

# GUIDELINES FOR HOUSE FINANCE SUBCOMMITTEE ON ANNEXATION & DEANNEXATION LEGISLATION

**Background** – The North Carolina Constitution, in Section 1 of Article VII, authorizes the General Assembly to "provide for the organization and government and the fixing of boundaries of counties, cities and towns, and other governmental subdivisions, and, except as otherwise prohibited by this Constitution, may give such powers and duties to counties, cities and towns, and other governmental subdivisions as it may deem advisable." The General Assembly enacted Article 4A of Chapter 160A of the General Statutes governing municipal annexations. The General Assembly has not enacted any method for municipalities to deannex property. The authority to deannex remains with the General Assembly.

The 2011 Regular Session of the 2011 General Assembly enacted the Annexation Reform Act of 2011, S.L. 2011-396 (HB 845), that revised the laws governing involuntary annexation by municipalities. The 2012 Regular Session of the 2011 General Assembly enacted Annexation Reform 2, S.L. 2012-11 (HB 925), that further amended the law pertaining to annexations initiated by municipalities.

With the 2013 Regular Session of the 2013 General Assembly, the House Finance Subcommittee on Annexation and Deannexation Legislation ("Subcommittee") began reviewing legislation to annex or deannex property. These Guidelines list the criteria considered by the Subcommittee to determine whether the proposed legislation should be given a favorable report.

The following provisions should be uniform in legislation:

- **Collection of Taxes** - The legislation addresses the collection of taxes during any period the property was subject to local taxes.
- **Effective Date** - The effective date of the legislation is June 30 to match the tax year for local property tax unless another date is required by special circumstances.

The following types of legislation have been historically approved:

- **Agreement of Interested Parties** – Legislation supported by the city and property owner.
- **Error Correction** - Legislation correcting errors or resolving boundary disputes.
- **Changed Circumstances** – Legislation adjusting boundaries because planned events did not occur such as a failed investment, abandoned roadwork, or provision of services.

The following additional factors are considered:

- **Characteristics of Property** –
  - Legislation avoids a "doughnut hole" in the municipality or other gaps in land use regulation.
  - Legislation offers public benefit from land use regulation of the property.

- **Reliance on Existing Boundaries –**
  - Legislation avoids loss to municipality for infrastructure to provide public services where the property receives a significant, material service from the municipality.
  - Legislation avoids impact to other property such as increased costs to provide public services to nearby properties.
- **Timing -**
  - Legislation avoids changing local actions that are final and no longer in litigation.
  - Legislation avoids disturbing boundaries that have been in place for several years.
- **Bonds –** If the municipality has outstanding general obligation bonds, legislation avoids significant impact on the existing tax base serving the bonds.