generally perceived as fair and necessary, given the limited revenue generation from residential development.

A services special tax can be established in an amount up to and including the cost per unit to provide necessary services. The general revenues that residential units generate may be considered, but it is not necessary. In situations where those general revenues are needed for other uses, a new development project can be required to cover a greater portion of those services with a special tax.

Generally, CFDs for services are established by a “first-in-line” project. Subsequently, future projects are conditioned to annex to the CFD to help pay for public services, with each residential unit paying substantially the same amount.

Policy Conclusions

The central conclusion of this report is that the development scenario analyzed in this report is projected to improve the Town’s long-term fiscal condition. However, the Town’s infrastructure and service funding needs in the near-term may require the use of funding measures related to new development, as described in this report.

The implementation of project-related funding mechanisms fits within the California public finance paradigm, which places the responsibility of offsetting the impacts of new development on the property to be constructed, whereas repairs, improvements and enhancements to existing infrastructure and services must be approved by voters. In resolving the near-term fiscal challenges, the Town should use all tools at its disposal. Doing so would preserve and perhaps enhance the level of service, ensuring that Los Gatos maintains its desirability and status for for all residents and visitors alike.

EXHIBIT A

Town of Los Gatos Fiscal Impact Analysis

Fiscal Year			2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Description	**Source**	**One-Time Amount**	**Annual Amounts →**					
Housing Construction								
General plan estimated units								
Accessory dwelling units	*3/5 Teleconference*	400						
Planned residential units	*3/5 Teleconference*	2,863						
Planned residential units	*Sourced from above*	2,863						
Construction start	*Estimate*	2026						
Buildout period	*Estimate*	15						
Annual new multi-family residential units			0.00	190.87	190.87	190.87	190.87	190.87
Accessory dwelling units	*Sourced from above*							
Construction start	*Estimate*	2026						
Buildout period	*Estimate*	15						
Annual new accessory dwelling units			25.00	25.00	25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category								
Cumulative multi-family residential units			0	190	381	572	763	954
Cumulative accessory dwelling units			25	50	75	100	125	150
Assessed Value								
Estimated Assessed Values								
Single family residential unit	*Zillow Los Gatos median value estimate*	$2,445,622						
MF as percentage of SF	*Industry best practice*	70%						
Multi-family residential unit (Moderate Income)	*Calculated*	$1,711,935						
Multi-family residential unit (Above Moderate Income)	*150% of Moderate*	$2,567,903						
Multi-family residential unit (Low Income)	*65% of Moderate*	$1,112,758						
Multi-family residential unit (Very Low Income)	*25% of Moderate*	$427,984						
Percentage allocation by income level								
Very low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	6.7%						
Low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	3.9%						
moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	4.0%						
above moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	85.4%						
Weighted average multi-family unit		$2,332,790						
Accessory dwelling unit	*California ADU Handbook*	$350,000						
Cumulative New Assessed Value from Residential Construction								
Multi-family residential units			$0	$443,230,133	$888,793,056	$1,334,355,978	$1,779,918,901	$2,225,481,824
Accessory dwelling units			$8,750,000	$17,500,000	$26,250,000	$35,000,000	$43,750,000	$52,500,000
Total cumulative new secured assessed value			$8,750,000	$460,730,133	$915,043,056	$1,369,355,978	$1,823,668,901	$2,277,981,824
Estimated Persons per Household								
Los Gatos average PPH	*Los Gatos General Plan*	2.40						
MF as percentage of SF	*Industry best practice*	90%						
Multi-family residential unit		2.16						
Accessory dwelling unit	*Industry best practice*	2.00						

Fiscal Year			2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Description	**Source**	**One-Time Amount**	**Annual Amounts →**					
Population Increase								
Cumulative New Population from Residential Construction								
Multi-family residential units			0	410	823	1,236	1,648	2,061
Accessory dwelling units			50	100	150	200	250	300
Total cumulative new residents			50	510	973	1,436	1,898	2,361
Property Taxes								
FY 2025-26 Local Secured Assessed Value		$19,584,340,863						
FY 2025-26 Secured Property Tax Revenues	*Adopted Budget*	$18,615,157						
FY 2025-26 Property Tax In-Lieu of VLF Revenues	*Adopted Budget*	$5,377,328						
Est. AB 8 Apportionment Factor x 1%		0.0951%						
Est. PTILVLF Apportionment Factor x 1%		0.0275%						
Unsecured AV as percentage of secured (res. only)	*Industry best practice*	1%						
Cumulative new secured AV			$8,750,000	$460,730,133	$915,043,056	$1,369,355,978	$1,823,668,901	$2,277,981,824
Cumulative new unsecured AV			$87,500	$4,607,301	$9,150,431	$13,693,560	$18,236,689	$22,779,818
Total new secured AV			$8,837,500	$465,337,434	$924,193,486	$1,383,049,538	$1,841,905,590	$2,300,761,642
Cumulative new property taxes			$8,400	$442,309	$878,457	$1,314,606	$1,750,754	$2,186,902
Cumulative new PTILVLF			$2,427	$127,769	$253,758	$379,748	$505,737	$631,727
Cumulative new property taxes and in-lieu payments			$10,827	$570,078	$1,132,216	$1,694,353	$2,256,491	$2,818,629
Sales and Use Taxes								
General sales and use tax rate	*California Sales Tax Policy*	1.000%						
Measure G 1/8% sales tax	*Adopted Budget*	0.125%						
Total sales tax rate		1.125%						
Sales and use tax revenues FY 2025-26	*Adopted Budget*	$6,639,081						
Area Median Income (AMI)	*Housing Element Update, May 2024, 10.1.1*	$168,500						
Very low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	25%						
Very low income estimated median income		$42,125						
Estimated taxable sales as percentage of income		24.4%						
Estimated taxable sales per household		$10,278						
Low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	65%						
Low income estimated median income		$109,525						
Estimated taxable sales as percentage of income		16.3%						
Estimated taxable sales per household		$17,798						
Moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	100%						
Moderate income estimated median income		$168,500						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		$21,313						
Above moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	150%						
Above moderate income estimated median income		$252,750						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		$31,970						

Fiscal Year			2025-2026	2026-2027	2027-2028	2028-2029	2029-2030	2030-2031
Description	**Source**	**One-Time Amount**	**Annual Amounts →**					
Percentage allocation by income level								
Very low income	*Housing Element Update, May 2024, Table D-1*	7%						
Low income	*Housing Element Update, May 2024, Table D-1*	4%						
moderate income	*Housing Element Update, May 2024, Table D-1*	4%						
above moderate income	*Housing Element Update, May 2024, Table D-1*	85%						
Weighted average taxable sales per houshold		$29,529						
Estimated leakage rate	*Industry best practice*	40%						
Sales tax revenues per household		$199						
Cumulative new households estimate			25	240	456	672	888	1104
New sales and use tax			$4,983	$47,837	$90,891	$133,944	$176,998	$220,051
Alternative Sales Tax Methodology								
New taxable sales per resident		$14,475						
Cumulative new residents			50	510	973	1,436	1,898	2,361
New taxable sales			$723,730	$7,387,835	$14,083,205	$20,778,575	$27,473,945	$34,169,315
New sales and use tax			$8,142	$83,113	$158,436	$233,759	$309,082	$384,405
Cumulative Net New Revenues		Multiplier						
Sales and Use Tax		Case Study	$8,142	$83,113	$158,436	$233,759	$309,082	$384,405
Property Tax (incl. VLF Backfill)		Case Study	$10,827	$570,078	$1,132,216	$1,694,353	$2,256,491	$2,818,629
Franchise Fees	*Genera Fund Revenues Tab*	$23.77	$1,189	$12,133	$23,128	$34,124	$45,119	$56,115
Licenses & Permits	*Genera Fund Revenues Tab*	$144.00	$7,200	$73,498	$140,107	$206,716	$273,325	$339,934
Fines & Forfeitures	*Genera Fund Revenues Tab*	$7.18	$359	$3,664	$6,985	$10,305	$13,626	$16,946
Total Net New Revenues			$27,716	$742,486	$1,460,872	$2,179,257	$2,897,643	$3,616,029
Cumulative Net New Expenditures		Multiplier						
Police Department	*General Fund Expenditures Tab*	$690.26	$34,513	$352,311	$671,600	$990,889	$1,310,177	$1,629,466
Parks & Public Works	*General Fund Expenditures Tab*	$332.21	$16,611	$169,562	$323,232	$476,901	$630,570	$784,240
Community Development	*General Fund Expenditures Tab*	$121.72	$6,086	$62,125	$118,426	$174,728	$231,030	$287,331
Library Services	*General Fund Expenditures Tab*	$141.33	$7,066	$72,134	$137,507	$202,879	$268,252	$333,625
Total Net New Expenditures			$64,276	$656,132	$1,250,764	$1,845,397	$2,440,029	$3,034,662
Net Fiscal Impacts			NA	$86,354	$210,107	$333,861	$457,614	$581,367
Net Fiscal Impact per Unit			NA	$359.81	$460.76	$496.82	$515.33	$526.60
Average annual fiscal impact (2026$)		**$952,179.40**						
Average annual fiscal impact per unit (2026$)		**$523.04**						

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.

Fiscal Year			2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	**Source**	**One-Time Amount**						
Housing Construction								
General plan estimated units								
Accessory dwelling units	*3/5 Teleconference*	400						
Planned residential units	*3/5 Teleconference*	2,863						
Planned residential units	*Sourced from above*	2,863						
Construction start	*Estimate*	2026						
Buildout period	*Estimate*	15						
Annual new multi-family residential units			190.87	190.87	190.87	190.87	190.87	190.87
Accessory dwelling units	*Sourced from above*							
Construction start	*Estimate*	2026						
Buildout period	*Estimate*	15						
Annual new accessory dwelling units			25.00	25.00	25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category								
Cumulative multi-family residential units			1145	1336	1526	1717	1908	2099
Cumulative accessory dwelling units			175	200	225	250	275	300
Assessed Value								
Estimated Assessed Values								
Single family residential unit	*Zillow Los Gatos median value estimate*	$2,445,622						
MF as percentage of SF	*Industry best practice*	70%						
Multi-family residential unit (Moderate Income)	*Calculated*	$1,711,935						
Multi-family residential unit (Above Moderate Income)	*150% of Moderate*	$2,567,903						
Multi-family residential unit (Low Income)	*65% of Moderate*	$1,112,758						
Multi-family residential unit (Very Low Income)	*25% of Moderate*	$427,984						
Percentage allocation by income level								
Very low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	6.7%						
Low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	3.9%						
moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	4.0%						
above moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	85.4%						
Weighted average multi-family unit		$2,332,790						
Accessory dwelling unit	*California ADU Handbook*	$350,000						
Cumulative New Assessed Value from Residential Construction								
Multi-family residential units			$2,671,044,747	$3,116,607,670	$3,559,837,802	$4,005,400,725	$4,450,963,648	$4,896,526,571
Accessory dwelling units			$61,250,000	$70,000,000	$78,750,000	$87,500,000	$96,250,000	$105,000,000
Total cumulative new secured assessed value			$2,732,294,747	$3,186,607,670	$3,638,587,802	$4,092,900,725	$4,547,213,648	$5,001,526,571
Estimated Persons per Household								
Los Gatos average PPH	*Los Gatos General Plan*	2.40						
MF as percentage of SF	*Industry best practice*	90%						
Multi-family residential unit		2.16						
Accessory dwelling unit	*Industry best practice*	2.00						

Fiscal Year			2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	**Source**	**One-Time Amount**						
Population Increase								
Cumulative New Population from Residential Construction								
Multi-family residential units			2,473	2,886	3,296	3,709	4,121	4,534
Accessory dwelling units			350	400	450	500	550	600
Total cumulative new residents			2,823	3,286	3,746	4,209	4,671	5,134
Property Taxes								
FY 2025-26 Local Secured Assessed Value		$19,584,340,863						
FY 2025-26 Secured Property Tax Revenues	*Adopted Budget*	$18,615,157						
FY 2025-26 Property Tax In-Lieu of VLF Revenues	*Adopted Budget*	$5,377,328						
Est. AB 8 Apportionment Factor x 1%		0.0951%						
Est. PTILVLF Apportionment Factor x 1%		0.0275%						
Unsecured AV as percentage of secured (res. only)	*Industry best practice*	1%						
Cumulative new secured AV			$2,732,294,747	$3,186,607,670	$3,638,587,802	$4,092,900,725	$4,547,213,648	$5,001,526,571
Cumulative new unsecured AV			$27,322,947	$31,866,077	$36,385,878	$40,929,007	$45,472,136	$50,015,266
Total new secured AV			$2,759,617,694	$3,218,473,746	$3,674,973,681	$4,133,829,733	$4,592,685,785	$5,051,541,837
Cumulative new property taxes			$2,623,051	$3,059,199	$3,493,108	$3,929,256	$4,365,404	$4,801,553
Cumulative new PTILVLF			$757,716	$883,705	$1,009,048	$1,135,037	$1,261,027	$1,387,016
Cumulative new property taxes and in-lieu payments			$3,380,767	$3,942,904	$4,502,156	$5,064,293	$5,626,431	$6,188,569
Sales and Use Taxes								
General sales and use tax rate	*California Sales Tax Policy*	1.000%						
Measure G 1/8% sales tax	*Adopted Budget*	0.125%						
Total sales tax rate		1.125%						
Sales and use tax revenues FY 2025-26	*Adopted Budget*	$6,639,081						
Area Median Income (AMI)	*Housing Element Update, May 2024, 10.1.1*	$168,500						
Very low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	25%						
Very low income estimated median income		$42,125						
Estimated taxable sales as percentage of income		24.4%						
Estimated taxable sales per household		$10,278						
Low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	65%						
Low income estimated median income		$109,525						
Estimated taxable sales as percentage of income		16.3%						
Estimated taxable sales per household		$17,798						
Moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	100%						
Moderate income estimated median income		$168,500						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		$21,313						
Above moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	150%						
Above moderate income estimated median income		$252,750						
Estimated taxable sales as percentage of income		12.6%						
Estimated taxable sales per household		$31,970						

Fiscal Year			2031-2032	2032-2033	2033-2034	2034-2035	2035-2036	2036-2037
Description	**Source**	**One-Time Amount**						
Percentage allocation by income level								
Very low income	*Housing Element Update, May 2024, Table D-1*	7%						
Low income	*Housing Element Update, May 2024, Table D-1*	4%						
moderate income	*Housing Element Update, May 2024, Table D-1*	4%						
above moderate income	*Housing Element Update, May 2024, Table D-1*	85%						
Weighted average taxable sales per houshold		$29,529						
Estimated leakage rate	*Industry best practice*	40%						
Sales tax revenues per household		$199						
Cumulative new households estimate			1320	1536	1751	1967	2183	2399
New sales and use tax			$263,105	$306,158	$349,012	$392,066	$435,119	$478,173
Alternative Sales Tax Methodology								
New taxable sales per resident		$14,475						
Cumulative new residents			2,823	3,286	3,746	4,209	4,671	5,134
New taxable sales			$40,864,685	$47,560,055	$54,224,160	$60,919,530	$67,614,900	$74,310,270
New sales and use tax			$459,728	$535,051	$610,022	$685,345	$760,668	$835,991
Cumulative Net New Revenues		Multiplier						
Sales and Use Tax		Case Study	$459,728	$535,051	$610,022	$685,345	$760,668	$835,991
Property Tax (incl. VLF Backfill)		Case Study	$3,380,767	$3,942,904	$4,502,156	$5,064,293	$5,626,431	$6,188,569
Franchise Fees	*Genera Fund Revenues Tab*	$23.77	$67,111	$78,106	$89,050	$100,046	$111,042	$122,037
Licenses & Permits	*Genera Fund Revenues Tab*	$144.00	$406,543	$473,152	$539,450	$606,059	$672,668	$739,277
Fines & Forfeitures	*Genera Fund Revenues Tab*	$7.18	$20,267	$23,588	$26,893	$30,213	$33,534	$36,854
Total Net New Revenues			$4,334,415	$5,052,801	$5,767,570	$6,485,956	$7,204,342	$7,922,728
Cumulative Net New Expenditures		Multiplier						
Police Department	*General Fund Expenditures Tab*	$690.26	$1,948,755	$2,268,044	$2,585,841	$2,905,130	$3,224,419	$3,543,708
Parks & Public Works	*General Fund Expenditures Tab*	$332.21	$937,909	$1,091,578	$1,244,530	$1,398,199	$1,551,868	$1,705,538
Community Development	*General Fund Expenditures Tab*	$121.72	$343,633	$399,935	$455,973	$512,275	$568,577	$624,878
Library Services	*General Fund Expenditures Tab*	$141.33	$398,998	$464,370	$529,438	$594,811	$660,184	$725,556
Total Net New Expenditures			$3,629,294	$4,223,927	$4,815,783	$5,410,415	$6,005,047	$6,599,680
Net Fiscal Impacts			$705,120	$828,874	$951,788	$1,075,541	$1,199,294	$1,323,048
Net Fiscal Impact per Unit			$534.18	$539.63	$543.57	$546.79	$549.38	$551.50
Average annual fiscal impact (2026$)		**$952,179.40**						
Average annual fiscal impact per unit (2026$)		**$523.04**						

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.

Fiscal Year			2037-2038	2038-2039	2039-2040	2040-2041
Description	**Source**	**One-Time Amount**				
Housing Construction						
General plan estimated units						
Accessory dwelling units	*3/5 Teleconference*	400				
Planned residential units	*3/5 Teleconference*	2,863				
Planned residential units	*Sourced from above*	2,863				
Construction start	*Estimate*	2026				
Buildout period	*Estimate*	15				
Annual new multi-family residential units			190.87	190.87	190.87	190.87
Accessory dwelling units	*Sourced from above*					
Construction start	*Estimate*	2026				
Buildout period	*Estimate*	15				
Annual new accessory dwelling units			25.00	25.00	25.00	25.00
Cumulative New Housing Units by Category						
Cumulative multi-family residential units			2290	2481	2672	2863
Cumulative accessory dwelling units			325	350	375	400
Assessed Value						
Estimated Assessed Values						
Single family residential unit	*Zillow Los Gatos median value estimate*	$2,445,622				
MF as percentage of SF	*Industry best practice*	70%				
Multi-family residential unit (Moderate Income)	*Calculated*	$1,711,935				
Multi-family residential unit (Above Moderate Income)	*150% of Moderate*	$2,567,903				
Multi-family residential unit (Low Income)	*65% of Moderate*	$1,112,758				
Multi-family residential unit (Very Low Income)	*25% of Moderate*	$427,984				
Percentage allocation by income level						
Very low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	6.7%				
Low income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	3.9%				
moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	4.0%				
above moderate income	*Housing Element Update, May 2024, Table D-1 (reduced by 75%)*	85.4%				
Weighted average multi-family unit		$2,332,790				
Accessory dwelling unit	*California ADU Handbook*	$350,000				
Cumulative New Assessed Value from Residential Construction						
Multi-family residential units			$5,342,089,494	$5,787,652,417	$6,233,215,340	$6,678,778,262
Accessory dwelling units			$113,750,000	$122,500,000	$131,250,000	$140,000,000
Total cumulative new secured assessed value			$5,455,839,494	$5,910,152,417	$6,364,465,340	$6,818,778,262
Estimated Persons per Household						
Los Gatos average PPH	*Los Gatos General Plan*	2.40				
MF as percentage of SF	*Industry best practice*	90%				
Multi-family residential unit		2.16				
Accessory dwelling unit	*Industry best practice*	2.00				

Fiscal Year			2037-2038	2038-2039	2039-2040	2040-2041
Description	**Source**	**One-Time Amount**				
Population Increase						
Cumulative New Population from Residential Construction						
Multi-family residential units			4,946	5,359	5,772	6,184
Accessory dwelling units			650	700	750	800
Total cumulative new residents			5,596	6,059	6,522	6,984
Property Taxes						
FY 2025-26 Local Secured Assessed Value		$19,584,340,863				
FY 2025-26 Secured Property Tax Revenues	*Adopted Budget*	$18,615,157				
FY 2025-26 Property Tax In-Lieu of VLF Revenues	*Adopted Budget*	$5,377,328				
Est. AB 8 Apportionment Factor x 1%		0.0951%				
Est. PTILVLF Apportionment Factor x 1%		0.0275%				
Unsecured AV as percentage of secured (res. only)	*Industry best practice*	1%				
Cumulative new secured AV			$5,455,839,494	$5,910,152,417	$6,364,465,340	$6,818,778,262
Cumulative new unsecured AV			$54,558,395	$59,101,524	$63,644,653	$68,187,783
Total new secured AV			$5,510,397,889	$5,969,253,941	$6,428,109,993	$6,886,966,045
Cumulative new property taxes			$5,237,701	$5,673,849	$6,109,998	$6,546,146
Cumulative new PTILVLF			$1,513,006	$1,638,995	$1,764,984	$1,890,974
Cumulative new property taxes and in-lieu payments			$6,750,707	$7,312,844	$7,874,982	$8,437,120
Sales and Use Taxes						
General sales and use tax rate	*California Sales Tax Policy*	1.000%				
Measure G 1/8% sales tax	*Adopted Budget*	0.125%				
Total sales tax rate		1.125%				
Sales and use tax revenues FY 2025-26	*Adopted Budget*	$6,639,081				
Area Median Income (AMI)	*Housing Element Update, May 2024, 10.1.1*	$168,500				
Very low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	25%				
Very low income estimated median income		$42,125				
Estimated taxable sales as percentage of income		24.4%				
Estimated taxable sales per household		$10,278				
Low income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	65%				
Low income estimated median income		$109,525				
Estimated taxable sales as percentage of income		16.3%				
Estimated taxable sales per household		$17,798				
Moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	100%				
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Above moderate income estimated percentage of AMI	*Housing Element Update, May 2024, 10.1.1*	150%				
Above moderate income estimated median income		$252,750				
Estimated taxable sales as percentage of income		12.6%				
Estimated taxable sales per household		$31,970				

Fiscal Year			2037-2038	2038-2039	2039-2040	2040-2041
Description	**Source**	**One-Time Amount**				
Percentage allocation by income level						
Very low income	*Housing Element Update, May 2024, Table D-1*	7%				
Low income	*Housing Element Update, May 2024, Table D-1*	4%				
moderate income	*Housing Element Update, May 2024, Table D-1*	4%				
above moderate income	*Housing Element Update, May 2024, Table D-1*	85%				
Weighted average taxable sales per houshold		$29,529				
Estimated leakage rate	*Industry best practice*	40%				
Sales tax revenues per household		$199				
Cumulative new households estimate			2615	2831	3047	3263
New sales and use tax			$521,226	$564,280	$607,333	$650,387
Alternative Sales Tax Methodology						
New taxable sales per resident		$14,475				
Cumulative new residents			5,596	6,059	6,522	6,984
New taxable sales			$81,005,640	$87,701,010	$94,396,380	$101,091,750
New sales and use tax			$911,313	$986,636	$1,061,959	$1,137,282
Cumulative Net New Revenues		Multiplier				
Sales and Use Tax		Case Study	$911,313	$986,636	$1,061,959	$1,137,282
Property Tax (incl. VLF Backfill)		Case Study	$6,750,707	$7,312,844	$7,874,982	$8,437,120
Franchise Fees	*Genera Fund Revenues Tab*	$23.77	$133,033	$144,028	$155,024	$166,019
Licenses & Permits	*Genera Fund Revenues Tab*	$144.00	$805,886	$872,495	$939,104	$1,005,713
Fines & Forfeitures	*Genera Fund Revenues Tab*	$7.18	$40,175	$43,496	$46,816	$50,137
Total Net New Revenues			$8,641,113	$9,359,499	$10,077,885	$10,796,271
Cumulative Net New Expenditures		Multiplier				
Police Department	*General Fund Expenditures Tab*	$690.26	$3,862,997	$4,182,285	$4,501,574	$4,820,863
Parks & Public Works	*General Fund Expenditures Tab*	$332.21	$1,859,207	$2,012,876	$2,166,546	$2,320,215
Community Development	*General Fund Expenditures Tab*	$121.72	$681,180	$737,482	$793,783	$850,085
Library Services	*General Fund Expenditures Tab*	$141.33	$790,929	$856,302	$921,675	$987,047
Total Net New Expenditures			$7,194,312	$7,788,945	$8,383,577	$8,978,210
Net Fiscal Impacts			$1,446,801	$1,570,554	$1,694,308	$1,818,061
Net Fiscal Impact per Unit			$553.27	$554.77	$556.06	$557.17
Average annual fiscal impact (2026$)		**$952,179.40**				
Average annual fiscal impact per unit (2026$)		**$523.04**				

Note: If no source is provided, then the quantity is either calculated or sourced from elsewhere in the cash flow model.

TOWN OF LOS GATOS

ASSET LIABILITY MANAGEMENT REPORT

Analysis of Capital Funding, Long-Term Liabilities, Reserves, and Revenue Requirements

October 2026

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Financial & Policy Strategies.
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Executive Summary

The asset liability management analysis evaluates the Town of Los Gatos' capital requirements, long-term pension and retiree health liabilities, cash reserves, prospective borrowing, development-related revenues, and structural deficit as components of one integrated long-range financial framework. This analysis is for the period from FY 2026-2027 through FY 2035-2036, a ten-year period. This is consistent with the Raftelis report. The principal conclusion is that the size and timing of the capital improvement program (CIP), together with the availability of recurring revenue, are the dominant determinants of fiscal sustainability. Pension cost management can improve the timing and amount of required payments, but it does not replace a capital affordability decision or a recurring revenue strategy.

This report uses the long term structural deficit projected in the Raftelis report as a baseline for all cash flow analysis. The Town does have a long term structural deficit. This report covers a number of options that Town has for eliminating or reducing that deficit. One change is made to the annual deficits projected in the Raftelis report – the use of existing OPEB reserves to fund annual OPEB payments. This is explained in more detail elsewhere in this report.

The historic CIP approximated $4 million or more annually and was concentrated on roadway repairs and improvements. Its principal recurring sources include gas tax revenues, pass-through receipts from the Santa Clara Valley Transportation Authority's 2010 and 2016 tax measures, and traffic and storm-drain impact fees. Prior-year capital fund balances also support the program. The General Fund annual contribution was eliminated for FY 2025-2026 because of the structural deficit, demonstrating that even the existing program competed for General Fund capacity.

The potential capital program considered by this analysis is substantially larger. It includes approximately $20 million of Tier 2 projects, a Highway 17/Highway 9 interchange with an estimated total cost of at least $180 million, a proposed police building estimated at $70 million, and a Town Hall renovation described as a rough low-side estimate of $25 million or more. Tier 3 projects are excluded. Under the modeled assumptions, Tier 2 is funded on a pay-as-you-go basis over ten years with 5 percent annual cost inflation, while the major facilities and the local share of the interchange contribution are debt financed. The annualized cost of this expanded program, rather than pension intervention, is the primary driver of the long-term structural deficit. In addition, this report includes estimates of the Town's Unprogrammed CIP. These projects are implied by funding for studies and design in current Town CIP documents, but for which actual project costs are not shown. The interchange analysis contains an unresolved local-share assumption. A 20 percent local share is described as potentially necessary for the project to gain traction, which would equal approximately $36 million on a $180 million project. The modeled financing instead assumes a Town contribution of $18 million, consisting of $5.4 million of cash for biddable plans and full permitting and $12.6 million financed through lease revenue bonds. The $18 million modeled contribution is retained, but the difference between the practical funding threshold and the modeled share must be resolved before the forecast is used as an implementation plan.

The potential debt program assumes lease revenue bond financing for the police building, the $12.6 million net interchange contribution, and the $25 million Town Hall renovation. Project costs total $107.6 million. After a 1 percent issuance-expense assumption, the modeled financing amount is $108.676 million. At a 5 percent interest rate over 30 years, estimated annual debt service is approximately $7.070 million. Borrowing reduces the immediate construction-period draw on reserves, but the resulting fixed annual obligation materially increases the structural deficit.

The analysis identifies $34.413 million of cash balances across restricted, non-spendable, committed, assigned, and unassigned categories that are legally available in one form or another to support the General Fund. This includes a $4.171 million pension-related restricted balance (Section 115 Trust), $159,000 of non-spendable resources, $16.377 million of committed balances, $5.261 million of assigned balances, and $8.445 million of unassigned fund balance. For high-level modeling, nonrestricted resources and certain committed amounts are aggregated to show the overall liquidity capacity. Actual use remains subject to legal restrictions, adopted policies, intended purposes, and minimum operating-liquidity requirements.

The other post-employment benefits (OPEB) position is comparatively well funded. More than $30 million of invested assets support an actuarial liability exceeding $38 million, producing a funded ratio above 75 percent. The June 30, 2025 actuarial valuation shows a FY 2026-27 actuarially determined contribution of approximately $1.732 million and a recommended net trust reimbursement of approximately $705,000. The policy issue is whether continued funding of the OPEB unfunded liability provides greater long-term value than preserving liquidity or funding capital and pension priorities.

The CalPERS pension analysis uses the June 30, 2024 valuation as the formal baseline and incorporates expected June 30, 2025 results for scenario development. The unfunded accrued liability (UAL) is approximately $67.2 million at June 30, 2024 and is

expected to decline to approximately $60.1 million at June 30, 2025, primarily because of 12.1 percent investment returns. Historical results indicate that CalPERS investment performance can change the Town's UAL and payment schedule by amounts larger than the modeled benefit of an Additional Discretionary Deposit (ADP). That factor is potentially more consequential than the ADP decision, but it is also outside the Town's control and highly uncertain.

The pension scenario analysis compares a $4.2 million ADP applied to long or short bases, Section 115 trust payment smoothing, and an approximately $8.2 million ADP directed to bases with ten years or less remaining. The larger ADP produces approximately $10.7 million of gross payment relief through fiscal year 2036 and approximately $2.5 million of modeled net reduction after the initial use of funds. The analysis indicates that a targeted ADP can make financial sense, especially when relief is concentrated during the payment peak, but it is not a gamechanger for the long-term structural deficit because its annual benefit is small relative to the cost of the expanded CIP and associated debt service.

Development is modeled as a potential source of both one-time capital revenue and recurring service revenue. The analysis assumes 3,263 residential units through 2040, including 400 accessory dwelling units, or approximately 230 units annually. A simplified impact-fee allocation and a $750 annual Mello-Roos services and facilities tax on each new unit generate combined modeled receipts rising from approximately $1.63 million in FY 2026-2027 to $4.32 million in FY 2036. Taxing new development has a significant positive impact on long term General Fund cash flows because the revenue grows over time and can materially offset the deficit. However, the timing and amount of new revenues are highly uncertain because development activity is volatile and the fee and tax structures are not yet implemented.

The analysis evaluates two scenarios. Scenario 1 is a master cash flow through FY 2035-2036 for the General Fund reflecting all major assumptions, including potential new revenue sources and a CalPERS intervention described in this report. Scenario 1 also includes a reduction in the original structural deficit estimated by Raftelis done by Town staff to reflect changes in how OPEB is managed. Scenario 2 is the same as Scenario 1 with the exception that additional reductions to the structural deficit projected by Raftelis from COLA reductions is also shown. The fundamental metric used in this analysis is the percent of the annual debt service for a lease revenue bond to fund the full CIP for the Town that can actually be supported without draining down cash balances below their starting level after the CalPERS intervention. Scenario 1, the baseline shows that the Town can afford about 8% of the $118.5 million CIP shown in this report. Scenario 2 shows that it can afford about 30% of that CIP.

The results establish a consistent hierarchy of fiscal drivers for the Town’s General Fund. The scale of the CIP, both cash funded and debt funded, is the principal controllable driver of the long-term deficit. New taxes are necessary in every modeled scenario, although the required tax base and amount differ materially. Development-related taxation can substantially improve the outlook but remains exposed to the building cycle. A targeted ADP can reduce pension costs and improve near-term capacity, but it does not solve the structural deficit problem. Future CalPERS performance may have a larger effect than an ADP, but it is similarly uncertain and should not be treated as a dependable funding source.

Principal Objective Takeaways

1. The size and timing of the expanded CIP are the principal controllable drivers of the Town's long-term structural deficit. The Town cannot afford 100% of the identified CIP (including the Unprogrammed CIP) without either new revenues or cost savings not shown in this report.
2. A targeted ADP can make financial sense and provide useful near-term relief, but its benefit is not large enough to offset the annualized cost of the full capital program.
3. Future CalPERS investment performance may have a larger fiscal effect than the modeled ADP, but it is volatile, outside the Town's control, and unsuitable as a dependable budget solution.
4. Every modeled scenario depends on a new tax or exaction; no scenario resolves the structural imbalance using existing revenues alone.
5. Impact fees and a new-development Mello-Roos tax can materially improve the forecast and may be a gamechanger if development occurs as assumed.
6. Development-related revenue remains highly uncertain because construction timing, unit mix, affordability, absorption, and legal implementation can differ from the model.
7. Project prioritization, minimum reserve targets, the structure of new revenue, and the timing of pension and OPEB actions are the principal policy decisions requiring Town direction.

1. Introduction and Scope

Asset liability management (ALM) is used in this report as an integrated planning framework rather than as a narrow investment-management exercise. The Town's assets include cash reserves, pension and OPEB trust balances, capital assets that may support lease financing, and prospective development and tax revenues. Its liabilities and claims on future resources include the structural General Fund deficit, current and expanded capital requirements, debt service, pension payments, OPEB costs, and the need to maintain operating and emergency liquidity. The analytical objective is to evaluate these elements together so that an action that improves one part of the financial position is not considered without its effect on other funding needs and overall cash position

The analysis evaluates six interrelated questions:(1) whether and how to add Tier 2 projects; (2) how to address the Highway 17/Highway 9 interchange, police building, and Town Hall; (3) whether debt can preserve liquidity without creating unaffordable fixed costs; (4) whether pension and OPEB resources should be used to reduce or smooth payments; (5) whether new development can fund a meaningful share of capital and service costs; and (6) what recurring new tax revenue would be required under each capital scenario.

The report is intended for policy-level review. It describes modeled relationships and tradeoffs but does not determine project necessity, establish legal authority, select a financing structure, or recommend a final ballot measure. Those decisions require updated technical, legal, financial, and community analyses.

2. Analytical Framework and Limitations

The analysis is high level and relies on assumptions that vary in precision. Some values are documented account balances or actuarial results; others are preliminary project estimates, simplified development assumptions, or illustrative financing and tax structures. The results should be interpreted as sensitivity tests rather than forecasts or guarantees. The principal controllable variable is the size and timing of the CIP. The principal external variables are CalPERS' performance and the pace of new development. Both external variables can materially change the result, but neither should be relied upon as a certain source of fiscal improvement.

Fund-balance classifications have different legal and policy implications. Restricted balances are constrained by external requirements. Non-spendable balances are not available in spendable form. Committed and assigned balances reflect formal or intended uses that may require governmental action to change. Unassigned balance is the residual category, but it remains necessary for working capital, emergencies, and volatility. The cash-flow model generally aggregates nonrestricted balances, including some amounts committed for pension and OPEB purposes, to measure broad liquidity. That treatment is analytically useful but does not establish that all balances are available for any purpose.

Table 1. Key Modeling Assumptions

Assumption Area	Modeled Assumption	Status / Limitation
Forecast period	Generally FY 2025-2026 through 2035-2036	High-level cash-flow horizon; selected pension schedules extend beyond FY 2035-2036.
Existing CIP	Approximately $4+ million annually through FY 2029-2030	Primarily roadway work; funding sources and carryover balances may vary.
Tier 2	Base estimate of $20 million; $2 million in first year, inflated 5% annually for 10 years	Pay-as-you-go; no Tier 3 funding.
CIP grants	$500,000 annually for tier 2	Assumed, not identified by award.
Interchange	$180+ million total; modeled Town share of $18 million (10% local share)	Conflicts with statement that 20% local share may be minimum; $5.4 million cash and $12.6 million debt are modeled.
Police building	$70 million	Town estimate; modeled as fully debt financed.
Town Hall renovation	$25 million	Rough low-side estimate; modeled as debt financed.
Lease revenue bonds	30 years; 5.0% interest; 1.0% issuance expense	Produces approximately $7.07 million annual debt service; asset and affordability analysis required.

Assumption Area	Modeled Assumption	Status / Limitation
Cash earnings in integrated forecast	No separate investment-earnings line in the revised schedule	The reproduced forecast does not add cash investment earnings; actual results may differ.
Pension scenarios	$4.2 million existing Section 115 resources; approximately $8.2 million for larger ADP; all ADP scenarios assume interest savings of 6.8%	ADP savings are smaller than the annualized full-CIP cost; future CalPERS performance may have a larger but uncertain effect. ADP 6.8% interest is also not guaranteed and is based on future CalPERS investment performance
Section 115 Trust earnings	4.9% conservative and 7.0% moderate/aggressive	Modeling assumptions, not guaranteed returns.
Development	3,263 units through 2040, including 400 ADUs; 230 units annually in projection	Potentially material fiscal benefit, but pace, mix, absorption, and timing are volatile.
Impact fee	$6,329 illustrative per-unit allocation, inflated 5% annually	Simplified allocation; an AB 1600 study is required.
New-development special tax	$750 per new unit, inflating 2% annually	Illustrative Mello-Roos assumption; implementation and legal review required.
Town-wide parcel tax	$200 per parcel on approximately 11,400 parcels; 2% inflator; collection beginning FY 2028-2029	Illustrative structure and timing; Tier 2 remains positive only through FY 2033- 2034 under the revised sensitivity.
Town staff estimated structural deficit reductions from salary cost of living adjustments (COLA) and the utilization of the OPEB/Retiree Medical Trust	Assumes annual cola aligned with historical trends vs the most recent negotiated adjustments. Using the most recent actuarial valuation as of June 30, 2025, staff included increased revenue from the drawdown of the OPEB Trust Fund. Use of these funds would still result in a 99.5% funded status at the end of the 10-year forecast period.	COLA Adjustments decreased forecasted expenditures between $0.3M to $2.8M. Use of OPEB Trust increases annual revenues from $0.1M to $1.6M.

Source: NHA Advisors asset liability management analysis using stated assumptions.

3. Existing Capital Improvement Program

The historic CIP was approximately $4 million or more per year through FY 2029-2030. Gas tax receipts and pass-through revenues from VTA's 2010 and 2016 tax measures are identified as principal sources, together with traffic and storm-drain impact fees and prior-year capital balances. The General Fund annual contribution was eliminated for FY 2025- 2026 because of the structural deficit. This existing constraint is important because the potential expanded CIP is substantially larger than the current program.

The existing program was primarily directed to road repairs and improvements. For analytical purposes, all remaining Tier 1 projects are considered fully funded. Tier 2 consists of approximately $20 million of additional projects that are not currently funded at the same level. Tier 3 is a further set of potential projects that is excluded entirely from the modeled cash flows. The tier structure is therefore a prioritization device: Tier 2 is an expansion tested in the model, and Tier 3 remains outside the available financial capacity evaluated.

The Tier 2 model begins with a $2 million annual allocation and applies 5 percent annual inflation over ten years. The revised integrated schedule includes a net $1 million Tier 2 amount in FY 2026-2027 and annual outlays increasing to approximately $3.1 million by FY 2035-2036. Since the Raftelis report assumed a $1 million/year Tier 2 CIP in this baseline structure deficit projections, and since this report uses the Raftelis structural deficit projection as a baseline (as revised by Town staff), the analysis assumes only a $1 million/year increase in CIP to fully fund CIP. This escalating pay-as-you-go requirement is a larger and more persistent driver of the structural deficit than the annual payment relief produced by the ADP.

4. Potential Capital Projects Beyond the Existing CIP

The analysis identifies four major categories outside the existing program: Tier 2, the Highway 17/Highway 9 interchange, a new police building, and Town Hall renovation. These projects differ in regional significance, readiness, cost certainty, and potential funding source, but together they define the central affordability question. Even with Tier 3 excluded, the expanded program requires a combination of reserves, debt, grants, development exactions, and Town-wide tax revenue.

Table 2. Potential Capital Projects and Modeled Funding

Project / Program	Estimated Cost	Modeled Town Funding	Proposed Source	Principal Qualification
Tier 2 CIP	$20 million base estimate	$2 million in first year, inflated 5% annually over 10 years. $1 million per year already funded in baseline structural deficit projection	Pay-as-you-go; portion of $500,000 annual combined grants	Scope and schedule require refinement; Tier 3 excluded.
Highway 17/Highway 9 interchange	$180+ million	$18 million modeled, plus additional $5.4 million predevelopment costs	Cash for plans/permitting; $12.6 million lease revenue bonds; outside construction funding	The analysis also states that a 20% local share may be required, implying a higher Town contribution.
New police building	$70 million	$70 million, lease revenue bond	Lease revenue bonds	Town estimate; construction timing and affordability require analysis.
Town Hall renovation	$25+ million	$25 million modeled	Lease revenue bonds	Described as a rough low-side estimate.
On-going Unprogrammed CIP	$3 to $4 million per year	100% funded	Pay-as-you- go	Rough estimate at this time
Onetime Unprogrammed CIP	$10.9 million	100% funded	Lease revenue bonds	Rough estimate at this time
Tier 3	Not specified	None	Not funded	Excluded from all modeled results.

Source: NHA Advisors capital funding analysis using Town-provided project estimates.

5. Highway 17/Highway 9 Interchange

The interchange is the largest individual project and is treated as a pivotal funding question because of its regional function, limited outside-funding capacity, and anticipated 2029 construction start. The analysis estimates the total cost at more than $180 million, with construction from 2029 through 2031. VTA reports that federal, State, and VTA sources are overcommitted and that traffic-related improvements have received lower priority from VTA, while noting that federal priorities may differ.

VTA's current CIP shows a 10 percent local share but characterizes that amount as unrealistically low, stating that 20 percent is the minimum local contribution likely to give the project traction. On a $180 million cost, 20 percent would be approximately $36 million. The subsequent strategy and cash-flow model nevertheless use an $18 million Town contribution. Because the local-share assumption affects debt service, reserve use, and the amount of outside funding required, it is one of the most consequential unresolved model inputs.

The suggested strategy begins with $5.4 million of Town cash to complete biddable specifications and obtain full permitting. This expenditure is intended to advance project readiness while Town officials and stakeholders seek greater VTA sales-tax, Caltrans, and federal participation. For purposes of this report, we assume that this $5.4 million cash contribution does not count towards the $18 million 10% local share threshold. We also assume that the $18 million contribution would be financed through lease revenue bonds. The Town should consider documenting the long-term regional cost of inaction to support external funding advocacy with VTA, and potentially MTC. These items are proposed analytical and advocacy steps, not a formally adopted funding plan.

The principal tradeoff is timing. Cash-funded predevelopment may improve readiness and competitiveness for external funding, but it reduces liquidity before construction funding is secured. However, cash-funded predevelopment keeps the interchange project grant eligible for the time being. Debt financing limits the near-term reserve draw but creates a long-term General Fund obligation. A revised model should show at least the 10 percent and 20 percent local-share cases, as well as the effect of delayed construction and lower outside funding.

It is important to note that VTA's minimum 10% local share requirement is broadly defined – the 10% can come from other sources, such as State or Federal funds. The Town could consider making a major effort to secured CalTrans or Federal funding for this interchange to augment the VTA funds.

6. The Town's Unprogrammed CIP

There are several capital projects that are implied by studies and design work identified in the Town's various CIP documents, but for which construction costs are not shown. Table 3 below shows the ongoing annual Unprogrammed CIP. Table 3 shows one-time Unprogrammed CIP projects. Table 3 ongoing annual Unprogrammed CIP costs are incorporated into both Scenario 1 and Scenario 2 cash flows as pay-go annual expenses. The Table 4 one-time Unprogrammed CIP is incorporated into the potential sizing for the lease revenue bond discussed in Section 7 "Potential Debt Financing Program".

Table 3. Ongoing Unprogrammed CIP Summary

	Fiscal Year									
Project	**2026-27**	**2027-28**	**2028-29**	**2029-30**	**2030-31**	**2031-32**	**2032-33**	**2033-34**	**2034-35**	**2035-36**
Annual Street Repair and Resurfacing	2,000,000	2,100,000	2,205,000	2,315,250	2,431,013	2,552,563	2,680,191	2,814,201	2,954,911	3,102,656
Annual restriping	75,000	78,750	75,001	78,751	75,002	78,752	75,003	78,753	75,004	78,754
Roadside fire fuel reduction				150,000	157,500	165,375	173,644	182,326	191,442	201,014
Vegetation Management Townwide	150,000	157,500	165,375	173,644	182,326	191,442	201,014	211,065	221,618	232,699
ADA Compliance Work	500,000	525,000	551,250	578,813	607,753	638,141	670,048	703,550	738,728	775,664
Total	**2,725,000**	**2,861,250**	**2,996,626**	**3,296,457**	**3,453,594**	**3,626,273**	**3,799,900**	**3,989,895**	**4,181,703**	**4,390,788**

Questions/Assumptions

- Annual street repair and resurfacing costs inflated at 5% per year.
- Annual restriiping and roadside fuel reduction inflated at 5% per year
- Roadside fire fuel reduction work begins in FY 2030, after grants has been depleted
- Annual vegetation management and ADA compliance inflated at 5% per year

Table 4. One Time Unprogrammed CIP Summary

East Main Street Crosswalks	150,000
Blossom Hill Road Union to Camden	2,000,000
Curb Gutter Sidewalk	1,000,000
Santa Cruz Avenue Reconstruction	2,000,000
Loma Draingage	2,000,000
Green Stormwater Infrastructure	500,000
Timber Bridge	1,000,000
Sport Court Resurfacing	750,000
Fleet Outdoor Service Area	500,000
Downtown Restroom	1,000,000
Total	**10,900,000**

7. Potential Debt Financing Program

The model uses a single lease revenue bond program for the proposed police building, the net interchange contribution after cash-funded predevelopment, and Town Hall renovation. Lease revenue bonds generally rely on a lease of eligible public assets and annual appropriations rather than a voter-approved property-tax levy. The Town would need to encumber lien-free assets, and the preliminary analysis indicates that sufficient assets may be available, subject to careful legal, asset, and affordability review.

Table 5. Modeled Lease Revenue Bond Financing

Financed Component	Project Cost	Qualification
Police building	$70,000,000	Town estimate; fully financed in model.
Interchange local share, net of predevelopment	$12,600,000	$18 million modeled local share less $5.4 million cash for plans and permitting.
Town Hall renovation	$25,000,000	Very rough low-side estimate.
Tier 2 / Tier 3/ Ongoing Unprogrammed CIP	$0	Tier 2 and ongoing Unprogrammed CIP are pay-as-you-go; Tier 3 is excluded.
One-time Unprogrammed CIP	$10,900,000	From Table 4 above
Total project cost financed	$118,500,000	Before issuance expenses.

Financed Component	Project Cost	Qualification
Issuance expenses	$1,118,500	Assumed at 1 percent of project costs.
Total financing amount	$119,685,000	Modeled par / financing amount.
Annual debt service	$7,785,681	30-year level-payment estimate at 5.0 percent.

Source: NHA Advisors financing analysis using stated project and debt assumptions.

Debt financing would align repayment more closely with the useful lives of long-lived facilities and reduce the construction-period draw on reserves. It would also create a fixed annual claim of approximately $7.07 million for 30 years. This amount is substantially larger than the annual cash-flow benefit of the modeled ADP. Debt therefore addresses timing rather than affordability and requires a recurring revenue source commensurate with the resulting obligation.

8. Town Reserves and Liquidity

The reserve summary reports total balances of approximately $34.413 million. These balances are not homogeneous. The Section 115 pension amount is restricted; the rehabilitation loan reserve is non-spendable; stabilization, catastrophic, and pension/OPEB amounts are committed; several balances are assigned to specified purposes; and the unassigned balance is approximately $8.445 million.

Table 6. Summary of Town Cash Reserves by Classification

Classification / Purpose	Balance
Restricted — Pension Section 115 trust	$4,170,731
Nonspendable — Rehabilitation loan reserve	$159,000
Committed — Budget stabilization	$7,538,452
Committed — Catastrophic	$7,538,452
Committed — Pension/OPEB	$1,300,000
Assigned — Capital/special projects	$1,983,271
Assigned — Compensated absences	$1,519,243
Assigned — Open space	$410,000
Assigned — Sustainability	$140,553
Assigned — Market fluctuations	$1,201,824
Assigned — Carryover encumbrances	$6,367
Unassigned fund balance	$8,444,847
Total	$34,412,740

Source: Town cash-balance classifications incorporated into the asset liability management analysis.

For the integrated cash-flow analysis, most nonrestricted cash, including amounts committed for pension and OPEB purposes, is treated as an aggregate starting balance. This approach shows the overall trajectory of liquid resources if the Town funds operating deficits, pension interventions, pay-as-you-go capital, and debt service from the same broad pool. It does not imply that all listed amounts can or should be repurposed.

The reserve decision is therefore a portfolio-allocation problem. Cash can fund capital directly and avoid borrowing; it can be contributed to CalPERS or a trust to reduce or smooth pension costs; it can support OPEB; it can absorb the structural deficit; or it can remain available for stabilization and emergencies. Each use has an opportunity cost. A minimum-reserve framework is necessary before the model is used to authorize projects or liability contributions. The Town has a reserve policy. We believe that the cash balances projected in the cash flows in this report are broadly in conformance with the policy.

9. OPEB Liability and Funding Policy

The Town's OPEB plan is reported as more than 75 percent funded, with over $30 million of invested cash reserves against an actuarial liability exceeding $38 million. The analysis states that the Town significantly curtailed future employee OPEB liabilities in 2018. It also distinguishes OPEB from CalPERS by stating that the Town is not subject to an equivalent legal requirement to fully amortize the unfunded OPEB liability. This legal characterization should be confirmed as part of any policy change

Table 7. Selected OPEB Valuation and Contribution Information

Item	FY 2026-27	FY 2027-28
Valuation date	June 30, 2025	June 30, 2025
Discount rate	6.25%	6.25%
Normal cost	$786,226	$761,791
Administrative expenses	$22,750	$24,154
UAAL amortization payment	$923,393	$948,787
Total actuarially determined contribution	$1,732,369	$1,734,732
Estimated explicit benefit payments	($2,146,584)	($2,241,845)
Estimated implicit benefit payments	($290,946)	($310,647)
Recommended net trust contribution / (reimbursement)	($705,161)	($817,760)

Source: Town of Los Gatos Retiree Healthcare Plan, June 30, 2025 actuarial valuation.

The actuarial consultant's recommended negative net trust contribution is effectively a reimbursement or withdrawal because estimated benefit payments exceed the actuarially determined contribution. The analysis uses this result to raise a broader policy issue: whether continued contributions toward the OPEB unfunded liability provide sufficient long-term value when compared with preserving liquidity, funding capital, or addressing pension costs. A final decision would require an updated funding policy, projected benefit cash flows, trust-return assumptions, tax and accounting review, and an assessment of intergenerational equity.

BENEFIT PAYMENT AND PRE-FUNDING PROJECTION – TRUST DISBURSEMENTS

Fiscal Year	Explicit Subsidy Benefit Pmts	Implicit Subsidy Benefit Pmts	Trust Pmt (Reimb.)	ADC	Proj. Payroll (in millions)	ADC % of Pay	Funded % BOY
2026/27	$2,146,584	$290,946	(705,161)	$1,732,369	$21.1	8.2%	77.6%
2027/28	2,241,845	310,647	(817,760)	1,734,732	21.7	8.0%	80.7%
2028/29	2,359,145	371,306	(987,828)	1,742,623	22.3	7.8%	83.8%
2029/30	2,438,680	403,164	(1,094,116)	1,747,728	22.9	7.6%	86.3%
2030/31	2,466,868	376,711	(1,096,536)	1,747,043	23.5	7.4%	88.1%
2031/32	2,596,937	467,863	(1,307,442)	1,757,358	24.2	7.3%	90.1%
2032/33	2,670,452	522,349	(1,418,069)	1,774,732	24.9	7.1%	92.1%
2033/34	2,728,092	563,724	(1,500,313)	1,791,503	25.5	7.0%	94.4%
2034/35	2,801,657	640,255	(1,628,876)	1,813,036	26.2	6.9%	96.8%
2035/36	2,810,881	625,847	(1,601,174)	1,835,554	27.0	6.8%	99.5%

Figure 1. OPEB Actuarially Determined Subsidy Benefit and Reimbursement Payments

The source table shows the composition of the actuarially determined contribution and the projected net trust reimbursement and projected funded ratio.

Source: Town of Los Gatos Retiree Healthcare Plan, June 30, 2025 actuarial valuation.

10. CalPERS Pension Position

The formal pension baseline is the June 30, 2024 actuarial valuation, which reports a UAL of approximately $67.2 million. June 30, 2025 valuation results (released after the Raftelis study was finalized) reduce the UAL to approximately $60.1 million. The change reflects an estimated $11.5 million reduction from 12.1 percent investment returns, partly offset by approximately $700,000 of assumption changes and $3.8 million of non-investment losses. The magnitude of the investment-related change is greater than the modeled net benefit of the ADP and illustrates why future CalPERS performance is a major, but uncertain, driver of the Town's outlook.

Table 8. Selected CalPERS Position and Payment Measures

Measure	June 30, 2024	June 30, 2025	Change / Observation
Unfunded accrued liability	$67.233 million	$60.134 million	Reduction of approximately $7.1 million.
Funded ratio, excluding Section 115 trust	74.0%	77.2%	Improves by approximately 3.2 percentage points.
Effective Funded ratio, including Section 115 trust	74.8%	78.4%	Trust increases funded ratio by about 1.2 percentage points in FY 2024-25.
Modeled cumulative UAL payments	$100.457 million	$87.100 million	Expected 2025 schedule is approximately $13.357 million lower.
Near-term UAL payment peak	Approximately $7.5 million in FY 2030-31 under 2024 schedule	Approximately $7.35 million in FY 2028-29 under expected 2025 schedule	Expected results accelerate decline of the payment peak.

Source: CalPERS actuarial valuation reports and the CalPERS Pension Outlook Tool.

Historical results demonstrate the sensitivity of the UAL to investment performance. The UAL declined from approximately $61.9 million in 2020 to $36.7 million in 2021 after a 22.4 percent return, then increased to approximately $64.9 million in 2022 after a negative 7.5 percent return. A preliminary FY 2025-2026 return of 14.8 percent is not translated into a UAL reduction in the model because the effect was not sufficiently known. Conservative planning should therefore separate known actuarial savings from potential future market performance.

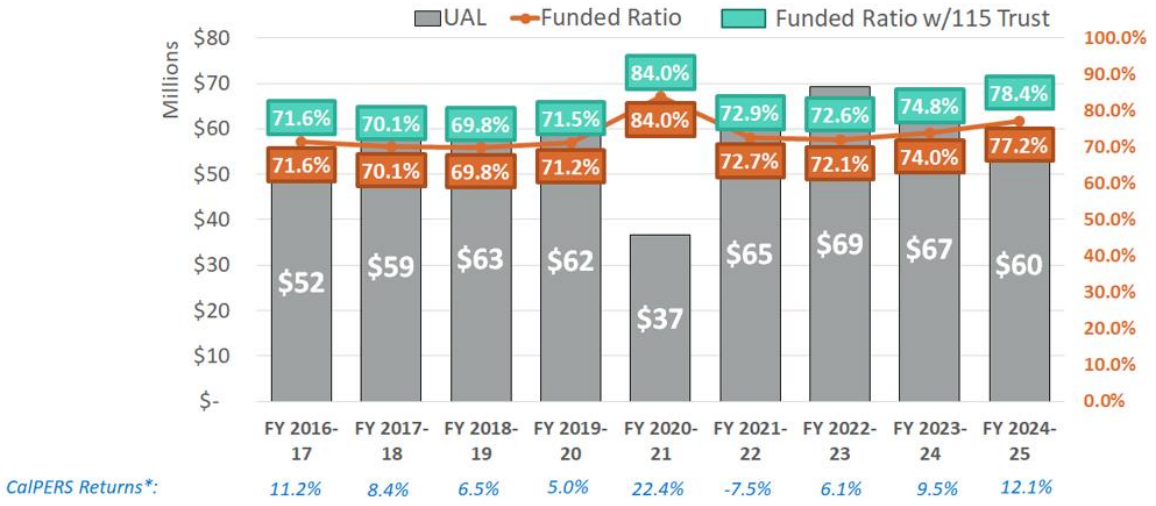


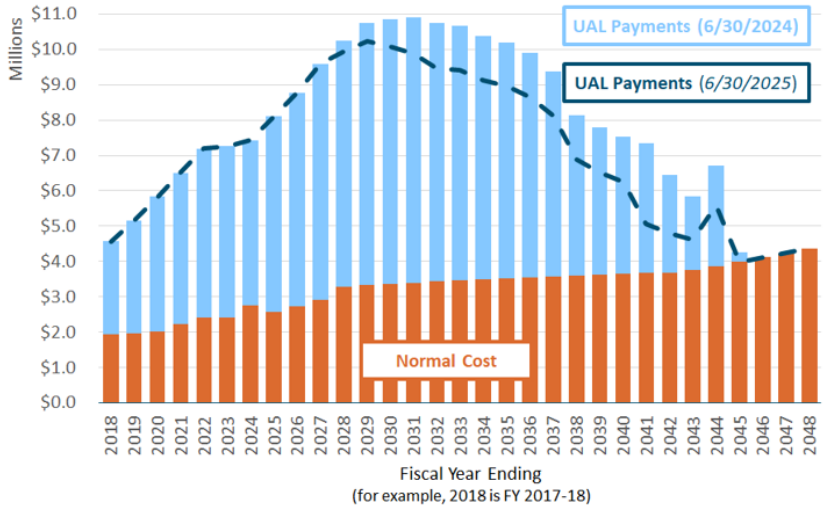
Figure 2. Historical UAL Balance and Funded Ratio

The figure illustrates the relationship between investment returns, the UAL, and the funded ratio from 2017 through expected 2025 results.

Source: CalPERS actuarial valuation reports and the CalPERS Pension Outlook Tool.

Under the expected June 30, 2025 actuarial valuation schedule, annual UAL payments are approximately $6.69 million in FY 2026-27, rise to approximately $7.35 million in FY 2028-29, and decline to approximately $5.54 million by FY 2035-36. Normal cost is projected separately and rises over time. The combination of normal cost and UAL payments therefore remains a material General Fund commitment even as the UAL payment component declines. The reduction in projected UAL payments between the June 30, 2024 actuarial valuation and June 30, 2025 valuation can be seen in Figure 3 below.

Four principal headwinds support conservative planning: future market downturns or return volatility; changes in actuarial assumptions such as the discount rate or inflation; Town salary increases and cost-of-living adjustments above CalPERS assumptions; and potential legislative changes. It should be noted that the benefits of the 12.1% returns from FY 2024-25 were offset by nearly 1/3 (33%) due to "non-investment losses," likely generated by the Town's recent practice of providing larger salary increases/COLAs than those assumed by CalPERS and/or having an increased number of early retirements. Without these non-investment losses, the reduction in UAL would have been $3.8 million more. These risks reinforce the conclusion that favorable CalPERS performance, although potentially more consequential than an ADP, cannot be treated as a reliable solution to the structural deficit.



UAL Payment Comparison
(June 30, 2024 Valuation vs. June 30, 2025 Valuation)

FY	A June 30, 2024	B June 30, 2025	A - B C Difference
2026-27	$6,691,300	$6,691,300	$0
2027-28	$6,946,110	$7,121,868	($175,758)
2028-29	$7,420,188	$7,349,306	$70,882
2029-30	$7,475,956	$7,158,434	$317,522
2030-31	$7,504,822	$6,940,660	$564,162
2031-32	$7,301,051	$6,490,251	$810,800
2032-33	$7,207,877	$6,397,077	$810,800
2033-34	$6,880,697	$6,069,897	$810,800
2034-35	$6,673,106	$5,862,305	$810,801
2035-36	$6,353,674	$5,542,874	$810,800
2036-37	$5,792,152	$4,981,352	$810,800
2037-38	$4,540,010	$3,729,209	$810,801
2038-39	$4,167,824	$3,357,022	$810,802
2039-40	$3,875,434	$3,064,634	$810,800
2040-41	$3,675,949	$2,851,736	$824,213
2041-42	$2,772,939	$1,299,048	$1,473,891
2042-43	$2,086,632	$1,033,080	$1,053,552
2043-44	$2,830,261	$1,159,879	$1,670,382
2044-45	$260,689	$0	$260,689
Total	$100,456,671	$87,099,932	$13,356,739

Figure 3. Historical and Projected CalPERS Payments

The new June 30, 2025 UAL schedule reduces cumulative payments and accelerates the decline from the payment peak relative to the June 30, 2024 schedule.

Source: CalPERS actuarial valuation reports and the CalPERS Pension Outlook Tool.

11. Pension Cost-Management Alternatives

The pension strategies are not mutually exclusive. They vary in whether they directly reduce the UAL, preserve control and liquidity, change the amortization schedule, or transfer investment risk. The alternatives include strategies currently used by the Town, strategies suitable for further consideration, and strategies that are not advisable under the modeled near-term deficits and current market conditions.

Table 9. Pension Cost-Management Alternatives

Alternative	Basic Mechanism	Potential Advantages	Principal Disadvantages / Risk	Source Treatment
Annual CalPERS prepayment	Pay annual UAL amount early in the fiscal year.	Approximately 3.3% prepayment discount; administratively simple.	Uses cash earlier; limited structural effect beyond discount.	Currently used.
Fresh Start	Replace existing bases with a shorter / level amortization schedule.	Less interest over full period; simplified payment pattern.	Higher near-term payments; no flexibility to return to prior schedule.	Not recommended given near-term deficits.
Pension obligation bonds	Borrow to pay off the UAL at an assumed lower borrowing rate.	Potential payment leveling and interest-rate differential.	Investment/reinvestment risk; fixed debt; savings not guaranteed as they are based on future CalPERS investment performance	Not recommended under current market/rate and risk conditions.
Additional discretionary payment	Pay selected amortization bases directly to CalPERS.	Immediate UAL reduction; future payment reduction; implicit 6.8% discount-rate benefit if assumptions are realized.	Irreversible; reduces liquidity and investment control; market timing and reinvestment risk.	Recommended for targeted consideration; financially useful but not sufficient to resolve the structural deficit.

Alternative	Basic Mechanism	Potential Advantages	Principal Disadvantages / Risk	Source Treatment
Section 115 trust	Maintain restricted pension/OPEB assets outside the pension system until withdrawn or transferred.	Budget flexibility, liquidity within restricted purpose, investment options, and payment smoothing.	Does not reduce UAL until transferred; investment risk; requires contributions.	Recommended for smoothing and investment control and budget flexibility.

Source: NHA Advisors analysis of pension cost-management alternatives.

The Town has a history of proactive pension cost management, including consistent early UAL prepayment, a June 2014 payoff of the $4.5 million Safety Plan side fund UAL, set-asides for ADPs totaling $12.7 million, and establishment of a CalPERS Section 115 trust with a current balance of approximately $4.17 million. Existing policy sets aside $390,000 annually and permits up to $690,000 when the Town ends the fiscal year in a positive position.

Selection of ADP bases is central to the timing of benefits. Long bases maximize gross long-term reduction but spread annual relief over a longer period. Short bases produce less total reduction but concentrate relief during the UAL payment peak. A tailored selection can target the desired annual cash-flow profile. In the Town's current circumstances, the relevant question is not whether an ADP can produce savings, but whether the timing of those savings justifies the immediate reduction in liquidity and meaningfully supports the capital and operating forecast.

12. Pension Scenario Analysis

All pension scenarios assume use of the approximately $4.2 million Section 115 trust balance. Scenario 3 requires an additional amount of approximately $4 million from unassigned reserves, resulting in an initial intervention of approximately $8.2 million. Scenario 1A applies the $4.2 million as an ADP to long bases; Scenario 1B uses short bases; Scenarios 2A and 2B use trust withdrawals to smooth payments under 4.9 percent and 7.0 percent earnings assumptions; and Scenario 3 applies the larger ADP to all bases with ten years or less remaining.

Table 10. Comparative Pension Scenario Results

Scenario	Initial Resource Use	Gross Reduction Through FY 2032-33	Gross Reduction Through FY 2035-36	Total Gross Reduction	Net Reduction Through FY 2035-36	Primary Timing / Liquidity Effect
1A — Long-base ADP	$4.2M ADP	$2.363M	$3.545M	$7.556M	($0.625M)	Largest long-term gross reduction among $4.2M alternatives; least near-term relief; irreversible.
1B — Short/tailored ADP	$4.2M ADP	$4.827M	$5.301M	$5.301M	$1.100M	Relief concentrated in payment-peak years; less total gross reduction than long bases.
2A — Trust smoothing, 4.9%	$4.2M trust withdrawals	$4.706M	$4.706M	$4.706M	$0.536M	Levels UAL payments near $6.13M from FY 2027-28 to FY 2032-33; preserves decision flexibility until withdrawals.
2B — Trust smoothing, 7.0%	$4.2M trust withdrawals	$4.952M	$4.952M	$4.952M	$0.782M	Levels UAL payments near $6.08M from FY 2027-28 to FY 2032-33; result depends on higher earnings.
3 — ADP on bases ≤10 years	Approximately $8.2M ADP	$9.167M	$10.651M	$10.651M	$2.465M	Largest near-term relief and reserve draw; irreversible and highest market-timing exposure.

Source: NHA Advisors pension scenario analysis. Net reduction equals modeled gross payment reduction through fiscal year 2036 less the initial resource use. Amounts are rounded.

Scenario 1A reduces annual payments by approximately $393,879 for most of the modeled period, but negative remaining payments would require a roll-up adjustment in FY 2040-41 through FY 2043-44. Its principal limitation is timing: the Town would use $4.2 million immediately but recover only approximately $3.5 million in gross payment reductions through FY 2035-36. The alternative may reduce long-term pension cost, but it provides relatively little support during the period of greatest capital pressure.

Scenario 1B and the two trust-smoothing alternatives concentrate more benefit in the next seven to ten years, when UAL payments are highest. Scenario 3 provides the greatest near-term payment reduction but uses approximately $8.2 million of pension trust and unassigned resources. The larger ADP can make economic sense under the stated assumptions, but the revised integrated forecast demonstrates that the resulting payment relief is not sufficient to offset Tier 2 escalation and the annual debt service associated with the full CIP.

The scenario comparisons do not constitute investment guarantees. An ADP effectively assumes that the benefit of reducing a liability discounted at 6.8 percent will be realized through future CalPERS experience. Trust smoothing depends on trust returns and withdrawal timing. Both approaches reduce cash available for capital, operating stabilization, or unforeseen needs. Future CalPERS' performance may ultimately affect pension costs more than the ADP itself, but that performance is uncertain and should not be embedded as a balancing assumption.

Scenario Modeling - Annual Cost Reductions

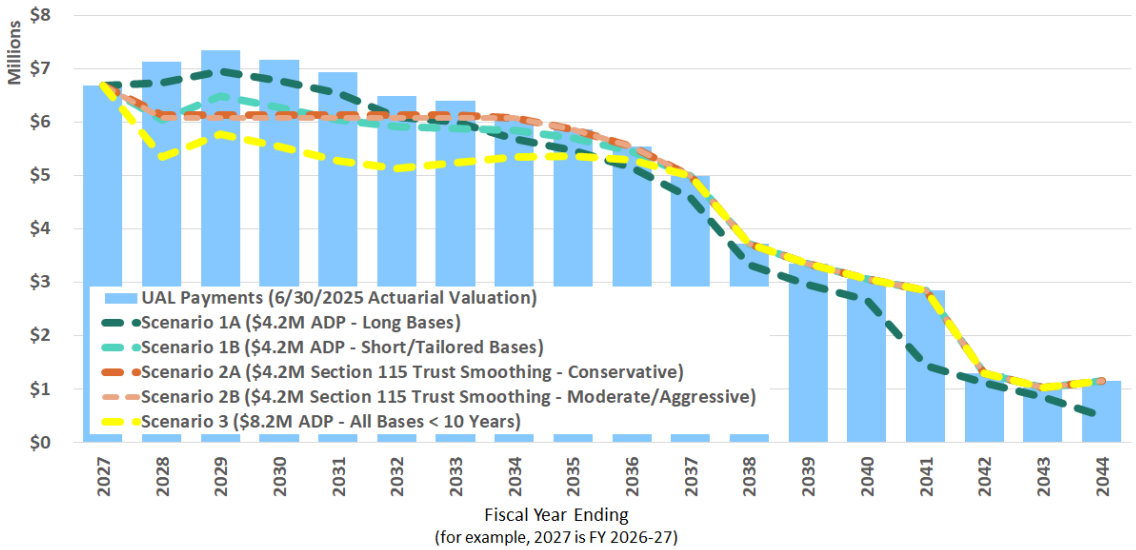
Fiscal Year	Scenario 1A ($4.2M ADP - Long Bases)	Scenario 1B ($4.2M ADP - Short Bases)	Scenario 2A ($4.2M Section 115 Trust Smoothing - Conservative)	Scenario 2B ($4.2M Section 115 Trust Smoothing - Moderate/Aggressive)	Scenario 3 ($8.2M ADP - All Bases < 10 Years)
2026 - 2027	$0	$0	$0	$0	$0
2027 - 2028	$393,878	$1,079,065	$996,658	$1,037,682	$1,778,487
2028 - 2029	$393,879	$858,103	$1,224,096	$1,265,120	$1,577,109
2029 - 2030	$393,879	$882,130	$1,033,224	$1,074,248	$1,621,268
2030 - 2031	$393,879	$906,830	$815,450	$856,474	$1,666,663
2031 - 2032	$393,879	$579,836	$365,041	$406,065	$1,360,944
2032 - 2033	$393,879	$520,590	$271,867	$312,891	$1,162,973
2033 - 2034	$393,879	$232,784	$0	$0	$728,062
2034 - 2035	$393,879	$159,535	$0	$0	$498,965
2035 - 2036	$393,879	$82,001	$0	$0	$256,468
2036 - 2037	$393,879	$0	$0	$0	$0
2037 - 2038	$393,879	$0	$0	$0	$0
2038 - 2039	$393,879	$0	$0	$0	$0
2039 - 2040	$393,879	$0	$0	$0	$0
2040 - 2041	$1,411,009	$0	$0	$0	$0
2041 - 2042	$181,803	$0	$0	$0	$0
2042 - 2043	$181,802	$0	$0	$0	$0
2043 - 2044	$660,658	$0	$0	$0	$0
Total Cost Reduction	**$7,555,696**	**$5,300,874**	**$4,706,335**	**$4,952,478**	**$10,650,938**
Cost Reduction Through FY 2032-33	$2,363,272	$4,826,555	$4,706,335	$4,952,478	$9,167,444
Cost Reduction Through FY 2035-36	$3,544,908	$5,300,874	$4,706,335	$4,952,478	$10,650,938
Net Cost Reduction Through FY 2035-36	*(625,823)*	*1,130,143*	*535,604*	*781,747*	*2,464,767*

Note: Scenario 1A creates annual cost reduction of $393,879 for 20 years. However, given negative UAL remaining payments after ADP from FY 2043-44 to FY 2046-47, a "roll-up" would occur and modify remaining UAL payments from FY 2040-41 to FY 2043-44. Cost reduction estimates above are compared to this "rolled-up" remaining UAL.

Figure 4. Pension Scenario Annual Cost Reductions and Summary Results

The figure summarizes annual gross reductions and modeled net reductions after the initial use of pension resources.

Source: NHA Advisors pension scenario analysis.



13. Preliminary Pension and OPEB Findings

The preliminary pension findings support reconsideration, rather than automatic continuation, of the annual $390,000 Section 115 contribution. A targeted ADP or trust-smoothing strategy can improve budget predictability and provide financial value, particularly if relief is concentrated during the next five to ten years. The analysis does not support treating pension intervention as a solution to the structural deficit: the modeled savings are materially smaller than the annualized cost of the expanded CIP, and the immediate use of reserves reduces flexibility.

If reserves are used for pension management, the modeled results favor concentrating relief in the next five to ten years rather than maximizing gross savings over a longer period. That period corresponds to the projected UAL payment peak and the possible commencement of major capital debt service. It is worth noting that the projected payment peak period will likely be more concentrated in the early years once the FY 2025-26 investment returns of 14.8% work their way into the valuation reports next year. Short-base ADPs and Section 115 smoothing preserve more near-term budgetary capacity than a long-base ADP, although trust smoothing retains greater reversibility until funds are withdrawn.

The analysis also raises whether the current CalPERS Section 115 provider offers sufficient investment flexibility. CalPERS provides two trust options, with expected returns between 4.9% and 5.4%. There are several other providers that provide more investment options, the ability to tailor portfolios, and have demonstrated better historical returns than CalPERS. Any provider review should consider governance, fees, custody, investment policy, risk, liquidity, and transition requirements rather than return alone.

The OPEB position supports a parallel review. A well-funded trust and the actuarial recommendation for reimbursement may allow the Town to reduce or suspend contributions toward the OPEB unfunded liability, but the effect on long-term funding, benefit security, and future contribution volatility should be evaluated. The pension and OPEB decisions should be coordinated because both compete for the same reserves and annual General Fund capacity.

The analysis identifies a possible economic relationship between investing pension-related cash at expected rates above 5 percent and issuing tax-exempt capital debt at rates below 5 percent. This comparison is not risk-free: pension or trust returns and future CalPERS performance are uncertain, while bond debt service is fixed. It is therefore a risk-adjusted allocation question rather than a simple interest-rate arbitrage.

14. New Development and Fiscal Effects

The development model assumes 3,263 residential units through 2040, including 400 accessory dwelling units, or approximately 230 new units annually. Affordable units are assumed to represent approximately 15 percent of non-ADU units. Prior fiscal-impact work indicates that housing growth may have a positive operating effect before incremental capital costs, but infrastructure and service costs may be significant. The analysis therefore tests impact fees and a special tax as methods of converting growth into net fiscal capacity.

The impact-fee estimate is intentionally simplified. It assumes that all units pay the same fee, including rental, ownership, ADU, and deed-restricted affordable units, although actual implementation would differ. The model allocates $108 million of Tier 2, police-building, and interchange local-share costs across 17,063 existing and projected housing units, producing an illustrative $6,329 per unit. An AB 1600 study would be required to establish nexus, proportionality, eligible costs, and the actual fee structure. However, the Town should seek legal advice on how to best manage impact fees on new infill development.

Table 11. Development Assumptions and Fiscal Effects

Development / Revenue Item	Modeled Assumption	Fiscal Character	Key Limitation
Residential growth	3,263 units through 2040, including 400 ADUs; approximately 230 units annually	Driver of recurring and one-time revenues and service costs	Timing, tenure, affordability mix, and absorption are uncertain.
Illustrative impact fee	$6,329 per unit, based on $108M allocated across 17,063 units; 5% annual inflator in revenue model	One-time capital revenue	Not an adopted fee; actual fee requires AB 1600 study and differentiated treatment.

Development / Revenue Item	Modeled Assumption	Fiscal Character	Key Limitation
New-development Mello-Roos tax	$750 per unit annually; 2% inflator	Recurring services and facilities revenue	Requires district and entitlement implementation; dependent on development pace.
Combined new-development revenue	$1.628M in FY 2026-27 rising to $4.320M in FY 2035-36	Combination of one-time and recurring revenue	Potentially large enough to change the forecast, but timing is highly dependent on the building cycle.

Source: NHA Advisors development and revenue analysis using stated growth assumptions.

Table 12. Selected Modeled Annual New-Development Revenues

Fiscal Year	Illustrative Impact Fees	New-Development Special Tax	Combined Revenue
2026-2027	$1.456M	$0.173M	$1.628M
2027-2028	$1.529M	$0.352M	$1.880M
2029-2030	$1.685M	$0.732M	$2.417M
2031-2032	$1.858M	$1.143M	$3.001M
2033-2034	$2.048M	$1.585M	$3.634M
2035-2036	$2.258M	$2.062M	$4.320M

Source: NHA Advisors development revenue model. Amounts are rounded.

The fiscal contribution of development should be evaluated on a net and timing-specific basis. Impact fees may fund eligible capital costs but do not ordinarily support General Fund operating expenses. The new-development annual special tax may support services and facilities, but the tax base builds gradually and depends on construction activity. Under the modeled pace, these revenues are large enough to change the fiscal result and may be a gamechanger. Their volatility, implementation requirements, and exposure to the building cycle make them materially less certain than a broad existing tax base. Section 16 below does include the ongoing long-term net positive fiscal impact cash flows from new development, as shown in the Future Growth and Sustainability Study.

15. Potential Voter-Approved Revenue

A parcel tax or local sales-tax override is identified as the most practical Town-wide revenue structure for addressing the structural deficit. The revised scenarios also rely on a new-development Mello-Roos tax and impact fees. As a result, the policy question is not whether new taxes are required, but which tax bases, rates, and implementation schedules provide sufficient and reasonably stable revenue for the selected capital program. Voting thresholds and initiative requirements are legal matters requiring current legal analysis.

Table 13. Illustrative Town-Wide Parcel-Tax Revenue

Average Annual Tax per Parcel	Approximate Taxable Parcels	Estimated Annual Revenue
$100	11,400	$1,140,000
$200	11,400	$2,280,000
$300	11,400	$3,420,000
$400	11,400	$4,560,000

Source: NHA Advisors parcel-tax sensitivity analysis.

The cash-flow model assumes a flat $200 annual tax on approximately 11,400 parcels, approved no later than November 2028, with full collection beginning in FY 2028-29 and a 2 percent annual inflator. Proceeds are assumed to be available for broadly defined capital purposes. The flat structure is used for modeling simplicity; a more nuanced Mello-Roos structure based on land use may improve equity or feasibility.

The sales-tax sensitivity uses 2025 taxable sales of approximately $138.95 million and a current 9.25 percent combined rate. Under the simplified calculation, generating $1 million annually would require an additional rate of approximately 0.72

percent, while generating $2 million would require approximately 1.44 percent. The 0.72 percent sales tax increase would take the Town to the 10% combined sales tax limit in the State statutes. The 1.44 percent sales tax increase would require special State legislation. Limited statutory capacity, sales leakage, and potential competitive effects are reasons the model does not rely on sales tax. Updated legal, economic, and retail analysis would be required before selecting a measure.

The modeled $200 parcel tax generates approximately $2.28 million initially. Combined with development exactions, it supports Tier 2 through FY 2033-34 but does not prevent deficits from returning in FY 2034-35 and FY 2035-36. It is also substantially below the approximately $7.07 million annual debt service of the full lease revenue bond program. The full program therefore requires a materially larger or broader tax package, project reductions or phasing, additional outside funding, or a combination of these actions.

16. Structural Deficit and Long-Term Cash Flow

The integrated model begins with the structural deficit projected by Raftelis as modified by Town staff, adds the effects of expected June 30, 2025 CalPERS results, elimination of the annual $390,000 Section 115 transfer, Tier 2 spending, interchange predevelopment, lease revenue bond debt service, development revenue, a Town-wide parcel tax, and assumed grants. It also includes a $5.5 million ADP to CalPERS, which has been recommended by staff after reviewing the preliminary options and assessing current pension reserve levels. The revised schedule does not include a separate investment-earnings line for cash balances since the baseline Raftelis structural deficit projection (as revised by staff) already includes investment earnings.

Table 14. Scenario 1 – Base Case Combined Cash Flows and Estimates of Cash Reserves Through FY 2035-2036

Scenario 1	Fiscal Year										
Deficit Estimates	**2025-2026**	**2026-2027**	**2027-2028**	**2028-2029**	**2029-2030**	**2030-2031**	**2031-2032**	**2032-2033**	**2033-2034**	**2034-2035**	**2035-2036**
Structural deficit projected by Raftelis, amended with OPEB savings estimated by Town staff	**100,000**	**(300,000)**	**(1,200,000)**	**(2,300,000)**	**(2,000,000)**	**(2,800,000)**	**(3,500,000)**	**(3,800,000)**	**(4,500,000)**	**(5,300,000)**	**(5,800,000)**
PENSION											
Projected June 30, 2025 UAL adjustment		-	(175,758)	70,882	317,522	564,162	810,800	810,800	810,800	810,800	810,800
Eliminate $390K annual Section 115 transfer		390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
$5.5M ADP Payment Reduction			1,264,799	1,049,037	1,078,410	1,108,605	787,260	691,176	364,306	249,671	128,331
Cash draw for ADP		(5,500,000)									
CAPITAL PROGRAM											
Tier 2 CIP (5% inflation)		(1,000,000)	(1,050,000)	(1,102,500)	(1,157,625)	(1,215,506)	(1,276,282)	(1,340,096)	(1,407,100)	(1,477,455)	(1,551,328)
Unprogrammed CIP Ongoing Work		(681,250)	(715,313)	(749,157)	(824,114)	(863,398)	(906,568)	(949,975)	(997,474)	(1,045,426)	(1,097,697)
Hwy 17/Hwy 9 Interchange pre-development		(2,700,000)	(2,700,000)								
28% of $118.5 million combined CIP Lease Revenue Bond				(2,179,991)	(2,179,991)	(2,179,991)	(2,179,991)	(2,179,991)	(2,179,991)	(2,179,991)	(2,179,991)
Total cash flow deficit	**100,000**	**(9,791,250)**	**(4,186,272)**	**(4,821,728)**	**(4,375,798)**	**(4,996,128)**	**(5,874,781)**	**(6,378,085)**	**(7,519,459)**	**(8,552,401)**	**(9,299,885)**
NEW REVENUE											
Impact-fee revenue		1,360,839	1,428,881	1,500,325	1,575,342	1,654,109	1,736,814	1,823,655	1,914,837	2,010,579	2,111,108
Positive annual General Fund impact from new development projected by Fiscal Impact Study		86,354	210,107	333,861	457,614	581,367	705,120	828,874	951,789	1,075,541	1,199,254
Town-wide parcel-tax revenue				2,280,000	2,325,600	2,372,112	2,419,554	2,467,945	2,517,304	2,567,650	2,619,003
New development Mello-Roos tax		161,250	328,950	503,294	684,479	872,711	1,068,198	1,271,156	1,481,805	1,700,371	1,927,087
Grant Funding for CIP		500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total new revenue		**2,108,443**	**2,467,938**	**5,117,480**	**5,543,035**	**5,980,299**	**6,429,686**	**6,891,630**	**7,365,735**	**7,854,141**	**8,356,452**
Net deficit including new revenue	**100,000**	**(7,682,807)**	**(1,718,333)**	**295,752**	**1,167,237**	**984,170**	**554,906**	**513,545**	**(153,724)**	**(698,260)**	**(943,433)**
Beginning Committed, Assigned and Unassigned cash	34,412,740	34,512,740	26,829,933	25,111,600	25,407,352	26,574,588	27,558,758	28,113,664	28,627,209	28,473,485	27,775,226
Ending Committed, Assigned and Unassigned cash	**34,512,740**	**26,829,933**	**25,111,600**	**25,407,352**	**26,574,588**	**27,558,758**	**28,113,664**	**28,627,209**	**28,473,485**	**27,775,226**	**26,831,793**

Source: NHA Advisors integrated cash-flow model. Parentheses indicate cash outflows or negative balances; amounts are rounded to the nearest dollar. The revised schedule does not include a separate investment-earnings line.

Table 14 shows that in order to keep the Town's cash balance approximately equal to its level after the ADP CalPERS intervention show in FY 2026-2027, the Town would need to restrict the proposed lease revenue bond to about 28% of the total CIP amount shown in Table 5.

Below is Table 15, showing the effect of COLA reductions by the Town. The percentage of the Table 5 potential CIP that could be funded by a lease revenue bond increases to 49%.

Table 15. Scenario 2 – Base Case Combined Cash Flows and Estimates of Cash Reserves Through FY 2035-2036 (w/COLA Savings)

Scenario 2	Fiscal Year										
Deficit Estimates	**2025-2026**	**2026-2027**	**2027-2028**	**2028-2029**	**2029-2030**	**2030-2031**	**2031-2032**	**2032-2033**	**2033-2034**	**2034-2035**	**2035-2036**
Baseline Structural deficit projected by Raftelis with both OPEB and COLA Reduction Savings Estimated by Town Staff	**100,000**	-	**(900,000)**	**(1,800,000)**	**(1,200,000)**	**(1,700,000)**	**(2,100,000)**	**(2,000,000)**	**(2,400,000)**	**(2,800,000)**	**(3,000,000)**
PENSION											
Projected June 30, 2025 UAL adjustment		-	(175,758)	70,882	317,522	564,162	810,800	810,800	810,800	810,800	810,800
Eliminate $390K annual Section 115 transfer		390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000	390,000
$5.5M ADP Payment Reduction		-	1,264,799	1,049,037	1,078,410	1,108,605	787,260	691,176	364,306	249,671	128,331
Cash draw for ADP		(5,500,000)	-	-	-	-	-	-	-	-	-
CAPITAL PROGRAM											
Tier 2 CIP (5% inflation)		(1,000,000)	(1,050,000)	(1,102,500)	(1,157,625)	(1,215,506)	(1,276,282)	(1,340,096)	(1,407,100)	(1,477,455)	(1,551,328)
Unprogrammed CIP Ongoing Work		(681,250)	(715,313)	(749,157)	(824,114)	(863,398)	(906,568)	(949,975)	(997,474)	(1,045,426)	(1,097,697)
Hwy 17/Hwy 9 Interchange pre-development		(2,700,000)	(2,700,000)								
49% of $118.5 million combined CIP Lease Revenue Bond				(3,814,984)	(3,814,984)	(3,814,984)	(3,814,984)	(3,814,984)	(3,814,984)	(3,814,984)	(3,814,984)
Total cash flow deficit	**100,000**	**(9,491,250)**	**(3,886,272)**	**(5,956,721)**	**(5,210,791)**	**(5,531,121)**	**(6,109,774)**	**(6,213,078)**	**(7,054,452)**	**(7,687,394)**	**(8,134,878)**
NEW REVENUE											
Impact-fee revenue		1,360,839	1,428,881	1,500,325	1,575,342	1,654,109	1,736,814	1,823,655	1,914,837	2,010,579	2,111,108
Positive annual General Fund impact from new development projected by Fiscal Impact Study		86,354	210,107	333,861	457,614	581,367	705,120	828,874	951,789	1,075,541	1,199,254
Town-wide parcel-tax revenue				2,280,000	2,325,600	2,372,112	2,419,554	2,467,945	2,517,304	2,567,650	2,619,003
New development Mello-Roos tax		161,250	328,950	503,294	684,479	872,711	1,068,198	1,271,156	1,481,805	1,700,371	1,927,087
Grant Funding for CIP		500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000	500,000
Total new revenue		**2,108,443**	**2,467,938**	**5,117,480**	**5,543,035**	**5,980,299**	**6,429,686**	**6,891,630**	**7,365,735**	**7,854,141**	**8,356,452**
Net deficit including new revenue	**100,000**	**(7,382,807)**	**(1,418,333)**	**(839,241)**	**332,244**	**449,177**	**319,913**	**678,552**	**311,283**	**166,747**	**221,574**
Beginning Committed, Assigned and Unassigned cash	34,412,740	34,512,740	27,129,933	25,711,600	24,872,359	25,204,602	25,653,779	25,973,692	26,652,244	26,963,527	27,130,274
Ending Committed, Assigned and Unassigned cash	**34,512,740**	**27,129,933**	**25,711,600**	**24,872,359**	**25,204,602**	**25,653,779**	**25,973,692**	**26,652,244**	**26,963,527**	**27,130,274**	**27,351,849**

Table 16 below shows a simple comparison of Scenarios 1 and 2. Under Scenario 1 only 28% of the Table 5 CIP could be funded under a lease revenue bond. Under Scenario 2, with additional reductions to the structural deficit due to a reduction in projected costs of living adjustments and the use of the Other Post Employment Benefits Trust, 49% of the CIP could be funded under a lease revenue bond. Both scenarios, as noted before, include all potential new revenue sources shown in this report.

Table 16. Selected Cash-Flow Sensitivity Results

Scenario	Short Description	Lease Revenue Bond Capacity Percentage
1	Base case, with additional OPEB savings and other adjustments made to baseline model by Town staff	28%
2	Same as Scenario 1, but with additional savings from better management of Internal Service Funds	49%

17. Economic Downturn Sensitivity

For purposes of this report, we have modeled a hypothetical economic downturn. We assumed that the economic downturn increased the baseline structural deficit by $3 million per year for fiscal years 2027-28, 2028-29 and 2029-30. This amounts to an approximate 5% annual reduction in annual General Fund revenues. The net effect of this hypothetical economic downturn is to reduce lease revenue bond funding percentage metric from the 49% shown in Scenario 2 to 35% with the economic downturn assumptions shown above.

18. Integrated Findings and Policy Tradeoffs

The analysis does not identify a single action that resolves all competing objectives. The principal controllable variable is project scope and timing. Pension management, reserve use, debt financing, development exactions, and Town-wide taxes alter the timing and distribution of costs, but none eliminates the need to align the CIP with recurring revenue and minimum liquidity.

Table 17. Principal Policy Decisions and Tradeoffs

Category	Policy Decision	Potential Benefit	Principal Cost / Risk	Key Dependency
CIP	**Add Tier 2 and ongoing Unprogrammed CIP on pay-as-you-go basis**	Advances additional projects without long-term debt.	Annual costs rise with 5% inflation and reduce operating flexibility.	Parcel-tax and development-revenue performance.
	Advance all major projects with lease revenue bonds	Matches cost with useful life and protects construction-period cash.	Approximately $7.85M annual fixed debt service for 30 years.	Affordability, lien-free assets, rates, project costs, and revenue.
	Use cash for interchange plans and permitting	Improves project readiness and supports outside-funding advocacy.	Immediate $5.4M liquidity reduction before construction funding is secured.	Confirmation of regional funding and local-share requirement.

Category	Policy Decision	Potential Benefit	Principal Cost / Risk	Key Dependency
CalPERS	**Make targeted pension ADP**	Directly reduces UAL and near-term payments.	Uses money for CIP and CalPERS reinvestment risk.	Selected bases, reserve floor, and CalPERS performance.
	Use Section 115 trust for smoothing	Maintains greater control and targets peak-year relief.	Does not reduce UAL until transferred; investment risk.	Investment policy, provider, return, and withdrawal plan.
	Reduce or pause OPEB UAL funding	Preserves annual cash and may follow actuarial reimbursement recommendation.	Potentially increases future volatility or reduces funded status.	Updated actuarial projections and funding policy.
	Change OPEB and COLA practices	Reduces expenses, creates capacity for major CIP projects	Changes in personnel policy	Staff and elected willingness to make changes
New Revenue	**Seek Town-wide recurring revenue**	Provides broader capacity for Tier 2 and structural balance.	Voter burden, legal process, political feasibility, and implementation lag.	Measure design, public process, and community support.
	Rely on development exactions	Links growth to capital and service costs.	Revenue timing is volatile and may affect development feasibility.	AB 1600 study, district design, entitlements, and development pace.

Source: Synthesis of the financial analysis and modeled results.

Project prioritization has the greatest leverage. The pension scenarios produce gross reductions ranging from approximately $4.7 million to $10.7 million over multiple years, while the full bond program requires approximately $7.85 million every year. A targeted ADP can make financial sense and can improve near-term capacity, but it is not a gamechanger relative to the size of the CIP. Again, based on our analysis, the Town cannot afford the full CIP lease revenue bond debt service of $7.85 million per year without cost reductions or new revenue sources not reflected in this report.

Liquidity is the second controlling consideration. Scenarios 1 and 2 both show ending cash balances approximately equal to the Town's cash balance after doing the $8+ million ADP CalPERS intervention. If the Town elected to draw down cash reserves in the future, more of the CIP could be funded.

Revenue design is the third controlling consideration. New-development taxes and impact fees are potentially large enough to change the result, but they accumulate over time and are sensitive to the building cycle. Even with a $200/year Town-wide parcel tax the Town cannot fully fund the Table 5 CIP through a lease revenue bond. The remaining choices are to increase or broaden recurring taxes, secure materially more external funding, reduce or phase projects, or accept a greater reserve draw and lower financial flexibility.

19. Preliminary Conclusions

Under the assumptions evaluated, existing revenues and reserves are not sufficient to fund the full expanded capital program, eliminate the structural deficit, and maintain positive aggregate cash through FY 2035-36. Both scenarios rely on new taxes or exactions.

Borrowing reduces the immediate reserve use associated with the police building, Town Hall, and part of the interchange contribution, but it creates an estimated $7.85 million of annual debt service (for full CIP funding) for 30 years. Debt therefore addresses timing rather than affordability. The capacity to issue bonds depends on recurring tax revenue, project scope, reserve policy, and the Town's tolerance for long-term General Fund commitments.

Pension cost management can improve the financial position, particularly when savings are concentrated during the next five to ten years. A targeted ADP can make financial sense, but its benefit is smaller than the annual cost of the expanded CIP and must be weighed against the immediate loss of liquidity. Future CalPERS performance may have a larger fiscal effect than the ADP, but its volatility requires conservative planning. OPEB funding may provide additional near-term flexibility because of the plan's funded status and recommended trust reimbursement. The $5.5 million ADP shown in the cash flows results in significant operating costs reductions through 2036.

New development is expected to contribute positive revenue under the modeled assumptions. Impact fees and a new-development special tax could materially align growth with infrastructure and municipal-service requirements and may be a gamechanger in the long run for providing additional funding capacity for the Town's potential CIP.

The analysis indicates a fundamental need for the Town to prioritize or phase projects and to establish a recurring tax strategy. The estimated new revenue sources more than solve for the projected structural deficit. However, at best only about 30% of the potential CIP can be funded, in addition to the pay go Tier 2 CIP and the ongoing Unprogrammed CIP.

20. Recommended Next Steps

The following work is required before final implementation decisions. The priorities are to refine the capital program, establish a minimum reserve framework, test the stability and legal feasibility of new taxes, and update the uncertain external assumptions that could materially change the result.

1. Update the scope, cost, escalation, and schedule for Tier 2, the police building, and Town Hall, and identify the projects that can be phased or deferred.
2. Resolve the Highway 17/Highway 9 interchange local-share assumption by modeling at least 10 percent and 20 percent Town contributions and confirming the status of VTA, State, and federal funding.
3. Confirm the $5.4 million predevelopment scope, schedule, and decision points before committing cash.
4. Complete an asset analysis for lease revenue bond security and prepare a debt-capacity and affordability framework that includes reserve requirements and overlapping obligations.
5. Update the long-range General Fund forecast and reconcile the structural-deficit baseline with the new June 30, 2025 CalPERS schedule. Consider also doing this for the expected June 30, 2026 CalPERS schedule.
6. Perform sensitivity analysis for construction inflation, financing rates, development pace, grant shortfalls, delayed ballot implementation, and lower investment earnings.
7. Establish minimum operating, stabilization, and emergency reserve targets and identify which committed or assigned balances could be reallocated under applicable law and policy.
8. Obtain updated CalPERS and OPEB actuarial information and compare targeted ADPs, trust smoothing, and OPEB contribution changes within the reserve framework.
9. Review the Section 115 trust investment structure, provider alternatives, fees, governance, and risk-adjusted return objectives.
10. Conduct an AB 1600 impact-fee study and separately quantify incremental capital and operating costs attributable to development.
11. Evaluate the legal and financial structure of a new-development Mello-Roos services and facilities tax.
12. Evaluate Town-wide parcel-tax, Mello-Roos, sales-tax, and other recurring-revenue alternatives, including legal thresholds, distributional effects, revenue stability, public process, and community support.
13. Prepare staged implementation schedules showing the financial effect of advancing, deferring, or reducing each major project.
14. Develop an integrated policy decision calendar that aligns project approvals, pension and OPEB actions, financing preparation, outside-funding applications, and any ballot process.

The next phase should include an AB 1600 impact-fee study, analysis of a special Mello-Roos tax on new development, evaluation of Town-wide tax structures, project prioritization, a targeted CalPERS intervention, and cash funding for interchange design and permitting accompanied by expanded regional and federal funding advocacy. These actions remain subjects for further analysis and policy direction rather than final recommendations.

Appendix A. Major Assumptions and Qualifications

The following schedule summarizes the major assumptions and qualifications used in the report. It is intended to distinguish documented balances and actuarial results from preliminary estimates, policy assumptions, and sensitivity variables.

Table A-1. Major Assumptions and Qualifications

Topic	Major Assumption / Qualification
ALM scope	CIP, projects outside the CIP, CalPERS and OPEB, reserves, debt, development, taxes, and the structural deficit are evaluated as one financial system.
Existing CIP	Approximately $4+ million annually through FY 2029-30; road-focused; General Fund contribution eliminated for FY 2025-26.
Potential projects	Tier 2 $20 million; interchange $180+ million; police building $70 million; Town Hall $25+ million; Tier 3 excluded.
Tier 2 cash flow	$2 million initial annual funding concept with 5% inflation over ten years; revised integrated schedule includes a net $1 million amount in FY 2026-27 and rising costs thereafter.
Interchange local funding	A 20% share is described as a possible practical minimum, while the model uses $18 million or 10% plus a$5.4 million cashcontribution for design.

Topic	Major Assumption / Qualification
Ongoing Unprogrammed CIP	Ranges from $2.7 million to $4.4 million per year. Funded on a pay-go basis
One time Unprogrammed CIP	$10.9 million. Potentially funded through lease revenue bond
Debt assumptions	$118.5 million project costs; 1% issuance expense; $119,7 million financed; 5%; 30 years; approximately $7.785million annual debt service.
Reserves	$34.413 million aggregate starting cash across restricted, nonspendable, committed, assigned, and unassigned categories; legal and policy availability differs.
OPEB	More than 75% funded; $30 million+ assets; $38 million+ liability; FY 2026-27 ADC approximately $1.732 million; recommended reimbursement approximately $705,000.
CalPERS baseline	$67.2 million UAL at June 30, 2024; expected $60.1 million at June 30, 2025.
CalPERS performance	Investment returns can affect the UAL by more than the modeled ADP benefit; future performance is volatile and not treated as a dependable balancing source.
Pension interventions	$4.2 million ADP or trust alternatives and an approximately $8.2 million larger ADP; results depend on selected bases, returns, and timing.
ADP conclusion	A targeted ADP can make financial sense and improve near-term cash flow, but it is not a gamechanger relative to the annualized cost of the expanded CIP. $5.5 million ADP is assumed.
Development	3,263 units through 2040 including 400 ADUs; approximately 230 units annually; development pace and mix are uncertain.
Impact fee	$6,329 illustrative per-unit allocation with 5% inflation; an AB 1600 study and actual nexus analysis are required.
New-development special tax	$750 per unit with a 2% inflator; potentially material but dependent on development timing and implementation.
Town-wide parcel tax	$200 per parcel on approximately 11,400 parcels with 2% inflator beginning fiscal year 2028-29; illustrative and not adopted.
Tax requirement	Every modeled scenario relies on a new tax or exaction; existing revenues alone do not eliminate the structural deficit.
Scenario 1	Base case with all new revenue sources – shows a capacity to fund 8% of the lease revenue bond
Scenario 2	Includes additional revenue from the use of the OPEB Trust, and a reduction in projected costs of living adjustments
Integrated cash balance	Ending cash is approximately $26 million in FY 2035-36 for Scenario 1. This cash balance target is a constraint in the modeling such that the % of CIP funded through a lease revenue bond is the key variable
Primary controllable driver	The size and timing of the CIP have greater leverage than pension intervention.
Primary uncertain drivers	Future CalPERS performance and new development activity can materially change the result but are highly uncertain.
Next analytical steps	Refine projects, outside funding, reserve targets, CalPERS/OPEB information, development exactions, tax structures, and staged implementation schedules.

Source: NHA Advisors asset liability management analysis using Town-provided financial, capital, actuarial, and development information.

Appendix B. Defined Terms

ADP: Additional discretionary payment made directly to CalPERS to reduce selected amortization bases and future required payments.

ALM: Asset liability management; the integrated evaluation of financial assets, reserves, liabilities, capital commitments, debt, and revenues.

CIP: Capital Improvement Program; the Town's planned capital projects and funding schedule.

Lease revenue bonds: Obligations commonly supported by lease payments on public assets and annual appropriations, subject to final legal and financing structure.

OPEB: Other postemployment benefits, principally retiree healthcare benefits in this analysis.

Unprogrammed CIP: CIP implied by studies or engineering work in CIP documents, but for which cost estimates are not actually shown.

Section 115 trust: A tax-exempt trust restricted to eligible pension and/or OPEB purposes that can hold and invest assets outside the pension system until used.

UAL / UAAL: Unfunded accrued actuarial liability; the portion of actuarial liabilities not supported by actuarial assets. The OPEB table uses UAAL, while the pension analysis uses UAL.

VTA: Santa Clara Valley Transportation Authority.