

June 7, 2008

Water-Starved California Slows Development

By [JENNIFER STEINHAUER](#)

PERRIS, Calif. — As [California](#) faces one of its worst droughts in two decades, building projects are being curtailed for the first time under state law by the inability of developers to find long-term water supplies.

Water authorities and other government agencies scattered throughout the state, including here in sprawling Riverside County, east of Los Angeles, have begun denying, delaying or challenging authorization for dozens of housing tracts and other developments under a state law that requires a 20-year water supply as a condition for building.

California officials suggested that the actions were only the beginning, and they worry about the impact on a state that has grown into an economic powerhouse over the last several decades.

The state law was enacted in 2001, but until statewide water shortages, it had not been invoked to hold up projects.

While previous droughts and supply problems have led to severe water cutbacks and rationing, water officials said the outright refusal to sign off on projects over water scarcity had until now been virtually unheard of on a statewide scale.

“Businesses are telling us that they can’t get things done because of water,” Gov. [Arnold Schwarzenegger](#), a Republican, said in a telephone interview.

On Wednesday, Mr. Schwarzenegger declared an official statewide drought, the first such designation since 1991. As the governor was making his drought announcement, the Eastern Municipal Water District in Riverside County — one of the fastest-growing counties in the state in recent years — gave a provisional nod to nine projects that it had held up for months because of water concerns. The approval came with the caveat that the water district could revisit its decision, and only after adjustments had been made to the plans to reduce water demand.

“The statement that we’re making is that this isn’t business as usual,” said Randy A. Record, a water district board member, at the meeting here in Perris.

Shawn Jenkins, a developer who had two projects caught up in the delays, said he was accustomed to piles of paperwork and reams of red tape in getting projects approved. But he was not prepared to have the water district hold up the projects he was planning. He changed the projects’ landscaping, to make it less water dependent, as the board pondered their fate.

“I think this is a warning for everyone,” Mr. Jenkins said.

Also in Riverside County, a superior court judge recently stopped a 1,500-home development project, citing, among others things, a failure to provide substantial evidence of adequate water supply.

In San Luis Obispo County, north of Los Angeles, the City of Pismo Beach was recently denied the right to annex unincorporated land to build a large multipurpose project because, “the city didn’t have enough water to adequately serve the development,” said Paul Hood, the executive officer of the commission that approves the annexations and incorporations of cities.

In agriculturally rich Kern County, north of Los Angeles, at least three developers scrapped plans recently to apply for permits, realizing water was going to be an issue. An official from the county’s planning department said the developers were the first ever in the county to be stymied by water concerns. Large-scale housing developments in Santa Barbara and San Luis Obispo Counties have met a similar fate, officials in those counties said.

Throughout the state, other projects have been suspended or are being revised to accommodate water shortages, and water authorities and cities have increasingly begun to consider holding off on “will-serve” letters — promises to developers to provide water — for new projects.

“The water in our state is not sufficient to add more demand,” said Lester Snow, the director of the California Department of Water Resources. “And that now means that some large development can’t go forward. If we don’t make changes with water, we are going to have a major economic problem in this state.”

The words “crisis” and “water” have gone together in this state since the 49ers traded flecks of gold for food. But several factors have combined to make the current water crisis more acute than those of recent years.

An eight-year drought in the Colorado River basin has greatly impinged on water supply to Southern California. Of the roughly 1.25 million acre-feet of water that the region normally imports from that river toward the 4.5 million acre-feet it uses each year, 500,000 has been lost to drought, said Jeff Kightlinger, the general manager of the Metropolitan Water District of Southern California.

Even more significant, a judge in federal district court last year issued a curtailment in pumping from the California Delta — where the Sacramento and San Joaquin Rivers meet and provide water to roughly 25 million Californians — to protect a species of endangered smelt that were becoming trapped in the pumps. Those reductions, from December to June, cut back the state’s water reserves this winter by about one third, according to a consortium of state water boards.

The smelt problem was a powerful indicator of the environmental fallout from the delta’s water system, which was constructed over 50 years ago for a far smaller population.

“We have bad hydrology, compromised infrastructure and our management tools are broken,” said Timothy Quinn, the executive director of the Association of California Water Agencies. “All that paints a fairly grim picture for Californians trying to manage water in the 21st century.”

The 2001 state water law, which took effect in 2002, requires developers to prove that new projects have a plan for providing at least 20 years’ worth of water before local water authorities can sign off on them. With

the recent problems, more and more local governments are unable to simply approve projects.

“Water is one of our most difficult issues when we are evaluating large-scale projects,” said Lorelei Oviatt, the division chief for the Kern County Planning Department. In cases where developers are unable to present a long-term water plan, “then certainly I can’t recommend they approve” those developments, Ms. Oviatt said.

As the denied building permits indicate, the lack of sufficient water sources could become a serious threat to economic development in California, where the population in 2020 is projected to reach roughly 45 million people, economists say, from its current 38 million. In the end, as water becomes increasingly scarce, its price will have to rise, bringing with it a host of economic consequences, the economists said.

“Water has been seriously under-priced in California,” said Edward E. Leamer, a professor at the Anderson School of Management at the University of California, Los Angeles. “When you ration it or increase its price, it will have an impact on economic growth.”

The water authority for Southern California recently issued a rate increase of 14.3 percent, when including surcharges, which was the highest rate increase in the last 15 years. In Northern California, rates in Marin County increased recently by nearly 10 percent, in part to pay an 11 percent increase in the cost of water bought from neighboring Sonoma County.

Interest groups that oppose development have found that raising water issues is among the many bats in their bags available to beat back projects they find distasteful.

“Certainly from Newhall Ranch’s standpoint, water was a key point that our opponents were focused on,” said Marlee Lauffer, a spokeswoman for Newhall Ranch, a large-scale residential development in the works is Santa Clarita, north of Los Angeles. The City of Los Angeles, among others, has opposed the development.

To get around the problem, Newhall Ranch’s planners decided to forgo water supplied through the state and turn instead to supplies from an extensive water reclamation plant as well as water bought privately. Other developers, like Mr. Jenkins, have changed their landscaping plans to reduce water needs and planned for low-flow plumbing to placate water boards.

Mr. Schwarzenegger sees addressing the state’s water problem as one of his key goals, and he is hoping against the odds to get a proposed \$11.9 billion bond for water management investments through the Legislature and before voters in November.

The plans calls for water conservation and quality improvement programs, as well as a resource management plan for the delta. Among its most controversial components is \$3.5 billion earmarked for new water storage, something that environmentalists have vehemently opposed, in part because they find dams and storage facilities environmentally unsound and not cost effective.

The critics also point out that the state’s agriculture industry, which uses far more water than urban areas, is being asked to contribute little to conservation under the governor’s plans. As more building projects are derailed by water requirements, the pressure on farmers to share more of their water is expected to grow.

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