



County of Monterey

Item No.11

Board Report

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

Legistar File Number: RES 26-083

June 09, 2026

Introduced: 5/27/2026

Current Status: Scheduled AM

Version: 1

Matter Type: BoS Resolution

REF250037 - WATER ALLOCATION BOARD POLICY

Consider adopting a resolution to approve a water allocation policy for the allocation of limited excess water from the California American Water Company (Cal-Am) service area of the Monterey Peninsula Water Management District (MPWMD) for areas of unincorporated Monterey County served by MPWMD.

Proposed California Environmental Quality Act Action: The proposed County of Monterey Water Allocation Policy (Policy) is exempt from further (CEQA) review pursuant to CEQA Guidelines section 15061(b)(3) as the proposed Policy does not make any changes to allowable uses or development regulations at any location in unincorporated Monterey County. Additionally, any future discretionary development that obtains water allotment pursuant to the Policy will undergo the necessary environmental review pursuant to CEQA when the project is considered. Lastly, 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).

RECOMMENDATIONS:

It is recommended that the Board of Supervisors:

- a. Find that adoption of the Water Allocation Policy is exempt from further CEQA review per Section 15061(b)(3); and
- b. Adopt a resolution to approve the Water Allocation Policy for areas of unincorporated Monterey County served by MPWMD.

SUMMARY:

On January 27, 2025, MPWMD allocated 72-acre -feet per year (AFY) of water to the County for use in the Cal-Am service area of MPWMD (MPWMD service area). The County had 10.95 AFY remaining from the Paralta/Pre-Paralta allocations as of January 27, 2025, bringing the total combined allocations to the County to 82.95 AFY. The use of the water is at the County's discretion. When the County approves a suballocation of water, MPWMD debits the amount from the County's allocation when it issues a water permit.

Water allocated by MPWMD to the County is currently limited and the demand by property owners and developers for the County's limited water allocation within the unincorporated area exceeds the limited supply. MPWMD staff have determined that up to 2,000 AFY are available and that they will provide additional allocations to jurisdictions (Airport District, Department of Defense, Del Rey Oaks, Seaside, Pacific Grove, Sand City, Monterey and Monterey County) in the future. The 2,000 AFY

exceeds current demand in the unincorporated areas, however, it is unclear how much of this total allocation will be made available to the County and when.

It should be noted that water services for development are also limited by the Cease-and-Desist Order (CDO) in place for the Cal-Am service area of MPWMD. It's important to note there is still a prohibition on installing new water meters (connections) within this service area. The County's proposed Water Allocation Policy (Policy) does not allow new connections, nor does it affect the CDO. MPWMD has applied to the State to modify a portion of the CDO, but no decision on that application has been made as of the drafting of this report.

Currently, the County does not have an adopted policy for the allocation of water in the MPWMD service area. The past practice of the County typically included approval of a water allocation at the time a construction permit was ready to issue on a "first-come first-served" basis. The Planning Commission authorized the allocation of water when acting on a discretionary permit, but the allocation was not approved until a construction permit was issued. From 1993 to 2013, the County was nearing exhaustion of its available water allocation and began withholding construction permit issuance for projects that required a new allocation of water until such time as water became available. County staff established a list of such projects waiting on water (HCD Approved Water Waitlist). This list has been updated and the proposed Policy is drafted to account for those still on the waitlist. After allocating water to projects on the HCD Approved Water Waitlist (**Attachment A**), the County has approximately 63.91 AFY of water to allocate remaining.

Given recent changes in California housing law requiring municipalities to prioritize utility services for housing development planned in the Housing Element of the General Plan, the finite allocation of water provided to the County by MPWMD, and the lack of a formal policy to prioritize the allocation of water to uses and development that furthers County goals and interests, the Planning Commission recommended that staff develop a water allocation policy for areas within the MPWMD service area for the Board's consideration. An alternative option to formalize the continued practice of providing water on a "first-come, first-served" basis was considered but not recommended due to the circumstances discussed above.

The proposed Policy (**Attachment C**) was developed and revised with input from the public and the Planning Commission, and the Planning Commission recommends the attached Policy for adoption.

The Policy outlines the accounting of water in the following general categories:

- Prior commitments (the HCD Approved Water Waitlist);
- 80% of the allocation for "Planned Housing Growth";
 - o Planned Housing Growth includes housing projects that meet specific affordability provisions, density requirements, and locational criteria (i.e. located in an affordable housing overlay or on a Housing Element Opportunity Site); accessory dwelling units (ADUs), junior accessory dwelling units (JADUs) and single-family dwellings (SFDs) on vacant lots of record that meet specific water usage requirements; and expansions of existing multifamily developments
- 15% of the allocation on a first-come, first-served basis; and

- 5% of the allocation to a strategic reserve.

Other components of the Policy include: procedures for applying for a water allocation; measures to prevent long-term commitments of water to projects that do not get constructed; and ongoing review of the Policy to assess needs for changes.

Key feedback on the Policy to date has focused on the following provisions:

- Availability of additional water resources for the MPWMD service area;
- Limits on the amount of water allocation that any one project could qualify for;
- A proposed 0.25 AFY limit on single family residences (water usage maximum);
- Requests from applicants for certainty of water availability earlier in the permitting process;
and
- Time limits on how long water should be reserved and allocated for a project before it is used.

Staff and the Planning Commission have considered comments and have recommended revisions to the Policy to address these issues to the extent feasible. The detailed discussion (**Attachment B**) contains more information about the proposed Policy and the feedback received to date. Staff recommend the Board of Supervisors adopt a Water Allocation Policy for areas of unincorporated Monterey County served by MPWMD as presented in **Attachment C**.

DISCUSSION

See **Attachment B** - Detailed Discussion.

ENVIRONMENTAL REVIEW:

The proposed County of Monterey Water Allocation Policy (Policy) is exempt from further California Environmental Quality Act (CEQA) review pursuant to CEQA Guidelines section 15061(b)(3) as the proposed Policy does not make any changes to allowable uses or development regulations at any location in unincorporated Monterey County. Additionally, any future discretionary development that obtains water allotment pursuant to the Policy will undergo the necessary environmental review pursuant to CEQA when the project is considered. Lastly, 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).

OTHER AGENCY INVOLVEMENT:

Housing and Community Development Department staff are working in collaboration with the Office of County Counsel to review the proposed policy. Staff also met with and considered comments provided by MPWMD that informed the proposed Policy.

On April 29, 2026, and May 13, 2026, the Planning Commission considered the proposed Policy. The Planning Commission voted unanimously to recommend that the proposed policy be revised to include the following items at the May 13, 2026, Planning Commission meeting:

- Revisions to the “Procedure” section to allow for applicants to request a reservation of water allocation when an application is deemed complete;
- Revise the “Fixture Maximums” for residential uses to a water usage maximum as maximum acre feet of water per year (AFY);
- Include discussion on water allocations for emergencies (i.e. water for fire suppression, etc.); and
- Revise the Policy to include clarifying edits requested by the Planning Commission
- Incorporate clarifying edits that ensure consistency between the proposed Policy and MPWMD regulations.

Staff have revised the proposed Policy and have provided a clean version (**Attachment C**) and a red-lined version showing changes made from the version presented to the Planning Commission (**Attachment D**) for the Board’s consideration.

HOUSING IMPACTS:

- Reduces constraints on Housing Development
- Increases constraints on Housing Development
- Neutral
- Not applicable [N/A]

Adopting a Water Allocation Policy for areas in unincorporated Monterey County reduces constraints on Housing Development. Additionally, adoption of the Policy also assists in implementing the County’s 6th Cycle Draft Housing Element Update (HEU6). Allocating water to affordable housing projects and allowing projects to reserve water earlier in the development process will assist with streamlining housing production and permitting residential development in unincorporated Monterey County, resulting in reduced constraints on Housing Development.

FINANCING

Staff time to support development of the proposed Policy is included in the FY2025-26 Adopted Budget for HCD Unit 8543, Appropriation Unit HCD002.

BOARD OF SUPERVISORS STRATEGIC PLAN GOALS:

The proposed Water Allocation Policy helps further the objectives in Strategic Goal A: Well-Being and Quality of Life by supporting key objectives related to Housing.

- Well-Being and Quality of Life
- Sustainable Infrastructure for the Present and Future
- Safe and Resilient Communities
- Diverse and Thriving Economy
- Dynamic Organization and Employer of Choice

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Approved by: Craig Spencer, HCD Director

The following attachments are on file with the Clerk of the Board:

Attachment A - HCD Approved Water Waitlist (dated May 5, 2026)

Attachment B - Detailed Discussion

Attachment C - Proposed Water Allocation Policy (Clean and dated May 27, 2026)

Attachment D - Proposed Water Allocation Policy (Redlined and dated May 27, 2026)

Attachment E - Resolution for adopting Water Allocation Policy

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