LAFCO MEETING
AGENDA
Wednesday, May 7, 2008
1:15 p.m.

Board of Supervisors’ Chambers
70 West Hedding Street, First Floor
San Jose, CA 95110

CHAIRPERSON: Pete Constant • VICE-CHAIRPERSON: Susan Vicklund-Wilson
COMMISSIONERS: Bianca Alvarado, Don Gage, John Howe
ALTERNATES: Sam Liccardo, Pete McHugh, Al Pinheiro, Terry Trumbull

The items marked with an asterisk (*) are included on the Consent Agenda and will be taken in one motion. At the beginning of the meeting, anyone who wants to discuss a consent item should make a request to remove that item from the Consent Agenda.

Disclosure Requirements

1. Disclosure of Campaign Contributions
   If you wish to participate in the following proceedings, you are prohibited from making a campaign contribution of more than $250 to any commissioner or alternate. This prohibition begins on the date you begin to actively support or oppose an application before LAFCO and continues until three months after a final decision is rendered by LAFCO. No commissioner or alternate may solicit or accept a campaign contribution of more than $250 from you or your agent during this period if the commissioner or alternate knows, or has reason to know, that you will participate in the proceedings.

   If you or your agent have made a contribution of more than $250 to any commissioner or alternate during the twelve (12) months preceding the decision, that commissioner or alternate must disqualify himself or herself from the decision. However, disqualification is not required if the commissioner or alternate returns the campaign contribution within thirty (30) days of learning both about the contribution and the fact that you are a participant in the proceedings. For disclosure forms and additional information see: http://santaclara.lafco.ca.gov/annexations&Reorg/PartyDisclForm.pdf

2. Lobbying Disclosure
   Any person or group lobbying the Commission or the Executive Officer in regard to an application before LAFCO must file a declaration prior to the hearing on the LAFCO application or at the time of the hearing if that is the initial contact. Any lobbyist speaking at the LAFCO hearing must so identify themselves as lobbyists and identify on the record the name of the person or entity making payment to them. For disclosure forms and additional information see: http://santaclara.lafco.ca.gov/annexations&Reorg/LobbyDisclForm.pdf

   If the proponents or opponents of a LAFCO proposal spend $1,000 with respect to that proposal, they must report their contributions of $100 or more and all of their expenditures under the rules of the Political Reform Act for local initiative measures to the LAFCO office. For additional information and for disclosure forms see: http://santaclara.lafco.ca.gov/annexations&Reorg/AB745%20Forms/PoliciesAB745Revised.pdf
1. ROLL CALL

2. PUBLIC PRESENTATIONS

   This portion of the meeting is reserved for persons desiring to address the Commission on any matter not on this agenda. Speakers are limited to THREE minutes. All statements that require a response will be referred to staff for reply in writing.

3. APPOINTMENT OF ALTERNATE COUNSEL TO REPRESENT LAFCO ON THE SAN MARTIN INCORPORATION PROPOSAL

   Information only.


   Possible Action: Accept and consider comments on the Revised Initial Study and Proposed Negative Declaration and direct staff to make any necessary revisions to the document in preparation for potential adoption by LAFCO at a future public hearing.

5. Continued from April 16, 2008 (Item 4.4): PUBLIC HEARING ON DRAFT COMPREHENSIVE FISCAL ANALYSIS AND PLAN FOR SERVICES FOR THE PROPOSED INCORPORATION OF THE TOWN OF SAN MARTIN

   Possible Action: Accept and consider comments on the Public Hearing Draft Comprehensive Fiscal Analysis and Plan for Services for the Proposed Incorporation of the Town of San Martin and direct staff to respond to comments and make any necessary revisions to the document.

6. UPDATE ON SCHEDULE FOR THE PROPOSED INCORPORATION OF THE TOWN OF SAN MARTIN

7. UPDATE ON PAYMENT OF LAFCO STAFF COSTS FOR THE PROPOSED INCORPORATION OF THE TOWN OF SAN MARTIN

8. COMMISSIONERS’ REPORTS

9. EXECUTIVE OFFICER’S REPORT

10. WRITTEN CORRESPONDENCE

11. NEWSPAPER ARTICLES

12. ADJOURN

   Adjourn to the next regular meeting on Wednesday, June 4, 2008.

Any disclosable public records related to an open session item on the agenda and distributed to all or a majority of the Commission less than 72 hours prior to that meeting are available for public inspection at the LAFCO Office at the address listed at the bottom of the first page of the agenda during normal business hours.

In compliance with the Americans with Disabilities Act, those requiring accommodation for this meeting should notify the LAFCO Clerk 24 hours prior to the meeting at (408) 299-6415, or at TDD (408) 993-8272, indicating that message is for the LAFCO Clerk.
Items # 4.0 and #5.0 of May 7, 2008 LAFCO Meeting Agenda are Items that LAFCO Continued from the April 16, 2008 LAFCO Meeting.

Please Refer to Your April 16, 2008 LAFCO Packet for the Staff Reports for Items #4.0 and #5.0 as well as the additional information attached to this cover memo.

If you require further assistance, please contact Emmanuel Abello, LAFCO Clerk, at (408) 299-6415 or emmanuel.abello@ceo.sccgov.org

Thank You.
LAFCO Hearing: May 7, 2008

TO: LAFCO
FROM: Neelima Palacherla, Executive Officer
Dunia Noel, Analyst

SUBJECT: Additional Information Concerning the Revised Initial Study and Revised Negative Declaration for the Proposed Incorporation of the Town of San Martin
Agenda Item #4.0 (Continued from April 16, 2008)

LAFCO Continued Item Without Public Hearing to May 7, 2008

On April 16, 2008, LAFCO, without public hearing, continued this item to the May 7, 2008 LAFCO Meeting due to LAFCO not having legal counsel. In addition to the new information included in this staff report, please refer to Item #4.3 of the April 16, 2008 LAFCO Packet for the staff report.

1. Analysis of Last Paragraph in Morgan Hill Staff Report to the Morgan Hill City Council

At the April 16, 2008 LAFCO Meeting, Commissioner Alvarado requested an explanation / analysis of the last paragraph in Morgan Hill Staff Report dated March 19th to the City Council. The following is a brief analysis of the issue.

The last paragraph in the staff report from the City of Morgan Hill notes that LAFCO’s intention of approving the larger boundaries for San Martin may have some applicability for Morgan Hill. Morgan Hill may be better situated than San Martin to regulate lands within its boundaries and therefore LAFCO oversight of Morgan Hill’s boundaries may not be needed if Morgan Hill were allowed larger boundaries that include all lands within their urban limit line or sphere of influence.

This letter calls attention to the precedent setting nature of LAFCO’s action on the boundaries for the proposed Town of San Martin as it relates to boundaries for cities in Santa Clara County and to LAFCO’s role in overseeing orderly growth and development.

The long standing Joint Urban Development Policies that cities, the County and LAFCO adopted call for staged urban development and the use of Urban Service
Areas (USAs) to manage growth and development. Working collaboratively with the County and the 15 cities, LAFCO adopted "Urban Service Area" boundaries for the 15 cities in the early 1970s. The USAs are areas in which the cities (with LAFCO approval) designate where and when urban development should occur based on the concept that cities should plan for the provision of urban services and facilities to these areas within a 5-year time span.

The Cities of Morgan Hill, Gilroy and San Jose all have an Urban Service Area that is substantially smaller than their respective Sphere of Influence. These cities periodically come to LAFCO seeking to expand their USA boundary. LAFCO approval is based on the need for urban expansion and the city’s ability to provide services in addition to other considerations consistent with LAFCO policies and the CKH Act.

The approval of a boundary (for San Martin) that includes all lands up to the sphere of influence of Morgan Hill and Gilroy is contrary to the long standing concept of staged urban development in Santa Clara County, the use of Urban Service Areas, the role of LAFCO, and LAFCO’s legislative mandate to preserve agricultural and open space lands, discourage urban sprawl and encourage the orderly formation of local agencies.

Furthermore, approval of the large boundary could establish an undesirable precedent that could have a potentially significant impact on the project area and beyond.

2. Email from Stephen Jenkins Concerning Comment Letters Received on the Revised Initial Study and Negative Declaration and Recommendation on Next Steps for the CEQA Process

Attached for your information and consideration is an email from Stephen Jenkins, LAFCO’s CEQA consultant, concerning the comment letters that LAFCO received regarding the Revised Initial Study and Revised Negative Declaration and recommending next steps for the CEQA process.

ATTACHMENT

Attachment A: April 28, 2008 Email from Stephen Jenkins of Michael Brandman Associates Regarding Comment Letters Received and Next Steps for CEQA Process

C:\Documents and Settings\Emmanuel.Abello.SCCGOV.002\Desktop\SanMartinRecirculatedIS&NDS\StaffReportMay2007.doc

Page 2 of 2
Good Morning, Neelima:
I spent the weekend reviewing the content of both the original Negative Declaration and the Re-circulated Negative Declaration in the context of the comment letters that were received and presented to your Commission at that last meeting. I also reviewed the background materials that you forwarded on the application of Lafco policies, much of which I had already considered in preparing the two Neg Decs.

As the Lafco process for consideration of the proposed incorporation of the Town of San Martin continues to unfold, more and more evidence is placed on the record by parties on all sides of the issue regarding the consistency (and implications) of the proposed boundary with applicable laws, policies, regulations and historical precedents in carrying out same.....especially with respect to Areas 4 and 5.

While the purpose of CEQA is to provide information to decision-makers to assist in making their decisions, the analysis and conclusions reached in the applicable CEQA document must be based on substantial evidence which can vary based on the level of debate, public controversy and type of document that is prepared. In this case, we started with a Negative Declaration and had to add additional evidence and re-circulate the document based on the initial set of comments received.

As an example, while we included a discussion of consistency with applicable plans, laws, policies and regulations in Section 3.0 Environmental Setting and Background for reference and information purposes based on the previous comments received, we did not believe that it was necessary at the time to conduct a more rigorous analysis by including the information in the discussion in the discussion of Land Use threshold of significance criteria b) regarding conflict with such plans and policies in the Initial Study.

Similarly, a fair argument has been made by several commenters on the re-circulated Neg Dec that a more robust analysis and additional evidence should be developed on the potential for growth inducement and conflict with agricultural protection programs ....such as in the context of Agricultural Resources thresholds a) and d) and Population and Housing threshold a).

For these reasons, as well as to more fully consider and address the potentially significant environmental ramifications to the historical implementation of Lafco policies that were hinted at in the last paragraph of the Morgan Hill staff report, I believe that a Mitigated Negative Declaration should now be prepared as the most appropriate CEQA document for the proposed Incorporation of the Town of San Martin. I believe that consideration of mitigation measures may likely be needed to address the issue of boundaries for Areas 4 & 5 with respect to proposed city limits, sphere of influence and urban service area in the context of the issues previously described above.

Since our agreement only anticipated the preparation and processing of the original Neg Dec and assisted Lafco with the re-circulated Neg Dec at no additional charge, we have no budget remaining. To prepare a Mitigated Neg Dec, I anticipate that the additional cost would involve three additional meetings/hearings (public review of MND and Lafco hearing on application) at 6 hours each including prep, travel and meeting time; $5,000 to revise the re-circulated Neg Dec; and $750 for expenses and reprographics for a total cost of $9,570.

Please provide guidance on how you wish to proceed. I do plan on attending the next Commission hearing in the event that there are additional questions on the re-circulated Neg Dec.

Regards,
That's great. Thanks Steve. I look forward to seeing your recommendations. We can provide that to the Commission at the May 7th meeting. Let me know if you need anything else. Neelima.

Neelima Palacherla
Executive Officer
LAFCO of Santa Clara County
www.santaclara.lafco.ca.gov

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San Jose, CA 95110
Ph: (408) 299-5127 Fax: (408) 295-1613
neelima.palacherla@ceo.sccgov.org

Thank you, Neelima. This information will assist me in better understanding this issue. I will offer you my conclusions with respect to moving forward in the next day or so.

Regards,

Stephen L. Jenkins, AICP
Director of Air Quality and Governmental Services

www.brandman.com

Celebrating 25 Years of Leadership Providing Environmental Planning Services

From: Steve Jenkins [mailto:SJenkins@brandman.com]
Sent: Wednesday, April 23, 2008 2:07 PM
To: Palacherla, Neelima
Subject: RE: Request For Background Information Regarding Comments InSanMartin Recirculated ND
Hi Steve:

We have prepared a short analysis / write up on the last paragraph of Morgan Hill staff report as requested by Commissioner Alvarado. See attached. Additionally, I would like to refer you to the section on the history of urban development policies and boundaries in Santa Clara County. Please follow the link to page 1-4: http://santaclara.lafco.ca.gov/pdf-files/CEQA/1.0 Intro.pdf

Let me know if you have further questions. Thanks. Neelima.

Neelima Palacherla
Executive Officer
LAFCO of Santa Clara County
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San Jose, CA 95110
Ph: (408) 299-5127 Fax: (408) 295-1613
neelima.palacherla@ceo.sccgov.org

Hi, Neelima:
I have been reviewing the comment letters in the Staff Report that went to Commission last week, and pondering the Commissioner’s comment on the last paragraph in the Morgan Hill Staff Report. I need to obtain a better understanding of the historical implementation of County, City and Lafco policies regarding Spheres Of Influence boundaries, Urban Serrice Area boundaries, protection of agricultural lands and urban separators or buffer areas.

Do you have information that you can send to me that will provide me with a better perspective on these issues so that I can consider what the next steps will be with respect to CEQA?

Thanks.

Stephen L. Jenkins, AICP
Director of Air Quality and Governmental Services

Please always call my cell phone: 714-625-9662

www.brandman.com

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Providing Environmental Planning Services
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If you require further assistance, please contact Emmanuel Abello, LAFCO Clerk, at (408) 299-6415 or emmanuel.abello@ceo.sccgov.org

Thank You.
LAFCO Hearing: May 7, 2008

TO: LAFCO

FROM: Neelima Palacherla, Executive Officer
       Dunia Noel, Analyst

SUBJECT: New Information Potentially Relevant to the Comprehensive Draft Fiscal Analysis and Plan for Services for the Proposed Incorporation of the Town of San Martin

Agenda Item #5.0 (Continued from April 16, 2008)

New Information Concerning the San Martin Incorporation Proposal and the Santa Clara Valley Habitat Conservation Plan

Please see attached memo from Ken Schreiber, SCV Habitat Plan Program Manager, regarding the relationship between the current SCV Habitat Plan and the proposed incorporation of San Martin and the potential associated costs for San Martin to participate in the SCV Habitat Plan.

LAFCO Continued Item Without Public Hearing to May 7, 2008

On April 16, 2008, LAFCO, without public hearing, continued this item to the May 7, 2008 LAFCO Meeting due to LAFCO not having legal counsel. Therefore, please also refer to Item #4.4 of the April 16, 2008 LAFCO Packet for the staff report.

ATTACHMENT

Attachment A: May 1, 2008 Memorandum from Ken Schreiber Concerning San Martin and the Santa Clara Valley Habitat Plan
May 1, 2008

To: Neelima Palacherla, LAFCO Executive Director

From: Ken Schreiber, Santa Clara Valley Habitat Plan Program Manager

Subject: San Martin and the Santa Clara Valley Habitat Plan

The Santa Clara Valley Habitat Plan is a six party effort to secure State and Federal permits for incidental impacts ("take") on threatened and endangered species. The Plan process anticipates public review of the Draft Plan and related Draft EIR and EIS in mid-2009 with Plan adoption in early 2010. With the recent preparation of the initial draft of the Implementation Chapter, the issue of the Plan’s assumptions for the San Martin area needed to be addressed. Specifically, what are the consequences if San Martin incorporates and how should the Draft Habitat Plan address the land in the San Martin area. I anticipate that the Plan’s treatment of the area that may become the City of San Martin will be as unincorporated land.

The first attachment is a list of species, based on Habitat Plan species modeling research, that are likely to be found in San Martin. If San Martin incorporates and does not join the Habitat Plan, the risk is that individual site approvals/building permits will trigger the need for one or more State and/or Federal endangered species-related permits. Fish and Wildlife Service staff indicated that the Service most likely would refer this issue to the Habitat Plan’s Implementing Entity for resolution. A likely outcome would be the Implementing Entity directing San Martin to undertake the process of joining the Plan and thus triggering the costs in the fifth column of the second attachment. A project (e.g., a single family house) caught in this situation would have to be placed on hold until the Habitat Plan amendment process was completed and San Martin received appropriate endangered species-related permits from the Wildlife Agencies. The Plan amendment process would likely take from 18 to 36 months with a notable amount of San Martin staff or consultant management time (e.g., consultant selection, contracting, meeting with Wildlife Agency staffs) in addition to the necessary technical resources including at least biological, environmental and legal expertise.

To prepare the Habitat Plan with the assumption that a new City of San Martin will be created and will decide to participate in the Habitat Plan would expose the overall Plan review and adoption process to potential significant time delay and cost risks. If San Martin was not incorporated or a new City of San Martin decided to not join the Habitat Plan, a Draft Plan that assumed San Martin’s participation would need to modify both the Draft Plan and Draft EIR and EIS and perhaps publish new Federal Register notices. Thus the assumption is that a new City of San Martin will not become part of the current Habitat Plan process. If desired by a future San Martin City Council, the City could join the
Habitat Plan and receive endangered species-related permits through a Habitat Plan amendment process.

The second attachment is a table that summarizes three near term options and a ballpark estimate of San Martin’s costs if and when they want to pursue inclusion into the Habitat Plan through a future Plan amendment process. The Plan amendment would be necessary for the City of San Martin to obtain incidental take permits for endangered or threatened species from the Wildlife Agencies (State Fish and Game, Federal Fish and Wildlife Service and perhaps the National Marine Fisheries Service). From the perspective of managing the Habitat Plan, the least desirable option in the attached Table is number 1 because of the costs/risk, especially of potential delay, to the Habitat Plan if San Martin incorporates and the Habitat Plan needs to be adjusted during the drafting or public review stage. The current Habitat Plan preparation schedule has the Draft Plan and Draft EIR/EIS in the midst of a Federal Register Notice process in April 2009. Staff in Washington will not start work on publishing the Federal Notice until Regional Fish and Wildlife Service staff provide assurances that the documents are complete. To stop the notice process to modify San Martin-related aspects of the Draft Plan and Draft EIR/EIS or delay the notice process pending the outcome of an election could easily add three or more months to the schedule and increase Habitat Plan preparation costs by at least $50,000 to $75,000.

The near term cost issue is that senior Local Partner staff on the Habitat Plan’s Management Team concluded that there is no interest or willingness to add the 2008 (or 2009) San Martin costs to the Habitat Plan’s budget with the costs allocated among the Local Partners. Overturning the Management Team decision means, at a minimum, taking the issue to the elected officials on our Liaison Group and perhaps back to each Local Partner elected body.

To avoid delays, a decision on how San Martin will be addressed in the Plan is needed by the end of this coming Summer.

Attachments: San Martin Species Table
             San Martin Options Table
**SPECIES POTENTIAL IN SAN MARTIN PER HABITAT PLAN MODELLING.**

<table>
<thead>
<tr>
<th>Species</th>
<th>Habitat Type</th>
<th>State Status</th>
<th>Federal Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Western Burrowing Owl</td>
<td>Primary Habitat</td>
<td>CSC</td>
<td>MBTA</td>
</tr>
<tr>
<td>2 Golden Eagle</td>
<td>Secondary Habitat</td>
<td>FP</td>
<td>BGPA, MBTA</td>
</tr>
<tr>
<td>3 Least Bell Vireo</td>
<td>Primary Habitat</td>
<td>SE</td>
<td>FE, MBTA</td>
</tr>
<tr>
<td>4 Foothill Yellow Frog</td>
<td>Secondary Habitat</td>
<td>CSC</td>
<td>-</td>
</tr>
<tr>
<td>5 California Red Legged Frog</td>
<td>Primary, Dispersal and Refugia Habitat</td>
<td>CSC</td>
<td>FT</td>
</tr>
<tr>
<td>6 California Tiger Salamander</td>
<td>Primary and Secondary Habitat</td>
<td>CSC</td>
<td>FT</td>
</tr>
<tr>
<td>7 Western Pond Turtle</td>
<td>Primary and Secondary Habitat</td>
<td>CSC</td>
<td>-</td>
</tr>
<tr>
<td>9 Big Scale Balsamroot</td>
<td>Primary Habitat</td>
<td>1B</td>
<td>-</td>
</tr>
<tr>
<td>5 Robust Monardella</td>
<td>Primary Habitat</td>
<td>1B</td>
<td>-</td>
</tr>
</tbody>
</table>

**State Status:**
- FP – Fully Protected
- SE – State Listed as Endangered
- CSC – California Special Concern Species (July 2005 list)
- 1B – California Native Plant Society Rare or endangered in California and elsewhere

**Federal Status**
- BGPA – Bald Eagle and Golden Eagle Protection Act
- MBTA – Migratory Bird treaty Act
- FT – Federally Threatened
### SANTA CLARA VALLEY HABITAT PLAN
### SAN MARTIN OPTIONS TABLE

<table>
<thead>
<tr>
<th>Option</th>
<th>2008 Habitat Plan Costs—see Note 1</th>
<th>2009 Habitat Plan Costs if San Martin incorporates before Plan is adopted (early 2010) with assumption that San Martin does not join the Plan</th>
<th>2010 Habitat Plan Costs if San Martin does not incorporate</th>
<th>City of San Martin costs if City wishes to join Habitat Plan through a future Plan amendment process—see Note 2</th>
<th>Consequences</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>0</td>
<td>$20,000 to remove San Martin (area, impacts and conservation actions) from the Habitat Plan plus delay costs on order of $50,000 - $75,000</td>
<td>0</td>
<td>$150,000 - $250,000</td>
<td>--No cost to Plan if San Martin does not incorporate --Delay and costs to Habitat Plan if San Martin incorporates --Does not reduce future costs to San Martin if they wish to join the Plan after Plan adoption by current Local Partners.</td>
</tr>
<tr>
<td>2.</td>
<td>$20,000</td>
<td>0—covered by the $20,000 used in 2008</td>
<td>0</td>
<td>$150,000 - $250,000</td>
<td>--$20,000 cost to Plan if San Martin does not incorporate --Minimizes cost to Plan if San Martin incorporates --Does not reduce future costs to San Martin's if they wish to join the Plan after Plan adoption by current Local Partners.</td>
</tr>
<tr>
<td>3.</td>
<td>$25,000</td>
<td>0—covered by the $25,000 used in 2008</td>
<td>0</td>
<td>$100,000 - $150,000</td>
<td>--$25,000 cost to Plan if San Martin does not incorporate. --Reduces costs to San Martin by $50,000 to $100,000 if San Martin wishes to join the Plan after Plan is adopted by current Local Partners.</td>
</tr>
</tbody>
</table>

April 30, 2008
Assumptions:
Current San Martin status: Vote by LAFCO re whether or not to place incorporation on ballot likely by Fall 2008; earliest ballot date is April 2009.
Current Habitat Plan Schedule: Draft Plan public review period in late Summer/Fall of 2009; adoption of Plan in first half of 2010.
New San Martin City Council Interest in Habitat Plan: If incorporated, a new San Martin City Council would have many pressing issues and little if any time or interest in making quick decisions on whether to participate in the Habitat Plan, and if they wish to participate, make decisions on acceptance of Plan-related policy and implementation actions.
San Martin’s Participation in Habitat Plan: A new City of San Martin, if formed, is not part of the current Habitat Plan because the costs and delays that are necessary to add San Martin to the Draft Habitat Plan in 2009/2010 are undesirable for the six Local Partners (Cities of Gilroy, Morgan Hill and San Jose, Valley Transportation Authority, Santa Clara Valley Water District and the County of Santa Clara). San Martin could join the Habitat Plan through a Plan amendment process after the Habitat Plan is approved in 2010.

Note:
1. The difference between the 2008 cost of Options 2 ($20,000) and Option 3 ($25,000) is that Option 2 focuses on creating text primarily in a small number of Plan sections that summarizes San Martin issues/information and Option 3 creates text and data adjustments to a notable number of sections in the Draft Habitat Plan.
2. The future costs for San Martin to pursue a Plan amendment are generalized estimates.