



Annexation Q&A

What is annexation?

In North Carolina, municipalities can expand their boundaries (corporate limits) through annexation, a legal procedure by which land outside a city or town become a part of the municipality.

How do North Carolina cities and towns have the authority to annex property?

The N.C. General Assembly has delegated this authority to municipalities. The Legislature sets out what responsibilities and authorities that municipalities have, and the ability to annex is one of the authorities granted.

What is the process for annexation to occur?

There are two main kinds of annexation: *citizen-requested* annexation and *city-initiated* annexation.

Citizen-requested annexations occur when 100 percent of the property owners petition a city or town for their property to be taken into the municipality. The governing board then evaluates the situation and votes on whether to annex the property.

Under *city-initiated* annexations, a municipality can annex an area if it is developed to certain levels (specified in state law) and if the city or town can show that it can provide municipal services to the property owners in the area. If the property meets the urban standards and the city follows a lengthy process spelled out in the state statutes, the annexation can be done.

How long does the process for city-initiated annexations take?

At least one year, often longer, and cities and towns routinely designate areas of interest for annexation in their long-range plans. If there are legal challenges, it may take years for the annexation to become effective.

Can a city or town annex any where it wants to?

No. The General Assembly set up strict standards for what areas can be annexed. If the land is not developed to those standards, it cannot be annexed. Also, the municipality must be able to provide municipal services to the area within two years of the date of annexation.

Can cities and towns annex vacant land or farmland?

Certainly cities and towns annex vacant land by citizen request. Often this is land about to be developed where municipal services are desired. Under certain circumstances, farmland can be annexed but there is a provision that property owner will not have to pay municipal taxes on the farm so long as it is being used as a farm and receiving a tax valuation as such. Most property being annexed in North Carolina is suburban in character because the vast majority of development in this state and in the United States is suburban.

Do citizens get to vote on whether they want to be annexed?

With citizen-requested annexations, property owners request the annexation and submit a petition.

With city-initiated annexations, there is not a vote. Annexation helps balance the costs of city/town benefits among those benefiting from them.

Does property that is annexed remain in the county?

Yes. In North Carolina, municipalities and counties, although they may do many of the same things, have some fundamentally different roles. Counties fund schools, most social services and Medicaid, and all citizens pay taxes to fund these services. Municipal citizens are also county citizens.

What are the benefits of annexation to the citizens being annexed?

Citizens receive municipal services, typically police, fire, parks and recreation, streets, street lighting, garbage collection, recycling, planning and zoning, often access to water and sewer. Once annexed, they may vote in municipal elections.

What are the benefits of annexation to those already living in a city or town?

- **Annexation is a cost-effective way to manage growth** and helps keep property tax rates lower. When there is an adequate tax base, then tax rates can be lower and still provide adequate revenues to meet residents' needs.
- **Cities without the ability to annex have poor bond ratings** and have to pay higher interest rates when borrowing money. Higher interest rates mean higher costs for taxpayers.
- **Annexation helps share the costs of city/town services to people who benefit from them.** City residents pay 60 percent of the property taxes used to provide county services in unincorporated areas. People in unincorporated areas pay zero property taxes for city services from which they benefit.
- **Annexation contributes to the overall fiscal health of North Carolina cities and towns.** Cities and towns that are in good financial shape can build the infrastructure and amenities needed to attract new jobs and provide services to residents and businesses. A Carnegie-Mellon study found that "fragmented governance at the metropolitan level reduces the competitiveness of the metropolitan economy."^{*}
- **Cities/towns decline without annexation.** Without the ability to expand, most cities begin to lose population, their inner cities decline and property values decrease. In one study, cities that had little or no ability to expand had lost, on average, between 20 and 50 percent of their population over the last five decades.
- **Annexation helps avoid environmental and public health problems.** Areas annexed often are brought onto municipal water and sewer systems, which are stringently regulated by the state and federal governments. Without annexation, septic tanks and package treatment plant proliferate, often resulting in problems both for residents and the environment.

^{*}Jerry Paytas, "Does Governance Matter? The Dynamics of Metropolitan Governance and Competitiveness." Working paper, Carnegie Mellon Center for Economic Development (2002). Available at www.smartpolicy.org/publications.shtml

Who or what body ensures that municipalities conduct annexations properly?

The General Assembly establishes the rules and procedures for annexation in the state statutes. Informational meetings and public hearings to receive comments from those affected are required. If a property owner believes that the annexation is not being done properly or that the area is not eligible for annexation, he or she can file a legal complaint. The courts then evaluate the annexation. An annexation cannot go into effect while there are any pending legal challenges.

Is annexation responsible for sprawl?

No. Without the ability to annex, there is an increase of multiple jurisdictions, either small municipalities ringing a major city or special tax districts. The more jurisdictions there are, the harder it is to coordinate and cooperate, especially to overcome something as difficult as the negative effects of growth.

Consider the Atlanta region – comprised of the city of Atlanta and suburbs spread over several counties. With so many independent jurisdictions, no consensus could be reached on a regionwide growth plan or effective means to curb traffic congestion and resulting air pollution. Finally, the state had to step in and establish a metropolitan authority, appointed not by the local governments, but by state officials, with very broad powers over transportation and land use planning.