



County of Monterey Planning Commission

Item No.1

Board of Supervisors
Chambers
168 W. Alisal St., 1st Floor
Salinas, CA 93901

Agenda Item No.1

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May 13, 2026

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REF250037 - WATER ALLOCATION POLICY

Continuance from April 29, 2026: Consider and provide input on a draft Water Allocation Policy for areas of unincorporated Monterey County served by the Monterey Peninsula Water Management District (MPWMD)

Project Location: Unincorporated Monterey County MPWMD Water Service Area

Proposed CEQA action: The proposed County of Monterey Water Allocation Policy (Policy) is not a project under the California Environmental Quality Act (CEQA) pursuant to Public Resources Code section 21065 and CEQA Guideline section 15378 because the Policy is an administrative activity that will not result in direct or indirect physical changes in the environment. Any future discretionary development that obtains a water allotment pursuant to the Policy will undergo the necessary environmental review pursuant to CEQA when the project is considered. Additionally, the Monterey Peninsula Water Management District (MPWMD) analyzed the potential effects of water allocation made available through the Pure Water Monterey Expansion project via Environmental Impact Report Addendum (dated January 2024, State Clearinghouse #2013051094).

RECOMMENDATION:

It is recommended that the Planning Commission:

Consider and provide input on a draft Water Allocation Policy (**Exhibits A and B**) for areas in unincorporated Monterey County served by the Monterey Peninsula Water Management District (MPWMD).

PROJECT INFORMATION:

Planning File Number: REF250037

Project Location: MPWMD Water Service Area

Plan Area: Carmel Valley Master Plan, Greater Monterey Peninsula, Del Monte Forest, and Carmel Area

SUMMARY:

On April 29, 2026, staff presented a draft Water Allocation Policy to the Planning Commission for consideration and input in the MPWMD Service Area (staff report and exhibits are available at this link: <https://monterey.legistar.com/LegislationDetail.aspx?ID=7992182&GUID=83500E3C-CE77-4C16-87C8-81B3E2075ACE&Options=&Search=>).

Staff provided an overview of the draft Water Allocation Policy and subsequent edits that were made in response to the public comment period where the draft was made available for feedback.

The Planning Commission continued the meeting to a date certain of May 13, 2026, and requested that staff do the following:

- Provide a clean and redlined version of the draft Water Allocation Policy for Planning Commission consideration (provided in **Exhibits A and B**)
- Provide additional context on use categories in the Policy and proposed water needs identified in the draft Housing Element Update
- Include additional information on complete projects in the MPWMD service area, fixture maximums, and better understanding of remaining water allocation after water is provided to projects on the water waiting list.
- Provide clarification on how this policy applies (or does not apply) to projects that have vesting under Senate Bill (SB) 330
- Provide clarity on when projects qualify for and can reserve a water allocation earlier in the development review process

Below staff have provided some additional information in response to the Planning Commission's comments and some minor changes to the draft Policy (**Exhibits A and B**). Staff requests that the Planning Commission consider and provide input on the draft Water Allocation Policy. Staff will transmit the Planning Commission recommendation to the Board of Supervisors for the Board's consideration of the policy. No formal recommendation from the Planning Commission is required for this administrative policy, however, the Planning Commission will be integral to the implementation of the policy, and its feedback is valuable.

DISCUSSION:

Housing Element Update - Planned Housing Growth Category Background

The draft Housing Element 6th Cycle Update ("HEU6") provides a discussion on the amount of water needed for units that are proposed in the MPWMD service area. The County's current allocation of water is not sufficient to accommodate the number of units that are planned for in the MPWMD service area. Approximately 1,345 housing units are planned for in the service area, which would require approximately 269 AFY of water with a fixture maximum of 20 fixture units per dwelling unit.

Government Code Section 65589.7(a) requires that jurisdictions prioritizes water and sewer services for proposed developments that include housing units affordable to low-income households. Staff structured the Policy to provide a larger allocation of water to the Planned Housing Growth category to prioritize water for housing projects that further the County's compliance with the requirements of the draft HEU6, in addition to prioritizing housing growth that can accommodate for projects that further progress towards the County's Regional Needs Allocation (RHNA) goals.

Water Remaining After Water Provided to Water Waiting List

The County of Monterey has approximately 82.95-acre feet of water per year (AFY). This includes the 72 AFY that was allocated to the County on January 27, 2025 from MPWMD and 10.95 AFY remaining from the Paralta/Pre-Paralta allocations as of January 27, 2025.

The history behind the Water Wait List ("List") extends decades. Historically, the Water Resources

Agency for Monterey County (WRA) was tracking the County's water allocation and approvals of water from that allocation. In 1997, WRA staff began tracking approved projects requesting water until water was available. This was the first iteration of the List. From 1997 to 2013, the County approved approximately 60 projects for development that WRA staff added to the List. Around 2017, the Resource Management Agency (RMA) (now Housing & Community Development and Public Works Parks, and Facilities) assumed the WRA roles and inherited the List. In 2025, HCD (formerly part of RMA) sent letters to all property owners on the wait list to determine the number of projects still waiting for water. After receiving replies and coordinating with MPWMD, staff have determined that only two projects remain on the wait list (**Exhibit C**). These two projects include 8.807 AFY for a 12-lot subdivision in Carmel Valley Ranch (**Exhibit D**) and .347 AFY for a single-family dwelling in Pebble Beach. As these projects were previously approved with these allocations, they are not subject to the fixture limits proposed in the Policy.

Separately, in 2025 MPWMD adopted Ordinance No. 197, which amended Rule 33 regulating Water Allocations to jurisdictions in the service area. These amendments now require approval of water from the County's allocation for projects within the Bishop and Ryan Ranch water subsystems in the same manner as historically processed in the main Cal-Am service area. Historically, the County relied on the Seaside Groundwater Basin Adjudication when considering permits for development in the Bishop Ranch water service area. This means that water allocations required for projects in the subsystems is required to come out of the County's water allocation.

Due to these amendments, staff have revised the Water Waiting List (**Exhibit C**) to include previously approved projects that are within the Bishop and Ryan Ranch water subsystems. This changes the amount of water that is available from the County's allocation to new projects. Additionally, HCD staff continue to research if any other entitlements for construction have been granted for projects in these subsystem areas:

- 8.807 AFY for Carmel Valley Ranch
- .347 AFY for dwelling in Pebble Beach
 - o **Subtotal** from waitlist = 9.154 AFY
- 9.89 AFY for 76 units in Laguna Seca Office Park (Lots 4-7) - approved under PLN210180
 - o **Subtotal** from waitlist with PLN210180 = 19.044 AFY (**Exhibit C**)

Subtracting 19.044 AFY from the County's 82.95 AFY will leave 63.906 AFY remaining to be allocated:

- 51.125 AFY (80% of 63.906) would be allocated to "Planned Housing Growth"
- 9.586 AFY (15% of 63.906) would be allocated to "First Come First Served" and
- 3.19 AFY (5% of 63.906) would be allocated to "Strategic Reserve"

For reference, staff have also included an approximation of water being requested for projects under review and for remaining development potential in the Bishop Ranch service area as follows:

- Estimate of 4.5 AFY for 29 units in Laguna Seca Office Park (Lots 2 and 3) - PLN under review (PLN210253)

- Estimate of 1 AFY for potential approved permits in Bishop Ranch subsystem area
Subtotal from waitlist, PLN210180, and potential future development in Laguna Seca and Bishop Ranch subsystem area = 24.544 AFY

If the project information provided for reference were included in the total, then 24.544 AFY from the County's 82.95 AFY will leave 58.406 AFY remaining to be allocated:

- 46.725 AFY (80% of 58.406) would be allocated to "Planned Housing Growth"
- 8.761 AFY (15% of 58.406) would be allocated to "First Come First Served" and
- 2.92 AFY (5% of 58.406) would be allocated to "Strategic Reserve"

The numbers above change depending on if the Policy were to address projects that are under review in the Bishop and Ryan Ranch subsystems. Staff recommend updates to the Water Wait List to include projects approved in the Bishop and Ryan Ranch subsystems only and not include projects that are under review in the Water Wait List.

Ultimately, the County has a limited supply of water that would be made available to projects upon adoption of the Policy by the Board. The need for water is greater than the water allocated to the County. As noted in Section IV.7 - Review of Allocation Policy, Staff will continue to regularly review the draft Policy to assess the need for changes based on the demand for water within each category and when future water supplies are anticipated from MPWMD. MPWMD has also verbally indicated to County staff that water will be allocated to the County once the 82.95 AFY has been allocated to development projects. However, how and when additional water is allocated to the County by MPWMD is unknown to staff at this time.

SB 330 Vested Projects and Water Allocation Policy

The Planning Commission requested information on how SB 330 projects would be processed under the Water Allocation Policy.

SB 330 establishes vesting of a project in the rules, policies and regulations in place at the time a preliminary application is filed for a housing development. The County has several SB 330 applications (mainly Builder Remedy applications) that have been filed before the date that this Policy will go into effect. Therefore, applications filled under SB 330 prior to adoption of this Policy would not be subject to this Policy. Instead, these projects will be vested in the rules in place at the time they submitted an application, which is absence of a policy since no policy exists today.

Past practice for water allocation included processing of a water allocation request in conjunction with a construction permit or land use entitlement. This is addressed in the draft Policy under Section II. Background and Section IV. Procedures.

Water Eligibility and Water Allocation Reservation

Paragraph 1 of Section IV. Procedure outlines that notice of eligibility for a water allocation from one of the three main use categories in the Policy would be provided to applicants as part of the completeness determination for ministerial permits and discretionary permits. Staff will also be

maintaining a list on water allocation that details projects that have been deemed eligible for water, projects that have been allocated water, and the remaining water available by use category. Remaining water allocation information will be posted on HCD's website and publicly available.

As the draft Policy is written, ministerial permits will have some certainty that water will be available. This is based on information that will be available data at the time of application submittal and water will be approved pursuant to the Policy upon issuance of a construction permit. For discretionary permits, information about water availability will be available at the time of application submittal and approval of the water for a project would happen at the time the project is approved by the Appointing Authority. The prior intent of this approach was to notify applicants earlier in the project review process if water is available and if the project is eligible for water from a specific use category.

During the Planning Commission hearing on April 29, public comment and Planning Commissioner's noted concerns on this approach and that it does not provide certainty for development projects earlier in the process and that this certainty is helpful for financing of larger housing development projects. Specific comments were made about considering reserving the water at the time an application is deemed complete.

Staff's concerns with this approach are to ensure that meaningful process is made towards construction of projects. Reservation of water earlier in the development review process without adequate thresholds for progress may result in water being held by projects for extended periods of time without making diligent progress towards construction. Staff, however, also hears the challenges related to a lack of certainty about the availability of water.

If desired, the policy can be amended by adding language to the Procedure section that allows for projects that are moving through a discretionary permit process to formally reserve a water allocation at the time the application is deemed complete. As part of the implementation process for the Policy, staff will work to identify performance metrics that are realistic for staff to track and members of the public to show due diligence towards obtaining entitlements and/or construction permits.

Fixture Maximums

In developing this Policy, staff used the MPWMD Residential Water Release Form & Water Permit Application (**Exhibit E**) form to estimate the water fixture unit needs of a 2.5-bathroom single family dwelling. This included a kitchen sink, dishwasher, washer machine, laundry sink, and other fixtures commonly found in a single-family dwelling. A dwelling with 2.5 bathrooms would require approximately 18 fixture unit credits for indoor fixtures. According to MPWMD staff comments, landscaping requires between 3 and 40 additional fixture unit credits. HCD staff added 7 additional fixture unit credits to come up with a total of 25 fixture units maximum for single family residential projects. This 25-fixture unit count (0.25 AFY) would allow an applicant to add additional interior fixtures and less landscaping or less interior fixtures and more landscaping.

For ADUs and JADUs we have specified that the 12-fixture unit maximum applies to indoor fixtures only. It does not include landscaping because landscaping would be accounted for with the single-family dwelling. 12 fixture units indoors would allow a typical dwelling with two bathrooms.

Staff continue to recommend this fixture unit maximum to best manage the County's currently limited water supplies and encourage unit sizes that could be more affordable by design. Staff also continue to recommend the 12-fixture unit maximum for interior fixtures (0.12 AFY) for ADUs and JADUs.

Timing and Next Steps

Staff anticipate bringing the draft Water Allocation Policy to the Board of Supervisors for consideration and adoption in early June 2026. Recommendations from the Planning Commission will be reflected in the draft policy or highlighted for the Board's consideration.

OTHER AGENCY INVOLVEMENT

Housing and Community Development Department staff are working in collaboration with the Office of County Counsel to review the proposed policy.

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Approved by: Melanie Beretti, AICP, Chief of Planning, 831-755-5285

The following Exhibits are on file with HCD:

Exhibit A - Draft Water Allocation Policy (clean and dated May 5, 2026)

Exhibit B - Draft Water Allocation Policy (redline and dated May 5, 2026)

Exhibit C - Water Waiting List (revised May 5, 2026)

Exhibit D - Carmel Valley Ranch Letter (dated February 22, 2022)

Exhibit E - MPWMD Residential Water Release Form & Water Permit Application

Cc: Elizabeth Gonzales, Permit Center Manager; Joshua Bowling, HCD Assistant Director; Craig Spencer, HCD Director; Edgar Sanchez, Associate Planner; The Open Monterey Project (Molly Erickson); Keep Big Sur Wild; Landwatch; Water Allocation Policy Distribution List; Project File REF250037.