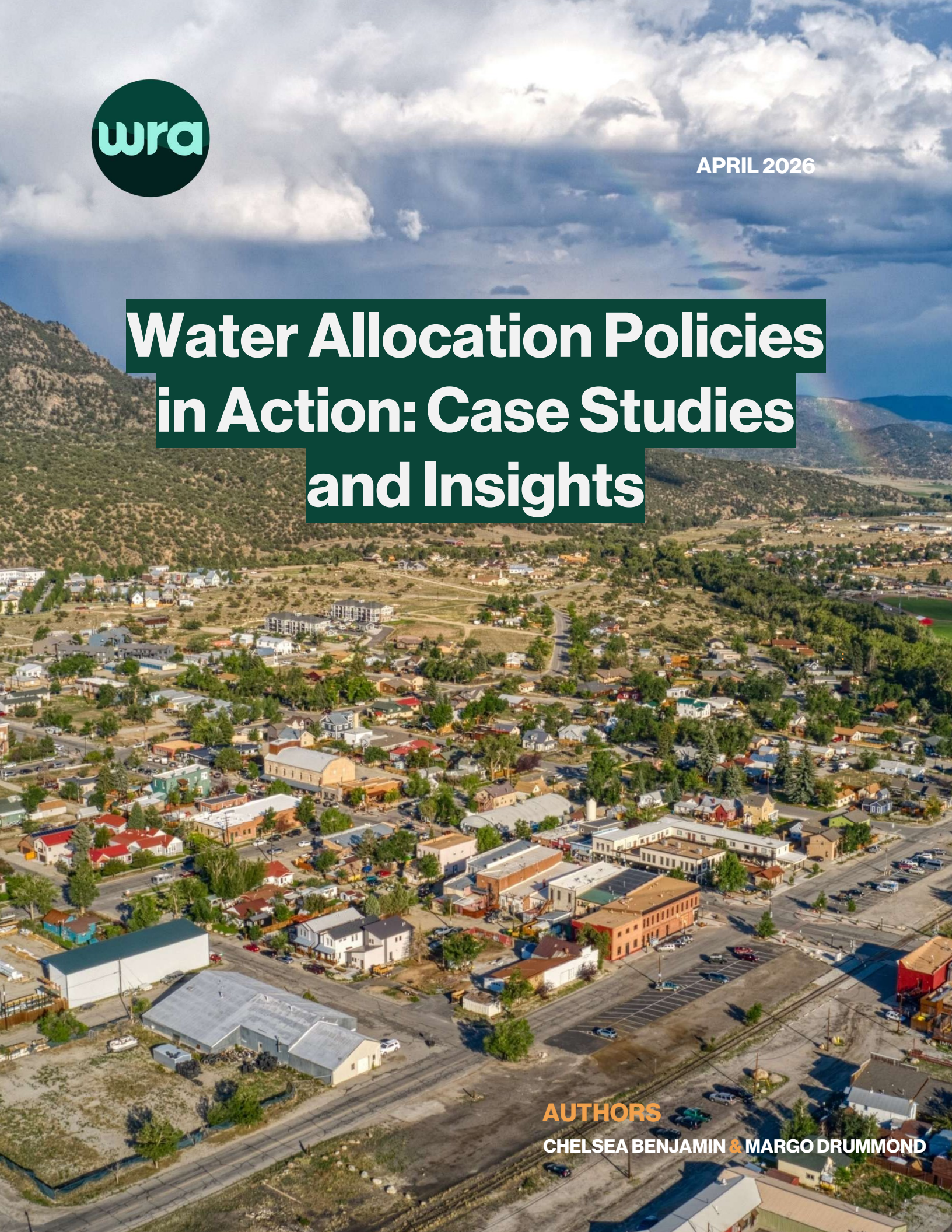

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Water Allocation Policies in Action: Case Studies and Insights

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Executive Summary

Water allocation policies offer municipal water providers a framework to manage water resources in alignment with long-term community goals and development priorities. By setting guidelines for serving new development, these policies connect water availability to community priorities such as economic growth, affordable housing, and desired industries. They are used by communities of all sizes to responsibly manage water resources as growth occurs.

Water allocation policies have cropped up in the Interior West over the past decade as fast-growing cities have run up against the limits of their water supply in an increasingly arid region. This report provides case study examples of how these policies were designed and implemented in the town of Frederick, Colorado, the town of Buena Vista, Colorado, and the city of Chandler, Arizona. Each policy was structured to improve future water supply security and to achieve unique community needs and goals such as discouraging large industrial water developments, reducing water speculation, and encouraging more attainable housing. Community representatives shared that one of the most unexpected pieces of the water allocation policy development process was the administrative load that came with policy implementation and the need to coordinate across city departments. They emphasized that community input in the process helped them adapt their policies to best meet their needs.

Based on the case study findings and interviews with other communities in the Interior West that do not currently have a water allocation policy, these policies are likely best suited for communities that have limited water resources that would be overallocated at full build-out, have some available city-owned water rights and don't just require developers to bring their own water rights, and are still experiencing growth and development pressures. Communities without water allocation policies may employ other related policy tools to ensure their growth is aligned with their water resource availability and infrastructure capacity. Water allocation and other related policies can be adapted to unique local needs and help communities in the West continue to thrive as water resources become more scarce, costly, and unpredictable due to climate change and intensifying drought conditions.

Water Allocation Policies in Action: Case Studies and Insights

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Background

Water allocation policies provide a strategic framework for a municipal water provider to allocate finite water resources in alignment with their community's long-term sustainability goals, priorities, and growth patterns. These policies set parameters around supplying water to new development in the community, linking water supply to community priorities like economic growth, affordable housing, and other industries the community is trying to attract. Water allocation policies are tailored to meet the needs and strategic priorities of the community, and they work in both large and small communities that share a common goal of best stewarding water resources during periods of growth. Over time, these policies have become more widespread, particularly in the Interior West, as new water supplies have grown increasingly scarce and difficult to secure.

Water allocation policies are one of a variety of integrated water and land use planning tools — such as water adequacy standards or water demand offset programs — that can be used to align new development to water supply planning. They help to distribute water purposefully in water-constrained communities while balancing economic development, land use planning, and conservation efforts. These policies are triggered during the development review process, when new developments are proposed in a community. Without such policies, municipal water providers have limited say in the types of development that occur in their community, and water distribution for new development often occurs on a first-come, first-served basis. This can lead to inefficient or unsustainable development, water speculation, and water use patterns that are not aligned with community goals.

As detailed in the case studies below, water allocation policies can:

- **Promote sustainable growth** by linking water supply to land use planning to prevent overdevelopment.
- **Support economic and community development** by preserving critical water resources while fostering business and housing opportunities that align with community needs.
- **Encourage efficient water use** by establishing conservation standards for development.
- **Reduce speculative land and water holding** by preventing water hoarding and promoting timely development of valued projects.
- **Improve cross-sector coordination** by strengthening collaboration between municipal planning, utilities, and development sectors.

Case Studies

Over the past decade, water allocation policies have emerged across the Interior West as rapidly growing cities confront the constraints of increasingly limited water supplies in a drier climate. The following case studies provide examples of how these policies have been designed and implemented in the town of Frederick, Colorado, the town of Buena Vista, Colorado, and the city of Chandler, Arizona. They include insights into the unique approaches adopted in each community to address local priorities and lessons learned from the implementation process.

Town of Frederick, Colorado

Town Profile

Frederick is a small but rapidly growing Colorado town located north of Denver along the Front Range Urban Corridor. With a current population of approximately 15,000, the town is projected to grow to between 60,000 and 70,000 residents at full build-out. The town's current water supply is limited and sourced from a mix of Colorado-Big Thompson (CBT) Project[1] units and Windy Gap Project[2] water, making proactive resource management essential in the face of climate change and increasing development pressure.

In May 2024, Frederick adopted a Water Reservation and Allocation Policy to establish a strategic, transparent framework for managing water resources in expectation of rapid community growth. The town learned about water allocation policies while attending the Colorado Growing Water Smart workshop in May 2023 and the team determined that this would be a useful approach in Frederick. The policy is designed to enable the town to proactively manage its water portfolio, guide sustainable development, and ensure that new growth aligns with community values.

Policy Development and Goals

The Water Reservation and Allocation Policy,[3] established under Town Code Section 13-2-230 in 2024, creates a formal process for reserving and allocating water resources to qualifying development projects. The reserved water comes from the town's water bank, a portfolio of municipally owned water rights.

The policy was developed largely in response to challenges with the town's former cash-in-lieu program.[4] Under that system, developers could pay to reserve water without clear development timelines. This complicated short- and long-term water planning efforts.

The policy was designed to tie water commitments directly to development approval, enhancing accountability and transparency. It was also developed with the intention of prioritizing development projects that would be built according to community priorities, including providing economic value and

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[1] Northern Water, "Colorado-Big Thompson Project," accessed March 20, 2026, **https://www.northernwater.org/water/projects/colorado-big-thompson-project**.
[2] Northern Water, "Windy Gap Project," Accessed March 20, 2026, **https://www.northernwater.org/water/projects/windy-gap-project**.
[3] "Town of Frederick, Colorado Water Reservation and Allocation Policy," adopted January 14, 2025, Accessed March 20, 2026, **https://www.frederickco.gov/DocumentCenter/View/28520/Water-Reservation-and-Allocation-Policy-Adopted-20250114**.
[4] Cash-in-lieu refers to a type of water service connection fee where developers pay a fee to the utility to supply their water instead of purchasing their own water rights and dedicating those rights to the utility.

affordable housing, and that would be built in a timely manner to reduce water speculation among developers.

Frederick developed its policy after researching similar policies in **Chandler, Arizona**; **Buena Vista, Colorado**; and **Knightdale, North Carolina**, which informed the structure and key points of the town's policy.

How It Works

- **Application:** Developers who believe their project qualifies under one of the **Qualified Project** categories listed below submit an application to the town.
- **Staff Review and Agreement Drafting:** If town staff determine that the project is eligible to purchase water credits through the policy, they will work with the applicant to draft a Water Reservation and Allocation Agreement. This agreement includes an estimate of the amount of water the project will require. Eligible projects are required to include exemplary water efficiency standards which lower water use below that of comparable developments built according to building code. These standards are outlined in the water allocation agreement.
- **Board Review:** The agreement is presented to the town Board of Trustees for final approval or denial. The board also determines the final volume of water to be dedicated to the project.
- **Water Reservation**: Upon approval of the Water Reservation and Allocation Agreement and payment of applicable fees, a water reservation is made.
- **Water Allocation**: Once all water credit fees are paid and the project receives full development approval, the reservation is converted into a water allocation.
- **Reservation Timelines**: Initial water reservations are granted for a one-year term and may be extended for up to five years at the discretion of the board, particularly for large projects with longer build-out times. If a reservation or allocation expires and no extension is given, the associated water is returned to the town's water bank.
- **Standard Projects:** Developments that do not fall within the above qualified project categories may still proceed but must independently acquire water and dedicate it to the town.

Qualified Projects

The Water Reservation and Allocation Policy identifies three categories of projects that may be eligible to receive water from the town water bank. While the policy outlines the categories, final decisions are made at the discretion of the Board of Trustees.

1. **Key economic development projects:** Based on findings from an industry cluster study, the town aims to attract and support specific industry sectors. These include:
    a. Targeted research and industrial facilities
    b. Hospitals
    c. Childcare centers
    d. Projects of economic significance, as determined by the board

2. **Critical land use needs**
    a. Attainable housing,[5] subject to deed restrictions to ensure long-term affordability
    b. Housing for older people
3. **Infill projects**
    a. Prioritizes development where there is existing infrastructure to prevent sprawl

If a developer fails to meet the terms of the *Water Reservation and Allocation Agreement*, the town may withhold building permits, water connections, or certificates of occupancy until the issue is resolved. Unused water reservations may expire after nine months of unresolved default. Additionally, in cases where serious water waste occurs, the town may revoke allocations.

Key Takeaways

Frederick's experience offers several lessons for communities exploring a similar approach. One key takeaway from town staff is the importance of anticipating the administrative demands that come with implementing a water allocation policy. Staff noted that designing internal workflows alongside the policy — rather than after its adoption — would have made the rollout more efficient. The final implementation of the policy involved more work than they realized; tracking systems had to be designed, and coordination had to be arranged with the water allocation committee. The water allocation committee is made up of internal stakeholders who provide recommendations to the town Board on the eligibility of proposed projects. Coordination also regularly takes place with other departments that help evaluate development proposals, including economic development, planning, legal, and the water resources department.

Equally important has been the focus on communication. Clear, accessible guidance for developers — both in the policy language itself and in how town staff engage with applicants — has helped reduce confusion and ensure smoother implementation. Creating user-friendly materials and setting clear expectations has made the process more transparent and manageable for all involved.

Frederick also designed the policy with adaptability in mind, which has proven helpful. The town conducts an annual review to assess available water supplies and consider updates to policy language or implementation practices. This built-in flexibility allows the town to respond to changing conditions, shifting priorities, and new opportunities.

Finally, Frederick staff noted that allocation policies like theirs may be particularly well suited to fast-growing communities. By linking water availability directly to project type and development timing, the policy provides a forward-looking framework that supports thoughtful growth while protecting long-term water supply.

Conclusion

Although still in its early stages, the town of Frederick's Water Reservation and Allocation Policy represents a proactive, adaptive approach to water management in a water-constrained and rapidly

[5] Per the Association for Improvement of American Infrastructure, the term attainable housing captures a variety of housing types for moderate- or middle-income households with incomes ranging between 80 and 120% of AMI; this population segment sometimes is referred to as the "Missing Middle" **https://aiai-infra.org/attainable-housing-terms.**

growing community. Its emphasis on strategic development, discretionary authority, and flexible implementation provides a strong model for communities navigating similar challenges.

Town of Buena Vista, Colorado

Town Profile

Situated in the Upper Arkansas River Valley, the town of Buena Vista is a small mountain community in central Colorado that is home to approximately 3,000 residents. Buena Vista operates its own municipal water utility, overseeing a portfolio of both senior and junior water rights from Cottonwood Creek, Fryingpan-Arkansas Project[6] water, and other sources. In recent years, the town has experienced growing development pressure and a rising need for attainable housing. At the same time, water acquisition has become more uncertain, as new water supplies are increasingly difficult to rely on due to increased drought and water scarcity in the region. These combined pressures prompted closer evaluation of the town's limited water resources and underscored the need for a more strategic, forward-looking approach to water management.

Policy Development and Goals

In February 2023, Buena Vista adopted a Water Allocation Policy[7] to create a structured framework for managing its water supply. The policy is designed to align water use with long-term community goals, ensure that new development remains both sustainable and intentional, and reduce uncertainty surrounding water availability.

The Water Allocation Policy was developed by the town's staff, elected officials, and legal team, all of whom were familiar with the town's pace of development and water rights. Input was also gathered from local groups that the policy would affect, like developers, to help ensure the policy reflected community priorities. The town Board of Trustees also held a work session to discuss policy development, which was advertised to the public.

How It Works

The policy enables the town to reserve water for priority projects, such as affordable housing, economic development, and infill, while managing limited supply and encouraging responsible growth.

The town uses Single-Family Equivalents (SFEs) as a standardized unit to track water allocations. One SFE is the amount of water used by the average three-bedroom, two-bath single family home in Buena Vista, approximately 350 gallons per day. The 2021 Water Resource Master Plan established the

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[6] U.S. Bureau of Reclamation, "Fryingpan-Arkansas Project," accessed March 20, 2026, **https://www.usbr.gov/projects/index.php?id=460**.

[7] Town of Buena Vista Resolution No. 27, Series 2024, "Buena Vista Colorado Water Allocation Policy," March 12, 2024, **https://www.buenavistaco.gov/DocumentCenter/View/4943/Water-Allocation-Policy-Amendments-03122024**.

town's available water supply in SFE units at 2,511 SFEs, using dry-year conditions as a baseline for planning.[8]

Each year staff categorize this dry-year supply into water that is in-use, obligated, dedicated, and available for development. This analysis is then used to revise and update the available SFEs under the water allocation policy annually. When the policy was initially adopted in February 2023 there were 478.3 SFEs available.[9] As of the latest update in March 2026, there are now 373.5 SFEs available.[10]

Qualified Projects

Buena Vista allocates the available SFEs of water across various development categories, each supporting a different facet of community and economic development. Current categories and SFE allocations as of March 2026 are as follows:

1. **Infill (73.4 SFEs)** Supports higher-density development within the downtown area to concentrate new development around existing water delivery infrastructure, prevent sprawl, and enhance quality of life
2. **Economic Development (44.6 SFEs)** Set aside for commercial and industrial projects that create jobs and support the local economy
3. **Public, Nonprofit, or Institutional Facilities (8.9 SFEs)** Allocated for facilities that serve the community, such as government buildings, schools, and nonprofits
4. **Multifamily Rental Housing (45 SFEs)** Supports housing projects with deed restrictions that prevent units from being converted into condominiums
5. **Affordable, Attainable, and Workforce Housing (55.6 SFEs)** Prioritizes water for projects that provide permanently affordable housing
6. **Non-Infill SFD/ADU (54.7 SFEs)** Supports single-family homes and accessory dwelling units (ADUs) outside of designated infill areas
7. **General Development (91.3 SFEs)** Allocated for development that does not fall under another specified category and can be applied to any type of development.
8. **Emergency Use (5 Acre Feet)** Reserved for unforeseen circumstances such as drought or water supply disruptions

These categories were designed to reflect the community's changing needs and priorities. Developers may apply to use SFEs from one or more categories, depending on the nature of their project. Once approved, projects reserve a water allocation for 10 years. After five years, if an approved project is not yet built, the holder of the water allocation is charged a maintenance fee. This was included in the water allocation policy to discourage water speculation and encourage timely build-out.

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[8] Wright Water Engineers, "Town of Buena Vista, Colorado Water Resources Master Plan," October 2021, **https://www.buenavistaco.gov/DocumentCenter/View/4361/Water-Master-Plan-2021-PDF**.
[9] Mark Krasnow, "Town of Buena Vista, CO Water Allocation Policy," Full Circle Real Estate Group, October 23, 2023, accessed March 23, 2026, **https://www.liveinbuenavista.com/town-of-buena-vista-water-allocation-policy/**.
[10] Town of Buena Vista, Colorado, 2026 Amendments to Water Allocation Policy **https://www.buenavistaco.gov/DocumentCenter/View/5627**.

Policy Evolution

The water allocation plan is updated annually to reflect changes in water availability and the town's development priorities.

For example, in 2024 the town approved a water augmentation agreement for the purchase of 50 acre-feet of augmentation water for municipal use, which has now been factored into the available SFEs. Initially, the allocations were mostly grouped into a general development category that could apply to any type of development, but over time have evolved to include more unique development category buckets to reflect specific community values (e.g., allocations for nonprofits, multifamily housing, etc.).

In 2025, the policy was updated to allow consideration of projects requesting water augmentation, and in 2026, it was updated to include parameters around water augmentation certificate requests. The update also includes language that waterwise landscaping must be included in new projects to receive water allocations.

The town also updated the policy in 2026 to include a limit that developers may only use general category credits for 90% of a single development. Additionally, a point-based system was developed to evaluate how well new development meets community priorities. Under this system, developers earn points by meeting community goals, such as incorporating affordable housing or preserving open space. Additional policy changes will be coordinated with the town's 2025 comprehensive plan to ensure consistency with broader planning goals.[11]

Key Takeaways

Buena Vista's experience highlights several key insights for other communities considering a water allocation policy. First, they found that strong water accounting is essential; a reliable and regularly updated system lays the foundation of an effective allocation process. Transparency has also played a critical role. Developers were initially wary of the policy adding complexity to the development process, and guidance by the town staff helped them to understand the rationale. Developers also panicked early on, submitting projects quickly to get them in while there was still water in the water allocation buckets. However, since the town has been able to add more water resources to their portfolio, developer fears have mellowed.

Buena Vista staff have found that the policy serves as a great tool to guide community-oriented growth, such as encouraging infill and affordable housing. Finally, Buena Vista's approach shows the value of balancing flexibility with accountability. Tools like the 10-year allocation window and a mid-term maintenance fee provide projects the time they need while still encouraging timely development.

Conclusion

While it is still early in its implementation, the policy has already begun to shape development patterns in Buena Vista. One recent large development was allocated water from several categories, with half of

[11] "Town of Buena Vista 2025 Comprehensive Plan," August 26, 2025, **https://buenavistaco.gov/documentcenter/view/5431**.

the project designated as affordable housing, demonstrating the policy's potential for steering growth toward community priorities.

Initial concern from developers has given way to greater receptiveness, particularly as town staff provide ongoing communication and updates. At the same time, it has increased public understanding of the town's water constraints and the trade-offs involved in managing growth. Residents are now participating more actively in conversations about the town's future, recognizing both the value and the limits of their water supply. Buena Vista's experience illustrates how thoughtful water management can serve as a foundation for sustainable, community-driven development.

City of Chandler, Arizona

City Profile

Chandler is a fast-growing suburb in the Phoenix metropolitan area that is home to over 280,000 residents. Its economy is driven by high-tech industry and manufacturing, and the city is now nearly 95% built out. Chandler relies on a diversified water portfolio that includes surface water supplies from the Salt, Verde, and Colorado rivers, reclaimed water, and a limited groundwater reserve.

As part of Arizona's Assured Water Supply program,[12] Chandler must demonstrate a 100-year guaranteed water supply for new development, relying primarily on renewable sources rather than mined groundwater. This requirement has prompted a proactive approach to water management, especially for high water use projects. In response to growing pressures on the Colorado River, Chandler has taken strategic steps to ensure long-term water security, adapting its policies to reflect evolving community needs and priorities.

Policy Development and Goals

In 2015, Chandler adopted its Sustainable Water Use Policy (City Ordinance No. 4634)[13] in response to a surge of interest from high water-use industries — particularly data centers — and scenario planning projections that indicated that, without intervention, available water supplies could be insufficient to meet their demands.[14] Around the same time, the city acquired $45 million in new water supplies and recognized the need for a strategic framework to guide how they would allocate those supplies. The

[12] Arizona Department of Water Resources, "Assured and Adequate Water Supply Program," accessed March 20, 2026, **https://www.azwater.gov/aaws/aaws-overview**.
[13] Chandler, Arizona Code of Ordinances, Article VI, "Sustainable Water Allocation Regulations," Part VIII — Utilities, Section 52, MuniCode, accessed March 20, 2026, **https://library.municode.com/az/chandler/codes/code_of_ordinances?nodeId=PTVIIIUT_CH52WASE_ARTVISUWAALRE_52-43POES**.
[14] Chandler, Arizona City Council Work Session PowerPoint, February 3, 2025, accessed March 20, 2026, **https://public.destinyhosted.com/chanddocs/2025/CC/20250203_1675/7526_Council_Work_Session_02_03_2025_final.pdf**.

policy was designed to support continued economic growth without exceeding water capacity, to align water use with the city's long-range planning and sustainability goals, and to ensure compliance with the Arizona Assured Water Supply requirements.

How It Works

The policy applies to "multiple and large meter users" (MLM users), which are those that exceed Tier 1 water usage, explained below; require a 3-inch or larger meter (or multiple equivalent meters); or use over 50,000 gallons per day on average. This is equal to approximately 56 acre-feet annually.

Three-Tier Allocation Framework

Chandler evaluates the level of water allocations needed for all new development against a tier structure.

- **Tier 1 Base Allocation**: This is the standard allocation for all water users, based on average demand by land use type (e.g., 200 gallons per day per 1,000 sq. ft. of office space). Most development falls into this allocation category, and water is allocated to approved projects from the city with no additional requirements.
- **Tier 2 Quality of Life Allocation**: This tier is reserved for high-water-use projects that use significantly more water per square foot than projects that qualify for Tier 1 water, but that offer substantial community benefits such as high-wage jobs, strategic neighborhood redevelopment or revitalization, or significant tax revenue. Tier 2 water is sourced from the city's surface water supplies acquired from the Colorado River via the Central Arizona Project. Since these supplies were expensive to obtain and are less reliable over time as Arizona's Colorado River allocations decline in dry years, Chandler wants to be strategic about how these supplies are allocated.
- **Tier 3 Market-Based Allocation**: Applies to projects that exceed Tier 1 usage but do not qualify for Tier 2 water because they do not provide significant community benefits. These users must acquire their own 100-year water resources beyond the Tier 1 allocation the city provides.

Projects seeking Tier 2 water must clearly demonstrate alignment with city goals, as outlined in the city's most recent Water and Wastewater Master Plan, and undergo review by the Water Utility and Economic Development Directors. Final decisions are made by the city council after staff vetting. Only one project has been approved for Tier 2 water in the policy's 10-year history. The city has found that most high-demand users self-select out of the process upon realizing they fall under Tier 3.

Policy Evolution

Chandler's Sustainable Water Use Policy was originally designed for new, mostly nonresidential development on vacant land. With the city nearing full build-out, Chandler updated its policy in spring 2025 to reflect new development dynamics that are shifting toward redevelopment and infill.
The updated policy clarifies that it applies to redevelopment projects and land use changes, as there was a misunderstanding that it applied only to new projects. It also incorporates high-density residential (HDR) and mixed-use developments that exceed 12 dwelling units per acre under the allocation policy to better plan for water and sewer needs. HDR and mixed-use developments include a

70% return flow credit since most of this water is used indoors and then returned to the municipal water system. This makes these types of development more likely to qualify for Tier 1 water allocations. Finally, the updated policy removes prior exemptions for landscape meters and reclaimed meters that use recycled water.

These changes reflect Chandler's pivot toward infill and redevelopment, as well as the declining availability of Tier 2 water due to reduced Colorado River flows.

Key Takeaways

Chandler's experience implementing a water allocation policy offers valuable guidance for other communities. One of the most important lessons across case study communities is the need to plan for staffing and coordination. Chandler staff found that administering the policy is staff-intensive, requiring close collaboration between departments throughout the planning and permitting processes. Integrating the policy into municipal workflows was a significant challenge, and its success has relied on strong coordination between Chandler's Water Resources, Economic Development, Planning, Building, and Civil Review teams.

Early engagement with applicants has also been critical. Proactive conversations between Chandler's Economic Development team and businesses have helped identify projects that may trigger the policy and provided guidance to applicants on what to expect from the process. This early dialogue helps applicants navigate the system smoothly and learn early on whether their water demands fall within standard allocations or may require additional steps.

Community outreach has also been important. The city's efforts to have open communication with developers and business owners, such as presenting policy updates to the business chamber, have helped build awareness and understanding of the policy.

Chandler's experience also highlights the importance of tailoring water allocation policies to the local context. Local development patterns, infrastructure capacity, and water supply conditions all play a role in shaping how a policy should be designed and implemented. For instance, neighboring Gilbert, Arizona, which has a similar policy, sets a different threshold for defining high-volume users, reflecting its unique water supply circumstances.[15] Chandler is also in a unique position with a newly acquired water portfolio dedicated to Tier 2 development — a set-aside resource that many other communities may not have. These differences highlight the need for thoughtful customization rather than a one-size-fits-all approach.

Finally, Chandler's experience demonstrates the importance of timing and adaptation. Implementing a water allocation policy early in a city's build-out allows for greater influence over how growth unfolds. Chandler adopted its policy when there was still plenty of greenfield space, giving the city an opportunity to shape new large-scale growth. Now, as the city nears full build-out, the focus of the policy has evolved, shifting from managing new development to shaping redevelopment and infill.

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[15] Gilbert, Arizona City Code of Ordinances, Article X: Sustainable Water Allocation Regulations, Section 66 — Utilities Operations, MuniCode, accessed March 20, 2026, **https://library.municode.com/az/gilbert/codes/code_of_ordinances?nodeId=CO_CH66UTOP_ARTXSUWAALRE**.

Updating the policy alongside the city's changing growth patterns has proven essential for maintaining its relevance and effectiveness.

Conclusion

Chandler was an early adopter of strategic water allocation policies, having implemented its program in 2015. Over the past decade, the policy has effectively deterred high water use industries that don't offer significant community benefits. In most cases, prospective applicants have withdrawn or sought alternative locations after learning they would fall into Tier 3 and need to acquire their own water.

Chandler's innovative approach has inspired other communities. The neighboring town of Gilbert, for example, modeled its own policy on Chandler's tiered allocation framework, demonstrating the policy's broader influence in the region and its potential as a model for other growing, water-constrained communities.

Applicability to Other Communities

As part of the research for this report, we interviewed three water providers and conservancy districts that do not have formal water allocation policies to learn more about whether water allocation policies may be a useful planning tool in their community or service area.

Based on these interviews and the case studies included in this report, water providers that are likely best suited for water allocation policies are those that:

- Have finite water resources that may be overallocated at full build-out
- Have a portfolio of city-owned water rights available for cash in lieu and don't *just* require or allow developers to bring their own water rights
- Have a fast-growing service area or one nearing build-out

While the included case studies focused on municipally owned and operated water utilities, it also may be feasible for special water districts or conservancy districts that sell water to adopt their own water allocation guidelines. These policies are likely to require more robust stakeholder engagement, including with retail providers, city and county leadership and staff, and others.

Even when conditions in a city are not ideal for a formal water allocation policy, there are other mechanisms a water provider might employ to influence the way their area is built out according to their water supply or infrastructure situation. Several of the water providers we interviewed had some way of influencing development based on water supply.

- **Provo, Utah,** shared that they have between 100 and 200 housing units reserved to allocate for development in a certain area to limit development in that location because it has lower sewage infrastructure capacity than other areas. Denser development is only allowed in that area if it includes workforce housing.
- **Commerce City, Colorado,** shared that they are developing an Equivalent Residential Unit policy for their service area that will encourage denser development in the city core and disincentivize suburban sprawl. The city has banked 2,100 ERU units of water for development in the city core. Single-family homes equal 1.0 unit, commercial developments 1.4 units, industrial developments 1.3 units, and multifamily properties need only 0.5 units of water per residential unit. Development that occurs outside of the city core will need to bring their own water rights, and there are additional fees assessed for annexation into the city, to further disincentivize urban sprawl.
- **Washington County Water Conservancy District**, located in Washington County, Utah, shared that they recently adopted a Large Water User Policy that establishes a new Administration Advisory Committee made up of the District's eight member agencies to evaluate all new land use applications that will use over 9 million gallons of water per year (27.6 acre-feet).[16] This is the average use of the top 1% of commercial, industrial, and institutional customers in the county. Projects likely to fall under this new rule include data centers, water-cooled power plants, food processing facilities, water parks, large golf courses, and large irrigated parks. The committee will evaluate each new high water user application based on several factors, including whether it provides a critical public benefit, demonstrates water efficiency, and is economically beneficial. Approval requires a two-thirds vote.

[16] Washington County Water Conservancy District Press Release, "Washington County Water Conservancy District Adopts Large Water User Policy," November 6, 2025, **https://wcwcd.app.box.com/s/60o0eomc2ekvij5uo6v96htk56wy9w8m**.

Conclusion

Water allocation policies are a unique policy tool that has developed in Western communities that are fast-growing with a limited water supply and see a need to direct their remaining supply to align with community values and goals. In the case study communities — Frederick, Colorado, Buena Vista, Colorado, and Chandler, Arizona — each water allocation policy was developed in a unique way to meet community needs. Each community shared that one of the most unexpected pieces of the water allocation policy development process was the administrative load that came with policy implementation and the need to coordinate across city departments. Each community also emphasized that receiving community input in the development process helped adapt their policies to best meet their needs.

Based on the communities included in this report, water allocation policies seem best suited for communities that have water resources that would be overallocated at full build-out, have some water rights available for cash in lieu and don't require developers to bring their own water rights, and those that are fast-growing and/or nearing build out. Upon discussions with communities that do not yet have a formal water allocation policy, the researchers realized that many communities direct their growth according to their water resource availability and infrastructure in a variety of ways, and that there is no one-size-fits-all approach. These policies can be adapted to unique local needs and help communities in the West continue to thrive as water availability shifts over time due to increasing drought and unpredictability in water supplies.