Municipal Incorporation Activity and the Clustering of New Municipalities in North Carolina: 1990 - 2008

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Between 1990 and 2008, North Carolina experienced the second greatest number of municipal incorporations of any state in the Union. Examining the spatial distribution of these newly incorporated municipalities (NIMs) within North Carolina reveals that the Piedmont Region, Metropolitan Statistical Areas and Micropolitan Statistical Areas saw a greater number of incorporations than the Coastal and Mountain Regions or Non-Metropolitan Areas of North Carolina. Additionally, the clustering of new municipalities within certain counties and MSA’s reveals that a ‘herd mentality’ exists among incorporating entities. This so-called ‘herd mentality’ is characterized by multiple unincorporated areas surrounding larger municipalities defensively preventing the annexation of their community into the larger neighboring municipality by creating a new municipality of their own.

Introduction

Since 1990 North Carolina witnessed a plethora of municipal incorporations. The process of creating a new municipality is essentially a geographic phenomenon. New cities create new boundaries and subsequently regulation, representation, and taxation. New municipalities also affect existing municipalities by fragmenting metropolitan areas (Jonas, 1991; Orfield, 1997; Carruthers, 2003), creating new competition for limited resources (Foster, 1997; Rusk 2003) and adding additional service providers to a region (Tiebout, 1956; Purcell, 2001). This paper will explore the outcome of the municipal incorporation process in North Carolina through an examination of the frequency and location of new cities.

The benefits and costs of municipal incorporation on metropolitan governance have been debated by metropolitan reformers and public choice proponents for decades (Tiebout, 1956; Ostrom et al., 1961; Schneider, 1986; Downs, 1994; Orfield, 1997; Rusk, 2003). Metropolitan reformers believe that the incorporation of an unincorporated area results in the duplication of services and adds unnecessary municipal providers to the metropolitan arena. Reformers contend that the amalgamation of governments would result in larger cities that are more efficient providers of public services by providing scale economies and manipulating government boundaries to more effectively ‘capture’ the tax revenues of suburban residents (Jonas, 1991; Orfield, 1997; Rusk, 2003).

Conversely, public-choice proponents argue that the proliferation of municipalities leads to more competition and drives down the cost of public services (Tiebout, 1956). Purcell (2001, 616) states “a more politically fragmented metropolis promotes efficiency because residents, functioning as municipal consumers, choose from among different bundles of services and tax rates that the various municipalities offer” and, in effect, ‘vote with their feet’.

The purpose of this paper is to report the spatial distribution of newly incorporated municipalities (NIMs) in North Carolina between 1990 and 2008. A NIM is a new municipality (e.g. city, town, village) that was incorporated or created by the General Assembly of North Carolina between January 1, 1990 and December 31, 2008. I will also
discuss the unique clustering pattern of NIMs within certain regions of North Carolina. Examining the spatial distribution of the NIMs of North Carolina provides a greater geographic understanding of the incorporation process.

Municipal Incorporation Research

Research focused exclusively on municipal incorporation is limited. Nonetheless, this paper draws upon the scholarly work that has been completed on the spatial distribution of municipal incorporation activity and the legislation that guides the municipal incorporation process in North Carolina.

Research conducted on other types of boundary change initiatives (i.e. annexation, special districts, consolidations/mergers and secessions) has included a distinct spatial approach. Numerous studies have focused on the frequency and location of annexation activity within the United States (Dye, 1964; Wheeler, 1965, Galloway and Landis, 1986; Liner, 1993; Carr and Feiock, 2001). Foster’s (1997) work on special district formation in the United States includes a limited geographic analysis. Finally, Marando (1979) completed one of the first national examinations of consolidation efforts within the United States that included a spatial dimension.

Few studies have examined the spatial distribution of new municipalities in the United States. (Miller, 1981; Rigos and Spindler 1991; Burns, 1994; Ingalls and Rassel 2005; Smith and Debbage, 2006). Several of these studies have indirectly alluded to a unique geographic pattern of clustering that is associated with newly incorporated municipalities. Miller’s (1981) study on municipal incorporation activity in Los Angeles County following the implementation of the ‘Lakewood Plan’ contains a narrow geographic focus and is more focused on the political forces at play resulting in numerous incorporations in Los Angeles County. However, the study does highlight the unique clustering pattern of NIMs within the study area and attributes the clustering to annexation efforts of existing municipalities.

Ingalls and Rassel’s (2005) examination into political fragmentation within the Charlotte metropolitan region provided a glimpse into the level of municipal incorporation activity within that region. The authors determined that of the 44 municipalities located within the Charlotte metropolitan region, 39 were incorporated before 1930 and that comparatively speaking the region had a low level of fragmentation. The authors also note that “of the 12 municipalities created since 1970 all were in the path of Charlotte’s high growth sectors; in fact 10 were in the direct path of the southern high growth sector moving outward from Charlotte into western and northern Union County” (Ingalls and Rassel, 2005, 23).

More recently, Smith and Debbage (2006) conducted a more explicit geographical analysis of NIMs in an attempt to articulate the essential spatial attributes of newly incorporated municipalities that were established between 1990 and 2005 in the South U.S. Census Region. The authors found that a complex and uneven distribution of NIMs exists with a clustering of NIMs in specific counties and states. They argued that this clustering effect emerged partly through a ‘herd mentality’ in which unincorporated communities within close geographic proximity learn from and follow in the footsteps of the first successful municipal incorporation in the region.

Rigos and Spindler (1991) examined the frequency of incorporation at the state level and provided insight into the numbers of incorporations that have occurred around the country. However, their study did not include any discussion on the clustering of NIMs. The study generally showed that incorporations occurred more often in the Southwestern States and less frequently in New England States. This is primarily the result of the large number of existing government entities already located in New England. Additionally, higher population states also tended to have more incorporations than smaller states.

Finally, Burns’ (1994) is one of the few national examinations of incorporation to discuss growth in numbers of municipalities and special districts. Between 1942 and 1987 the United States added 2,980 municipalities (Burns, 1994). Burns’ research examines the relationship between services, taxes, race,
supply and entrepreneurs and incorporation activity but did not discuss any geographic pattern to municipal incorporation.

**Municipal Incorporation Legislation In North Carolina**

Municipal incorporation is the legal process established by state statutes through which a new city is created. In North Carolina, a municipal incorporation or a "city" is defined as follows:

"City" means a municipal corporation organized under the laws of this State for the better government of the people within its jurisdiction and having the powers, duties, privileges, and immunities conferred by law on cities, towns, and villages. The term "city" does not include counties or municipal corporations organized for a special purpose. "City" is interchangeable with the terms "town" and "village." is used throughout this Chapter in preference to those terms, and shall mean any city as defined in this subdivision without regard to the terminology employed in charters, local acts, other portions of the General Statutes, or local customary usage. The terms "city" or "incorporated municipality" do not include a municipal corporation that, without regard to its date of incorporation, would be disqualified from receiving gasoline tax allocations by G.S. 136-41.2(a), except that the end of status as a city under this sentence shall not affect the levy or collection of any tax or assessment, or any criminal or civil liability, and shall not serve to escheat any property until five years after the end of such status as a city, or until September 1, 1991, whichever comes later (NCGS 160A-1(2)).

In other States the terms city, town and village often elude to a population size variation and differing levels of service provisions which are not applicable for North Carolina municipalities. For example, the City of Charlotte (North Carolina’s largest incorporated municipality) may lobby the General Assembly and ask that its name be changed to the Village of Charlotte if the elected officials were so inclined.

Municipal incorporation standards are not uniform. The United States’ Federalist system of government allows individual States to develop different standards. For example, some States require a high minimum population threshold be met before incorporation is an option (e.g. Florida and Washington) and other States do not have any population requirement (e.g. Missouri and Oklahoma). Some States have a minimum distance between the proposed city and any existing cities, as is the case in North and South Carolina. The U.S. Advisory Commission on Intergovernmental Relations (USACIR) concluded that:

"Procedures for incorporation typically include: (1) presentation of a petition from the community describing the boundaries and the population of the proposed municipality, (2) an election to ascertain popular support for the proposed city, and (3) certification by the secretary of state that the election results support creation of the municipality and that all legal requirements for incorporation have been met" (U.S. Advisory Commission on Intergovernmental Relations (USACIR 1993, 12).

In North Carolina the procedure for incorporation is similar to that outlined above by the USACIR for many areas of the United States. No area may incorporate without the approval of the North Carolina General Assembly. In recent years and partially due to the flood of requests described in this paper, the North Carolina General Assembly has called upon the Joint Legislative Commission on Municipal Incorporations to make rulings in favor or against municipal incorporation for proposed areas.

The Joint Commission on Municipal Incorporations must receive the following information in order to make a ruling in favor or against the incorporation of a new municipality. First, the Joint Commission must receive a petition from the area that wishes to incorporate signed by at least 15% of the registered voters of the area. Secondly, the proposed name of the city and a map depicting the proposed city limits must be provided. Next, a statement that the proposed city will have a budget ordinance with an ad valorem tax levy of at least five cents (5¢) on the one hundred dollar ($100.00)
valuation upon all taxable property within city limits must be submitted. Finally, the proposed municipality must deliver a statement that lists at least four public services that will be offered to the new cities residents (NCGS 120A-163).

Lawrence and Millonzi (2007) offer an excellent overview of the incorporation process in North Carolina in their book Incorporation of a North Carolina Town. The authors provide a how to guide to incorporating a community in North Carolina that includes: why an area would incorporate, alternatives to incorporation, how an area would incorporate, the opportunities and responsibilities of municipalities, budget and financing advice and suggestions for getting started. Their work is a comprehensive effort on the essentials of municipal incorporation in North Carolina.

Data and Methodology
The data presented in this paper comes from two primary sources: the US Census Bureau and the State of North Carolina’s Office of State Budget and Management. The 46 newly incorporated municipalities that were established in North Carolina were identified by utilizing the U.S. Census Bureau Boundary and Annexation Survey. The federal listing of NIMs was cross-checked against the State of North Carolina’s Office of State Budget and Management Incorporation Activity inventory.

Since 1990 North Carolina has experienced an overall population increase of 38.5%, adding approximately 2.6 million people. This population growth has changed North Carolina from a largely rural and small town centered state into a more urban and metropolitan state with several large urban centers.

In addition to examining municipal incorporation activity for the State of North Carolina as a whole, the spatial distribution of municipal incorporation activity is also presented for 3 regions of North Carolina: the Coastal, Piedmont and Mountain Regions. Incorporation activity will be reported by Metropolitan, Micropolitan and Non-Metropolitan Areas. The U.S. Census Bureau assigns North Carolina 15 Metropolitan Statistical Areas (MetroSAs) and 26 Micropolitan Statistical Areas (MicroSAs). Only 29 out of North Carolina’s 100 counties are designated as Non-Metropolitan. Finally, the spatial distribution of NIMs in North Carolina’s 100 Counties will be provided.

Findings:

Municipal Incorporation Activity by State
North Carolina’s 46 NIMs accounted for 11.6% of all municipal incorporation activity that occurred in the United States between 1990 and 2008. These 46 municipal incorporations trail only the State of Texas in number (47) and percentage of new municipal incorporations (11.9%). An examination into the population size and population growth rates of the top five States for municipal incorporation activity does not provide a clear explanation for the clustering of NIMs within these few States (Table 1).

Rigos and Spindler (1991) argued in their state level analysis that the frequency of incorporations is not dependent on urbanization and population growth, or even on the pace of urbanization. Analysis of recent incorporations and legislative debates in the North Carolina General Assembly suggest North Carolina’s liberal annexation standards as a probable cause for high levels of NIM activity. In other words, the relative ease with which land may be annexed in North Carolina may indirectly result in more municipal incorporation activity.

North Carolina is one of 22 states that allow municipal annexation without the consent of the affected property owners (Palmer and Lindsey 2001). Unincorporated areas may utilize municipal incorporation as a defensive response rising out of a fear of involuntary annexation (Rigos and Spindler, 1991).

Municipal Incorporation Activity by Region
The 46 NIMs established between 1990 and 2008 are not evenly distributed in North Carolina (Figure 1). The majority of new municipalities are clustered within the Piedmont Region of central North Carolina. The
Table 1. Top Five States for Municipal Incorporations, 1990 – 2008

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>Texas</td>
<td>47</td>
<td>11.9%</td>
<td>24,326,974</td>
<td>43.2%</td>
</tr>
<tr>
<td>North Carolina</td>
<td>46</td>
<td>11.6%</td>
<td>9,227,016</td>
<td>38.5%</td>
</tr>
<tr>
<td>Missouri</td>
<td>33</td>
<td>8.4%</td>
<td>5,911,605</td>
<td>15.5%</td>
</tr>
<tr>
<td>Alabama</td>
<td>30</td>
<td>7.6%</td>
<td>4,661,900</td>
<td>15.4%</td>
</tr>
<tr>
<td>Florida</td>
<td>23</td>
<td>5.8%</td>
<td>18,328,340</td>
<td>41.7%</td>
</tr>
</tbody>
</table>

Source: US Census Bureau

Piedmont contains 35% of the counties but accounted for 61% of the municipal incorporations (Table 2). Barron (1996, B1) argued in the Greensboro News & Record that “incorporation fever has swept through the Piedmont recently as small, rural communities have decided to become towns rather than get swallowed by a nearby city.”

The Town of Oak Ridge, located in Guilford County just outside the City of Greensboro is a prime example of a Piedmont Region NIM. Oak Ridge had a 2000 U.S. Census population of 3,988 and a population density of 272 people per square mile. The town is primarily a bedroom community for the surrounding cities of Greensboro, Kernersville, and Winston-Salem. As one of the founding members of Oak Ridge stated “A group of us got together and formed a committee because we knew Summerfield, which had been incorporated a few years earlier, Kernersville and Greensboro were interested in moving into this area” (Hairston, 2007). Although Oak Ridge was initially incorporated to protect itself from annexation by nearby larger neighbors, it has recently expressed interest into expanding its municipal limits.

Table 2. Municipal Incorporation Activity by North Carolina Region, 1990 – 2008

<table>
<thead>
<tr>
<th>Region</th>
<th>Municipal Incorporations</th>
<th>Percentage of Municipal Incorporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Piedmont (35 Counties)</td>
<td>28</td>
<td>60.9%</td>
</tr>
<tr>
<td>Coastal (41 Counties)</td>
<td>13</td>
<td>28.3%</td>
</tr>
<tr>
<td>Mountain (24 Counties)</td>
<td>5</td>
<td>10.8%</td>
</tr>
</tbody>
</table>

Source: US Census Bureau
The Coastal Region witnessed the second most municipal incorporations, adding 13 new cities or 28.3% of all municipal incorporations to the 41 county-region. The Coastal region is primarily associated with new out-of-state transplants who are retiring along the coast (Orr and Stuart, 2000). The Town of St. James, located in Brunswick County, is an excellent example of a Coastal Region NIM that has attracted its fair share of northern transplants. St. James was originally conceived as a gated and planned community in the growing Wilmington area in the mid-1980’s. It was not until 1999 that the Town of St. James was officially incorporated by the legislature of North Carolina (St. James, 2009). Harper (2009, 27) noted that the gate as well as other amenities “was among the marketing ploys that brought many a northerner south.”

As Figure I highlights, the Mountain Region witnessed the fewest municipal incorporations with only 5 new municipalities being created. The Town of Mills River in Henderson County is an example of one of the 5 NIMs created in this Region. Incorporated in 2003, Mills River had been a long established community within Henderson County. However, “through the years, the residents of the Mills River have had little input into how our community has grown”
As a result, the community created an Incorporation Committee and began the task of creating a city that would “maintain the area’s character of farms, homes, and businesses with minimal taxes and regulations” (Mills River, 2009).

While population size and population growth rate may not explain municipal incorporation activity at the State level, the impacts of these two variables may offer a partial explanation for the clustering of NIMs at the regional level. The Piedmont Region had the largest population (5,322,042 in 2007) and population growth rate (45.6%) compared to the Coastal Region (2,612,739 in 2007 and 27% population growth rate) and the Mountain Region (1,134,617 in 2007 and 23.6% population growth rate). The combination of population size and population growth rate within the Piedmont Region seems to be creating a situation in which existing cities feel the need to annex property near their edges in order to capture the tax dollars of fleeing or newly relocated residents. This may spur the defensive incorporation of unincorporated communities that feel threatened by annexation activity. Additionally, the population size and population growth rate in the Piedmont Region may cause unincorporated areas to feel the need to provide public services (e.g. water/sewer service, zoning, police protection, fire protection) to a growing population on the fringe of existing urban areas.

**Municipal Incorporation Activity by Metro or, Micro Statistical Area and Non-Metro Area**

North Carolina’s newest cities display an unusual geographic pattern when examined by Metropolitan Statistical Area, Micropolitan Statistical Area and Non-Metropolitan Area (Figure 2). Almost 70% of all new cities created in North Carolina between 1990 and 2008 were located in one of North Carolina’s 15 Metropolitan Statistical Areas (Table 3). Of the 32 new cities incorporated in an MSA, 2 Metropolitan Statistical Areas had a significant clustering of new cities. Eight new cities were established and clustered together within Charlotte-Gastonia-Concord MSA and 7 new cities were located in the Greensboro-High Point MSA. Other Metropolitan Statistical Areas witnessing multiple municipal incorporations included: Winston-Salem, Burlington, and Wilmington MSAs. Surprisingly, the 3 county Raleigh-Cary MSA only had 1 municipality incorporate during the study period despite being the second most populated MSA in the state.

The Greensboro-High Point MSA experienced an incorporation frenzy that lasted throughout the 1990s, generating 7 NIMs during the study period. At the center of this incorporation fever was the City of Greensboro, which developed detailed plans to annex 45 square miles of property and capture an additional 22,000 residents during the early 1990s (Barstow 1993). Greensboro’s planned unilateral annexation activity clearly spurred the incorporation of several of the region’s newest towns including Oak Ridge, Pleasant Garden, Sedalia and Summerfield.

**Table 3. Municipal Incorporation Activity by Metropolitan Statistical Area, Micropolitan Statistical Area or Non-Metropolitan Area, 1990 – 2008**

<table>
<thead>
<tr>
<th>Area</th>
<th>Number</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Metropolitan Statistical Areas (MSAs)</td>
<td>32</td>
<td>69.6%</td>
</tr>
<tr>
<td>Micropolitan Statistical Areas (μSAs)</td>
<td>10</td>
<td>21.7%</td>
</tr>
<tr>
<td>Non-Metro/Micro Statistical Areas</td>
<td>4</td>
<td>8.7%</td>
</tr>
</tbody>
</table>

Source: U.S. Census Bureau

Only 10 (22%) of the new municipal incorporations were located in a Micropolitan Statistical Area, some of which experienced clustering. For example, the Albemarle MicroSA witnessed the clustering of three new municipalities, and two new municipalities clustered within the Morehead City MicroSA and Thomasville-Lexington MicroSA, respectively. Only 4 new cities were located in Non-Metropolitan Areas. Two of those four cities clustered in Columbus County.
Examining municipal incorporation activity by each of the 100 North Carolina Counties reveals a unique clustering effect that occurs within individual counties. Almost 70% (69.5%) of the NIMs established in North Carolina are located in a county with at least one other NIM (Table 4). For example, Union County, just outside of Charlotte) contains 7 NIMs (Figure 3). Guilford County, (including Greensboro) is home to 5 new municipalities. Meanwhile, Alamance County, Brunswick County, Forsyth County, and Stanly County all witnessed the incorporation of 3 municipalities between 1990 and 2008.
Table 4. Counties with Multiple Municipal Incorporations, 1990 - 2008 Source: US Census Bureau

<table>
<thead>
<tr>
<th>County</th>
<th>Number of Municipal Incorporations</th>
</tr>
</thead>
<tbody>
<tr>
<td>Union</td>
<td>7</td>
</tr>
<tr>
<td>Guilford</td>
<td>5</td>
</tr>
<tr>
<td>Alamance</td>
<td>3</td>
</tr>
<tr>
<td>Brunswick</td>
<td>3</td>
</tr>
<tr>
<td>Forsyth</td>
<td>3</td>
</tr>
<tr>
<td>Stanly</td>
<td>3</td>
</tr>
<tr>
<td>Carteret</td>
<td>2</td>
</tr>
</tbody>
</table>

Figure 3. Municipal Incorporation Activity in Union County, NC 1990 – 2008.
Conclusions and the Future

The spatial distribution of Newly Incorporated Municipalities in North Carolina between 1990 and 2008 reveals a clustering pattern. Almost 70% of NIMs are located within an MSA and almost 70% of all NIMs are also located in a county with another NIM. The clustering clearly alludes to common motives to incorporate. Thus, a herd mentality unfolds, in which the establishment of one new city motivates nearby unincorporated communities to move towards incorporation. Areas being considered for annexation often believe that the existing municipality will destroy or manipulate their distinct local identity (Miller 1981). The effort to protect that identity through incorporation promotes the herd mentality as numerous communities within a region seek a potential way to escape the perceived or real threat of annexation from nearby existing municipality.

Equally interesting is the fact that the clustering phenomenon can be detected at the Micropolitan and Non-Metropolitan scales, although at differing intensity. This result lends credence to the theory that a herd mentality may be present across all geographies but is in greater abundance in more heavily populated urban areas.

The General Assembly of North Carolina recently formed a committee to examine North Carolina’s annexation standards. One of their recommendations would remove existing municipalities’ ability to conduct unilateral annexations. If North Carolina amends current law and removes the ability of cities to unilaterally annex property against residents’ wishes, it may greatly influence municipal incorporations in North Carolina. The defensive clustering pattern depicted in this paper may change. The deficiency of North Carolina based scholarship on this topic affords numerous opportunities for future research initiatives on municipal incorporation. This paper reports observations from the existing data. A study currently underway more closely examines the quantitative relationship between municipal incorporation and annexation activity in North Carolina. Other research endeavors might analyze the demographic and socio-economic differences and similarities between Metropolitan, Micropolitan and Non-Metropolitan NIMs in the state.

Municipal incorporation impacts the lives of millions of Americans. Developing a more detailed theory on this form of boundary change would be a welcomed addition to the literature and promote understanding of the evolution of urban form.

References


