



County of Monterey Planning Commission

Agenda Item No.5

Legistar File Number: PC 25-090

Item No.5

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

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REF250037 - WATER ALLOCATION POLICY

- a. Conduct a public workshop to review and receive public input regarding policy options for a Water Allocation Policy and Ordinance for areas in unincorporated Monterey County served by the Monterey Peninsula Water Management District (MPWMD); and
- b. Provide direction to staff.

Project Location: Unincorporated Monterey County MPWMD Water Service Area

Proposed CEQA action: A planning workshop is statutorily exempt per California Environmental Quality Act (CEQA) 15262.

RECOMMENDATION:

It is recommended that the Planning Commission:

- a. Conduct public workshop to review and receive public input regarding policy options for a Water Allocation Policy and Ordinance for areas in unincorporated Monterey County served by the MPWMD; and
- b. Provide direction to staff.

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:

Monterey Peninsula Water Management District ("MPWMD" or "the District") has adopted rules that govern water resources within its jurisdictional boundaries. MPWMD rules include, among other things, the ability to allocate water credits to local governments within its territory. This includes the County of Monterey ("County").

Water allocations, or water credits, are used by MPWMD to manage water supplies within the District boundaries. The County, as a recipient of MPWMD water allocations, may approve new development projects, subject to issuance of a water permit from MPWMD, and may suballocate all or a portion of the County's water allocation to a property or development. If the County approves the suballocation of water credits, MPWMD debits the County's allocation when they issue a water permit.

On January 27, 2025, the District adopted Ordinance No. 197 allocating 72-Acre Feet (AFY) of water to the County. Together with the County's existing water allocation of 10.950 AFY of water, the County's total water allocation is 82.950 AFY of water. MPWMD is responsible for providing groundwater management, water supply, water control and water distribution within its territory which includes Carmel-by-the-Sea, Del Rey Oaks, Monterey, Pacific Grove, Seaside, Sand City and unincorporated areas of Monterey County including Pebble Beach, Carmel, and Carmel Valley.

This new water allocated by MPWMD to the County comes from the Pure Water Monterey expansion project. The Pure Water Monterey project, and the recently completed expansion of the system, treats water and injects it into the Seaside Groundwater Basin. This treated water assists in addressing historic overdraft conditions and providing additional water storage for future use. At this time, the MPWMD allocation of 72 AFY to the County is finite and the demand by property owners and developers for a water allocation within the unincorporated area exceeds the finite supply. MPWMD staff have verbally indicated that additional allocations to local jurisdictions will be made available should the need arise. Conversely, some uncertainty about the source water has been expressed by other agencies given that a portion of the wastewater treated at the Pure Water Monterey facility comes from agricultural runoff. The agricultural runoff source water is interruptible, and it could potentially be reduced due to agricultural irrigation techniques or used for other purposes in the future; although no plans exist for an alternative use of the water at this time. Commitment of water to new housing development and other uses that further growth and development goals of the County are not interruptible, so the Monterey County Water Resources Agency has cautioned jurisdictions carefully consider commitment of the new water allocation before 2027 when the Salinas Valley Groundwater Sustainability Plans (GSPs) are updated by the Salinas Valley Groundwater Basin Groundwater Sustainability Agency. Updates to the GSPs may include some consideration of alternative uses for the agricultural runoff source water.

Another constraint to development continues to exist. California-American Water (Cal-Am) remains subject to a cease-and-desist order (CDO) from the State Water Board. The CDO states "Cal-Am shall not divert water from the Carmel River for new service connections or for any increased use of water at existing service addresses resulting from a change in zoning or use." This means that Cal-Am is restricted from setting new water meters and from increasing the size of the existing water meter services while the CDO is in place. Certain exceptions to this restriction apply. While the CDO is in place, use of water credits would be limited to projects with new water fixtures on existing meters and to certain projects meeting the specific exemptions. MPWMD is in the process of applying to the State to modify portions of the CDO to remove the water meter restriction.

The County does not have a written policy or procedure for allocating water credits to end years. Since the 1990s, the County's practice has been to provide water credits to property owners on a first come first served basis, when a building permit is ready to issue.

Given recent changes in state housing law requiring municipalities to prioritize utility services for affordable housing development, the finite allocation of water provided to the County by MPWMD, and the lack of formal process and procedures to prioritize the allocation of water to uses and development that furthers County goals and interest as it relates to growth, staff has begun development of a Water Allocation Policy for areas within the MPWMD service area.

Staff has prepared policy recommendations and options for the Commission's consideration, feedback, and direction. Staff has grouped the policy areas into the following broad categories: 1) Water Allocation - Process and Procedures; 2) Purpose and Goals; and 3) Clarifications and Key Definitions in Water Allocation Policy; and 4) Clarifications in Water Allocation Ordinance.

The purpose of a public workshop is to get initial feedback from the Planning Commission on further development and refinement of policy options prior to bringing a Water Allocation Policy to the Planning Commission for a recommendation to the Board of Supervisors. Staff is requesting that the Planning Commission conduct a public workshop to review and receive public input regarding policy options for a Water Allocation Policy for areas in unincorporated Monterey County served by MPWMD and provide direction to Staff.

Staff requests that the Commission provide preliminary input to staff on the following policy options and recommendations. Staff will conduct further community outreach and refine the policy options and return to the Commission with recommendations in the form of a draft Water Allocation Policy.

DISCUSSION:

Policy Topic 1 - Water Allocation - Process and Procedures

Staff have reviewed local ordinances and water allocation policies developed by MPWMD, the City of Carmel-by-the-Sea and City of Seaside (**Attachments 2 and 3**). Both jurisdictions have developed ordinances related to water management in areas requiring water from MPWMD. The ordinances outline a process for the allocation of water resources. Both jurisdictions require input from the respective City Council prior to allocation of water to ensure that the allocation aligns with the needs and goals of each community. Each jurisdictions adopts allocations via a resolution.

Option A - Creation of a Water Allocation Ordinance and Water Allocation Board Policy: Staff recommends development of an ordinance that outlines the process for Water Allocation in the MPWMD area, like the cities of Seaside and Carmel-by-the-Sea that memorializes the process and purpose of water allocation. The ordinance would memorialize the County's objectives when considering the allocation of water resources and outline the process by which the Board would establish water resources available for increased use. A Water Allocation Policy would then implement the Ordinance which is adopted by Resolution by the Board of Supervisors. The Allocation Policy can be amended from time to time to reflect if there are changes in priorities from water allocation and to reflect when additional water resources are allocated to the County from MPWMD.

Option B - Creation of a Water Allocation Board Policy only: An alternative option to adopt a Water Allocation Board Policy without drafting of an allocation ordinance. A Board Policy can be amended from time to time by the Board of Supervisors without the required two readings of an ordinance. The Water Allocation Policy is adopted via resolution and can be amended to reflect if there are changes in priorities for water allocation and to reflect when additional water resources are allocated to the County from MPWMD.

Option C - Continue to Allocate Water on a "First Come, First Serve" Basis: A third option is to continue to allocate water on a "first come, first serve" basis which has been HCD's historic

practice. Staff has concerns with this continue approach given the recent changes in various state laws requiring jurisdictions to prioritize allocation of water to housing projects and the finite nature of the County's water allocation from MPWMD.

Policy Topic 2 - Purpose and Goals - Water Allocation

Staff requests the Planning Commission's feedback on the purpose and goals of a Water Allocation Ordinance and Water Allocation Board Policy should the Planning Commission provide Staff direction on further development of a Water Allocation Ordinance and/or Water Allocation Board Policy.

- *Option A - Purpose Statement for a Water Allocation Ordinance and/or Water Allocation Board Policy (same Purpose Statement):* The County recognizes a need to conserve and manage its water resources to achieve adopted land use planning objectives. In the Monterey Peninsula Water Management District area in unincorporated Monterey County, the water resources are derived from a water allocation system managed by the District. It is the purpose and intent of this regulation to establish a water management program that:
 - Provides a process for dedication of the County's limited water resources in new development in the areas of the County served by MPWMD;
 - Establishes a process for determining goals, objectives, and land use categories to be served through allocations of existing and future water resources available to the County; and
 - Implements the General Plan and Local Coastal Program.
- *Option B - Purpose for a Water Allocation Ordinance and/or Water Allocation Board Policy (Same Purpose Statement):* Establish a uniform policy for the allocation of limited water resources within the Monterey Peninsula Water Management District area.

Staff recommends Option A as it provides additional clarity on the intent and purpose of how the County of Monterey allocates water resources and that allocation of resources should ultimately further and implement the County's goals for growth and development and implement the County's General Plan and Local Coastal Program. Option B provides a different approach should the Planning Commission desire an alternative purpose statement that is broader in nature.

Policy Topic 3 - Water Allocation by Use Category: Staff requests the Planning Commission's feedback on the specific allocation use categories and amounts that would be outlined in the Water Allocation Ordinance and/or Water Allocation Board Policy:

- *Option A - Water Allocation Ratios:* It is the policy of the County to prioritize the allocation of limited water resources in the MPWMD area with the following percentages dedicated to each category:
 - 80% of allocations shall be reserved for planned housing growth;
 - 8% of allocations shall be reserved for economic development;
 - 5% of allocations shall be reserved for development of vacant land;
 - 5% of allocations shall be reserved for accessory dwelling units; and
 - 2% of allocations shall be retained as a strategic reserve.

- Option B - Other Allocation Categories or Different Formula for Allocation Ratios: The Planning Commission could consider different allocation categories or a different formula for allocation ratios as an alternative option.

Definition of Planned Housing Growth: Staff requests the Planning Commission provide input and feedback on how Planned Housing Growth (use category recommended to have the greatest share of the County's water allocation) is defined.

- Option A - Planned Housing Growth Definition: Based on the County's affordable housing mandate as outlined in the Housing Element, staff recommends that Planned Housing Growth be defined as a project that is:
 - Is located in a Community Area, Rural Center, an Affordable Housing Overlay, or Are Housing Element Opportunity Sites; and
 - Provide no fewer than the minimum percentage of total units deed restricted to low-income households as required by the County's Inclusionary Ordinance or percentage of units required to be deed-restricted to low-income households as required by State Housing Law (i.e. State Density Bonus Law and/or Builders Remedy Law);
 - Meet a minimum density of 8 dwelling units/per 1 acre
- Option B - Alternatives to Planned Housing Growth Definition: The Planning Commission could add or modify the definition to include a minimum total number of units to qualify under the definition of planned housing growth (i.e. require a minimum of 8 dwelling units be built to be eligible for a water allocation) or modify other criteria as deemed appropriate.
- Option C - No Planned Housing Growth Definition: The Planning Commission could consider not defining of Planned Housing Growth.

Economic Development Criteria in Water Allocation Policy and/or Ordinance: Staff requests that the Planning Commission provide input and feedback on criteria in the Water Allocation Policy and/or Ordinance. Staff meet with the Office of Economic Development as part of initial outreach for development of this policy. Given the goals of the Office of Economic Development and the County's desire to encourage additional job generation in unincorporated Monterey County,

- Option A - Categories for Classifying Economic Development Use Category: Staff is considering the following categories as indicators of a use further the County's Economic Development priorities and goals:
 - Revenue Generation;
 - Job Creation;
 - Removal of Blight (i.e. redevelopment of a vacant property or vacant building);
and
 - Business Retention;

These criteria were inspired by how the City of Seaside provides allocation for commercial development project. The Water Allocation Policy could be structured to provide a scoring system for projects that create more jobs and generate more revenue. (**Attachment 3**).

- Option B - Alternative Categories for Classifying Economic Development Use Category: The Planning Commission could consider different categories for classifying the Economic Development use category.
- Option C - No Categories for Classifying Economic Development Use Category: The Planning Commission could consider no categories for classifying

Policy Topic 4 - Clarifications and Key Definitions in Water Allocation Policy and/or Ordinance

Approval Process for Water Allocation: Staff requests the Planning Commission provide input on the approval process.

- Option A - Director of Housing and Community Development (HCD) delegated decision making authority: Staff recommends the policy and/or ordinance delegates decision-making authority of water allocations to the Director of Housing and Community Development (HCD). First, the Board would adopt the policy and/or ordinance that outlines the County's allocation priorities, with the Director of HCD implementing that direction. The Policy and/or Ordinance would provide an appeal process as the decisions of the Director of HCD are appealable as outlined in the Monterey County Code (MCC).
- Option B - Approval Process is Delegated to HCD Director, but allows for larger projects to be elevated to the Planning Commission and/or Board of Supervisors for Approval: The Planning Commission could consider that the HCD Director is delegate authority for certain for Housing projects up to a certain unit count (i.e. projects larger than 20 housing units require Planning Commission approval).

Water Fixtures Limitations for Residential Projects - The City of Seaside currently utilizes Water Fixture Limitations for residential projects (**Attachment 3**). Seaside currently limits accessory dwelling units to 6.8 fixture units (0.068 acre-feet), single family homes to 10.1 fixture units (0.101 acre-feet) and multi-family dwelling units to 8.1 fixtures units (0.081 acre-feet). Given the limited water available in the MPWMD management area, a fixture limit would maximize the number of dwelling units that could be built. Staff recommends the Planning Commission consider water fixture limitations for new development in the proposed Water Allocation Policy and/or Ordinance.

- Option A - Utilize Water Fixture Limitation from the City of Seaside: The Planning Commission could consider utilizing the City of Seaside's ratios for ADUs, single-family, and multi-family dwelling units.
- Option B - Utilize a Different Water Fixture Limitation: The Planning Commission could

consider a different water fixture limitation ratio for ADUs, single-family, and multi-family dwelling units. Staff utilized the water allocation worksheets from MPWMD (Attachment 4) to calculate the types of fixtures allowed under various scenarios. A 15-unit fixture limitation would allow for 2 full bathrooms, a kitchen sink, a dish washer or clothes washer and have some additional water available for meeting landscaping requirements.

- Option C - Proceed with No Water Fixture Limitation: The Planning Commission could consider no water fixture limitation for residential projects.

Time Limit for Water Credits: Staff recommends that the Planning Commission consider a time limit for water credits. The City of Carmel-by-the-Sea (**Attachment 2**) notes that water credits expire when approval of the project expires. For example, if an Administrative Permit is granted a water credit as part of the approval process, that water credit is held by that project and deducted from the County's overall water allocation for the life of the Administrative Permit. Upon expiration of the Administrative Permit (2 years from the date of granting the permit unless otherwise stated) and no action was taken to extend the life of the permit, then the project would no longer have a water credit, and that water credit would be made available to other projects requesting/needing water.

Timing and Next Steps

Staff requests input from the Planning Commission on the above topic areas that should be covered in a Water Allocation Policy and Water Allocation Ordinance. With this feedback, Staff will continue to refine a draft policy and ordinance for Planning Commission consideration in Spring 2026.

OTHER AGENCY INVOLVEMENT

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

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

The following attachments are on file with HCD:

Attachment 1 - MPWMD Service Area Map

Attachment 2 - City of Carmel Water Allocation Ordinance and Policies

Attachment 3 - City of Seaside Water Allocation Ordinance and Policies

Attachment 4 - MPWMD Water Allocation Worksheets for Residential and Commercial Uses

Cc: Elizabeth Gonzales, Permit Center Manager; Joshua Bowling, Chief Building Official; Craig Spencer, Housing and Community Development Director; Edgar Sanchez, Associate Planner; Water Allocation Policy Distribution List.