

# Attachment B

This page intentionally left blank.

## ATTACHMENT B– DISCUSSION

### DISCUSSION:

#### ***Water Allocation Policy – Process and Procedures***

A Board Policy is adopted via resolution and can be amended from time to time by the Board of Supervisors. As drafted, this proposed Board Water Allocation Policy would establish the process, procedures, and management of limited excess water allocations in the California American Water Company (Cal-Am) service area of the Monterey Peninsula Water Management District (MPWMD) in unincorporated Monterey County. If the Board were to adopt the proposed Water Allocation Policy, the policy would be adopted via resolution and could be subsequently amended via resolution should Board priorities for water allocation change or additional water resources be allocated to the County from MPWMD.

The draft Water Allocation Policy is structured in the following manner, as required by the Board Policy Manual Policy and Procedure (Policy number i-2):

- Purpose;
- Background;
- Policy;
- Procedure;
- Review Date; and
- Board Action.

The following discussion provides a summary of the various sections of the draft Water Allocation Policy, recommendations and rationale on specific policy direction.

#### ***Purpose/Background***

The purpose of the proposed Water Allocation Policy is to: “Establish a uniform policy for the allocation of limited water resources within the unincorporated areas of Monterey County within the MPWMD service area”.

The background section provides a figure demarcating the boundary of the Cal-Am service area of the MPWMD and describes historical past practice on how the County has allocated water. In some cases, the County has provided water on a “first-come, first-served” basis or considered the allocation of water alongside a discretionary application, with water being reserve after the discretionary decision and until a construction permit was ready to issue. Additionally, the section also acknowledges the “HCD Approved Water Waitlist” (Waitlist), the processing requirements for projects that have requested water after the closure of the Waitlist and prior to the adoption of the Water Allocation Policy. Ultimately, the Policy serves to update this past practice given changes in California housing law requiring local governments to prioritize utility services for housing development planned for in the Housing Element, the finite allocation of water provide to the County by MPWMD and provide a framework to prioritize development that furthers County goals and interests.

#### ***Policy***

The Policy section provides a framework for prioritizing the allocation of water resources:

1. Honor past commitments to the allocation of water established in the “HCD Approved Water Waitlist”;
2. Development of Planned Housing Growth;
3. First Come First Served; and
4. Strategic Reserve

Once water has been allocated to projects on the HCD Approved Water Waitlist, the remaining water allocation would be reserved as a percentage of the remaining water allocation as follows:

- 80% for Planned Housing Growth;
- 15% First-come, First-Served Basis; and
- 5% retained as a strategic reserve.
  - \*The County of Monterey Board of Supervisors would retain the authority to approve allocations from the Strategic Reserve category pursuant to a resolution.

### ***Procedure***

The procedure section outlines the types of projects that fall into each specific category and the procedure for allocation of water. The procedures for each category include a ministerial permit pathway (i.e. construction permit) or discretionary permit pathway (i.e. Use Permit, Coastal Development Permit, etc.) depending on what permits are required.

To provide earlier notification of water availability, the draft Policy proposes that applicants would be informed during the completeness review of a project application if the project is eligible for a reservation of water. The County would then maintain a list of projects that have requested water including the amount of water that is available by category or suballocation area where the water is proposed to come from.

### ***Planned Housing Growth***

#### ***Qualifying Projects***

The Planned Housing Growth category includes the following types of projects:

- A housing project that:
  - Is located in an Affordable Housing Overlay as defined in the 2010 General Plan, or is listed as a Housing Element Opportunity Site in the 6th Cycle Housing Element Update; and
  - Provides no fewer than the minimum percentage of total units deed restricted to lower-income and moderate-income households as required by Monterey County Code Chapter 18.40 or provides more than 50 percent of the units at levels affordable to moderate income, workforce I, and/or workforce II households; and
  - Meets a minimum density of 10 dwelling units/per 1 acre.

Other projects that qualify under this category include Accessory Dwelling Units (ADUs) and Junior Accessory Dwelling Units (JADUs) that do not exceed 0.12 acre-feet-per-year (AFY), single family dwelling (SFDs) units on vacant lots of record that do not exceed 0.25 AFY, expansions of multifamily housing projects that do not otherwise meet the criteria of Planned Housing Growth, and portions of housing projects that are deed-restricted affordable to low-

income households as required by County Code or State Housing Law.

Public comments received during the review of the draft Policy raised questions regarding these water usage maximums. Staff have developed these limits using MPWMD Residential Water Release Forms and processes. The maximums allow property owner flexibility to have all common water using fixtures (e.g. a kitchen sink, dishwasher, clothes washer, etc...) and 3 or more bathrooms (combination of half and full bathrooms) depending on landscape water needs. A project with little or no irrigated landscape could use the allocation to maximize bathrooms or additional water usage whereas landscaping with higher water demands might have fewer bathrooms. The maximum has been established to accommodate reasonable water use SFDs, ADUs and JADUs while encouraging smaller, and by extension potentially more affordable, residences. Water usage maximums apply to SFDs in the “First-Come, First-Served” category as well.

### ***Procedure***

The proposed procedure allows for certain projects (ministerial approvals) to be approved by the HCD Director, and other projects (discretionary approvals) approved by the Appropriate Authority (i.e. Zoning Administrator, Planning Commission or Board of Supervisors) for the discretionary permit at the time of the decision on the discretionary permit.

### ***First Come First Served***

#### ***Qualifying Projects***

All other development projects that do not qualify under the “Planned Housing Growth” category in the proposed Policy could apply for water under the “First Come First Served” category. The purpose of this First Come First Served category is to allow for a process for certain projects to obtain water allocations on a first-come, first-served basis similar to past County practice. Water usage maximums apply to residential development projects (0.25 AFY for existing SFDs and proposed SFDs). Water usage maximums do not apply to non-residential uses.

Residential projects that need additional water for emergencies (i.e. fire suppression needs outside of need for fire sprinklers) are eligible to exceed the water usage maximums upon request and documentation from the appropriate fire authority.

The procedure for water allocations under this category are the same as the procedures for water allocations in the “Planned Housing Growth” category.

### ***Strategic Reserve***

#### ***Qualifying Projects***

For projects that do not conform to the above-mentioned categories, the Board of Supervisors may authorize the allocation of water or authorize the HCD Director to approve the allocation of water from the Strategic Reserve category. This category is intended to reserve water for County facility needs or for future (currently unknown) project(s) that are supported by the Board and/or have some public benefit.

### ***Procedure***

The Board of Supervisors would retain the authority to allocate water from the strategic reserve.

#### HCD Director – Additional Review Procedure

For projects that qualify for ministerial approval, the HCD Director can refer the matter to the Planning Commission if the granting of a water allocation could result in significant public policy issues, significant/adverse environmental impacts, significant changes in the nature of a community, or would establish precedents.

This provides an avenue for the HCD Director to refer water allocation determinations to the Planning Commission in instances where the ministerial approval of a project, combined with the administrative approval of a water allocation, could result in potentially undesirable outcomes.

#### Projects Requesting Water Allocation Prior to Policy Adoption

For projects that requested water prior to Policy adoption, water allocation requests for projects that were not on the “HCD Approved Water Waitlist” should be considered by the Planning Commission with the decision appealable to the Board of Supervisors for discretionary projects and by the HCD Director for ministerial projects.

#### Procedures for Water Reservation

A project that was deemed eligible with this Policy can reserve the water allocation at the time of completeness determination for 12 months as the applicant continues to pursue approval of land use entitlements (for discretionary projects) and construction permits (for ministerial projects). Should the applicant not receive the required permits within the 12-month period, the water reservation will return to the County’s water allocation and be available for distribution to other projects.

Prior to the end of the 12-month period, the applicant can make a written request to the HCD Director for an extension to the water reservation. The HCD Director shall consider the applicant’s progress and due diligence towards obtaining permits, in addition to other extenuating circumstances that may impact permit approval.

#### Time Limits

Water allocations would continue to be held by a project applicant for the term limits set by the MCC for approved construction permits and approved land use entitlements for a maximum of five years. Projects that include affordable housing deed restricted to low-income households may be eligible for additional time extensions outside of the 5-year maximum. Such request shall be made in writing to the HCD Director outlining the need for additional time and forwarded to the Appropriate Authority for decision.

For example, if an Administrative Permit for a project includes a water allocation as part of the approval, that water allocation is held by that project and deducted from the County’s overall water allocation for the life of the Administrative Permit. Monterey County Code (MCC) notes that an Administrative Permit is typically active for 2 years unless the Appointing Authority extends the life of the permit. As outlined in the Policy, if the project was approved for 2 years and could request a maximum extension of 3 years (for holding water for a 5-year maximum).

If that Administrative Permit were allowed to expire 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.

#### *Review of Allocation Policy*

Staff will monitor the remaining balance of water allocation within each of the categories as defined in the Policy, magnitude of demand for water within each category, and anticipated future water supplies. Staff will periodically review this Policy and recommend amendments as may be needed to ensure on-going alignment with Board priorities and water supply and demand.

#### *Public Engagement and Outreach*

##### ***Planning Commission Workshop (November 12, 2025)***

On November 12, 2025, staff conducted a workshop with the Planning Commission to receive input on development of a Water Allocation Policy and/or Ordinance in the MPWMD Service Area (staff report and exhibits are available at this link:

<https://monterey.legistar.com/LegislationDetail.aspx?ID=7727450&GUID=14D92DA5-D5EA-4B73-A6BB-751CC37D9F22&Options=&Search=>).

At the November 2025 workshop staff presented background on water allocation and past practice at the County regarding allocation of water, provide a preliminary draft water allocation policy, and solicited input from the Planning Commission and public on various policy topic areas including: water allocation process/procedures; purpose and goals of the policy; potential use categories for water allocation; and key definitions and clarifications for the policy.

The Planning Commission provided direction to continue developing a Policy and/or Ordinance given changes in state housing law and the finite nature of water resources currently available in the MPWMD service area. The Planning Commission also requested additional information and context on the policy topic areas discussed, how the Policy would be implemented, as well as directing staff to conduct additional community outreach.

##### ***Developer Stakeholder Meeting***

Staff held a stakeholder meeting with the development community in March 2026 to discuss the draft Water Allocation Policy and received feedback on the policy. This feedback was incorporated into the draft Water Allocation Policy that was made available for public review in mid-April. Comments leading to revisions included:

- Clarifying that applicants demonstrate they have the right to receive water in light of the Cal-Am Cease and Desist Order (CDO);
- Ensure availability and certainty of water availability earlier in the development process;
- Updated fixture maximums to be in better alignment with bedroom and bathroom counts for units in unincorporated Monterey County; and
- Including that affordable portions of housing projects can qualify for water allocation under the Planned Housing Growth category

***Public Comment Period***

Staff released the draft Water Allocation Policy for public review starting April 8, 2026 through April 22, 2026. Updates to the draft Water Allocation Policy have been incorporated in response to comments.

***Planning Commission Hearings (April 29, 2026 and May 13, 2026)***

Staff presented the draft Water Allocation Policy to the Planning Commission on April 29, 2026 and May 13, 2026. Staff revised the draft Water Allocation Policy in response to public and Planning Commissioner comments for the Board's consideration. The April 29, 2026 meeting materials (staff report and exhibits can be found at this link:

<https://monterey.legistar.com/LegislationDetail.aspx?ID=7992182&GUID=83500E3C-CE77-4C16-87C8-81B3E2075ACE&Options=&Search=>) and the May 13, 2026 meeting materials

(staff report and exhibits can be found at this link:

<https://monterey.legistar.com/LegislationDetail.aspx?ID=8005625&GUID=12622B91-9F47-43E6-AF0D-5C372C6AA434&Options=&Search=>).