

Water Demand Offset Policy and Fees

City Council

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Senior Water Resources Planner



OUR FUTURE IN EVERY DROP

California Urban Water Management Planning Act

Who: Urban water retailers (at least 3,000 connections or 3,000 acre-feet/year)

What: Assess long-term water supply adequacy and reliability (at least 20-year horizon).

Prepare separate plan for responding to water shortages.

When: Every 5 years*

Most recently adopted by Council on June 8, 2021

- 2020 Urban Water Management Plan
- 2020 Water Shortage Contingency Plan



Water Shortage Contingency Plan (Shortage Plan)

Required by UWMP Act

- “Stand alone” plan.
- Clearly defined shortage levels (Stages).
- Detailed road map to reduce water use in each emergency stage.
- Shortage Plan and Policy are CEQA exempt in accordance with Water Code Section 10652



Shortage Plan Priorities

Priorities during water shortage emergencies

1. Health & Safety
2. Economic Stability
3. Landscaping
4. New Demand



2020 Shortage Plan - Shortage Stages

Supply Shortage	Shortage Stage	Reduction Target	Program Type
Up to 10%	Stage 1	10%	Voluntary
11 – 15%	Stage 2	15%	Mandatory
16 – 20%	Stage 3	20%	Mandatory
21 – 25%	Stage 4	25%	Mandatory
26 – 30%	Stage 5	30%	Mandatory
31 – 40%	Stage 6	40%	Mandatory
41 – 50%	Stage 7	50%	Mandatory
Over 50%	Stage 8	Over 50%	Mandatory

Response Actions

Outreach & Education

- Keeping everyone informed

Customer Service & Assistance

- Helping customers save water

Operational Changes

- Adjusting internally to shortages

Restrictions & Prohibitions

- Eliminating waste & minimizing non-essential uses

Water allocations (rationing) Stages 5 - 8

- Mandatory conservation for existing connections

Stage	Prohibition/Restriction	Existing Customers	New Constr
All Stages	Water Waste Ordinance	X	X
Stage 1	Hose shut off nozzles required	X	X
	Prohibit washing hard surfaces with hose	X	X
Stage 2	Restaurants serve water only on demand	X	
	Lodging linens washed only on request	X	
Stage 3	Prohibit power washing	X	X
	Limit hours of irrigation	X	X
Stage 4	Prohibit operation of ornamental features	X	

Stage	Prohibition/Restriction	Existing Customers	New Constr
Stage 5	Water allocations (rationing) (Stages 5-8)	x	
	Prohibit filling new pools	x	x
	Recycled water for construction dust control if avail	x	x
Stage 6	Prohibit filling/topping existing pools	x	
	Prohibit installing landscaping at new construction		x
Stage 7	Prohibit replanting landscapes at existing sites	x	
Stage 8	Prohibit all irrigation with potable water	x	x



Severe Water Shortage Emergencies

Water Allocations

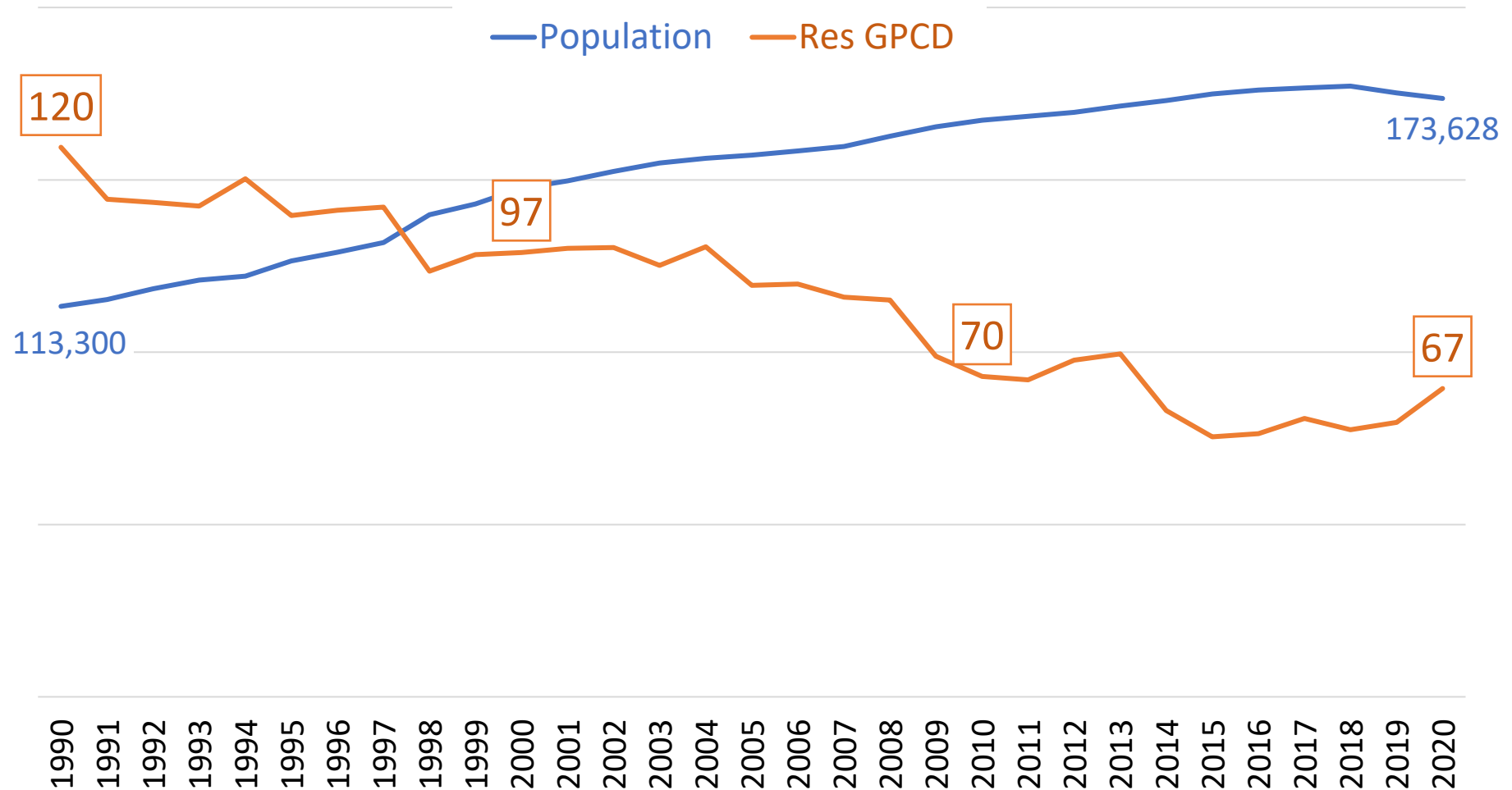
- Rationing limited supplies among existing customers
- Top priority: Health & safety
- Each water service must adhere to restrictive site-specific allocation.
- Violations subject to enforcement and Excess Use Penalty.
- No water available for new demand.

Increase in water use efficiency by customers 1990-2020

53% increase in population

44% decrease in Residential GPCD* (42% by 2010)

* Residential GPCD - gallons of water sales to residential sector per capita per day



Water Allocations – Stage 5

Sector	Stage 5	Average Percent Reduction in Water Use
Residential	40 gpcd + 2,000 gal/mo May-Oct	20-30% reduction
Commercial, Institutional, Industrial	85% cap	15% reduction
Health & Safety	95% cap	5% reduction
Irrigation services	40% of ET	54% reduction
<i>gpcd = gallons per capita per day</i> <i>ET – Evapotranspiration</i>		

Water Allocations – Stage 6

Sector	Stage 6	Average Percent Reduction in Water Use
Residential	36 gpcd + 1,000 gal/mo May-Oct	30-40% reduction
Commercial, Institutional, Industrial	80% cap	20% reduction
Health & Safety	90% cap	10% reduction
Irrigation services	20% of ET	77% reduction
<i>gpcd = gallons per capita per day</i> <i>ET – Evapotranspiration</i>		

Water Allocations – Stage 7

Sector	Stage 7	Average Percent Reduction in Water Use
Residential	32 gpcd	36-50% reduction
Commercial, Institutional, Industrial	75% cap	25% reduction
Health & Safety	85% cap	15% reduction
Irrigation services	10% of ET	88% reduction
<i>gpcd = gallons per capita per day</i> <i>ET – Evapotranspiration</i>		

Water Allocations – Stage 8

Sector	Stage 8	Average Percent Reduction in Water Use
Residential	32 gpcd	45-55% reduction
Commercial, Institutional, Industrial	70% cap	30% reduction
Health & Safety	80% cap	20% reduction
Irrigation services	No allocation	100% reduction
<i>gpcd = gallons per capita per day</i> <i>ET – Evapotranspiration</i>		

Housing Shortage Crisis

- California law mandates a certain amount of housing.
- The City prepares, adopts, and implements land use policies to comply with regional and State regulations and local needs.
 - General Plan, Housing Element, and Specific Plans
 - Remove barriers to development and entitlement process to achieve mandates.

Alternatives Considered

- Moratorium
 - Housing crisis & economic vitality
- Require developer to find new water supply
 - 2-3 years to permit public water supply
- Require developer to offset demand with water conservation projects in service area
 - Significant challenges completing projects
 - Administrative cost recovery still needed
- Offset fee due at permit application
 - Projects may take years to build; fee due at time of impact is more reasonable *if shortage conditions exist*



2020 Shortage Plan Water Demand Offsets

Construction must offset new water demand when water is being rationed.

Shortage Stage	Offset Required
Stage 5	100% offset
Stage 6	200% offset
Stage 7	300% offset
Stage 8	400% offset

Proposed revision

Shortage Stage	Offset Required
Stage 5 - 8	100% offset



Proposed Water Demand Offset (WDO) Policy

- Provides mechanism to implement Shortage Plan offset requirement.
- Ensures the City can
 - Respond to water shortage emergencies and comply with State law.
 - Respond to need for housing and comply with State law.



Applicability

Projects that meet two conditions:

(1) Have not submitted a building permit application prior to adoption of policy

and

(2) Are subject to new or increased connection fees



Process

If project is subject to new or increased connection fees, then ...

- (1) Submit WDO application as part of bldg. permit application process.
- (2) WDO Agreement signed by both parties
- (3) Bldg. permit issued and project proceeds.
- (4) Payment not due until final inspection or any type of occupancy – *and only due if there is a declared water shortage emergency requiring water allocations (rationing) at that time.*



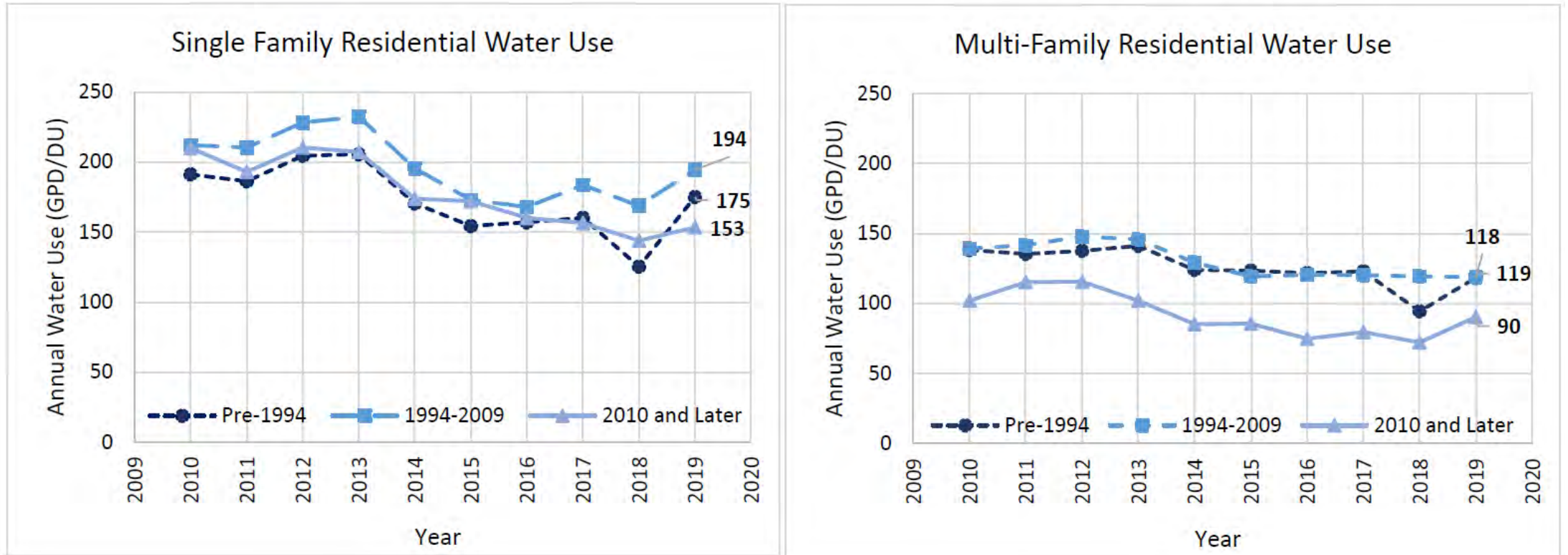
Water Demand Offset Fee

- Due when requesting any type of occupancy or final inspection ...
 - *If there is a declared water shortage emergency requiring water allocations (rationing) at that time.*
- Collected fees to be tracked separately to comply with the Mitigation Fee Act per CA Govt Code 66000 and forward.
- Fees to be used to fund City projects and programs to achieve water offsets.



Water Demand

- Residential water use estimated based on recent 4 years of water use of existing customers because water use by age of construction is similar. ⁽¹⁾



(1) Multi-family sector prior to 2010 includes services with mixed use (irrigation and domestic).

Water Demand Offset Cost

- The cost of achieving water savings was determined based on three known programs:
 - Direct install bathroom conversions (ultra-low-flow toilets and high efficiency aerators and showerheads)
 - Enhanced rebate for High Efficiency Residential Clothes Washers
 - Enhanced rebate for turf removal at Commercial, Industrial, Institution sites and Irrigation services
- Cost to offset new demand by account type was calculated based on project water demand and program costs.



Proposed WDO Fees (draft)

Type of Development	Demand Offset Fee ¹			Weighted Average Offset Costs
	Offset Cost for Bathroom Conversion	Offset Cost with CII Turf Rebate	Offset Cost with Washer Rebate	
RESIDENTIAL (per housing unit)				
Single Family Residential				
Small Lot (6,000 sq. ft. and under)	\$1,936	\$2,039	\$2,167	\$1,964
Large/Medium Lot (over 6,000 sq. ft. to 1 acre)	\$2,743	\$2,888	\$3,069	\$2,782
Large Lot (over 1 acre)	\$4,976	\$5,241	\$5,569	\$5,047
Duplex and Triplex	\$1,626	\$1,712	\$1,819	\$1,649
Condos, Apartments and Mobile Homes				
with separate irrigation	\$1,241	\$1,307	\$1,389	\$1,259
without separate irrigation	\$1,477	\$1,555	\$1,653	\$1,498
Eligible ADUs, SROs, Senior Housing, and Small, High-Density Apartment Units ²	\$856	\$902	\$958	\$868
COMMERCIAL, INDUSTRIAL, INSTITUTIONAL AND IRRIGATION				
Per Thousand Gallons per Month ³	\$410	\$431	\$458	\$415

¹ WDO fee is assessed per housing unit for residential and per TGAL for CII accounts

² Applies only to ADUs that are subject to Demand Fees. "SROs" are single Room Occupancy. Small, High-Density apartments include all apartments 750 square feet and smaller.

³ Water demand for these customers is based on the estimated annual water demand for each proposed project.

Proposed WDO Fee Schedule (draft)

Type of Development	WDO Fee
Residential Per Housing Unit	
Single Family Residential	
Small Lot (6,000 sq ft and under)	\$ 1,964
Large/Medium Lot (over 6,000 sq ft to 1 acre)	\$ 2,782
Large Lot (over 1 acre)	\$ 5,047
Duplexes and Triplexes per unit	\$ 1,649
Condos, Apartments, Mobile Homes per unit	
With separate irrigation service	\$ 1,259
Without separate irrigation service	\$ 1,498
Eligible ADUs, Senior Housing, Single Room Occupancy, and Small, High-Density Apartments per unit	\$868
Commercial, Industrial, Institutional and Irrigation (CII)	
Per thousand-gallon unit (TGAL) per month	\$415

Alternatives to charging developers WDO fees

- General Funds
 - Subsidize housing development WDO fees with General Funds.
 - Could have geographic limits (e.g., downtown core).
 - Could be limited to affordable, low-, and/or very-low-income housing.
- Water Funds
 - Rate payer revenues
 - Proposition 218 prohibits use of rate payer funds to subsidize other groups.
 - Cell tower revenue
 - Currently being used to assist low-income customers in H2O program.
 - Excess Use Penalties (water shortage Stages 5-8)
 - Not anticipated. Goal is to use progressive enforcement to help customers stay in compliance with water rationing requirements.

AB 602 Development Fees: Impact Fee Nexus

- Approved Sept. 28, 2021; Effective Jan 1, 2022.
- Local agency impact nexus studies must follow specific standards:
 1. Adopt study before adopting fees.
 2. Identify existing and proposed level of service and why new service is needed.
 3. After July 1, 2022, adopted study must either
 - a) Consider square footage of housing units for calculating fees, or
 - b) Make findings why square footage isn't appropriate for calculating the fees.
- WDO Fee Study not subject to AB 602 but would meet requirements.



Outreach to Development Community

- Informed development community and other interested parties about proposed WDO policy and fees
- Listed BPU and Council meetings dates
- Offered to provide draft policy and study
- Offered to make presentations



Next Steps



Nov 4 Board of Public Utilities
Consider recommendation
to Council to adopt policy

Nov 30 City Council
Public Hearing and
consider adopting policy

QUESTIONS & COMMENT

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