

## Why North Carolina needs to adopt S494 (H645) Annexation Law Reform

The School of Government website has a page that provides information about annexation law in North Carolina points to a report by Palmer and Lindsey that analyses annexation law in the 50 States. In that report is a chart that categorizes the different methods that States use to accomplish municipal annexation. This chart cites the pros and cons of the different methods. In North Carolina, involuntary annexations fall into two of the categories used by Palmer and Lindsey; Legislative and Municipal. The potential problems that result from these two methods as shown in the report are stated below:

### **Municipal**

#### **Positive result:**

- is most efficient, administratively aids in the solution of local problems
- may avoid urban sprawl
- may avoid duplication of services between cities and other units of government

#### **Negative result:**

- is often done without adequate planning and communication does not manage hostility and promote compromise
- without sufficient administrative restraints, may permit land grabbing; allows cities to annex large areas that are neither developed nor anticipated for development in the near future
- allows municipalities to choose not to annex depressed areas that demand more services but are unlikely to generate revenue

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Using the analysis in the Palmer & Lindsey paper where the pro's and con's of the methods of annexation are listed, the history of involuntary annexation in North Carolina has resulted in predominately negative results and very little of the potential positive results.

**With Municipal determination**, the results are far too often examples of the negative possibilities cited in the report:

NC statutory power to forcibly annex is enabling an unusually high rate of annexation; statistics that show that North Carolina cities are annexing at a rate far greater than any other State. With all the annexation occurring in NC, there is no oversight to insure that these annexations have actually been efficient or fiscally sound for the municipality, its taxpayers, or the annexed property owners. In the rare cases where cities have hired outside consultants to analyze a proposed annexation, (Tischler & Associates) often the annexation of an existing development is shown to be ill advised. With no third party oversight of city initiated annexation, long term fiscal analysis is frequently absent or ignored.

**S494 (H645) would correct this by providing third party quasi-judicial oversight by the local County government.**

Hostility toward city initiated annexation abounds across the State and much of this hostility results from the current statutes providing no requirement and no incentive for the cities to consider the best interests or needs of all parties. The current statutes enable and incentivize cities to consider only short term financial gains for itself at the expense of long term fiscal costs to its own residents or to the annexed landowners.

**S494 (H645) would correct this by requiring cities to submit to third party review proof of necessity, the long term benefit, and financial reasonableness of the annexation. S494 would also give the affected property owners direct empowered representation in the decision.**

The record and evidence shows that the current statutes are not sufficient to prevent annexations that result in fragmented and irregular municipal boundaries or promote orderly growth. Maps of most NC cities clearly show this. Shoestring, balloon, and satellite annexations abound. The current statutes are failing to prevent annexations that take in far more area and population than the cities can adequately serve in a timely manner. (Fayetteville and others) This has resulted in inefficient service delivery, increased costs for existing city tax payers, unnecessary duplication and replacement of existing adequate services. Annexations in Raleigh and Cary have replaced perfectly good private services with municipal services strained already to meet current demands. This has resulted in higher fees for these services for current and newly annexed taxpayers. Economies of scale are ignored and long term costs are ignored by municipalities.

**S494 (H645) would correct this by increasing the requirement for services to be provided within a reasonable time frame and would increase the requirements for contiguity, level of existing development, and a current need for meaningful services.**

As documented by the Cedar Grove Institute and the UNC Center for Civil Rights, the current annexation statutes enable municipalities to cherry pick areas that require the lowest need for higher levels of services to protect the health and safety of the area while providing the municipality with the highest level of short term revenue gain to involuntarily annex. Long term costs to serve these cherry picked areas can be delayed and hidden.

The current statutes enable municipalities to bypass areas that are truly in need of higher levels of services and would provide lower gains in short term revenue.

The original intent of the 1959 Municipal Study Commission to empower cities to annex areas in need of modern health and safety services has failed with the current statutes and has actually been turned upside down. The argument for the continuation of forced annexation by the proponents of the current laws has become more about what these areas outside the city should doing for the city rather than what the city was empowered to provide to these areas.

**S494 (H645) would correct this by making it much harder for cities to bypass low income areas. The cities would need to take these areas in before they could annex beyond them.**

**StopNCAnnexation**