19 San Martin

19.1 Rural Unincorporated Community

San Martin is a rural unincorporated community governed by the County Board of Supervisors. The community is approximately 5.5 square miles and is located between the cities of Morgan Hill and Gilroy, outside of each city's sphere of influence (SOI). The exact boundaries of the community are not formally defined. However, a planning area boundary for San Martin is identified in the County's general plan (see Figure 44 for map). The San Martin planning area boundary corresponds roughly to the currently defined San Martin Census Designated Place and includes valley lands between hillside areas to the east and west and between Maple Avenue to the north and Masten and Fitzgerald Avenues to the South. The population of the community in 2010 was approximately 7,027 (source: San Martin Census Designated Place, Census 2010).

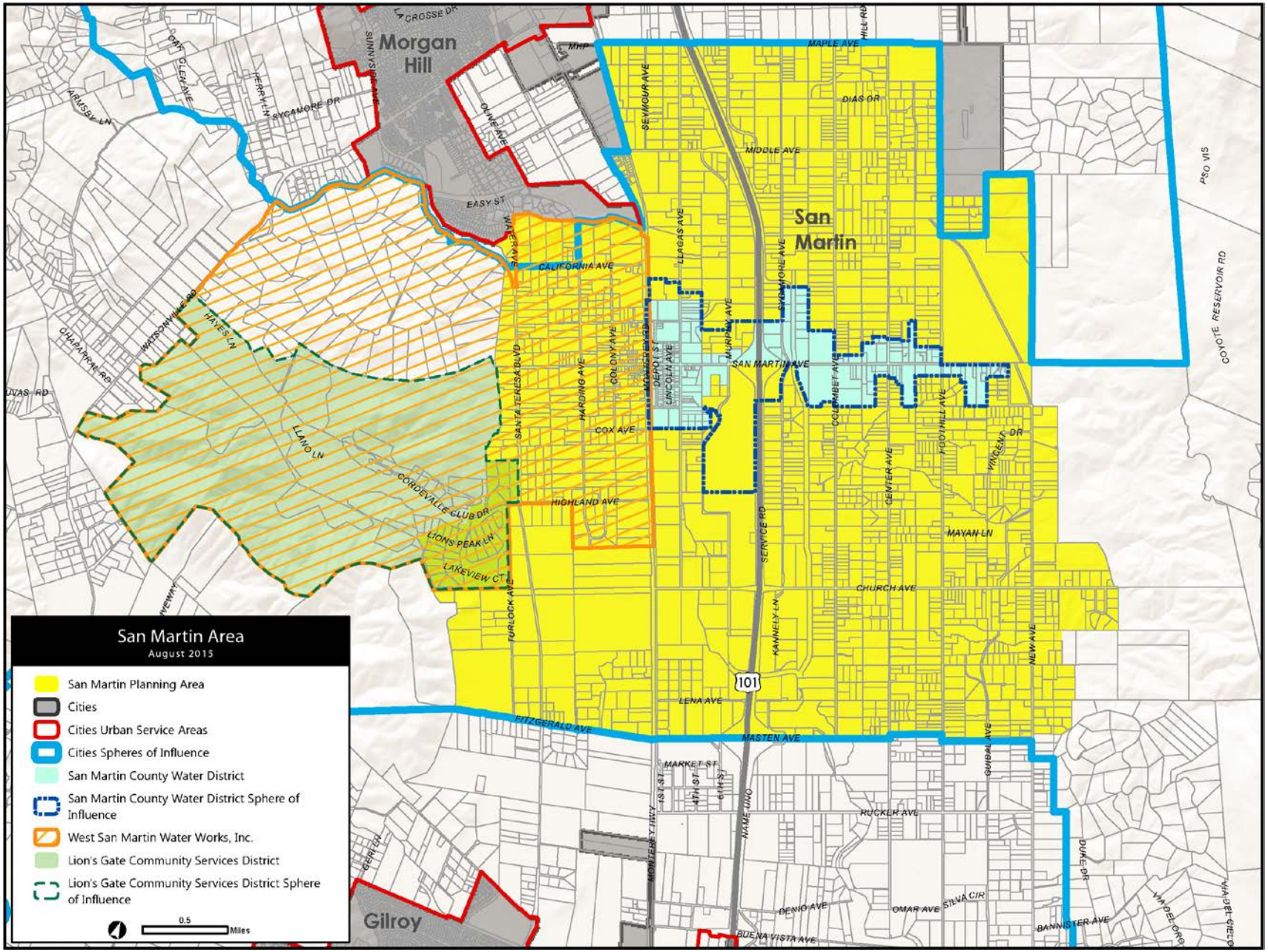
The community core is centered at the intersection of Monterey Road and San Martin Avenue and consists of single-family lots and most of the commercial and industrial uses within the community. In general, the remaining lands in the community consist of rural residential development. The South County Airport, owned and operated by the County of Santa Clara, is also located in San Martin. To the west of the community is the Hayes Lane subdivision of large residential lots and the CordeValle golf course and residential development consisting of a 41-lot subdivision of estate homes.

Per County policies, the vast majority of San Martin does not receive sewer service or water service. Generally, wastewater is managed onsite through individual septic systems and water is provided onsite through individual and shared wells.

The San Martin County Water District provides potable water service to a portion of San Martin, east of Monterey Road and centered along San Martin Avenue. The West San Martin Waterworks Company, an investor-owned company, provides water service to CordeValle and to the Hayes Lane subdivision. The Lions Gate Community Service District provides wastewater collection and treatment services to CordeValle.

The County general plan includes special policies for the San Martin planning area which discourage any significant increase in the types or densities of land use in the area absent a master plan that addresses both land use and infrastructure issues and methods for financing the improvements, and identifies the government entities that would provide the specified services.

Figure 44. San Martin Planning Boundary



19.2 Incorporation Effort

In late 2006, a group of residents from San Martin met with LAFCO staff in several pre-application meetings to review the petition, process, cost and requirements. LAFCO staff also held discussions on potential boundaries and other issues with various other stakeholder agencies such as the County and the cities of Morgan Hill and Gilroy during this time.

A formal effort to incorporate began in February 2007 when LAFCO received a petition and application from a group of residents for the proposed incorporation of the Town of San Martin. The petition was verified by the County Registrar of Voters and found to be sufficient in March 2007. The primary purpose of the incorporation was to gain local control over land use in the area. The Proponents (i.e. San Martin Neighborhood Alliance, SMNA) indicated that they wanted to maintain the existing rural character of the area and that no new services, no new development and no new taxes or assessments were anticipated as a result of the proposed incorporation.

The proposed incorporation boundary of the Town of San Martin consisted of lands within the San Martin planning area boundary and some lands to the west including the CordeValle Golf Course and residential development, and the Hayes Lane subdivision.

This being the first incorporation ever processed by Santa Clara LAFCO, LAFCO had to develop and adopt incorporation policies. LAFCO held two informational workshops, one in San Martin and another at a LAFCO meeting, prior to adopting the policies at a public hearing in May 2007. These policies, in addition to the CKH Act and the State of California's Office of Planning and Research's Incorporation Guidelines, served as a guide to LAFCO in processing the incorporation proposal.

The application processing activities occurred over the course of two years including discussions at numerous regular and special LAFCO meetings, at informational workshops and at three LAFCO public hearings. In addition, multiple formal and informal discussions/meetings were held with the proponents, the County, the consultants, LAFCO legal counsel, and other affected or interested parties, in order to coordinate, consult and obtain input. The following is a summary listing of the various activities involved in processing the San Martin Incorporation proposal:

- Developing and entering into a fee agreement with proponents and considering an indemnification agreement
- Hiring of consultants (through RFP processes) for preparing the Comprehensive Fiscal Analysis (CFA) and for conducting CEQA evaluation
- Retaining special LAFCO Counsel after County Counsel withdrew from representing LAFCO on the incorporation due to a conflict of interest
- Evaluating alternative boundaries for the proposed incorporation
- Working with the consultant, proponents, various County departments and other stakeholders on the CFA and plan for services
- Working with consultant on CEQA
- Facilitating revenue neutrality negotiations between the County and proponents

- Evaluating options and recommending revenue neutrality terms when negotiations between the County and proponents failed
- Preparing the Executive Officer's Report with recommendations and terms & conditions
- Setting the date for the public hearing; and pursuant to the Fee Agreement, directing that the full amount of fees be paid no later than 72 hours prior to the November 7, 2008 LAFCO public hearing.

The Executive Officer's Report and the Final CFA indicated that the incorporation would be feasible and be able to meet revenue neutrality terms if it were contingent on approval of a certain percentage of utility users' tax. The proponents questioned/objected to the CFA report and the resultant terms and conditions and requested that LAFCO seek State Controller Review of the CFA.

However, the Proponents failed to pay LAFCO fees as directed.

At the November 7, 2008 LAFCO public hearing, the Commission directed staff to draft a resolution for the next LAFCO meeting denying the incorporation for the Proponent's failure to pay LAFCO fees pursuant to the fee agreement between LAFCO and the Proponents and without considering the merits of the incorporation proposal.

At the December 2008 meeting, the Commission adopted a resolution denying the incorporation proposal.

On February 2, 2009, SMNA filed a lawsuit against LAFCO in which it challenged LAFCO's review and processing of the San Martin Incorporation Proposal and request for State Controller's review of the CFA. On February 17th, SMNA made a settlement offer to LAFCO, to which LAFCO made a counter offer. LAFCO approved the resultant settlement agreement at the June 3, 2009 LAFCO meeting.

Under the settlement agreement LAFCO waived the fees (approx. $211,677.24) it incurred in processing the incorporation and SMNA dismissed its petition and complaint, with prejudice. The agreement also states that if SMNA files an application for incorporation in the future, it must pay LAFCO's outstanding fees.

An incorporation proposal is one of the most complex types of applications that a LAFCO can process. The incorporation process is lengthy and expensive, involving a substantial amount of LAFCO staff and the Proponents' time; as well as, the work of consultants (i.e. fiscal analysis and environmental impact analysis), coordination and/or negotiation with staff from affected agencies, and participation by landowners and residents in the affected area. In the case of the proposed incorporation of the Town of San Martin, the review and consideration process transpired over two years and hundreds of thousands of dollars of costs were incurred in processing the proposal.

As of this time, no further incorporation applications have been filed with LAFCO.