

# Partnerships Protect Watersheds: The Case of the New Haven Water Company (Land Lines Article)

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## Article

Water companies and the communities they serve have been grappling for years with complex issues of water treatment and provision, watershed management, public finance and control over regional land use decisionmaking. The federal Safe Drinking Water Act of 1974 prompted water providers across America to face a dilemma: "to filter or not to filter." Some states or regions require filtration to ensure water quality, but elsewhere communities explore alternative strategies to both protect natural filtration processes in their watersheds and avoid the enormous costs of installing water treatment plants.

The hard-fought conversion of the New Haven Water Company from a private, investor-owned company to a public regional water authority provides an informative case study of a partnership strategy. In the process of hammering out agreements on difficult land use and tax issues, the city and surrounding suburbs succeeded in breaking down conventional barriers and recognized that regional solutions can meet shared needs for a safe water supply, open space protection, recreation and fiscal responsibility.

The drama unfolded in 1974, when the Water Company attempted to sell over 60 percent of its 26,000 acres of land in 17 metropolitan area towns to generate capital for filtration plant construction. The announcement of this massive land sale created vehement opposition throughout the state. Residents of the affected towns viewed the largely undeveloped land as an integral part of their community character. They feared losing control of the land as well as environmental damage and increased costs associated with potential new development.

Several New Haven area legislators recognized the critical link between the city and its watershed communities. They introduced legislation imposing a moratorium on the land sale and proposing public ownership of the water works. New Haven Mayor Frank Logue countered with an announcement that the city planned to buy the water company under a purchase option in a 1902 contract. The suburban towns responded by promoting regional ownership as the only viable alternative to city control.

After a lengthy feasibility study, and despite a gubernatorial veto, legislation enabling the creation of the South Central Connecticut Regional Water Authority (RWA) was enacted in

1977. In addition, separate legislation classified all utility-owned watershed land and severely restricted its sale. The sale restrictions combined with standards for source protection, provisions for public recreation and consideration of the financial impact on ratepayers, also diminished the land's market value, thereby limiting the Water Company's ability to use the land as a source of capital.

Regionalization of the Water Company also required a regional approach to taxation. This was the most difficult obstacle to overcome in passing the RWA enabling legislation. With New Haven Water Company's projected capital investments in excess of \$100 million, the region's towns had looked ahead to vastly increased tax revenues from the private utility. However, New Haven, with the majority of consumers, was more concerned with keeping water rates low.

The conflict between city and suburbs was resolved through the principle that the regionalization of the water utility would cause no erosion of the tax base. Under the agreement, each town would receive payments in lieu of taxes (PILOTs) on all property acquired by the RWA, equivalent to the taxes that would be paid by a private owner. However, while these payments would rise and fall with future assessments, the RWA would not be required to make such tax-substitution payments for any new capital improvements.

#### Lessons of Regional Resource Sharing

In addition to forcing a reconsideration of the balance between suburban tax bases and urban water rates, New Haven's Regional Water Authority has broadened its own mission. While protecting the water supply is the primary focus of all RWA land use policies, the authority also manages recreational use of the land to meet the needs of both inner city and suburban residents.

The early success of the conservation and recreational use plans depended on public participation in formulating the RWA Land Use Plan. Many types of active recreation would have been unsuitable for water supply land, but it was determined that hiking and fishing, the two most popular activities, could be conducted without threatening water quality.

The RWA's active program for policing the watersheds was reinforced by establishing a center to educate future consumers on water supply protection. Located at the base of the dam at Lake Whitney, the Whitney Water Center annually teaches thousands of children the basics of drinking water science. It emphasizes the interdependence of source protection and safe drinking water.

Primary among the lessons to be learned from the New Haven Water Company's ill-advised land sale proposal is that the value of a water supply watershed as a natural and human resource is far greater than its value as a market commodity. Management of the watershed's natural resource potential must extend beyond the collection and distribution of water to include the needs of the people who live within the watershed. At the same time, limiting watershed land activities to low-risk uses minimizes the water treatment costs that are still necessary for safe drinking water.

Regional cooperation need not begin and end with water. Developing economic and ecological partnerships between cities and their suburbs for tax-sharing, recreation, and education recognizes that the economic and ecological concerns of all residents in a metropolitan region

are interdependent. Successfully bucking the trend toward privatization, the RWA demonstrates that regional resource sharing is the most viable way of meeting the needs of New Haven and its suburbs.

#### Watershed Protection vs. Filtration in Other Regions

The public acquisition of the New Haven Water Company in the 1970s provided a preview of 1990s approaches to managing water resources. Today, water supply management is increasingly becoming watershed management, with plans reflecting the broader ecological functions of watersheds and the importance of partnerships with local residents. Conflict resolution has become an essential skill for today's watershed managers.

Watershed land acquisition continues to be a key filtration avoidance strategy in many areas. New York City has the nation's largest unfiltered water supply, and some experts have called on the city to develop programs to filter its drinking water. However, New York Governor George E. Pataki has taken the position he would "do whatever it takes to avoid filtration," from working with farmers and businesses on mutually beneficial voluntary programs to buying up to 80,000 acres from willing sellers to protect the water supply.

New Jersey Governor Christine Todd Whitman has committed to a "hands across the border" \$10 million contribution toward purchasing the New York portion of the two-state metropolitan watershed in Sterling Forest, which is threatened with commercial recreational and housing development. The nonprofit Trust for Public Land and the Open Space Institute are negotiating the purchase on behalf of both states, and recent congressional action has guaranteed funding for the project.

In central Massachusetts, the Metropolitan District Commission's Quabbin Reservoir has met the Safe Drinking Water Act's criteria as an unfiltered water supply source for the Boston area, but the MDC's Wachusett Reservoir has not. A recently approved \$399 million state open space bond includes funds for land acquisition in the Wachusett watershed.

Acknowledging the essential function that undeveloped land serves in preventing contaminants from reaching water supplies is long overdue. But is watershed source protection alone a viable alternative to filtration?

In North Carolina, where all surface water supplies are already filtered, state legislation requires local water authorities to develop watershed land use plans that must be approved by the state. Although such legislation can reduce the health risks of watershed development and the cost of water treatment, it cannot prevent future development.

Our conclusion is that the combination of watershed protection and filtration is a proven, cost effective approach to ensure safe drinking water while also building partnerships to implement regional land use policies.

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as director of government relations for The Nature Conservancy Connecticut Chapter. Claire C. Bennett, secretary-treasurer of the Regional Water Authority since 1977, was a resident of North Branford when the threatened land sale galvanized the New Haven region. She worked with Rep. McCluskey as her administrative assistant in the state legislature. They have written *Who Wants to Buy a Water Company: From Private to Public Control in New Haven*, to be published in early 1997 by Rutledge Books, Inc., of Bethel, Connecticut. For more information, contact the publisher at 800/278-8533 or the RWA at 203/624-6671.

FYI

Courses

Legal Issues in the Valuation of Property for Tax Purposes: A Casebook Review, January 23-24, Fort Lauderdale, FL

Municipal Open Space Acquisition: Preparing and Funding Successful Projects, January 30, Salt Lake City, UT

Valuing Land Affected by Conservation Easements, February 28, Atlanta, GA

Publications

Endicott, *Land Conservation through Public/Private Partnerships*, 1993. \$22.95 paperback, plus shipping and handling.

Faber, *On Borrowed Land: Public Policies for Floodplains*, 1996. Policy Focus Report. \$14 paperback, plus shipping and handling.

Fausold and Lilieholm, "The Economic Value of Open Space," 1996. Working Paper. \$7 plus shipping and handling.

Ingerson, *Managing Land as Ecosystem and Economy*, 1995. Policy Focus Report. \$14 paperback, plus shipping and handling.