

Annexation, Incorporation and the Health of Central Cities in North and South Carolina

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During the last four decades of the twentieth century North and South Carolina experienced rapid population growth and significant development of their metropolitan centers. In both states metropolitan population growth outstripped overall growth by more than 20 percent. However, the distribution of population growth within metropolitan centers was strikingly different. This study compares legislation provisions on annexation incorporation and special district formation in the two states and utilizes data from multiple sources to explore the relative impact of two substantially different policy climates. The principle focus is on annexation policies and incorporation statutes and their impact on the pattern of growth and expansion of central cities and their suburbs. We argue that the differences in growth patterns can be linked to striking differences in annexation policy; particularly policies regarding involuntary annexation. And further, that the annexation and incorporation policy differences between the two states have impacted the formation of special district government

Introduction

Over the past half century as academics and the public have addressed the status of urban America one constant has been the images of declining, impoverished central cities and expanding, flourishing suburbs (Berube 2003, Gleaser 2003, Greenstein and Wiewel 2000). Solutions for dealing with such uneven rates of development and the consequential inequities within metropolitan areas often involve regional level policies (Downs 1994, Gottlieb 2000, Olberding 2002). We suggest another alternative lies in state capitols. We argue that providing cities with the ability to annex unincorporated, built-up areas outside their borders can and have played an important role in managing uneven growth and development within urban regions.

The debate over annexation is hardly one-dimensional. On the one hand, there are those who argue that efficient growth policies on

annexation and incorporation allow cities to provide uniform services (Tyer 1995, Rusk 2003), manage growth and maintain vitality through the extension of their tax base (Kearney, 1990). This "new" economic development theory has challenged the traditional expansionist practices of metropolitan development that lead to urban sprawl (Teitz 1994, Wiewel et al 1993, Imbroscio 1995). It provides new perspectives with its focus on equity and attention to distribution policies (Teitz 1994, Wiewel et al 1993), its shift from supply side to demand side approach (Teitz 1994), and its emphasis of endogenous growth and development (Teitz 1994, Schneider and Teske 1993, Imbroscio 1995, Segedy 1997, Porter 1997). This shift of paradigms leads to shifts in attention towards solutions rooted in regional structures rather than local ones. As Hamilton, et al (2004) and Paytas (2003) argue, urban administrative

(government) fragmentation can even reduce metropolitan competitiveness by reducing regional consensus and retarding the ability to adapt. Some carry this argument further by suggesting that providing cities the freedom to annex urban growth at their fringes can be a cure for fragmented governmental structures because it can create "sound urban development [which] is essential to economic development [of the region]" (Tyer 1995). Annexation helps to create "elastic cities" (Rusk 1993) which are better able to adapt to changing conditions. Control of suburbs by central cities permits them to plan for the development instead of "responding" to what has happened (Kearney 1990). MSAs with growing and healthy cores experienced higher and more positive growth than those with declining cores (Voith 1998). Finally, some have argued that annexation also reduced segregation by race and income (Rusk 1993), afforded economies of scale, which improved efficiency of service delivery (Feiock and Carr 1996), and reduced cities that result. In this argument smaller municipalities have closer ties to the community, more flexibility, and lower taxes. Debates between proponents and opponents of annexation can be placed in a larger framework of the debates over advantages and disadvantages of centralization and decentralization (Tiebout 1956, Foster 1997, Olberding 2002).

Opponents of strong annexation statutes often base their arguments in part on bureaucratic inefficiencies and fear of big government (Spencer 2000). Tiebout (1956) advanced one of the major arguments in favor of decentralization arguing that allowing people to allocate themselves to communities that satisfy their preferences can significantly enhance the provision of public goods and services. This way, only the most effective communities will survive. Other arguments revolve more around the reduction in representative government produced by annexation and the larger cities that result. In this argument smaller municipalities have closer ties to the community, more flexibility, and lower taxes. Debates between proponents and opponents of annexation can be placed in a

larger framework of the debates over advantages and disadvantages of centralization and decentralization (Tiebout 1956, Foster 1997, Olberding 2002).

Does Annexation Policy Impact Patterns of Urban Growth and Development?

One aspect of the debate over annexation seems evident. Since annexation policies are established by state legislatures, a boundary between states with markedly different annexation policy should make a significant difference in the structure of metropolitan areas and in the growth and development of urban centers. In few instances is this more apparent than across the boundary dividing North and South Carolina. The former is held to have one of the most liberal annexation policies in the US and the annexation process minimizes the restrictions on municipalities seeking to absorb surrounding territory and population (Palmer and Lindsey 2001). Rusk (2003, 6) argues North Carolina has "the best annexation laws; they virtually guarantee their cities will be successful." South Carolina statutes are seen as more conservative and municipal annexation of surrounding populated territory is difficult to near impossible. In one view South Carolina annexation policy encourages local government fragmentation (Tyler 1995); in another the inability of South Carolina cities to annex growth within their urbanized areas constrains the growth and expansion of South Carolina cities and places them in a competitive disadvantage to the counterparts around the country (Rusk 2003). We endorse this argument and suggest that, in an administrative vacuum created when municipalities cannot expand, local governments and/or the population residing in unincorporated built up areas turn to special districts as means of providing services.

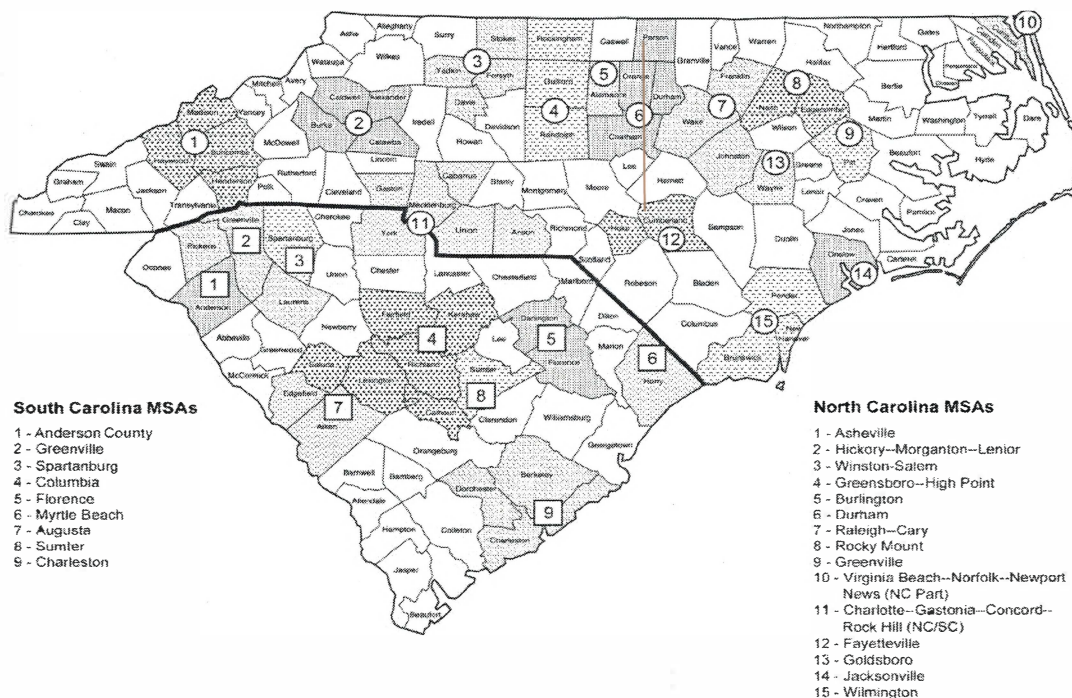
In this paper we examine state policies on annexation and on closely related processes such as incorporation and the creation of special districts in North and South Carolina. We address the impact of variation in these policies on urban, particularly MSA and central city, growth. We argue a vibrant, growing and

healthy center is an important element in overall economic and social health of the urban region. We suggest that policies that restrict expansion of what is most often the largest city in an urban region act to the detriment of both the central city and the urban region.

Using evidence from state statutes on annexation and incorporation, data from the US Census of Population covering the four decades from 1960 to 2000, data from the US Census of Government from 1962 to 2002, and population projections for each state, we examine 24 MSAs (Figure 1) in both North and South Carolina. We use the 2000 definition of MSAs to set the bounds of our data collection for the entire period of our examination.

We explore relationships among annexation and incorporation policy in North and South Carolina and the population growth of MSA central cities. We ask these questions:

1. Are there important differences in the annexation and incorporation policies between North and South Carolina?
 - a. What are the impacts of the policies on annexation and incorporation in each state?
 - b. What is the actual pattern of annexation and incorporation in each state and how do these compare to other states in the US?



Note: Patterns used to distinguish MSAs
Source: US Office of Management and Budget, 2003

Figure 1. Metropolitan Statistical Areas (MSAs) in North and South Carolina.

2. Do differences in annexation statutes and patterns of annexation and incorporation influence the growth of central cities within North and South Carolina MSAs?
3. What impact do the annexation and incorporation statutes in North and South Carolina have on the growth in the number of special districts within their MSAs?

Annexation and Incorporation Policies In North and South Carolina

Table 1 summarizes elements of statutes that act as constraining or facilitating elements and those methods, conditions and standards that impact annexation. While constraining and facilitating factors in the statutes of both states are relatively similar, there is one critically important difference. A South Carolina city trying to annex surrounding built up areas would have to get approval from the landowners in both the territory annexing and that being annexed. This is clearly a most daunting obstacle and one that North Carolina cities do not have to face since no vote is taken in the area to be annexed.

There is another critical difference in the policies of the two states: the absence of clear-cut development standards in South Carolina. Tyler (1995) suggested that South Carolina's consideration of annexation petitions on a case-by-case basis introduces further barriers; he cited the 1989 efforts of Columbia, South Carolina to strip-annex¹ a luxurious mall as an example. He pointed out that the protracted case ultimately resulted in decreasing even further the number of available annexation options in South Carolina. The resulting rules were considered quite restrictive to annexation procedures.

North Carolina makes the regulations and guidelines extremely clear and they have withstood countless judicial challenges. Basically, if the area to be annexed is

contiguous, has 2.5 persons per acre or is developed to urban standards, it can be annexed.

A similar picture emerges when we examine incorporation statutes: municipal incorporation is considerably more difficult in South Carolina. Again we see that North Carolina has very specific standards which make incorporation quite feasible. A legislative commission must approve any bill proposing a new incorporated place before it can be considered by the full legislature. In North Carolina no new municipality can be formed:

“If the proposed city is within 1 mile of a city with a population of 5,000-9,999 people; three miles of a city of 10,000-24,999; four miles of 25,000-49,999; or five miles of 50,000 or over, the [Legislative] Commission may not make a positive recommendation for the incorporation of the proposed city (Summary of Municipal Incorporation Procedure, 2001).”

Once again the two states have some similarities in statutes and procedures, but South Carolina has more restrictive rules, in this case requirements regarding distance from the proposed new city and its nearest neighbor. While there are provisions for exceptions, in South Carolina no incorporation can take place within five miles of the nearest existing municipality (South Carolina Legislature On-Line, 2008).

While policies in both North and South Carolina allow municipalities to absorb surrounding territory, annexation is far less likely to be an instrument of regional growth management in South Carolina than in its neighbor to the north. Incorporation of built-up, growth centers outside of municipalities is also less likely in South Carolina.

¹Strip-annexation refers to a method in which a municipality is trying to annex the territory which is connected only by a small strip of land.

Table 1. Annexation Facilitators and Constraints in North and South Carolina

Constraining Factors		
North Carolina	In Common	South Carolina
<i>Public Hearing</i>	<i>Judicial Review</i>	<i>Voter Approval</i>
<i>Service Plan</i>		<i>Approval of County</i>
<i>Boundary Agency</i>		
<i>Impact Reports</i>		
Facilitating Factors		
North Carolina	In Common	South Carolina
<i>Noncontiguous Annexation</i>	<i>Cross-county Annexation</i>	
	<i>Local Resolution/Ordinance</i>	
	<i>Petition by Property Owners</i>	
	<i>Municipally Owned Land</i>	
Regulations		
North Carolina	South Carolina	
<i>Four Methods</i>		
<i>Legislative Action</i>	<i>100% freeholder petition</i>	
<i>Voluntary (Contiguous)</i>	<i>75% freeholder petition</i>	
<i>Voluntary (Non Contiguous)</i>	<i>25% elector petition and election</i>	
<i>Development Standards</i>		
<i>Conditions</i>		
<i>Area must be contiguous</i>	<i>Area must be contiguous</i>	
<i>Non-contiguous area must be within 3 miles</i>		
<i>Council approval</i>	<i>Approval of majority of electors</i>	
<i>Annexed area has no vote</i>		
<i>Development Standards:</i>		
<i>60 percent urban use</i>	<i>Case-by-Case Review</i>	
<i>2 persons per acre</i>		
<i>60 percent lots/tract of >5 acres and one person/acre</i>		

Sources: Compiled by authors from *Summary of Municipal Incorporation Procedure in North Carolina* (2001), *South Carolina Legislation Online* (2009), *Charlotte-Mecklenburg Planning Commission* (2008).

Special District Formation and Intergovernmental Agreements

Besides differences in annexation laws, South and North Carolina have very different laws governing inter-local government agreements and special district formation. It is helpful to highlight those differences and their interactions with annexation provisions. The major underlining difference in the two states is

Home Rule in South Carolina and Dillon's Rule in North Carolina. According to Dillon's Rule, municipalities are the creatures of state legislation and limited to what is explicitly permitted to them in the statutes. North Carolina municipalities have to seek provisions in the legislature that will allow them to enter inter-local agreements or form special districts. South Carolina municipalities do not have to have explicit provisions of inter-local agreements or

special districts because they are allowed to do anything within their powers unless it is explicitly prohibited by the state legislature.

Inter-local agreements

North Carolina Statutes explicitly allows inter-local cooperation between general-purpose governments. Taylor and Basset (2007) questioned whether governments enter such agreements only when annexation costs are prohibitive. It appears that at least in the case of North Carolina with liberal annexation laws, this is not true. That is, current North Carolina legislation not only makes annexation relatively easy (Palmer and Lindsey 2001), but also provides incentives for local governments to enter inter-local agreements. The combination of these two powers certainly acts to reduce the level of administrative fragmentation within the state's urban regions. As a case in point, consider the case of the city of Charlotte and Mecklenburg County. The two governments have entered agreements on provision of most services, and for most part, the city and the county are functionally consolidated.

South Carolina legislation does not explicitly address inter-local agreements that would allow "more than minor adjustments to municipal boundaries" (Taylor and Bassett 2007, p. 123). Perhaps it does not have to do so since under Home Rule municipalities can form and enter their own inter-local agreements without state's explicit permission.

Special Districts

In North Carolina the application of Dillon's Rule appears to limit the formation of special districts to specific circumstances designed to cope with a specified set of issues such as beach erosion, downtown and urban area revitalization, transit oriented development, drainage projects, sewage collection and disposable systems, lighting on interstates, off-street parking facilities, and watershed improvement projects. The formation of regional public authorities is also limited to specified places in the state (NC Statutes

Articles 25-27).² In fact, both of the largest NC transportation authorities were created after the North Carolina General Assembly passed enabling legislation. Taken together with the ability of municipalities to annex rather freely, these restrictions appear to dampen the growth of special districts in the state. By explicitly setting the limits on special district formation and allowing much greater latitude in interlocal agreements, current North Carolina legislation allows high levels of boundary elasticity.

South Carolina legislation does not appear to encourage the proliferation of special districts, but neither does it limit their purpose and geographic scope. If municipalities cannot annex or expand to deliver services to the growth and development at their fringes, there must be some provision for service provision within urban regions. We argue that the growth of special districts in South Carolina reflects the response to this demand.

Comparing Patterns of Annexation and Incorporation in North and South Carolina

Annexation

North and South Carolina annexation policies appear to be markedly different on the elements that matter – can municipalities use annexation to keep pace with growth? However, do these policy differences make a difference in how municipalities in the two states annex? If we compare North and South Carolina to the remainder of the US, the answer

² While article 25, chapter 160A, allows dependent public authorities with the boards appointed by and monitored by municipalities, articles 26 and 27 specify more regional structures that apply only to certain areas in the state. Article 26 defines regional public transportation authorities and enables the creation of Triangle Transit (<http://triangletransit.org/about/history/>). Article 27 identifies 5 contiguous counties, where at least two counties have population of 250,000 and over; this last article has led to the creation of transportation authority in the TRIAD area (<http://www.partnc.org/history.html>).

seems to be a tentative yes. Despite different policies, annexations in both states occurred frequently during the period between 1970 and 1998 with the frequency of annexations increasing from the decades of the 1970s to the 1980s and leveling off from the 1980s to the 1990s (Table 2 and Figure 2).

North Carolina municipalities did annex 30-40% more often than South Carolina over the entire period, but cities and towns in both states annexed quite liberally. These patterns of annexation are similar to one another but not all that comparable to other states and to US averages.

Cities in South Carolina performed almost twice the number of annexations (8,230) as the average for all states; only seven other states annexed more frequently during the period from 1970-1998. Cities in North Carolina executed almost three times (11,245) the average number of annexations in the 49 other states during this period.

While considerably less than the 30,890 annexations that took place in Illinois, North Carolina still ranked among the top five states in total number of annexations. Municipalities in both states appear to use the power to annex quite frequently. The major difference between the two states comes in the patterns of annexation, more specifically in what is being annexed. The total population and amount of land annexed in each state from 1970-2000 were markedly different (Table 2 and Figure 3). While, both states annexed considerably less territory than national leaders such as Texas and California, the amount of territory annexed by North Carolina cities was still 2.5 times the national average, and over 2.7 times that annexed by South Carolina. North Carolina's cities annexed territory that included hundreds of thousands of residents and hundreds of square miles each decade from 1970 to 2000; the total population of all of the South Carolina annexations (in all cities) never reached 100,000 per decade and declined in each decade from the 1970s to the 1990s (Figure 3).

Table 2. Patterns of Annexation in US and Selected States, 1970-1998

Unit	Total Number Annexations	Total Square Miles Annexed	Total Population Annexed
United States Total	203,271	26,534	7,760,000
State Averages	4,065	530	155,200
The Carolinas			
North Carolina	11,245	1,248	862,000
South Carolina	8,230	459	198,000
States With Higher Levels of Annexation			
California	14,539	2,348	659,000
Texas	12,563	3,115	1,132,000
Florida	13,763	1,264	354,000
Illinois	30,830	1,096	395,000
States With Lowest Levels of Annexation			
Maine	2	1.4	0
New Hampshire	0	0	0

Source: Computed by authors from Municipal Year books (2004, 2005).

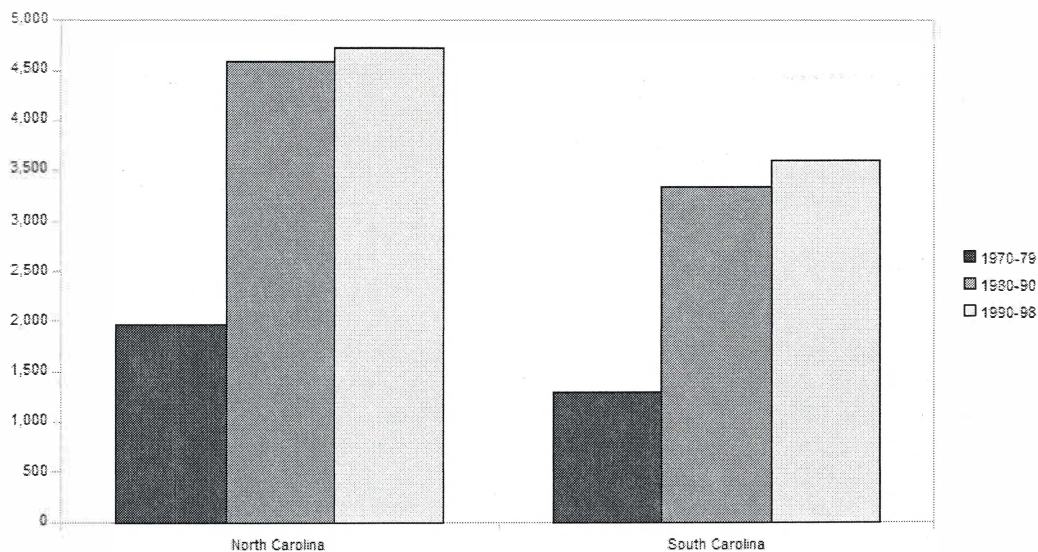


Figure 2. Number of Annexations in North and South Carolina, by decade, 1970-2000.
Data Source: Computed from Municipal Yearbooks for 2004, 2005.

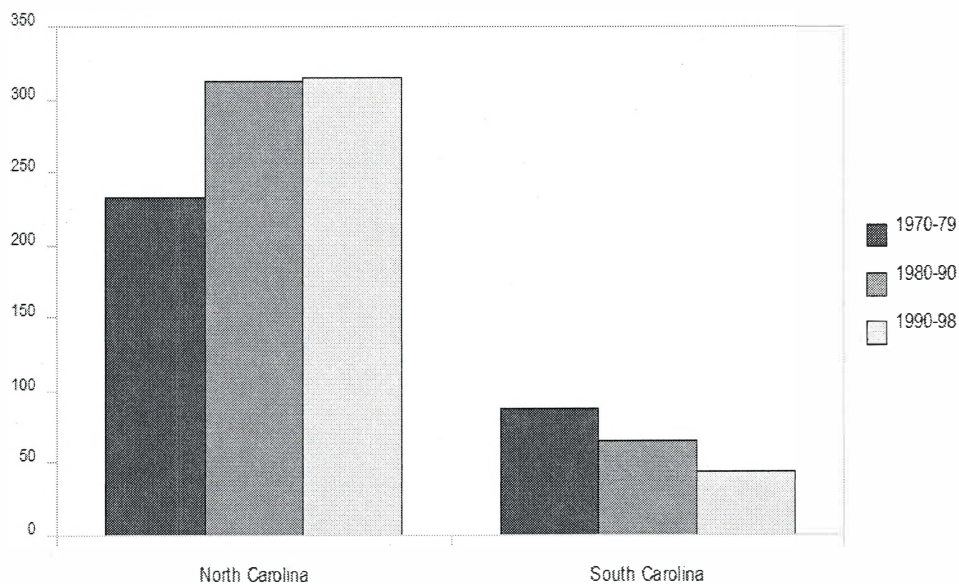


Figure 3. Total Population (1,000s) annexed in North and South Carolina, by decade, 1970-2000.
Data Source: Computed from Municipal Yearbooks for 2004, 2005.

North Carolina municipalities annexed 4.4 times the population of those in South Carolina. The number of annexations, amount of territory annexed, and total population annexed by North Carolina municipalities increased markedly from the 1970s to the 1980s and continued at the same pace during the 1990s. The reverse was true in South Carolina; the state witnessed a relatively high number of annexations, but the typical annexation seems to have been a small amount of territory and small populations. The typical annexation in South Carolina absorbed territory averaging 0.056 square miles and a population of 24 persons; in North Carolina it was 0.111 and 78 respectively.

One way North Carolina stood apart from its counterparts around the nation was in how its municipalities made use of annexation to absorb population at their fringes. Only cities in Texas annexed more population than North Carolina during this period. In all categories – number, territory and population annexed – North Carolina ranked near the top.

Comparable Rates of Urban Growth, Different Rates of Central City Growth

While North and South Carolina have very different patterns of annexation, the contrast

was not a function of differing rates of population growth. During the last four decades of the twentieth century both North and South Carolina experienced considerable population growth and significant development of their metropolitan areas. From 1960 to 2000 both states saw MSA population growth outstrip overall state growth. Over this period both states experienced strong overall population growth with rates of 77 and 68 percent in North Carolina and South Carolina respectively. Population growth rates within urban regions (MSAs) were also reasonably similar: North Carolina MSAs grew by 97 percent; South Carolina's by 84 percent. However, the pattern of this population growth within metropolitan areas in each state was strikingly different. The suburbs of South Carolina MSAs grew much faster than their central cities (106 to 15 percent). A similar comparison in North Carolina revealed a more balanced pattern, with central city expansion exceeding suburban growth (119 to 86 percent) (Table 3). While we cannot directly link the difference in the growth rates of central cities of MSAs to variation in annexation policies across the state line, the evidence strongly suggests that is the case.

Table 3. Population Growth Patterns in North and South Carolina, 1960-2000

	Total Growth in State Population		MSA Growth		Central City Growth		Growth of Counties of Central Cities		Growth of MSA Population Outside of Central Cities	
	NC	SC	NC	SC	NC	SC	NC	SC	NC	SC
60-'69	12	9	17	13	17	1	22	14	10	20
70-'79	16	21	16	23	13	0	16	16	17	37
80-'89	13	12	17	14	25	8	19	8	13	19
90-'99	21	15	24	16	33	6	27	13	23	18
60-'00	77	68	97	84	119	15	114	61	80	132

We compared the population growth of those counties containing central cities versus the population of in the “suburbs” which we measured by examining growth in counties outside of the central city county. The patterns of growth reflected in Table 3 suggest that the two states did demonstrate different patterns of population growth within their MSAs. Over the period from 1960 to 2000 central county populations of North Carolina MSAs grew by 114 percent, which was considerably greater than that of their MSA population growth. In South Carolina central county populations grew by 61 percent considerably less than their MSAs. Non-central county growth was 80 percent in North Carolina less than overall MSA growth and 132 percent in South Carolina, more than 60% faster than the growth of their MSAs. Perhaps the population expansion within the MSAs of North Carolina was such that much of new growth from 1960 to 2000 could be largely contained within the county in which the central

city is located. Despite the inability of central cities to annex in South Carolina, population growth is still occurring. Apparently in South Carolina a considerable part of this growth is being absorbed within the parts outside the central city and county. In North Carolina, where annexation of high growth areas was more feasible, central city growth outpaced that of the suburbs.

Table 4 offers another way to examine the patterns of population change within MSAs in North and South Carolina. In both states the proportion of the total population residing in MSAs grew steadily and by similar amounts between 1960 and 2000. By 2000 two-thirds of North Carolina’s population lived in MSA counties; in South Carolina, three-quarters did. Both states became increasingly more urban in the last half of the 20th century. Interestingly, the distribution of the population within the MSAs also shifted steadily.

Table 4. Comparing Central City and Non-Central City Populations, 1960-2000 and 2007

State	1960	1970	1980	1990	2000	2007
Ratio of MSA Population to Total State Population						
North Carolina	61%	64%	64%	67%	68%	70%
South Carolina	69%	71%	73%	74%	75%	75%
Ratio of MSA Central City Population to Total State Population						
North Carolina	20%	21%	20%	22%	25%	27%
South Carolina	16%	14%	12%	12%	11%	10%
Ratio of MSA, Non-Central City to Total State Population						
North Carolina	41%	43%	44%	44%	43%	43%
South Carolina	53%	57%	61%	63%	64%	65%

Source: Computed by authors from U.S. Census of Population, and population estimates from North Carolina Office of State Budget and Management, and South Carolina Community Profiles.

The proportion of total state population living in central cities steadily declined in South Carolina (from 16 percent in 1960 to 11 percent in 2000) and increased by similar amounts in North Carolina (20 percent to 25 percent). At the same time, suburbs (the percentage of the MSA population living outside the central city) in North Carolina grew only slightly (2 percent) while in South Carolina the percentage of the state's population living in non-central city locations grew from 53 percent in 1960 to 64 percent in 2000. These data suggest that suburban growth in South Carolina happened at the expense of its central cities.

If projection data are an indication, the percentage of the state's population living in MSA counties will continue to grow at approximately the same rate as in the previous four decades. North Carolina central cities will continue to grow relative to the state's total population and decline in South Carolina. In 2007 North Carolina central cities accounted for an estimated 27 percent of state's total population. In South Carolina, 2006 population estimates suggested that the proportion of the state's total population living in central cities had declined to 11 percent. These data strongly suggest that for more than a half century, their metropolitan areas are absorbing much of the growth of both states. In North Carolina much of this metropolitan growth is being absorbed by their central cities; in South Carolina, central cities seem to be stagnant or even declining and the growth is occurring in the municipalities and unincorporated places outside the central cities.

Incorporation

Do less restrictive annexation policies in North Carolina promote the use of incorporation as a defensive mechanism against absorption in unincorporated areas outside municipalities? While, we cannot directly link rates of incorporation to rates of annexation, the number of new municipalities in North Carolina grew faster than in its southern neighbor. As can be seen in Figure 4 the growth in the number of municipalities within MSAs was rather stagnant in both states, particularly during the period from 1962-1982. However, from 1982 to 2002,

the number of new municipalities in North Carolina MSAs increased markedly. Overall from 1962-2002, the growth of municipalities was greater in North Carolina (31%) than in its neighbor (7%). Interestingly, the policies regarding annexation in North Carolina were written in 1959 and implemented beginning in the 1960s and 1970s.

North Carolina policies not only allow different methods for annexation, but also leave room for incorporation of new municipalities. A closer look at the geographic pattern of new incorporated places reveals that some of the unincorporated com the path of annexation appears to have responded by incorporating. Of the 35 incorporations that took place in North Carolina during the 1990s, 12 were directly in the path of Charlotte's high growth sectors (Ingalls and Rassel 2005). Ten of these incorporations occurred in Charlotte's rapidly expanding southern sector; all ten were in Union County, which borders Mecklenburg (Charlotte) to the south. In truth, these incorporations may not always be in response to growth of the central city. For example, the ten new municipalities in the southern growth sector of Charlotte were probably a reaction to the explosive growth of other municipalities in Mecklenburg County and in Union County. In South Carolina suburban communities lack incentives to form regional organizations, have limited abilities to incorporate and even less opportunity to annex. Hence, increasingly over the past two decades communities have resorted to the formation of special districts

Special Districts

Have more the restrictive annexation and incorporation policies in South Carolina promoted the growth of special districts when compared to its neighbor? Data summarized in Figure 4 suggest the answer is yes. There has been a general upward trend in the number of special districts in the US and both states mimic this trend to some extent. In both states the number of special districts increased significantly from 1962 to 1972 and leveled off after 1972. However, in South Carolina growth in special districts accelerated after 1982.

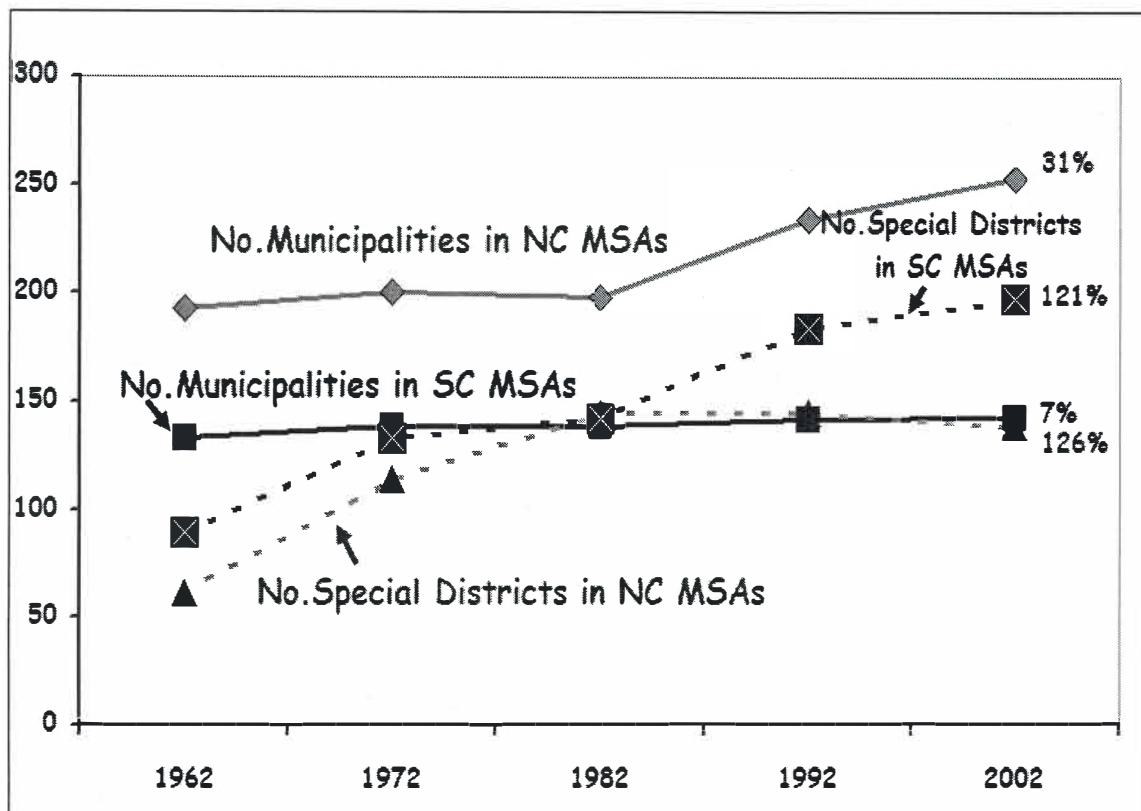


Figure 4. Growth in Governments in North and South Carolina, 1960-2000

Overall South Carolina had a 121 percent increase in the number of special districts formed in metropolitan areas from 1962 to 2002.

Starting from a smaller base number, North Carolina had a larger overall increase in special districts (126 percent) during this same period; however, from 1982 to 2002 the number of special districts has remained the same or decreased slightly. During the period of 1977-1992, there were 77 new special districts created in North Carolina and 118 in South Carolina. In 2002, there were a total of 138 special districts in North Carolina metropolitan areas and 197 in South Carolina MSAs.

When cities cannot or do not provide services outside their municipal limits, then special districts provide an alternative route for financing and service delivery. Evidence

suggests that the ability of North Carolina cities to annex may have lessened the need for new special districts. The opposite appears true in South Carolina. Communities wanting local control over their issues can exercise their incorporation powers in North Carolina. They can also enter intergovernmental agreements to facilitate the cooperation within the region.

Charlotte versus Greenville and Columbia

In 2000 Charlotte and Columbia were the two largest cities in their respective states. They were also the centers of the two of the three largest MSAs in each state. In 2000 Greenville was the largest MSA in South Carolina. If we examine the patterns of annexations, incorporations and central city growth between 1960 and 2000, in these three largest MSAs and cities in both states we find

Table 5. Population changes: Charlotte, Columbia, and Greenville MSAs

Charlotte MSA	Population		
	1960	2000	Percent Change
MSA	655,902	1,165,834	117%
City of Charlotte	201,564	540,828	168%
	Governments		
	1962	2002	Percent Change
Number Municipalities	33	45	36%
Number Special Districts	9	14	56%
	Annexations		
	1970	2000	Percent Change
Number Annexations	17	29	n/a
Land Area	76	242.27	219%
Columbia MSA	Population		
	1960	2000	Percent Change
MSA	498,145	647,158	89%
City of Columbia	97,433	116,278	19%
	Governments		
	1962	2002	Percent Change
Number Municipalities	31	29	-6%
Number Special Districts	9	27	200%
	Annexations		
	1970	2000	Percent Change
Number Annexations	42	70	n/a
Land Area	106	125	18%
Greenville MSA	Population		
	1960	2000	Percent Change
MSA	349,443	559,940	85%
City of Greenville, SC	66,188	56,002	-15%
	Governments		
	1962	2002	Percent Change
Number Municipalities	20	18	-10%
Number Special Districts	23	46	100%
	Annexations		
	1970	2000	Percent Change
Number Annexations	20	28	n/a
Land Area	21	26	26%

Source: Computed from U.S. Census of Governments, 1962-2002 and Census of Population, 1960-2000 Boundary and Annexation Survey (Land area 1970), Charlotte-Mecklenburg Planning Commission. 2008

a different picture emerges. Charlotte and Columbia grew by 168 and 19 percent, respectively, while Greenville had a 15 percent decline in its population.

Rusk (2003) compared the growth during the 1990s within the urbanized areas of Greenville and Columbia to similar sized counterparts in other parts of the country. His summary is instructive. Columbia and Greenville captured 28 and 19 percent of their counties growth whereas the comparable cities in states with less restrictive annexation policies averaged 70 and 77 percent respectively. He strongly suggested that the results are felt in the pocketbooks of residents by greater financial costs due to substantially lower bond ratings for cities in South Carolina. Interestingly, one of comparable cities Rusk used for Greenville was Raleigh. His conclusion: "With North Carolina's annexation laws, Greenville (Bond rating of A1) could have been Raleigh (Bond rating of Aaa)." (Rusk 2003, 6)

In the period from 1962 to 2002, the number of municipalities within the Charlotte MSA increased from 33 to 45 while the Columbia and Greenville MSAs witnessed declines in the number of municipalities from 31 to 29 and 20 to 18, respectively. The number of special districts in the Charlotte MSA went from 9 in 1962 to 14 in 2002. Columbia's MSA saw a three-fold increase from 9 to 27 over the same time period; the number of special districts in the Greenville MSA doubled from 23 to 46. Based on these three examples, we find additional support for the argument that South Carolina's urban regions have increasingly relied on special districts to provide the public services needed as their population expanded. The result has been increasing levels of administrative fragmentation, further isolation and stagnation of central cities in South Carolina.

Overall the City of Charlotte population increase outstripped that of the urban region by more than 40 percent, while the two South Carolina cities lagged far behind the growth in their urban regions with Greenville losing 15 percent of its population from 1960-2000. In the Charlotte MSA where incorporation is more

common, the number of municipalities grew considerably; in South Carolina each urban region actually had a decline in the number of municipalities. Of course the reverse was true of special districts. In Greenville and Columbia the number of special districts in each MSA grew by triple digits; in Charlotte there was an increase, but nowhere near those in its southern neighbor.

Again it is annexation that distinguishes the two states. From 1960 to 2000 Charlotte's land area expanded more than three fold, all through annexation. Since virtually all of the population growth in Charlotte since 1960 has occurred in these annexed territories, it is relatively safe to assume that the City of Charlotte would be a much smaller territory and have considerably less population in 2000 had it not had the power to expand to absorb the growth at its edges. One estimate suggests that, "Annexation has enabled Charlotte's land area to double since 1980 to about 287 square miles as of June 30, 2008" (Charlotte-Mecklenburg Planning Department 2008). Table 5 provides a more direct comparison of the levels of annexation by the three cities between 1970 and 2000. Charlotte tripled its territory during this time frame. Columbia and Greenville were able to grow despite strict annexation laws. As Carr and Feiock (2001) pointed out annexation restrictions do not necessarily limit the frequency of annexations; however, restrictions can and do affect the nature of annexations. The two South Carolina cities appear to have resorted to annexing territories with much lower densities to avoid restrictions.³

³ Tyler (1995) indicated that Columbia had the ability to utilize South Carolina annexation law before additional restrictions were imposed, i.e., the requirement that cities needed permission from 75% of the owners. The power to annex, however limited in comparison to North Carolina options, might have helped the city of Columbia to grow, albeit slightly.

Summary and Conclusions

Amidst some similarities in the annexation statutes, there are a couple crucial differences -- obtaining the approval of the voters in the area to be annexed and setting development standards -- that lead to very different results. These differences appear to matter a good deal. Despite similar growth rates in total state population and MSA populations and similar proportions of MSA population to state population, there are marked differences in where population growth occurs within the MSAs of the two states. Both states are leaders among the 50 states in frequencies of annexation; however, when the municipalities of North Carolina annex, the amount of territory and population they take in are significantly greater than in South Carolina. We attribute these differences to the state legislation that controls the way cities can grow, incorporate, and develop -- particularly the requirement that those being annexed must approve the action. Clearly this most often simply means that annexation of any significant population will not occur.

Anecdotal evidence suggests differences in state annexation policies are directly tied to disparities in central city growth patterns. North Carolina annexation laws permit breathing room for central cities allowing growth not only in suburbs but also in central cities. This growth can be found not only when we look at the central cities, but also the growth of central city counties. In North Carolina, incorporation statutes facilitate the formation of new municipalities and allow some unincorporated communities to avoid annexation. In a sense, some municipalities might evoke defensive incorporation to avoid annexation by expanding central cities. In our case study of Charlotte, six smaller towns existed prior to the period of our study and before the auto-induced, Greenfields sprawl began; their existence has not yet inhibited the expansion of the central city. On the other hand, South Carolina annexation laws and restrictive incorporation procedures all but throttle central cities and assure that population growth will be suburban and largely non-municipal. The result appears to have been an

explosion of special districts that compensate for the failure of any centrally administered service delivery. The provisions for interlocal agreements only appear to facilitate functional consolidation in North Carolina. Again Charlotte serves as an example of what might be. Functionally consolidated, countywide services such as schools, water and sewer, elections and voting, tax assessment, building permits and inspections, health and mental health, library, social services and parks and recreation, planning and zoning serve to integrate critical city and county services and assure uniform and equitable delivery.

The strikingly different patterns of central city growth in North and South Carolina offer support for Voith's (1989) assertion that MSAs with growing and healthy cores experienced higher and more positive growth than those with declining cores. If we look to the future, the differences appear to magnify. Current *projected* rates of growth suggest that by 2010 ten of the fourteen central cities in North Carolina will have experienced triple digit rates of population growth over the 57 years from 1960-2007; only two will have grown at rates of less than one percent per year. In South Carolina only Myrtle Beach will have grown by triple digits; Anderson, Greenville and Spartanburg, South Carolina experienced negative rates of growth from 1960 to 2000 (Table 6).

It is possible to argue that their vital cores facilitate the steady, healthy pace of population growth in North Carolina MSAs. Certainly North Carolina policy made it easier for cities to annex making central cities borders more elastic contributing to the vitality of the central cities and their urban regions. While our data do not permit us to say the reverse is true for South Carolina, where rates of MSA growth have fallen behind its northern neighbor, our analysis leads us to strongly agree with Rusk's (2003, 8) admonition: "The growing weakness of the state's cities may ultimately act as a drag on South Carolina's economic growth." By his estimate North Carolina's MSAs accounted for 86 percent of the state's growth in personal income, 88 percent of job growth and 90

percent of the statistical population growth (Rusk 2008). Clearly these urban centers have been the economic engines that have driven the North Carolina economy. As Rusk (2008) suggests the state's central cities are also models of fiscal health that can be linked to their ability to annex. He points out that Charlotte, Winston-Salem, Raleigh, Durham and Chapel Hill represent 5 of the 30 cities (out of 541) in the US with blue-chip Aaa bond ratings; this he links to their ability to "annex new, high-value, 'suburban' tax base; zero-elastic cities cannot" (Rusk 2008, 3). Our data certainly confirm the health of the North Carolina's central cities. And we suggest that increased restrictions on annexation appear to have slowed the development of South Carolina's central cities, which in turn may well have influenced the overall growth of its MSAs. At the time of this writing, a study commission empanelled to examine annexation policy in North Carolina has delivered its recommendations and the legislature is debating this issue. One of the panel's top recommendations was to change annexation laws such that a vote of approval would be required in both the area to be annexed and in the municipality instituting the annexation. In light of this research, such a move would have an extremely negative impact on the health of North Carolina cities. Our investigation suggests that if these provisions had been in place over the past four to five decades, North Carolina would look a good deal more like South Carolina in terms of the vitality of its urban centers. Our evidence suggests that policy differences across this state boundary have had an important impact on the development of urban centers and their regions in these two states. The ability to annex urban growth and development at their fringes seems to have been a critical element in assuring the health of central cities in North Carolina compared to its neighbor to the south.

Table 6. Central City Population Growth, 1960-2007

Central City	1960 Population	2006/7 Projected Population	Percent Growth 1960-2007
North Carolina Cities			
Asheville	60,192	74,764	24%
Burlington	33,199	49,343	49%
Charlotte	201,564	674,656	235%
Durham	78,302	222,472	184%
Fayetteville	47,106	181,453	285%
Goldsboro	28,273	37,341	32%
Greensboro	119,574	248,111	107%
Greenville	22,860	76,222	233%
Hickory	19,328	40,520	110%
Jacksonville	13,491	77,301	473%
Raleigh	93,931	367,098	291%
Rocky Mount	32,147	56,288	75%
Wilmington	44,013	100,746	129%
Winston-Salem	111,135	224,889	102%
Total North Carolina Central City Population	905,115	2,431,204	169%
Total North Carolina Population	4,556,155	9,061,032	99%
Ratio: Central City to State	20%	27%	
South Carolina Cities			
Anderson	41,316	26,242	-36%
Charleston	65,921	107,845	64%
Columbia	97,433	119,961	23%
Florence	24,722	31,284	27%
Greenville	66,188	57,428	-13%
Myrtle Beach	7,834	28,597	265%
Spartanburg	44,352	38,561	-13%
Sumter	23,062	39,159	70%
Total South Carolina Central City Population	370,828	449,077	21%
Total South Carolina Population	2,382,594	4,321,249	81%
Ratio: Central City to State	16%	10%	

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