



**CITY OF PACIFIC GROVE**  
300 Forest Avenue, Pacific Grove, California 93950

**AGENDA REPORT**

**TO:** Honorable Mayor and Members of City Council

**FROM:** Mark J. Brodeur, Community & Economic Development  
Department Director

**MEETING DATE:** March 21, 2018

**SUBJECT:** Water Allocation Policy Amendment Process

**CEQA:** Does Not Constitute a “Project” under the California  
Environmental Quality Act (CEQA)

**RECOMMENDATION**

Direct the Mayor to appoint a three-member Council Subcommittee to recommend amendments to the current Water Allocation Policy (600-4) and to propose amendments to PGMC Chapter 11.68.

**DISCUSSION**

The City’s Pacific Grove Local Water Project (Project) is now operational. It replaces approximately 125 acre-feet/year (AF/Y) of Cal-Am potable water previously used to meet irrigation demand with non-potable supplies for the Pacific Grove Golf Links and El Carmelo Cemetery, and provides water for two public restrooms. Now that the Project is operational, a portion of the 125AF/Y of potable water which has been freed from prior use may be available for other purposes.

Of the saved potable water, some must be distributed to Cal-Am and other agencies, leaving the City with a vested right to release up to sixty-six (66) acre feet of water that may be used for residential and commercial development. Because the State Water Resource Control Board (SWRCB) and California Public Utilities Commission (CPUC) have placed significant restrictions as to how much, when and where the released water may be used, the City’s first increment of freed water is likely to range in quantity from twenty (20) to thirty (30) acre feet. Chapter 11.68 of the Pacific Grove Municipal Code addresses how water is to be used and allocated.

To address important pending questions, including “How should the City assign its share of the water entitlement?”, and “How much water is likely to be immediately available, and what amounts may be available in the future?”, it is recommended that the City Council appoint a Subcommittee to review these issues and make substantive recommendations to Council. The Subcommittee should also address other important issues, such as the water’s fair market value to factor costs associated with City actions that made the water available.

Some efficiency can be gained by examining how the neighboring communities of Seaside, Pebble Beach and Carmel-By-The-Sea address their increments of entitlement water. The average cost of entitlement water limited for use in these neighboring jurisdictions approximates \$225,000 per acre foot.

The Subcommittee will also need to determine how much water entitlement should be available by land use or area. For Pacific Grove, water equates to economic development and residential sustainability. For years, residents and commercial customers have been on virtual “hold” because a new source of potable water was not available. In most communities, adding a bathroom or addition to a house is rather straightforward. In Pacific Grove, homes without enough water credits wait years on the Water Wait List to make such improvements.

The Subcommittee will also need to review limits imposed by the SWRCB, CPUC and Monterey Peninsula Water Management District (MPWMD) to ensure City compliance with these regulations. Importantly, a CPUC moratorium in place at this time may interfere with Cal-Am’s ability to set new water meters to serve projects that do not have access to a current, active Cal-Am water meter.

**Municipal Code Chapter 11.68 - Water Allocation Regulations** determines that water shall be assigned, in amounts and percentages determined by the Council, to the following four allocation categories: (1) residential; (2) commercial; (3) governmental; (4) city-administered community reserve. Currently, these categories are described in more detail here:

***Residential Reserve***

There are currently 17 single-family residential projects on the Wait List requesting a total of 1.6652 AF. Many of these projects have been on the Wait List since 2009 and range from new single-family dwellings on vacant lots, to interior remodels and renovations. No inclusionary (affordable) housing units are currently wait-listed. Currently there are approximately 63 vacant residential parcels in the City. This does not account for potential mixed-use sites that could be developed.

***Commercial Reserve***

As currently depicted, water allocations in the Commercial category have been granted in accordance with the following priorities for distribution:

1. Motel projects within the R-3-M zone.
2. Projects within the Downtown Commercial area.
3. Projects that generate sales tax revenue.
4. Diversification of business activities/types.
5. Expansion of existing uses.
6. Correction of existing problems.

Currently, there are two applications pending that request a total of 1.046 AF of commercial water for downtown restaurant uses which exceed the total amount available in the Commercial Reserve.

### ***Governmental***

There is no potable water available in the Governmental Reserve. Two City Capital Improvement Projects are currently on the Water Wait List:

1. New cemetery administration building requesting 0.0152 AF, and;
2. Restroom in the Monarch Sanctuary with a demand of 0.058 AF.

Together, the projects require 0.0732 AF.

### ***Community Reserve***

Water assigned to the city-administered Community Reserve may be allocated by the Council to any or all of the three allocation categories once there is a reserve supply of water sufficient to warrant such allocation dependent on community needs.

Other questions subject to review by the Subcommittee may include, but are not limited to:

- *What portion (if any) of the water entitlement will be made available for immediate purchase?*
- *Will extra water increments become available over time?*
- *What limitations exist regarding the use of entitlement water?*
- *If the water entitlement is available for immediate purchase but is NOT used in a timely fashion, should a restriction allow the City to revoke the entitlement for certain circumstances?*
- *Will the City withhold a “Reserve” for unanticipated future uses that are not yet known?*
- *If a Reserve is established, will this be available all at once, or in stages?*
- *What is the time horizon by which the City desires to cause full and actual use of the entitlement water?*
- *What should be the smallest (or largest) increment of water entitlement the City will allow to be purchased?*
- *What circumstances, if any, may allow the City to waive the water entitlement purchase price and any other fees? Who would be authorized to approve waivers?*
- *Are there any projects/uses the City will prohibit from purchasing water entitlement?*

### **CEQA**

Formation of a subcommittee does not constitute a “Project” under California Environmental Quality Act (CEQA) Guidelines, but adoption of the revised water policy will need examination under the CEQA process.

### **OPTIONS**

1. Take no action.
2. Provide alternate direction.

### **COUNCIL GOAL**

Infrastructure

**FISCAL IMPACT**

There is no fiscal impact by forming a subcommittee. It is anticipated that the General Fund will use proceeds from the sale of water rights to retire or make advance payments on the Clean Water State Revolving Loan Fund for the Local Water Project; apply payments towards unfunded liabilities, or fund one-time purchases.

A complete financial plan for use of Entitlement Water proceeds will be presented to Council, along with the recommendations of the subcommittee.

**RESPECTFULLY SUBMITTED,**

**REVIEWED BY,**



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Mark Brodeur  
Community and Economic Development Director

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Ben Harvey  
City Manager