

# DRINKING WATER COMPANY LANDS

## Critical Conservation

Connecticut has some of the highest drinking water standards in the country. Only the highest quality waters can be used as drinking water sources and state law prohibits discharges from wastewater treatment plants within public water supply watersheds.

Despite these strong state restrictions, threats to drinking water sources, such as nonpoint source pollution, remain. By protecting drinking water at the source through the preservation of drinking water supply watershed land as open space<sup>1</sup>, water companies reduce treatment costs due to lower pollutant loads.

**Watershed protection is a win for everyone.**

### State Law Ensures the Highest Protections for Water Company Land by Restricting Use and Sale

#### CLASSIFICATION

Water company land is classified into three categories, depending on its proximity to a drinking water source, dictating the permissible use and disposal. [*Connecticut General Statutes (CGS) § 25-37c*]

- **Class I:** land owned by water companies that is closest to a drinking water reservoir.
- **Class II:** land owned by water companies that is within a drinking water supply watershed, but is further away from the reservoir.
- **Class III:** water company owned land that is not located within a drinking water supply watershed.

#### USE RESTRICTIONS

Use of Class I and II land is restricted to ensure the purity and adequacy of the water supply. [*CGS § 25-32*]

#### SALE RESTRICTIONS

Class I and II land cannot be sold unless the state determines the sale wouldn't significantly hurt the present and future purity and adequacy of the public drinking water supply—and even then can only be sold to another water company, the state, a municipality, or a land trust for conservation. [*CGS § 25-32*]

<sup>1</sup>[www.tpl.org/sites/default/files/cloud.tpl.org/pubs/water\\_source\\_protect\\_hbook.pdf](http://www.tpl.org/sites/default/files/cloud.tpl.org/pubs/water_source_protect_hbook.pdf)

For that reason, Connecticut water companies typically own significant acreage surrounding surface drinking water sources, making them a critical conservation ally.

Collectively, water companies are the second largest owners of open space land in the state. In protecting drinking water sources, water companies also preserve forested land that cleans our air, filters our water, provides homes for wildlife, and offers hiking and birding opportunities.

Connecticut state law supports restricting the use and sale of water company land surrounding drinking water supply sources, and promoting the continued conservation of water company land if it is sold.

### State Law Ensures Continued Conservation of Land When a Water Company Chooses to Dispose of It

*Procedure set forth in Connecticut law gives conservation buyers a competitive advantage over developers.*

**NOTICE:** The first step in initiating a sale is notifying the state, municipalities, other water companies, and land trusts that water company land will be offered for sale. For Class III land, this provides conservation entities a 90-day period to assess interest and capacity to acquire the parcel and to negotiate with the water company before a developer is notified. If after 90 days there is no agreement the water company may then notify other potential purchasers of the sale. [*CGS § 16-50c(b), (c)*]

**PRIORITY:** If more than one potential purchaser indicates interest, Connecticut law sets forth a priority list to determine the right to acquire the property in order to prioritize preservation of water supply and open space.

Priority is given in the following order: 1) a water company for use for water supply purposes; 2) a municipality for water supply, open space, or recreational purposes; 3) the state for open space or recreational purposes; 4) a land trust for open space or recreational purposes; 5) a municipality for any public purpose, including educational use; 6) the state for any public purpose; and 7) for Class III lands any other purchaser. [*CGS § 16-50d(f)*]



# WATER COMPANY LAND CONSERVATION INCENTIVES

Connecticut state law incentivizes water companies to donate or sell at bargain rate land for permanent conservation, and to maximize the percentage of a parcel that's conserved.

## TAX CREDITS

Water companies may receive a corporate business tax credit for permanently conserving open space land when the transfer is a bargain sale or a donation to the state, a municipality, a water company, or land trust for permanent conservation.

**Affordable and economical:** these tax credits incentivize making the disposal affordable for a conservation buyer by making it economical for the water company to sell the land below market value.

These tax credits are flexible and can be carried forward for 25 years. [CGS § 12-217dd(a), (b), (c). CGS § 12-217aa]

## SHAREHOLDER ALLOCATION

Water companies may allocate the economic benefits from the sale of land that will be permanently conserved according a tiered structure, whereby the more land conserved the more economic benefits can be allocated to shareholders (versus ratepayers/customers). This provides a needed incentive to maximize the portion of the land conserved and makes it justifiable to water companies that are answerable to shareholders. [CGS § 16-43(e)]

If you have questions about this process, contact:

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## Connecticut Drinking Water Supply Watersheds

