



Water Allocation Policy

PURPOSE

This policy is established via Resolution No. 17, Series 2023 for the purpose of allocating Town's available and usable water rights to align with community goals and needs. The desired outcomes of this policy are:

- To guide the determination of whether or not there are sufficient water rights, as measured in Single-Family Equivalents (SFEs), to serve proposed development.
- To create a reasonable assurance that remaining water rights will be tapped for purposes that will help strengthen the community, its workforce, families, institutions, and businesses.
- To create a framework for future Board and staff to follow in updating this policy.

BACKGROUND, DEFINITIONS & REFERENCES

While water rights and their dedication, allocation, or obligation – indeed their very availability and quantity – have been topics of interest for many decades, far more focus, expertise, and data has been placed on the topic over the last few years. The following are a brief summary to provide references for further understanding of what has led to this policy.

- Ordinance No. 5, Series 2021 established a framework and calculation for the dedication of water at annexation and other stages of the development process. One result of this ordinance was the creation of the water rights dedication and fee-in-lieu framework that is in use today.
- Ordinance No. 8, Series 2021 amended and clarified Ordinance No. 5 – clarifying, among other topics, that a $\frac{3}{4}$ " water meter, for residential uses, would qualify as one single family equivalent (SFE) of water.
- Resolution No. 42, Series 2021 approved and adopted the 2021 Water Resource Master Plan (WRMP), available on the Town's website, which details the Town's total available water rights in a dry-year scenario as 2511 SFEs.
 - Based on this master plan, staff created the Water Dashboard report which broke down this 2511 number into what was in-use, obligated, dedicated, and available for new development. The most recent update to this dashboard is attached here below as Exhibit A.
- Resolution No. 20, Series 2022 approved the Wright Water Engineering 2022 Water Rate Study, which laid the methodology and groundwork for Resolution No. 26, Series 2022, which updated water billing rates and fees for dedication fee-in-lieu, System Development Fees, and monthly consumption rates.
- Resolution No. 21, Series 2022 created three reserved categories of SFEs:
 1. Fifty-five SFEs were reserved for the Carbonate Street development.
 2. One hundred twenty-five SFEs were reserved for 'infill' as defined in the resolution and shown below in Figure 1.
 3. One percent of dry-year SFEs were reserved as a buffer to ensure the Town's water rights were not 100% depleted in the future.

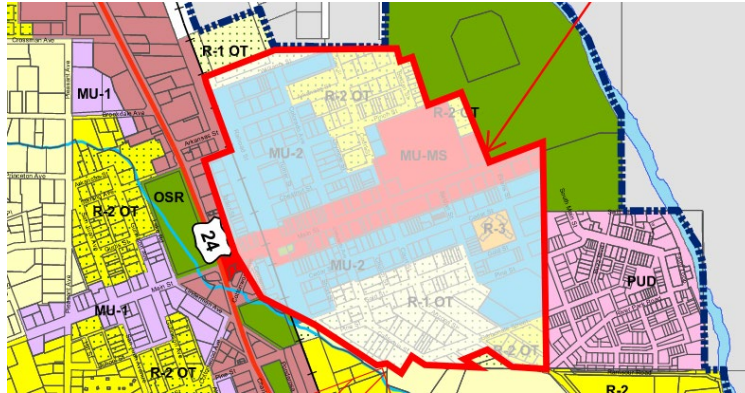


Figure 1 - "Infill" area as defined by Resolution No. 21, Series 2022.

Definitions:

Current In-Use – These SFEs have either been issued a building permit or a certificate of occupancy. In other words, these SFEs are either currently, or will be within a year, physically connected to and using Town’s water system.

Obligated – These SFEs already had development approvals as defined in Section 2 of Ordinance No. 8, Series 2021 and to which the Town has obligated the corresponding SFEs. The number of SFEs that are Obligated will only go down as these get ‘converted’ to Current In-Use SFEs.

Reserved – These SFEs have been reserved for specific lots or developments as a result of them having either paid the water fee-in-lieu or dedicating water rights to the Town for their development. Water may only be reserved at approval of building permits or, in the case of subdivision, final plat.

Allocated – These SFEs have been reserved for specific developments, categories of development, or other specific types of uses as defined by Board policy, as updated/amended from time to time.

Project water – Fryingpan-Arkansas Project water is a transmountain diversion from the Western slope to the Arkansas River. Because this water’s source is in the Colorado River Basin, and is relatively junior to the 1922 Colorado River compact, it is not considered reliable enough to plan on for permanent development.

ALLOCABLE SINGLE-FAMILY EQUIVALENTS

The monthly water dashboard that is included in the Planning Director’s report to the Board of Trustees summarizes the accounting of the current balance of SFEs for the Town. The current dashboard, as amended to match this policy’s categories, is attached as Appendix A.

The total number of allocable, or ‘available’ SFEs should be adjusted and amended at least annually, and may be increased if:

- New water is acquired and is ready and available for development; or

The total number of available SFEs should be lowered if:

- A new Water Resource Master Plan is adopted which incorporates new data that lowers the total available SFEs in a dry-year scenario.

The water dashboard provided to the Board on January 24, 2023 showed a total number of allocable SFEs of 478.3.

Starting allocable SFEs = 478.3

ALLOCATION POLICY

This policy allocates 100% of the Town’s water rights that are available and usable as of the date of adoption. This policy shall be revisited and updated or amended at the Board’s discretion as guided by the *Changes to this Policy* section on Page 7.

This policy creates the following categories into which it allocates specific numbers of SFEs. When SFEs are available and the water fee-in-lieu is paid for a particular development, the number of SFEs as calculated in accordance with Section 16.05.3.6 of the Municipal Code are reserved.

This process only applies to developments where the developer proposes to satisfy the water dedication requirements of the Municipal Code with a fee-in-lieu payment. Developments that dedicate their own water rights (as approved by the Town in its sole discretion) would not be subject to that process or policy.

NO OBLIGATION

The Town does not have any obligation to provide water service to a new development which does not have obligated or dedicated SFEs in an adequate amount or has dedicated water rights to the Town.

ALLOCATION CATEGORIES

The table below details the eight categories of available SFEs into which developments choosing to pay the dedication fee-in-lieu must fit in order to gain development approvals.

| Category, Intent, Definition & Rationale | Allocated SFEs |
|---|----------------|
| <p>Emergency Use <u>Intent:</u> This category is established to ensure 10% of allocable SFEs are available to the Town, at its discretion, to use in emergency situations.</p> <p><u>Definition:</u> Emergency Use water may be dedicated or used in cases including but not limited to extreme drought or weather events, loss of Project water augmentation rights, etc.</p> <p><u>Rationale:</u> The 2511 SFEs as calculated in the Water Resource Master plan’s dry-year scenario was meant to be conservative in nature. However, the Board of Trustees felt it prudent to ensure that these Emergency Use SFE remain available in the case of unforeseen circumstances.</p> | 47.3 |
| <p>Infill <u>Intent:</u> This category is established to provide SFEs for the infill and development of specific geographic areas as defined below.</p> | 90 |

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| <p>Definition: Development of parcels in between and including those abutting Williams Street to the north, Carbonate Street to the south, Tabor Street to the west and to the western boundary of the South Main PUD Street to the East. Shown in Figure 1 above. Except for the Carbonate Street Development, any development being proposed in this geographic area which might otherwise fit in another category shall be first allocated SFE from this Infill category.</p> <p>Rationale: Town has significant interest in seeing existing vacant lots in the greater downtown core develop. These lots are near existing infrastructure, can more easily be serviced with existing Town staff capacity, and will result in more density, economic development, and housing units. The number of SFEs allocated to Infill is based on rough projections of the remaining vacant parcels in this area being developed.</p> <p>Comp Plan Reference: Chapter 4, Goal 2</p> | |
| <p>Carbonate Street Development</p> <p>Intent: This category is established to ensure sufficient SFEs for the completion of the two-phase Carbonate Street project on Town-owned land.</p> <p>Definition: Development of Lots 7-16 of Block 66, Block 74 and portions of Utah Street as shown in the Carbonate Street sketch plan as presented to the Board on June 28th, 2022. Shown as Exhibit B here below.</p> <p>Rationale: Town has significant interest and investment in the completion of this development to provide deed-restricted rental and for-sale housing along with commercial space intended for childcare. The number of SFEs allocated here will cover Phase I and leave at least 15 for Phase II. If additional are needed for Phase II they can come from the Infill category.</p> <p>Comp Plan Reference: Chapter 3, Goal 3; Chapter 4, Goals 1, 2, & 4</p> | 36 |
| <p>Economic Development</p> <p>Intent: This category is established to reserve SFEs for commercial, industrial, and other non-residential uses and developments.</p> <p>Definition: Development that results in the creation of, or the maintenance of, existing year-round jobs in Town and does not fit into any other category.</p> <p>Rationale: Town services and community life are tied directly to the health and vibrancy of our business community. Ensuring SFEs are available for commercial purposes is an important step to supporting a year-round economy. This number of SFEs is roughly based on allowing four SFE per currently vacant commercial or industrial lot. This number is most likely not enough to fully build out vibrant commercial and industrial uses on all these lots. However, it should provide for 4+ years of growth.</p> <p>Comp Plan Reference: Chapter 3 in its entirety</p> | 40 |

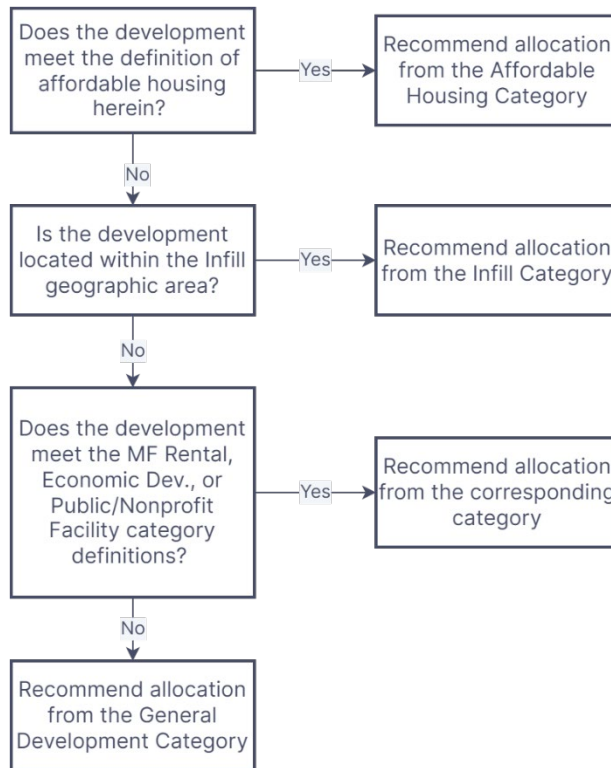
| | |
|--|----|
| <p>Public, Nonprofit, or Institutional Facilities</p> <p><u>Intent:</u> This category is established to reserve SFEs for development which serves community benefit or provides critical community services and does not fit into any other categories.</p> <p><u>Definition:</u> Development of government or special district facilities, school facilities, or facilities owned by a registered 501c3 nonprofit organization.</p> <p><u>Rationale:</u> A thriving public sector (nonprofit, government, emergency services) is crucial to Town’s health. In addition, having at least some SFEs for a potential growth in school facilities is necessary as the community grows. According to the Wright Water Engineers SFE calculation tool, a school the size of Avery Parson’s Elementary would need roughly 15 SFE, leaving another 15 for other facilities (outside the Infill area).</p> <p><u>Comp Plan Reference:</u> Community Vision & Community Services</p> | 20 |
| <p>Multi-Family Rental Housing</p> <p><u>Intent:</u> This category is established to allocate SFEs to small and large multi-family rental housing projects that do not fit into any other category herein..</p> <p><u>Definition:</u> Development which includes multi-family buildings with 3 or more units AND a permanent deed restriction on that property prohibiting condominiumization of all units.</p> <p><u>Rationale:</u> The 2022 update to the Chaffee County Housing Needs Assessment clearly demonstrates the dire need in our community for rental housing. By prohibiting condominiumization of those units, Town is assured that the built housing units will stay in the rental market in perpetuity. Multi-family units each account for .6 of an SFE, hence the odd number SFE allocation (sufficient for up to 133 units).</p> <p><u>Comp Plan Reference:</u> Chapter 3, Goal 3; Chapter 4, Goals 1, 2, & 4</p> | 65 |
| <p>Affordable, Attainable, & Workforce Housing</p> <p><u>Intent:</u> This category is established to allocate SFEs for subsidized or unsubsidized residential development which meets the housing needs of the community as defined below.</p> <p><u>Definition:</u> Residential development that meets two or more of the criteria listed below. Up to thirty percent (30%) of the lots created using the density bonus of the R-1.5 Zone District may qualify for SFEs from this category.</p> <ul style="list-style-type: none"> • 100% of all lots in this bucket MUST have a deed restriction or similar legally binding and recorded instrument prohibiting short-term rentals in perpetuity; AND • For any rentals: <ul style="list-style-type: none"> ○ Minimum 30-year deed restrictions on all units for 140% AMI or below; OR | 75 |

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|---|--------------|
| <ul style="list-style-type: none"> ○ Minimum 30-year deed restrictions on half of all units at 100% AMI or below; OR ○ Minimum 15-year deed restrictions on all units at 80% AMI or below; OR ○ Any other deed restrictions or management agreement as endorsed and managed by Chaffee Housing Authority ● For any for-sale units: <ul style="list-style-type: none"> ○ Deed restrictions on all properties in perpetuity limiting annual appreciation to 5%; OR ○ Deed restrictions on half of all properties in perpetuity to serve 140% AMI or below; OR ○ 15-year deed restrictions on half of all properties at 120% AMI and 5% appreciation thereafter; OR ○ Any other agreement or deed restriction as endorsed or managed by the Chaffee Housing Authority or the Chaffee Housing Trust <p><u>Rationale:</u> The 2022 update to the Chaffee County Housing Needs Assessment (HNA) clearly demonstrates the dire need in our community for housing that is attainable for those earning 200% AMI and below, with 70% of that need being among households earning 120% AMI or below. The HNA further details how housing unit supply growth has outstripped population growth over the past 6 years, meaning that simply building more market-rate housing units will not necessarily lead to more affordability. While the need for development that fits this category is far greater than the number allocated, it is recognized that without additional cash subsidies, it will take a number of years for this category to be built out.</p> <p><u>Comp Plan Reference:</u> Chapter 3, Goal 3; Chapter 4, Goals 1, 2, & 4</p> | |
| <p>General Development</p> <p><u>Intent:</u> This category is established to allow SFEs to be available for general development that does not fit into any other category herein.</p> <p><u>Definition:</u> Development that cannot fit, either entirely or in part, into another category as provided in this policy.</p> <p><u>Rationale:</u> There are many market-rate and other types of development which may not be contemplated within the specific categories of this policy.</p> | 105 |
| Total | 478.3 |

ASSIGNING SFEs TO DEVELOPMENT APPLICATIONS

The authority to assign SFEs to specific development applications from one or more of these categories rests with the person or body otherwise responsible for the approval of the project. For example, a minor subdivision’s SFE allocation would be approved by the Town Administrator as a part of their approval of the plat. The Planning & Zoning Commission would approve allocations for Major Site Plan and Special Use Permit applications, and the Board would approve for all other types of cases.

Staff will work with the applicant to understand the proposed development and recommend allocations accordingly – using this flow-chart as a guide. Staff recommendation may allocate SFE to one development from multiple different categories and should include a rationale.



CHANGES TO THIS POLICY

This policy may be amended at the discretion of the Board of Trustees. However, the Board acknowledges that a constantly changing water allocation policy is not in anyone’s best interest. Therefore, the following triggers have been identified and shall be used, together with the below outlined process, for amending or updating this policy.

Triggers for reviewing and amending or updating this policy:

- Acquisition of new usable water rights, or the point in time in which currently held water rights become available for use; or
- A community-level emergency or disaster which requires the permanent use of more than 50% of the Emergency Use category SFEs; or
- The completion and adoption of a new long-range (5+ years) plan; or
- The balance of available SFEs in any one of the categories above being reduced to 10 or less SFEs while the General Development category is also below 10 SFE; or
- The availability of new Town-controlled funding sources that may provide subsidy for development in any one of the above categories; or
- Annually at a meeting of the Board of Trustees in March.

Process for updating/amending this policy:

1. At any of the trigger points identified above, Board will hold a work session to discussion trigger type, rationale, and give staff direction for drafting amendments to the policy. At this work session, staff will present information summarizing data that the Board may use in order to provide direction to staff on how, or if, to amend this policy.
2. Staff will draft policy amendments and publish in full draft form for public comment for a minimum of three weeks.
3. Staff will compile submitted comments together with a final draft policy to be considered in a properly noticed public hearing before the Board of Trustees.