THE EFFECTS OF ANNEXATION ON SMALL NORTH CAROLINA
CITIES AND TOWNS

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ABSTRACT

Annexation is the legal procedure by which a municipality may extend its boundaries to include surrounding fringe areas.

The State of North Carolina has five methods of annexation: special act of the General Assembly, petition, referendum, municipal ordinance meeting specific requirements, and satellite. Each of these methods has advantages and disadvantages associated with each. A municipality that is contemplating annexation must decide which method to select and then proceed with the legal requirements of that method. The petition and municipal ordinance methods are the most frequently used by municipalities in North Carolina.

The effects of annexation on a municipality can be beneficial or harmful. In order to minimize such possible harmful effects of annexation as loss of faith in local elected officials or financial ruin, a city must plan annexation to enhance the beneficial effects on the municipality. Beneficial effects are a broader tax base, expansion of water and sewer services, and the orderly development and growth of the municipality. Planning to achieve these beneficial effects of annexation consist of the cultivation of citizen support for annexation, the competence and efficiency of local officials, financial ability of the municipality to carry out annexation, and the use of professional expertise to fulfill the legal requirements of the annexation statutes.

To illustrate the importance of planning in annexation, four examples of small cities that have recently engaged in annexation will be examined in detail. Also included in this paper is a comparison of the North Carolina Statutes with three other states.

Chairman, Thesis Committee
From the earliest days of British colonial rule in America, the English encouraged the organization and development of towns to promote trade. There has been a steady increase in the urbanization, that is, the growth of cities, in the United States since colonial times. In 1789, when George Washington was inaugurated in Philadelphia as President, Philadelphia was then the largest city in the U.S. with a population of 42,000. There were 131,472 persons living in urban areas as of the 1790 census; this represented 3.3% of the total population of 3,929,214 for the country. As of the 1970 census, 149,324,930 persons or 73.5% of the total U.S. population of 203,235,298 lived in urban areas.

In North Carolina as of the 1970 census, forty-five percent (45%) of the people lived in cities or in urban areas and fifty-five percent (55%) of the total 5,082,059 persons lived in the rural sector. Therefore, North Carolina is not considered an urban state. However, an interesting trend has begun in the U.S. in that "since 1970 changes in rural and urban population flows have occurred so rapidly that non-metro areas (those without population centers of 50,000 or more people) are not only retaining people but are receiving an actual net immigration as well." "In the eyes of many Americans the appeal of the major
urban areas has diminished and the attractiveness of rural and small town communities has increased, economically and otherwise."

Calvin L. Beale, a population expert with the U.S. Department of Agriculture, lists several reasons for population increases in the nation's rural areas and small towns during the 1970's: "decentralization of manufacturing and other industry, increased settlement of retired people in nonmetro areas, the rise of many nonmetro senior state colleges and universities that make affected towns more attractive, increased recreation activity in less densely populated areas, and a sharp decline in the high birth rate since 1970 in the most heavily metropolitan parts of the nation".

Between 1970 and 1974, over 1.7 million more Americans left the big metropolitan areas of the U.S. than moved into them. This exodus is causing major changes in American society. With the migration of large numbers of urban dwellers, a vicious cycle is developing. Businesses and industries move; then the young, better educated middle class go; the tax base erodes; and, the poor, unemployed, mostly black and elderly are left to support city services.

Where are these former big city dwellers going? They are going to the southern and western parts of the U.S., the Sunbelt, that lower arc of warmlands stretching from Southern California to the Carolinas. The fastest growing states in the nation are Arizona, Florida, Nevada, Idaho and Colorado.

With this urbanization and the resulting population growth of rural areas and small towns, problems have developed in these areas as is true in larger urban areas. "This massing of people together in compact communities -- urban areas or cities -- accentuates the difficulties of health administration, sanitation, law enforcement, housing, fire protection and transportation." Municipal governments were created to handle the demands of life in the urban sector. These demands require complex and often expensive municipal services such as water services, waste disposal, police and fire protection, and building codes and land use controls that satisfy local requirements and conditions.

Along with the provision of services, cities are organisms which function and grow; they are not static. This growing may take the form of paved streets, high rises, or smog. Whatever the form, space is an integral part of this expansion and growth. The State of North Carolina recognized this need for growth when it declared as state policy: "Social urban development is essential to the continued economic development of North Carolina" in N.C. General Statutes 160A-33.1. This policy was adopted by the North Carolina General Assembly in 1959 in conjunction with one of the most liberal annexation laws for municipalities in the U.S. "based on the general principle that whatever becomes urban in character should become municipal as well".

Annexation is defined as 'the procedure whereby the city limits of a municipality are extended to encompass additional land and to bring such land within the legal jurisdiction of the city government'.

There is no legal distinction between a "city" and a "town" in North Carolina. What a municipal unit is called or named is a matter of choice as specified in its charter from the state. However, within
the annexation by municipal ordinance meeting specific requirements
method as specified in N. C. General Statutes 160A-33 through -44,
North Carolina large and small cities and towns are divided at 5,000
persons.

Annexation is viewed favorably by municipalities as a means
to incorporate fringe areas that benefit from close association with
cities, but who make no financial contributions for the support of
services. Annexation may be used to extend city ordinances such as
zoning into fringe areas in order to plan future development of these
areas. The tax base can be broadened thus benefiting all residents
in that services may be enlarged and improved. And the population is
increased which in turn, increases grant monies and revenues that
are distributed on the basis of population such as sales, intangible,
and revenue sharing.

The main thrust of this paper will deal with the effects of
annexation, both positive and negative ones, on small North Carolina
cities and towns. The General Statutes of North Carolina that pre-
scribe annexation in cities and towns under 5,000 in population will
be discussed in historical-traditional means and in a case study
approach.

The five types of annexation available to municipalities in
North Carolina by law are: annexation by special act of the General
Assembly, by petition of 100% of the property owners, by vote of the
persons in the area proposed for annexation, by municipal ordinance
where specific requirement must be met, and by satellite annexation.

Each of the above methods will be examined to determine its
feasibility and usefulness to small towns. Attention will be focused
on the development of existing North Carolina Statutes, on a comparison
of similar statutes in other states, and on examples of recent annexa-
tions undertaken by small towns. These examples of annexations will
be described and analyzed with information gained by personal observa-
tions and interviews with local officials.

The thesis of this paper is that a municipality contemplating
annexation must plan its actions in order to maximize the beneficial
effects of annexation and to minimize the harmful effects. Beneficial
effects are a broader tax base, expansion of public utilities, and the
promotion of sound urban growth and development. Harmful effects
of annexation are the loss of faith in local elected officials,
financial overexpansion, and inadequate development of urbanized fringe
areas. Successful planning for annexation usually requires an analysis
of the municipality’s financial status, use of professional expertise
to fulfill legal requirements of the state’s annexation statutes,
citizen education for support of annexation, and competent, qualified
local officials.

Chapter 2, THE HISTORICAL DEVELOPMENT OF ANNEXATION, will
trace the development and evolution of annexation statutes in general
and specifically in North Carolina. Also included in this chapter will
be a comparison of annexation statutes in three other states to North
Carolina’s.

The body of this paper is contained within Chapters 3 and 4.
Chapter 3, THE FIVE METHODS OF ANNEXATION AVAILABLE TO MUNICIPALITIES
IN NORTH CAROLINA, will include discussions on the pros and cons of
annexation and on the five types of annexations available under North Carolina law. Chapter 4, THE EFFECTS OF ANNEXATION ON SMALL NORTH CAROLINA CITIES AND TOWNS, will examine annexations undertaken in four North Carolina towns. Within this chapter, four components of planning will be examined in each of the four cases: financial analysis of the municipality, use of (manager, planner, consulting engineer, or financial consultant) professionals, cultivation of citizen support for annexation, and the competence of local officials. In each case, it will be demonstrated how these four factors may enhance the beneficial effects of annexation and minimize the detrimental aspects. The information on the individual annexations for this paper was gathered from personal observation and from interviews with local officials involved.

Chapter 5, THE SUMMARY AND CONCLUSIONS, will review information and conclusions from the previous chapters.

5Bill Humphries, "Rural Areas Attracting City Folks", Carolina Country Vol. 7, No. 10 (October, 1975), p. 22.
6Ibid. 7Ibid.
8"Americans on the Move", Time, March 15, 1976, pp. 54-64.
9Ibid. 10Kneier, p. 3. 11Ibid., p. 43.

14Wicker, p. 1.
15Shelley Williamson, "Managerial Approaches to Aggressive Annexation" (unpublished case study, Appalachian State University, 1975), p. 9.
Chapter 2
THE HISTORICAL DEVELOPMENT OF ANNEXATION

This chapter will describe the historical development of the five methods of annexation available to municipalities in North Carolina. Special emphasis will be placed on the annexation by municipal ordinance meeting specific requirements methods. This method is the "new" method of annexation, developed in the late 1950's, and is used frequently by North Carolina municipalities to replace the "old" annexation method of referendum. Also included in this chapter will be a comparison of annexation statutes in three other states with North Carolina's "new" annexation by municipal ordinance method. The advantages of North Carolina's municipal ordinance method over the procedures used in those other states will be discussed.

Annexation, the acquisition by a city of adjacent unincorporated territory, is an unique function of municipalities. States and counties have rigid, defined boundaries while cities can add territory and expand their limits and jurisdiction through the process of annexation.

Cities can be defined in two ways: One, is that of an urban community that "may be defined as a relatively concentrated population in a fairly small area where the people are engaged in diverse, and to a large extent interrelated, economic activities". An example of this type is the fortified cities of the Biblical era when cities were a gathering place for agricultural products to be exchanged for those products not made in the home, such as silk, iron, and imported items. There was also protection from bandits, wild animals, and the weather associated with these cities. The second type of city is the legal one. The legal city or municipality "consists of a legally incorporated area within whose boundaries a local government unit exercises authority delegated by the state". This is the modern concept of a city with defined boundaries, jurisdiction only within these boundaries, and the municipal services of police and fire protection, water and sewer services, and local ordinances.

The acquisition of territory is accomplished through legal procedure. Annexation is regulated by specific laws and processes defined by the individual states to conform to their specific conditions and situations. Some state laws are more liberal in their requirements, thus making for easier acquisition of territory by cities, while others are very strict in their requirements for annexation. By far the most common type of annexation available is that method that "requires the consent of both the annexing city and the outside area proposed". Other forms of annexation favored are: annexation by special act of the state legislature, by court decision such as in Virginia, and by municipal ordinance as in Missouri, Texas, and North Carolina.

The first general annexation law in North Carolina was enacted by the General Assembly in 1947. This was the "old" method and required that a referendum be held to determine the consensus of those areas proposed for annexation. The 1959 annexation by municipal ordinance meeting specific requirements law is the "new" general annexation
law that replaced the referendum. The referendum method, however, is still in effect and is used. These two methods and the three lesser methods, lesser because their methods require specific conditions will be discussed in detail in Chapter 3. The "old" and "new" general annexation laws apply to all North Carolina cities and are said to be general because cities initiated the procedure.

The lateness in enacting an annexation statute until the second half of the Twentieth Century can be explained by the fact that "North Carolina towns, largely trading centers and county seats, did not experience the urban growth resulting from industrialization prior to the Civil War that most Northern cities did".21 "As a result North Carolina cities and towns were a full half century ..." behind the North in the development of urban problems such as the demand for the municipal services of water and sewer that are expensive to install, to operate, and to maintain. So without these services, growth was stifled and the need for increased space and revenue through the enlargement of cities by annexation was put off.

Major urban growth in North Carolina occurred after World War II and has continued until the present. In 1957, the North Carolina General Assembly in a joint House and Senate resolution created the Municipal Government Study Commission to research and to recommend a new annexation statute to meet the growing urban development of North Carolina cities. This urban growth made demands on municipalities to provide a high level of services to accompany modern life. These services included education, police, fire, public utilities, and local ordinances. In two reports issued in November 1, 1958 and in February 26, 1959, the Municipal Government Study Commission, chaired by Joseph M. Hunt, Jr., recommended substantial changes in the general annexation statutes.23

Annexation statutes in force during the late 1950's provided three methods. These were: (1) annexation by special act of the General Assembly; (2) the presentation of a petition from 100% of property owners to the governing board of a municipality requesting that they be annexed to the city; and, (3) a referendum in which those areas proposed for annexation consensus to it by a majority vote.

The Municipal Government Study Commission in their reports to the General Assembly made recommendations for changes in the procedure for extending municipal boundaries. With these recommendations the Commission made some far reaching observations on annexation, on urban growth, and on the need for city planning that are reflected in the "new" method, annexation by municipal ordinance meeting specific requirements.

The Commission concluded that "cities cannot continue to remain strong and to provide essential municipal services unless their boundaries are periodically extended to take in those areas which require municipal services for sound development and whose residents make extensive use of municipal facilities". Second, it said that North Carolina must not permit its cities to be "surrounded and squeezed out" by small incorporated municipalities or by poorly developed fringe areas. Third, it noted that "city governments should have uncontrolled authority in determining the boundaries of a city". Fourth, it observed that "the extension of municipal boundaries is not a legitimate question to be
decided by a vote of the residents of a small portion of a larger community". Fifth, the Commission reported that "the boundaries of a city should include all that part of the urban area which is developed in such fashion as to presently require the package of services offered by a city, as well as that part of the urban area which is presently being developed in such a way as to need such services in the very near future". And in conclusion, the Municipal Government Study Commission said that "the question of municipal boundary extension should be a matter of statewide policy and that the state should define the type and character of areas which should be provided municipal services in the interests of sound urban development".

The Municipal Government Study Commission added a new dimension to annexation other than the acquisition of territory by saying that "annexation involved the continuous extension of major utility facilities and other municipal services to parts of the urban area which are now or soon will become parts of the densely populated and congested urban core". Also, the Commission said that "annexation should be considered as an integral part of the planning process".

In specific recommendations, the Municipal Government Study Commission suggested that the three types of annexation available to cities in North Carolina in the 1950's: special act of the General Assembly, petition, and referendum be modified and that an annexation by ordinance section based on development and the ability to serve be added to the existing statutes.

Upon the recommendations of this Commission, the North Carolina General Assembly adopted a "new" annexation law on June 16, 1959 as House Bill 508. This "new" annexation statute is embodied as G.S. 160A-33 through -44 for cities under 5,000 population and has become, since its adoption, in the view of "students of local government a model for the nation", in this procedure areas proposed for annexation must be sixty percent (60%) urbanized either for residential, commercial, or industrial purposes; areas must be adjacent and contiguous to the boundaries of a municipality; and, the municipality must provide municipal services on the same level as those provided within the city. If and when the statutory requirements are met, then annexation may be effected by ordinance of the governing body of the municipality. The Municipal Government Study Commission felt that "the procedure we recommend is not borrowed from any state ... but that it is peculiarly fitted to North Carolina conditions and is therefore a home grown product -- a North Carolina procedure".

"In summary we believe that this procedure will assure the continued sound growth and development of our cities in a manner that will contribute to the sound development of the state. We believe that this procedure will encourage sound urban planning by municipalities and insure equity to residents of areas being annexed. And we believe that the policy of the state will be protected through the standards recommended and the provisions for judicial review of action taken pursuant to such standards".

As adopted in 1959, G.S. 160A-33 through -44, Part II Annexation by Cities of Less than 5,000, declared as state policy:

1. That sound urban development is essential to the continued economic development of North Carolina;
2. That municipalities are created to provide the governmental services essential for sound urban development and for the protection of health, safety, and welfare in areas being intensively used for residential, commercial, industrial, institutional and government purposes or in areas undergoing such development;

3. That municipal boundaries should be extended in accordance with legislative standards applicable throughout the state, to include such areas and to provide the high quality of governmental services needed therein for the public health, safety and welfare;

4. That new urban development in and around municipalities having a population of less than 5,000 persons tends to be concentrated close to the municipal boundary rather than being scattered and dispersed as in the vicinity of larger municipalities, so that the legislative standards governing annexation by smaller municipalities can be simpler than those for large municipalities and still attain the objectives set forth in this section; and

5. That areas annexed to municipalities in accordance with such uniform legislative standards should receive the services provided by the annexing municipality as soon as possible following annexation.

Although the annexation statute adopted in 1959 has not been repealed nor even changed significantly, the statute has been amended. The amending process has consisted of adding or deleting particular cities or counties from using this method. This amending of the municipal ordinance statute occurs at every meeting of the General Assembly. An example of this exemption is the City of Fayetteville in Cumberland County, North Carolina. Fayetteville can use the municipal ordinance method only if the procedure is coupled with a referendum of consent from those being annexed. The City of Fayetteville is challenging this exemption in court.31

A major court test of the annexation by municipal ordinance method was in 1964 in Lithium Corporation vs. The Town of Bessemer City, heard before the North Carolina Supreme Court. Justice James Moore wrote the opinion in favor of the Town of Bessemer City, stating that "changes in municipal boundaries are legislative matters, and the exercise of legislative permission therefore is not subject to judicial interference". Justice Moore in his opinion quoted from the reports of the Municipal Government Study Commission, the basis of the 1959 annexation law.32

In July, 1974, the General Assembly adopted a fifth method of annexation, satellite annexation. This method restricts annexation to areas not contiguous to the municipal limits, but within three miles.33 The procedure is initiated by a petition of property owners to the governing board of the municipality. This type of annexation is particularly useful when a business desires to be annexed in order to receive Alcohol Beverage Control (ABC) and beer/wine privileges, such as a "dry" county and a "wet" city.

In summary, there are to date five procedures available to North Carolina municipalities, unless a city has been exempted from a specific statute. These methods are: annexation by special act of the General Assembly, petition of all property owners, referendum of consent by those proposed for annexation, municipal ordinance meeting specific requirements, and satellite.
As a comparison to the North Carolina annexation statutes, three states were selected to illustrate alternative methods of annexation. This section will also show the advantages of the municipal ordinance method, so useful to North Carolina cities and towns in extending their limits, to the annexation methods provided by the statutes of California, Kentucky, and Maryland.

California

The State of California has three types of annexation statutes available to its municipalities as listed in West's Annotated California Codes as Sections 35100-35951. The three types are known as acts: the Annexation Act of 1913, Annexation of Uninhabited Territory Act of 1939, and Annexation of Enclosed Territory Act of 1963. These acts apply to all municipalities regardless of population or exemption.

The Annexation Act of 1913 as contained in Sections 35100-35158 is the earliest statute currently on the books in California. Territory may be annexed if it is contiguous to a city or a contiguous territory where the electors have voted for annexation to a city. Under this 1913 procedure, a petition that is initiated by the city or residents of an area interested in being annexed, is circulated. This petition must contain specific descriptions of the area proposed for annexation. Also, in connection with the petition, a written statement not exceeding 500 words is submitted stating the reasons for the petition. The petition is then presented to the legislative body of the municipality involved. The city is compelled to call for a specific election on the proposed annexation. If a majority of those voting favor annexation in the election then the legislative body of the municipality may annex proposed areas by the approval of an ordinance.

The second type of annexation in California is Annexation of Uninhabited Territory Act of 1939 and is contained in Sections 35300-35326. "Uninhabited" is defined in the statutes as "less than twelve (12) persons registered to vote". This method of annexation then follows the same procedure as the Annexation Act of 1913 of petition and referendum of consent.

The third and final type of annexation is the Annexation of Enclosed Territory Act of 1963 and is contained in Sections 35400-35423. "Enclosed territory" is defined as all or any part of lands less than ten (10) acres in total area and is completely surrounded by the annexing city. This type of annexation is completed by two methods. One is that a petition from one or more property owners or a resolution of the governing body initiates the procedure. A public hearing on the proposed annexation is then held. The second method is that a petition is presented from all property owners to the governing body, stating that all property owners consent to annexation.

Annexation in California depends on the consent of those persons proposed for annexation, by the use of a petition and referendum or a petition from all property owners. The three California methods are comparable to the petition and referendum methods in North Carolina. California cities may annex territory of an adjacent city, something not allowed under North Carolina's statutes.

Kentucky

The Commonwealth of Kentucky devotes the entire Chapter 81 in its
Kentucky Revised Statutes to municipal annexation. Within this chapter, annexation procedures vary according to population categories of first through sixth class cities as determined by the Kentucky General Assembly. Only the General Assembly meeting in session every two years classifies cities. It determines whether a city will move up or down in class. A first class city must have a population over 300,000. Louisville is thus the only first class city in Kentucky.

Kentucky cities annex territory two ways. Unincorporated areas are annexed by the filing of an annexation petition initiated by the city in circuit court (civil). Those property owners involved in the annexation petition have thirty (30) days to protest annexation. If there is no protest to annexation, then the city enacts a second ordinance completing the annexation procedure. However, if there are protests then annexation is determined by the circuit court. The court must determine if the residents of the proposed area have remonstrated their opinions; whether annexation is in the best interest of the city; and whether there will be any manifest injury to the majority of property owners after annexation. A favorable decision by the court enables the city to annex; an unfavorable one prohibits consideration of annexation of the area for two (2) years.

The second method consists of the annexation of another city. In this procedure the question of whether annexation will occur is put to the vote of the residents in the area proposed. A majority of residents must favor annexation for the procedure to be completed.

The three standards required in order for annexation to be completed are: that seventy-five percent (75%) of the property owners proposed for annexation remonstrated their feelings on the annexation; that the annexation will be in the best interest of the city in not materially retarding the prosperity of the municipality; and, that no manifest injury to the value of the land involved will be suffered.

There are no comparable North Carolina statutes to the Kentucky annexation laws. Kentucky requires that a civil court review annexation ordinances, allowing the public discussion of the issue and determining whether all parties have been heard, whether annexation is in the best interest of the city, and whether no manifest injury will be suffered by property owners. Kentucky also allows the annexation of another incorporated area, a situation not allowed in North Carolina.

The drawback to the method of court review is that it is time consuming. Civil courts have crowded dockets, and the placement of the annexation decisions only adds to the problem. Also, the decision on whether annexation is completed depends on the judgment of one person. This judgment can go either against the city (stopping annexation) or the property owners (they may appeal) -- an important responsibility on the judge. However, in either case, the ruling of the court may be appealed to the Court of Appeals.

Maryland

The State of Maryland has its annexation statutes contained in Article 23A, Section 19 of the Annotated Code of Maryland. A Maryland city may annex territory only if the land proposed is contiguous to the city and is adjoining. There is only one statute, Section 19 for all Maryland cities regardless of size.
Annexation is initiated two ways: legislative resolution and referendum. The legislative body of the city proposing annexation must receive the consent of twenty-five percent (25%) of the persons residing in the proposed area in order to adopt a resolution of annexation. A public hearing is then held on the proposed annexation. Following the public hearing, the legislative body may enact the resolution.

If, however, within forty-five days (45) after adoption of the resolution, twenty percent (20%) of the registered voters in the area proposed for annexation or the same percent in the city, petition the legislative body, a referendum on the resolution is called. The adopted resolution of annexation is suspended until after the results of the referendum.

The referendum on the annexation can be held in the city, in the area proposed, or in both. If it is held in both the city and the proposed annexation area, then both must agree. A favorable majority is required in the referendum for annexation to be completed.

The Maryland annexation statute is similar to the California public hearing and referendum methods. It is also similar to the "old" referendum method of North Carolina that was the standard annexation procedure before the "new" municipal ordinance method was adopted in 1959. The drawback to the Maryland statute is the time required to conduct the referendum.

Annexation can be a valuable and useful tool for cities. Annexation can expand the tax base, enabling the expansion and improvement of public utilities so necessary for modern life. Annexation also enables a city to expand its legal jurisdiction of land use controls and other municipal ordinances to encourage sound development of urban areas.

Until the late 1950's, the referendum method of annexation was the general annexation statute in North Carolina. The General Assembly felt that this method was inadequate for the growing urban development that was occurring at this time in North Carolina and appointed a commission to recommend changes. This Commission recommended to the General Assembly that a "new" annexation procedure be adopted. The North Carolina General Assembly heeded this advice and adopted in 1959, a "new" annexation statute. This "new" annexation statute, annexation by municipal ordinance meeting specific conditions, suggests that municipality should annex areas urban in character if these areas meet state requirements.

In the later part of this chapter, a comparison of the annexation statutes in California, Kentucky, and Maryland was done. These three states illustrate alternative methods of annexation that are not available in North Carolina or methods, such as the referendum method, that have been replaced. Annexation statutes in California, Kentucky, and Maryland require the consent in one way or another of those persons proposed for annexation. California and Maryland require a favorable majority in a referendum. Kentucky requires a court review and in some cases, a referendum on the question of annexation.

California and Kentucky have provisions in their annexation statutes that allow citizens to petition the municipality to annex them. However, in all three states, if annexation is initiated by a municipality, consent is required by those persons in areas proposed for annexation. This consent differs in each state; either by petition, remonstration in a civil court, or at the ballot box.
The reports of the Municipal Government Study Commission that were presented to the North Carolina General Assembly made some comments and recommendations concerning annexation. The Commission stated that cities must be allowed to grow and to prosper, that they (cities) should have the authority to determine their boundaries, that the question of the extension of municipal boundaries was not a legitimate question to be voted on by residents of the area proposed, that a city should include all urban developed areas that require municipal services, and finally, that annexation should be a matter of statewide policy and that this policy should include requirements for annexation.

The statute that developed from the recommendations of the Commission includes no requirement of consent from those proposed for annexation. Instead, a public hearing is held to hear citizen comments. The statute does contain requirements that the municipality must meet before annexation is final. These requirements include an annexation study on the feasibility of the annexation, a financial analysis of the municipality's plan for the extension of services, and a guarantee that municipal services will be provided on the same level to the new areas of the city as are provided in the older parts of the city.

The legislators who passed this law in 1959 felt that cities should be allowed to annex areas that meet specific state requirements and that the decision to annex should lie with local officials and not with small vocal groups. The statute does provide that a public forum on annexation be held before the annexation procedure is completed so that citizens, both in the city and those proposed, have an opportunity to express their opinions. Sometimes, annexation is dropped after the public hearing for one reason or other. However, the General Assembly did feel that citizens should have an opportunity to be heard, but that the final decision to annex should lie with the local governing body.

Chapter 3 will describe in detail the positive and negative aspects of the five methods of annexation available in North Carolina. Also in this chapter will be a discussion on the special problems that face small cities in the planning and financing of annexation.

16 Wicker, p. 2.  17 Ibid.  18 Kneier, p. 44.
19 Ibid., p. 44 and 45.
21 Wicker, "Intro", p. 5.  22 Ibid.
24 Municipal Government Study Commission, p. 5.
25 Ibid., p. 6.
26 State of North Carolina, Session Laws and Resolutions 1959, 1010, pp. 1031 and 1038.
27 Wicker, "Intro", p. 7.
30 Ibid.
Chapter 3

THE FIVE METHODS OF ANNEXATION AVAILABLE TO MUNICIPALITIES IN NORTH CAROLINA

The preceding chapter traced the development of annexation statutes in North Carolina and included a comparison of annexation statutes in California, Kentucky, and Maryland. This chapter will describe in detail the five methods of annexation available to cities in North Carolina. The advantages and disadvantages of each will be discussed, along with statistical data on the frequency of use of each method.

Annexation is favored by cities as a means to include fringe areas that benefit from close association with cities, but which make no financial contributions to the support of services and to the city itself. Urban areas on the outskirts of municipalities who want water and sewer services or lower insurance rates with fire protection, often do not want to financially support the maintenance of city equipment or facilities nor do they want to contribute to the quality of the city's environment by running for public office, sitting on commissions, or attending public meetings.

The financial aspects of annexation are not the sole reason for annexation. Also important to the municipality is the expansion of land use mechanisms to supervise the growth and development of fringe areas, and the increased population for grant purposes and for increased revenues from those taxes that are prorated by population.
"Its proponents (of annexation) contend that annexation is the best single solution to the political, social, and economic problems caused by fragmented and overlapping local governments in growing urban areas."^37 Annexation can "... provide a sound base for areawide action, orderly growth, and essential governmental services to the inhabitants ..." of areas proposed for annexation to municipality.^38

The planning for future development and the financial planning for the extension of municipal services are the most prominent reasons given for increasing city limits by the use of annexation. However, the development of urban areas on the fringe of a city are often ahead of annexation of the area and the demand that residents put on the city to provide services. The situation arising from the lag in the extension of municipal boundaries to cover the whole of an urban area can be summarized:

"Unless, therefore, the boundaries of the political city can be stretched to include its suburban and satellite and industrial colonies, the welfare of both those who remain in the city and those who seek a partial escape from it, will eventually disintegrate. For no community in a democratic society can long remain a sound functioning organism, if those among its members who gained the greatest benefits from it, escape from most of the obligations communal life imposed, and if those who obtain the least return in the way of necessities and amenities of life are left to bear the brunt of civic responsibility and taxation."^39

The State of North Carolina adopted in 1959 the state policy that "the social urban development of North Carolina is essential to the continued economic development; that municipalities are created to provide the governmental services essential for sound urban development and for protection of health, safety, and welfare. Areas annexed to municipalities in accordance with such uniform legislative standards should receive the services provided by the annexing municipality as soon as possible following annexation".40

"Municipal officials, charged with the responsibility of executing this policy (the state) will recognize the vital importance of overall planning for the orderly growth and development of municipalities in the state. Municipal officials will also recognize that annexation is an integral part of the overall planning process, a tool to be used in guarding and insuring orderly growth and development. Every city and town should develop a definite annexation policy and a continuing annexation program within the framework of its overall plan of development".41

The drawbacks of annexation are minor in comparison to the advantages, but cities must be able to deal effectively with the drawbacks in order to reap the benefits. The main drawbacks are the over-extension of cities in financial capabilities and the administrative difficulties involved in the extension of municipal services into areas annexed. An example of this is the Town of Bladenboro in Bladen County, North Carolina that annexed vast (in terms of its size) areas in 1972 and continues to have problems with its budget and providing a high level of services to the annexed areas as well as town residents. This kind of situation possibly could have been avoided if adequate financial and administrative planning was done before annexation and after.

The costs of providing municipal services to annexed areas must be offset by the revenue from these areas to insure that the state policy is properly executed and carried out in the respect of providing services. It cannot be overemphasized that planning for annexation, the
extension of public utilities into annexed areas, and the delivery of these services are critical to the future of the municipality involved. "A special annexation should be undertaken only after complete and careful study of its feasibility in terms of cost revenue aspects of services to be rendered."42

Public opposition to annexation cannot be labeled as a drawback because at times observations from the public often bring to light an item that was overlooked by officials concerning annexation. Therefore, public criticism of annexation can be an education. However, citizen opposition to annexation can pose a problem for a municipality unless the municipality goes to some length to educate the public on the advantages of annexation and to cultivate their support. Two complaints heard by local officials in their public hearings before annexation are: that city taxes are too high and that the city is moving on him. Residents of areas proposed for annexation often fail to recognize tangible and intangible gains from association and membership in a municipality. Areas such as police and fire protection, lower fire insurance from the installation of fire hydrants, the safety of street lighting and paving, and a voice in local affairs of government are overlooked by residents in their haste to justify taxes for benefits. Supporters of annexation argue that these residents see only dollar signs and do not perceive that the very happiness of their lives may be directly related to the city that they are located near, an intangible element that no price can be put on. The qualities in their surroundings that initially drew many persons to an area are the result of the efforts of the municipality.

Again, public officials hear the question: "We have water or sewer lines, and the county provides police protection, why pay city taxes?" An answer to this is provided by proponents of annexation who say that such residents are short-sighted in that they do not anticipate the rise of property values with the installation of water and sewer; the advantages of sewer compared, when installed, to septic tanks in relationship to health, the environment, and maintenance costs to the property owners; the cost of repaving streets or in paving them to begin with; the value of police and fire protection; the protection of city ordinances in dealing with such areas as land use and animal control; and the opportunity to seek public office.

As mentioned earlier, there are five types of annexation available to most cities in North Carolina, although several cities are exempted from the municipal ordinance as discussed in Chapter 2. Each of these methods will be discussed with the positive and negative aspect of each as they relate to cities. Some of these methods are more suited for certain instances than other.

**Annexation by Special Act of the General Assembly**

This method is available to all municipalities in North Carolina and the General Assembly may at any time use it to extend municipal boundaries. It is not a common method since other procedures have been enacted. The main negative aspect of this method is the time required to have a bill introduced and passed by the General Assembly.

This method of annexation is reserved for areas adjacent to a town which are not eligible for annexation under existing statutes and
that meet the requirements of being urbanized and related in character or function to the community.43 An example of this method was provided in 1931 when the governing council in Southern Pines, North Carolina had the General Assembly revoke the chapter of West Southern Pines and the two consolidated.

Annexation by Petition

"The governing board of any municipality may annex by ordinance areas contiguous to its boundaries upon presentation to the governing board of a petition signed by the owners of all real property located within such area."44 This 100% petition method requires that a public hearing be held to hear citizen comments. This method is particularly suited to the annexation of small areas, new subdivisions, and other land tracts with a small number of residents.

The petition method is usually initiated by residents seeking annexation; however, a municipality can ask residents seeking municipal services to petition the governing board to annex them. Utility policies are often structured this way.

The drawbacks to this method are inadequate financial and engineering planning for extending utilities and the irregular, piecemeal addition of areas to the city. It is difficult for cities to make long range planning and engineering decisions concerning the extension of public utilities if the addition of areas is done in a piecemeal fashion. The corporate map is irregular when areas are added one street at a time. This situation can cause confusion to police and fire personnel when the corporate limit may run down one side of a street or around several houses.

Annexation by Referendum

The referendum method is contained within G.S. 160A-24 through -30 and was enacted by the General Assembly in 1947 as the first general annexation law.45 It applied to all North Carolina cities until the adoption in 1959 of the "new" general annexation statute, annexation by municipal ordinance meeting specific requirements. This "old" statute, the referendum method, is reserved now for those cities exempted from the municipal ordinance method.

This procedure, when used, requires a petition from fifteen percent (15%) of the qualified voters in the area to be annexed (or 15% of the voters in the municipality). With presentation of this petition to the governing body, a referendum is called. A referendum may also be called by the governing board without a petition, but must be called if a petition is presented. A majority of "yes" votes is required for the annexation to be completed. This procedure also contains a public hearing on the question and the publication for four weeks of notice of the public hearing and the date of the referendum.46

The drawbacks to this method are those stated in the reports of the Municipal Government Study Commission in the late 1950's. To summarize these: the Commission did not feel that the decision to annex was a legitimate question to be decided by vote; that urban areas require municipal services offered by a city; that a city should have the authority to annex urban fringe areas that required public utilities and other municipal services; and that: the state should adopt statewide policy and standards on what should be annexed.

-31-
Annexation by Municipal Ordinance

The "new" general annexation statute was adopted in 1959 and replaces the "old" referendum method. The municipal ordinance meeting specific requirements applies to all municipalities that are not still restricted to the referendum method.

Annexation by this method requires the municipality to meet specific statutory requirements. The four main requirements are: (1) areas proposed for annexation must be contiguous and adjacent to the municipality; (2) they must be sixty percent (60%) urbanly developed for residential, commercial, industrial, governmental, or institutional purposes; (3) areas proposed not be in land tracts larger than five acres; and, (4) areas not be part of another municipality.47

The municipality contemplating annexation by this method must also draft an annexation study that contains answers to the above four requirements and a financial statement on the ability of the city to provide services after annexation. A public hearing must be held to hear citizen opinions on the annexation. This public hearing must be advertised for four weeks and should be conducted as a public forum with participation of residents from within the city and those proposed.48

The major drawbacks to this method despite the requirements for adequate planning for the provision of services, are financial over-expansion and the inability of town officials (both elected and hired) to deliver the promised services. The financial aspects of annexation can stagger a town, particularly a small one with limited personnel and finances. Major outlays in finances are required for the construction of water and sewer lines into annexed areas and the additional personnel in police, street crews, and administration required for additional area and population.

Small towns often have a small tax base upon which to draw money. These towns also suffer from the lack of trained, professional persons to administer the extension of services. Chapter 4 will illustrate the effects that annexation had on four small cities and towns.

Satellite Annexation

This method is the newest annexation statute, adopted in 1974, and applies to all municipalities. It requires the presentation of a petition from all property owners. The area proposed for annexation does not have to be contiguous to the municipality, but must be within three miles of the corporate limits. A public hearing must be held before the procedure is completed.49

A prime example of this method is the satellite annexation of a restaurant or motel that desires beer and wine licenses and "brown bagging" permits that certain cities offer. This ability of cities to expand isolated limits to a specific area can be a powerful incentive for a business to locate near a municipality and have the pick of location that affords the best land area and location regardless of whether this area is within the city or not.

The traditional advantages of annexation: a broader tax base, increased population, and planned and orderly land use hold true for small cities as well as large ones. Also, the drawbacks of annexation do not discriminate between large or small cities. These include: vast funds necessary for the extension of municipal services (this includes money for engineering and construction of water and sewer lines and for
additional personnel and equipment); overexpansion of finances and personnel; and, loss of confidence in the ability of local officials to provide services.

The real success of annexation depends on whether local officials take the time and make an effort to plan, weighing the advantages and disadvantages of annexing areas before a municipality overexpands itself. With the small city's limited budget and personnel, the negative effects can be overwhelming in proportion to their size when compared to larger cities. On the positive side, annexation, if planned correctly can expand the population for taxes, enable the small cities to draw feedback and support from a larger pool for elected offices and appointed commissions, and broaden the tax base so that more residents can be served on a higher level of municipal service and the costs are spread more equally.

The State of North Carolina provides five methods of annexation. These are: annexation by special act of the General Assembly, by petition of all property owners, by referendum, by municipal ordinance meeting specific requirements, and satellite annexation. Which one of these methods is most widely used by North Carolina municipalities?

In a study done by the Institute of Government at the University of North Carolina at Chapel Hill in 1973 on annexation, 1,479 annexations were done by North Carolina cities and towns from January 1, 1960 until June 30, 1973. Of the 1,479, seventy-two percent (72%) of the annexations reported were completed under the petition method and nineteen percent (19%) were completed under the municipal ordinance method.

During fiscal years 1973-74, 1974-75, and ten months of 1975-76, 551 annexations were reported to the Department of the Secretary of State, Raleigh, North Carolina. The use of the municipal ordinance method has increased in frequency from sixteen percent (16%) in 1973-74 to forty-three percent (43%) in 1975-76, while the use of the petition method has decreased from seventy-nine percent (79%) in 1973-74 to fifty-seven percent (57%) in 1975-76. Cities are increasingly turning to the municipal ordinance method for their annexations. Table 1 shows the methods of annexation used by North Carolina cities and towns in a thirteen and one-half (13-1/2) year period.

<table>
<thead>
<tr>
<th>Method of Annexation</th>
<th>1/1/60 Thru 6/30/73</th>
<th>1973-74</th>
<th>1974-75</th>
<th>1975-76</th>
</tr>
</thead>
<tbody>
<tr>
<td>Special Act of General Assembly</td>
<td>76     6%</td>
<td>9        6%</td>
<td>15       7%</td>
<td>-0-</td>
</tr>
<tr>
<td>Petition</td>
<td>1,064 72%</td>
<td>137      79%</td>
<td>149      71%</td>
<td>94      57%</td>
</tr>
<tr>
<td>Referendum</td>
<td>65      5%</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Municipal Ordinance</td>
<td>272 13%</td>
<td>28      16%</td>
<td>47       23%</td>
<td>70       43%</td>
</tr>
<tr>
<td>Satellite</td>
<td>2      1%</td>
<td>-0-</td>
<td>-0-</td>
<td>-0-</td>
</tr>
<tr>
<td>Total</td>
<td>1,479        12%</td>
<td>174      107%</td>
<td>212       111%</td>
<td>165</td>
</tr>
</tbody>
</table>

Annexations average 109.5 per year over a 13-1/2 period.

Why are cities increasingly turning to annexation by municipal ordinance? Annexation by municipal ordinance meeting specific requirements is particularly useful to municipalities because it enables cities to grow and to prosper. North Carolina cities may use this statute to preserve the qualities of life that are afforded in cities, such as police protection, city ordinances, and public utilities; to expand their authority
into urban fringe areas to control growth and insure that the development that does occur will be in the best interest of the city; and to financially support city services on an equal basis without undue burden on the less affluent members of the community who can not move to the suburbs.

The municipal ordinance method is written very much in the favor of the municipalities. The limits of a municipality may be systematically expanded to insure planned development of cities and their suburbs, including adequate water, sewer, police, fire, and land use mechanisms. While citizens in areas proposed for annexation do not vote on annexation they do have the opportunity to have their opinions heard at a public hearing. It is the responsibility of the city contemplating annexation to cultivate the support of residents within the city and those proposed for annexation. The advantages of annexation must be adequately presented. A useful method of achieving annexation without undue antagonism is to tie the extension of public utilities outside the city limits to annexation. If citizens outside of town desire water or sewer services, then they must ask the city to annex them.

Chapter 4 will detail the effects of annexation on small cities. Four examples of recent annexations will illustrate the methods used to annex and how successful these annexations were in achieving desired results without any harmful effects.

Contained within Appendix A are the complete North Carolina statutes pertaining to municipal annexation. All five methods are included.

38Charlotte Study, p. 2.
39National Resources Committee, "Our Cities" (a report given to the Urbanism Committee, 1937), p. 68.
47N. C. General Statutes 160A-36.
50Statistical data on annexation compiled from a memo written in August, 1973, by Jake Wicker of the Institute of Government, Chapel Hill, North Carolina to city clerks and managers for a period between July 1, 1959 and June 30, 1973 and from monthly reports of the N. C. Department of the Secretary of State, Raleigh, North Carolina for period of 1973-76.
Chapter 4

THE EFFECTS OF ANNEXATION ON SMALL
NORTH CAROLINA CITIES AND TOWNS

Chapter 4 will analyze the effects of annexation on small cities. This analysis will examine the factors that enhance the chances that annexation will be beneficial to the cities that engage in it. Examples of actual annexations in four towns of North Carolina -- Southern Pines, Red Springs, Bladenboro, and Elizabethtown -- will be described.

The thesis of this paper is that a municipality contemplating annexation must plan its action in order to maximize the beneficial effects of annexation and to minimize harmful effects. Beneficial effects of annexation are a broader tax base, expansion of public utilities, and the promotion of sound urban growth and development. Harmful effects of annexation are loss of faith in local elected officials, financial overexpansion, and the inadequate development of urbanized fringe areas. Planning annexation can enhance the chances that a municipality will have beneficial effects. This planning consists of an analysis of the municipality’s financial status, use of professional expertise, citizen education for the support of annexation, and the caliber of local officials.

Citizen support within a small city for annexation is critical in the developmental stages of the annexation procedures. If local residents do not support local officials in the town’s attempt, then annexation will die at the start. Therefore, the cultivated support for annexation is important not only to those proposed, but to those already within the city.

Gaining the support of those areas proposed for annexation is the responsibility of local officials. These officials must be fair and open in all decisions concerning the areas proposed for annexation. Efforts must be made to point out the advantages of annexation.

The caliber of local officials, both those elected and those hired, is important. These officials must decide what areas to annex, fulfill the requirements of the state statute, and carry out the provisions of expanding municipal services to those annexed.

Often these officials cannot handle the demands of annexation: the complexities of the statute, the budgetary task associated with it, the engineering required to expand public utilities, and the executive duties associated with the actual delivery of municipal services after annexation is completed. Consulting engineers or planners sometimes both are employed to handle annexation. The caliber of these professionals is also important.

Officials and/or persons hired must make a financial analysis to determine if the town contemplating annexation can undertake annexation and support it after it is completed. This financial analysis should include a study of the tax rate and land valuations, outstanding debts (water/sewer or general), and the impact of annexation on the budget. Town officials must remember that revenues from annexed areas do not start to come in for several months after annexation. Thus, the
town must be able to supply sufficient funds to cover the cost of annexation without waiting for revenues from annexation to pay for everything.

The following criteria should be answered when the financial analysis is done: the number of persons in the area considered, the present services available in the area, the land valuations of the proposed area, the type of land use in the area, and the cost of providing municipal services that are lacking in this area. The answers to the above will provide valuable information in budgetary terms and would possibly determine what areas are annexed.

Small cities and towns have two shortages: money and personnel. It is not uncommon for small municipalities to have a cash flow problem, particularly between July and September of the fiscal year before property taxes start coming in. Also, most small towns have a limited number of personnel. Often one person will handle several diverse tasks, overlapping into several areas of influence. The role of the town clerk in small cities is an example of the multiple roles that small town employees play. Town clerks are usually the budget and finance officer. They collect the property and business taxes, do the payroll, and assist the governing body in municipal matters and decisions. When annexation with its accompanying requirements is contemplated, additional tasks are forced upon city employees that may be beyond their knowledge and experiences.

Specific examples of small North Carolina cities and their experiences with annexation will now be described by the use of a case study with the information gained from personal interviews with those officials involved, newspaper accounts, and the author's personal experiences in Southern Pines and Elizabethtown, North Carolina.

**Southern Pines**

Southern Pines is located in Moore County, part of the Sandhill region of North Carolina that is characterized by the long-leaf pine, a mild climate, and sandy soil. Founded in 1884, Southern Pines represents "one of the few examples of early town planning in North Carolina and America" in that its founder, John T. Patrick, drew up a gridiron village with square blocks of uniform number of lots. Today, Southern Pines is nationally known as a resort and retirement community with a population of approximately 6,100.

Southern Pines' experiences with annexation have included annexation by petition, special act of the General Assembly, satellite, and municipal ordinance. Petition annexation has been popular in Southern Pines as has annexation by special act, which has been used five times since the original charter in 1887. The newer methods of satellite and municipal ordinance have only recently been employed.

"The policy of the town council of Southern Pines has traditionally been conservative in matters of extending the corporate limits of the town." Since 1931, Southern Pines has not sought to annex any areas to the town other than by petition of the property owners.

In 1969, the town council of Southern Pines commissioned a state agency to do an annexation study. This study was done and presented to the council. A public hearing was then held and sufficient opposition was raised concerning annexation that the entire study was dropped.
In its planning contract with the North Carolina Department of Natural and Economic Resources (DNER), the Southern Pines town council asked that an update be done on the 1969 Annexation Study (the one that was dropped). This 1975 Annexation Update was completed by a planner from DNER, the town manager, and his administrative staff. The objectives set for this study were: to include those fringe areas of Southern Pines that meet the legal requirements of the municipal ordinance statutes; to broaden the tax base in order to forestall a property tax increase or a cut in the level of municipal services, and to properly plan and finance water and sewer extensions in the future. The five areas selected for annexation were a mixture of residential, commercial, and industrial. By the public hearing in May, 1975, two areas had been deleted, leaving three. These areas were annexed to the town on June 11, 1975.

Southern Pines completed annexation by municipal ordinance and the beneficial effects of annexation were achieved without the harmful ones. Southern Pines was able to financially afford and sustain annexation of developed fringe areas that required municipal services and ordinances for proper development. These areas increased the population for grant monies and other revenues, and broadened the tax base to insure that a tax rate increase or a cut in the level of services was forestalled.

The planning factors of citizen support for annexation, the abilities of local officials, the financial condition of the town, and the use of professional expertise with annexation were present in Southern Pines' annexation. The majority of the citizenry supported the extension of the town limits into developed fringe areas as did the local paper. The town council made informed decisions on annexation because of the abilities of its manager and a state planner to present the facts of annexation to the council. The manager did extensive budget reviews and revenue projections to insure that annexation was feasible. Finally, Southern Pines had a good tax base of residential, business center, and light industry to support annexation and the extension of public utilities and other services.

After its experience with annexation by municipal ordinance in 1975, Southern Pines developed an annexation policy. Each year selected portions of developed fringe areas will be annexed, assuming after investigation that annexation is feasible. This systematical extension of town limits will insure that developed fringe areas have adequate municipal services and ordinances that are necessary for modern life, that Southern Pines will be able to plan and to afford the extension of water and sewer services, and that the tax rate will remain at a reasonable level that can be afforded by all residents without sacrificing the level of town services.

Red Springs

This second largest town in Robeson County, North Carolina was named Red Springs by the Scots who first settled the town because of the mineral springs they found there that stained their water containers red. Today, the town of Red Springs has a population of approximately 3,900, with a mixture of white, black, and Lumbee Indians. Red Springs has a manager-council form of government with six (6) elected commissioners and a mayor elected at large. The mayor votes
only in the event of a tie between the commissioners. The present
manager has been in Red Springs since October, 1972, having previously
been in Lumberton, North Carolina as administrative assistant to the
city manager and as tax collector.

The last annexation was in 1973-74 when two families asked
the town commissioners to annex their properties. Annexation by
municipal ordinance was used to comply with this request. An annexa-
tion study and maps were done and a public hearing was held. At this
public hearing only those residents involved attended.

Since residents themselves initiated the annexation procedure
and there was no opposition from the town board or other citizens, the
cultivation of citizen support was not necessary. The town manager
handled the statutory requirements of annexation, doing an annexation
study and financial analysis to determine the feasibility of annexing
the area. This study showed that annexation of the area would be mini-
imum in cost to the town because the two houses involved were surrounded
by the town limits and the cost of extending services would be little.
This annexation produces a more uniform corporate limit and map.

On annexation in general, Town Manager T. Wayne Horne suggested
that if fringe areas of cities are provided with water and sewer ser-
vices then annexation should be used as a planning tool, a method
for planning for future and orderly growth of cities. He felt strongly
that in order to properly plan for the extension of municipal services
and their related finances, that cities must take the initiative in
annexation and include those fringe areas that are related in character
and are urbanly developed.

Bladenboro

This small farming community of Bladen County, North Carolina
was settled in the decades after the Civil War, but real growth did not
occur until the establishment of textile mills in the early part of
this century.

Bladenboro was chartered by the North Carolina General Assembly
in 1903 and presently operates under the commission form of municipal
government. Six (6) commissioners are elected for two terms from
two wards. Candidates must reside in one ward, but votes are cast town-
wide for all candidates. The mayor is chosen from those elected and
he votes in all decisions.

The population of Bladenboro by the 1970 census was 796, but
with annexation in 1971, the population increased to approximately
2,220 persons. Bladenboro has increased its size in 1923 and 1937
by special acts of the General Assembly. The 1971 annexation was con-
ducted under the municipal ordinance method and will be the annexation
that is discussed. This annexation occurred in 1971 and increased the
area of the town by approximately 120 percent (120%) and the population
by 300 percent (300%).

The town desired to annex territory in the early 1970's on the
fringe because: (1) annexation was aimed in the direction of an indus-
trial park; (2) the U. S. Environmental Protection Agency (EPA) required
the town to upgrade its waste water treatment plant and to rehabilitate
its water and sewer systems; (3) highly developed areas on the fringe
of the town needed municipal controls and services; and, (4) additional
revenue and people were needed to finance the required public utilities
improvements.
The annexation study required by the statute was completed by the consulting firm of Hennings, Durham, and Richardson of Charlotte, North Carolina and the town attorney. Fifteen to twenty persons attended the public hearing on annexation, expressing support and opposition to annexation. The annexation requirements of the municipal ordinance method were completed and annexation occurred in June, 1971.

The objections to annexation were not satisfied at the public hearing because several residents annexed filed suit in the civil court of Bladen County, Hester & Others vs. The Town of Bladenboro in 1973. This suit was dismissed because two years had passed since annexations and there is no judicial review of annexation after thirty days (30) except when services have not been provided.

Bladenboro Town Attorney, Joe Chandler, said of this incident that "many citizens in the annexed areas did not approve of annexation at the time, but a majority probably accept it now".

This annexation in Bladenboro in 1971 did not achieve the beneficial effects of annexation. Although, a consulting firm prepared the annexation study with the help of the town attorney, Bladenboro lacked the personnel to adequately plan and to carry out the delivery of services, and to do the quality of financial analysis necessary for financial stability and prosperity until 1975.

North Carolina’s Fiscal Control Act, which regulates county and municipal governments, requires that all funds and budgets be balanced. Revenues must equal expenditures; budgets cannot operate in the deficit. Bladenboro had floated bonds to finance the improvements of its water and sewer systems associated with the 1971 annexation. The water/sewer fund was planned to be self-sufficient by those planning annexation.

At the public hearing on its budget for 1976-77, Bladenboro officials revealed the need for a thirty percent (30%) increase in its property tax rate to cover a deficit of the water/sewer fund.60

Adequate fiscal planning was done in 1971 prior to annexation, but no fiscal planning has been done since then. Bladenboro has a small tax base. It lacks a strong business district and the textile industry has been in a recession, leaving the burden of revenues on residential owners. Other financial problems are: (1) poor collection rate on taxes; (2) lack of hook-ups to the water/sewer systems; and, (3) the hook-up rates for public utilities are too low.61

Much of the financial troubles of Bladenboro are administrative. The town lacks policies to enforce hook-ups, collect taxes, and provide adequate planning and analysis of the tax rate to determine if taxes are sufficient to support services. Although the annexation in 1971 did not cause the town’s financial troubles, it certainly did not help. Bladenboro’s money difficulties have been growing for years. Local officials failed to recognize and act quickly on the problems. The town lacked the personnel, until recently, with sufficient training to prepare adequate financial studies, to pursue elected officials to pass needed policies, and to follow through and enforce the policies of the town.

Bladenboro is an example of a town undertaking annexation without planning for it sufficiently to avoid harmful effects. This lack of planning has produced a loss of confidence in local officials to govern,
deliver services, and look out for the financial interest of the tax payers. Because revenues have not been collected, the general fund, supported largely by property taxes, must contribute to the support of the water/sewer fund. The lack of hook-ups has produced financial problems for the town as well as depriving homeowners the advantages of water or sewer service.

Elizabethtown Elizabethtown, North Carolina is located above the banks of the Cape Fear River in Bladen County. It was laid out in 1773, but not incorporated until 1901. Today, Elizabethtown is the county seat of Bladen County and the county's largest urban area with a 1970 census of 1,418.

Since its incorporation in 1901, Elizabethtown has expanded its limits by annexation in 1911, 1913, 1935, and 1963. Special Act of the General Assembly was used. In 1972, the consulting firm of L. E. Wooten and Company, Raleigh, North Carolina prepared an annexation study in accordance with the requirements of the municipal ordinance method. This study was presented to the town board and contained the annexation of areas that would triple the land area of the town and increase the population to approximately 3,000. However, this study was dropped because of the high cost of providing water and sewer services.

In 1975, annexation was again contemplated. Since the 1972 annexation study was done, the town had worked to overcome the financial costs that prevented annexation. The town received federal money, state money, and passed a bond referendum. The consulting firm of L. E. Wooten was commissioned to do a 1975 update on annexation. This update included the original areas of 1972 and some additional areas.

The town board wanted to annex fringe areas to enhance orderly growth, to broaden the tax base, to expand the potential of economic growth with a larger town, and to provide municipal services to fringe areas outside of town that desperately needed them.

A public hearing on annexation was held in March, 1976. Over one hundred citizens attended this hearing, not many when considering that the population was more than 3,200. It was noted earlier in this paper that citizen criticism can have an enlightening effect. Citizens who spoke at the public hearing pointed out that large areas were excluded from annexation. The town board after this hearing asked the consulting firm to investigate the possibility of adding more areas.

Annexation was scheduled to occur in June, 1976. With the decision of the town board to expand the original plan, the entire annexation procedure (annexation study, maps, and public hearing) had to be repeated, delaying annexation until October 1, 1976 or January 1, 1977. The original annexation plan was designated as Plan A. The new plan, Plan B, included those areas of Plan A and additional territory. If annexation is completed under Plan B, the population is expected to increase to approximately 4,200 from 1,500 now.

Such extensive annexation will change the character of Elizabethtown. Additional personnel and equipment will have to be added to accommodate more residents and the extension of services. Above all, finances and budgetary activities will have to be planned to insure that services are delivered without financial ruin to the town.
Local officials planned annexation in Elizabethtown to be beneficial. Beneficial in that the objectives of annexation will produce a broader tax base, expansion of public utilities, and the promotion of sound urban growth and development without the harmful effects. These harmful effects are the loss of faith in local officials, financial overexpansion, and inadequate development of urbanized fringe areas. Planning for annexation can prevent these harmful effects.

There is citizen support in Elizabethtown for annexation. This was demonstrated in several ways: a bond referendum in July, 1975 for money necessary to extend services was passed by an eighty-nine percent (89%) favorable vote; the lack of opposition to the present town board in the November, 1975 municipal elections; and sixty-nine percent (69%) of the respondents in an opinion survey indicated that they wanted the population of Elizabethtown to be increased (indicating that annexation was desired).

The financial condition of the town can sustain annexation. Elizabethtown has a broad tax base with a diversified economy of industry, small business, wealthy land owners, and a strong middle class. The town has a $2.8 million bond to help finance the extension of public utilities and improvements that is matched with state and federal grants.

In preparing the required annexation study the town used a consulting engineer. In-house personnel consists of a part-time planner and a town attorney. The town does not have a permanent full-time professional to do financial analysis and budgetary activities, and to handle the day-to-day activities of a town of 4,000. This lack of a full-time professional may prove to be difficult to do without when annexation does finally occur.

The abilities of the local town board to deliver services, to handle difficulties arising from the tremendous growth of a municipality in a short time, to continue to receive the support and confidence of town citizens, and to complete this annexation to the end without financial ruin will be tested.

The Elizabethtown town board recognized annexation as a "must" if the town was to continue to grow and to prosper. They fully believed in the state policy that what is urban in character should be municipal as well.66 Annexation is seen as "a progressive tool of a responsible government" and as "a planning process for the expansion of water and sewer services to urbanly developed areas".67

In summary, annexation is an important procedure to a municipality for enlarging its community to include fringe areas that are urbanly developed and require municipal services. Urban areas need a high level of services such as water and sewer services, police and fire protection, and local ordinances such as animal control and zoning that county governments cannot deliver to residents in urban communities, and that are the rightful provisions of municipal organizations. Annexation is then the means by which the city itself can grow and prosper.

The municipal ordinance method is the general annexation law. This chapter contained four examples of the use of this method by small towns. In each instance, the adequacy of the planning was examined. Southern Pines, Red Springs, and to a certain extent Elizabethtown illustrate that the beneficial effects of annexation can be achieved through planning.
Bladenboro proved on the other hand, that inadequate planning may produce harmful effects.

The municipal ordinance method of annexation is valuable to North Carolina cities for it enables a municipality to enlarge its boundary to broaden the tax base in order to support urban services, to provide orderly growth for the city in order to prosper and to grow, and to provide its citizens with a high level of municipal services within the financial ability of the municipality.

The U. S. Advisory Commission on Intergovernmental Relations recommends the North Carolina Statute as a model for other states.

Many people in areas proposed for annexation object to not being able to vote on annexation. Former Lt. Governor Pat Taylor, who as a member of the N. C. House of Representatives in the late 1950's, helped write and pass this law, says: "There was a great hue and cry that this was taking away the citizen's right to vote, but it wasn't one of those areas where the citizen's vote was an important factor. The orderly growth of the cities is in the public good, and you cannot let each individual decide. If it's urban property by certain objective standards, then it ought to be subject to being annexed without any vote."68

In states where municipalities do not have the authority to annex fringe areas as do North Carolina cities and towns, problems develop. When a city cannot expand its limits, a vicious cycle begins because the people who can afford to move from the city, do. The city is then left with a declining tax base because the better educated and more affluent people have moved to the suburbs, yet still work and use municipal services without financially supporting them.

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It was mentioned earlier that the City of Fayetteville in Cumberland County, North Carolina is exempted from the municipal ordinance method. Fayetteville has experienced some of the most rapid urban growth in the North Carolina within the last decade. However, the extension of municipal boundaries and services has not kept up with development of residential and shopping communities surrounding Fayetteville. Part of this recent growth can be attributed to the U. S. Army installation at Fort Bragg. In order to annex, Fayetteville must stand a referendum. Large residential areas with supporting shopping areas have developed outside the city limits. These areas require water and sewer services, and other municipal services like zoning. Fayetteville is denied the taxes from these areas, the ability to plan and finance public utilities, and to control the development and quality of growth on its perimeter. Also confusion resulting from the overlapping authority of city, county, and federal governments is related to this inability to annex.

Allen Tate, Chairman of the Charlotte-Mecklenburg Planning Commission says: "The orderly, healthy growth of a city is ultimately important to those same people who don't want to be annexed. If the City of Charlotte fails to survive or fails to thrive, we'd all lose something, including the people who live in the perimeters".69

In contacts with people in municipal governments in other states, Mr. Tate says, he finds "they marvel at the foresight of the people who passed this law (annexation by municipal ordinance meeting specific requirements). It's necessary for the preservation and survival of cities."70
"Some annexations have been attempted for less noble reasons. So-called land grabs for additional tax revenues, for increasing the area or population of the city as an end in itself, and competitive annexation to thwart anticipated annexation by another jurisdiction, have usually proven to be unwise actions. Responsible city administrations recognize these reasons as specious and unsound, and reject proposals based upon them just as they also refuse to annex territory they are not prepared to provide with services comparable to those enjoyed by older parts of the city."

53 Ibid., p. 34.
55 Williamson, pp. 14 and 15.
56 Ibid., pp. 11-45.
61 Ibid.
62 Some information, except where footnoted, from personal experience and observation as manager in Elizabethtown, North Carolina from June, 1975 through March, 1976.
69 Ibid. 70 Ibid.
71 "Charlotte Annexation Study", 1974, p. 2
Chapter 5

THE SUMMARY AND CONCLUSIONS

The thesis of this paper is that planning is essential to a municipality engaging in annexation if beneficial effects are expected.

Chapter 2 traced the historical development of annexation statutes in North Carolina and made a comparison of the North Carolina Statutes to laws in California, Kentucky, and Maryland. In Chapter 3, the five methods of annexation available in North Carolina were discussed, the advantages and disadvantages of each were included to demonstrate the practicability of each in different situations. Special emphasis was placed on the municipal ordinance meeting specific requirements method because it is the general annexation statute now in use and affords North Carolina municipalities the opportunity to expand and prosper.

Chapter 4 contained four examples of annexation in North Carolina small towns. These towns were Southern Pines, Red Springs, Bladenboro, and Elizabethtown. The adequacy of planning was examined in each town as well as the effects of annexation. Beneficial effects of annexation were a broader tax base, expansion of public utilities, and the promotion of sound urban development without financial ruin to the municipality. Harmful effects were loss of faith in local officials, financial over-expansion, and the inadequate development of urbanized fringe areas. The thesis of this paper is that adequate planning for annexation is a key factor in determining whether beneficial or harmful effects occur. This planning consisted of financial analysis, use of professional expertise, cultivation of citizen support for annexation, and the ability of local officials to deliver services.

Annexation in Southern Pines, Red Springs, and Elizabethtown was classified as achieving beneficial results. Although annexation has not occurred in Elizabethtown yet, it was assumed that it would occur soon and would achieve beneficial effects. Annexation in Bladenboro was considered harmful because of financial difficulties, the inability of local officials to deliver public utilities, the inadequate development of urbanized fringe areas (providing water or sewer services to annexed areas), and hard feelings concerning annexation and the financial difficulties of recent years (20 percent tax increase in 1976-77) of the citizens of Bladenboro.

In summary, annexation can be important in the improvement of life in municipalities if adequate and careful planning is done by those contemplating annexation. Small cities and towns must be careful not to overspend their finances and personnel when undertaking annexation.

Municipalities in North Carolina have a unique annexation law in the municipal ordinance method. This statute provides for the expansion of city limits for economic growth and sound urban development for outerlying areas. It also makes the provision that a city annexing must provide municipal services on a level comparable to other residents and areas within a reasonable time. The municipal ordinance method is viewed by many to be very liberal in its interpretation of what is urban and what can be annexed. Municipalities, using this method, can be aggressive in
bringing urbanized fringe areas into the city to broaden the tax base; that in turn finances the expansion of public utilities necessary for modern life, and produces a community that is able to prosper and offer its residents a high level of services within a reasonable financial range.

Municipalities in North Carolina are turning increasingly to the municipal ordinance method of annexation. The real test of this statute's strengths is its use by cities in fulfilling the North Carolina state policy that "... sound urban development is essential to the continued economic development of North Carolina". 72

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