



Everyone's Property Rights Matter!

or

How Annexation Law Made Georgia's Sprawl and Traffic Congestion Worse

by

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How Are Property Rights in Danger? And How Does This Danger Affect Urban Sprawl and Traffic Congestion?

You probably know that an act by the Georgia General Assembly was passed to end the danger of eminent domain abuse. But another kind of damage to property rights has occurred slowly and invisibly since the 1960's. Single home-owning, average Georgians have suffered this loss. This flyer will explain how.

A well-meant but poorly written law created the problem by changing the power of annexation. That change accidentally gave some large landowners special privileges. It also had the side effect of making Georgia's sprawl and congestion troubles worse.

What Is Annexation, and How Did Government Create a Problem?

Annexation is the legal tool cities and towns use to expand their boundaries. In this flyer the word "city" is used to mean city or town.

Most folks see annexation as a tool for community building, enabling the natural growth of a city that happens as new housing and supporting businesses spring up around it. The people who live and work in these areas usually consider themselves part of that city's community, so it can often make sense for the city to annex them.

Before 1962, annexation required passage of a state law with state legislators acting as a safeguard in a couple of ways. First, they could prevent unnecessary annexations. Second, they made sure that property rights of all affected landowners were treated fairly. That included owners who lived near to annexed property.

However, in 1962 the General Assembly passed a bill letting cities annex on their own. This power is known as "annexation at will". It was the first of many laws

giving powers to local governments. Georgia needed efficient local control, since our state was starting its growth boom. It made sense not to clog the legislature with such matters (called local legislation).

The legislators who passed that first law simply meant to allow community building to occur on its own. Over time, though, it has become clear that uncontrolled annexation has made sprawl and congestion worse. If we don't fix annexation law now, it will continue to damage our quality of life. This affects all Georgians. Not only the 61%¹ of us who live in suburbs or the country, but also the other 39% who live in cities or towns.

We have these problems now because that 1962 law was flawed. People in the neighborhood of annexed land had no say in how their land was affected. Because they did not live in the city, they certainly could not vote for city officials, and hold those officials accountable. In addition, county governments were given no power to negotiate with the city. It is true that more recent state laws granted rights to protest and delay an annexation, but not stop it. In other words, cities have essentially been able to annex at will for over 40 years.

Just How Has a Law Created These Problems?

People thought the 1962 law would simply allow local community building, but the way it was written opened up other, unintended ways of using annexation. How was this possible?

Many laws influence the economy to achieve their purpose. America's economy is a market system in which property, goods and services are independently bought and sold. An effective law creates incentives or disincentives in a given market that persuade people to do (or not do) certain things.

Sometimes, laws create unforeseen incentives and disincentives, which cause people to do things that are not in the best interest of all citizens. This doesn't mean that we should consider these folks bad or criminal. They are simply acting in their own best interest – a foundation of freedom. The problem is that they are responding to undesirable incentives created by a poorly crafted law.

This is what happened when the General Assembly allowed cities to annex at will. The market affected by these changes was a very important one – namely, the market for land.

How Has Annexation Law Warped the Land Market?

Many Georgia cities provide services to their residents, such as water and sewer. You can often find garbage pickup, electricity, natural gas and even cable TV services offered.

¹United States Census, 2000

Cities obviously must have revenue to setup and maintain these services. Like any other kind of government, they would prefer not to raise taxes to get the money.

Once cities were allowed to annex on their own, a few realized this new tool could be used purely for more revenue. Ideally, they might raise enough new revenue to reduce taxes or the costs of services.

The method for trying to annex in more revenue is really pretty simple. We all know that one or more state highways connect just about every city and town in Georgia, and our larger cities are all connected by the U.S. Interstate system. Businesses realized long ago that locating on one of these important roads or “corridors” was a key to success.

Now, combine the importance of corridors with one more significant fact. Business or commercial properties usually produce more tax revenue than they use in government services. In other words, these parcels produce a net revenue gain for a local government. So cities are keen to annex them. *This is the opportunity they saw for using the new law in an unexpected way.*

The goal is to extend city limits along commercial corridors, and thereby shift a city’s tax base towards having a higher proportion of this high revenue land. Sales taxes from such properties add another benefit. All this extra revenue might, ideally, allow reductions in taxes and service rates for residents. We will call this process “annexing for revenue”, for the sake of giving it a name.

So cities promise incentives to lure these property owners in. The most common offers include higher-value zoning, and water/sewer connections. Even alcohol sales licenses can be a hook.

But it did not take long for an even better strategy of annexing for revenue to be discovered. Undeveloped corridors could be annexed, and then re-zoned for commercial use to promote business growth. Re-zoning is usually reward enough to get landowners to annex in, and a whole lot cheaper than trying to win over existing businesses.

Sometimes, though, a commercial artery isn’t next to a city. This obstacle is easily overcome. Large landowners located between the city and a corridor are offered other kinds of incentives. High-density residential zoning, and the promise of water and/or sewer service are common. These incentives can make large parcels much more valuable.

Back in 1962, farmers usually owned the large parcels. They had held the land for decades, or even generations. Since the law was new, only a small number of cities started annexing mainly for revenue; but over the years, more and more have been attracted by the possible benefits of annexing for revenue.

The rewards of this system for large landowners soon became well known. Developers and speculators started purchasing obvious annexation targets, and they

now own much of the undeveloped land next to cities that are growing, or expected to grow. The dependable profits of this “system” have even attracted investors from other states. They are pouring very large amounts of money into Georgia land deals. They want in on the development profits, too.

In the past 40+ years, we’ve seen fewer and fewer cities grow in the sort of rounded, compact manner that building a community should produce. Instead, we see wild, scattered layouts. Often there are “tentacles” to commercial corridors. This isn’t just a metro Atlanta problem. Below are two examples of the results of annexing for revenue, from opposite ends of our state. Parts of the smooth original boundaries of each city are still visible. Later growth has been *very chaotic*.



Cartersville
(Maps courtesy of the Georgia Legislative Reapportionment Office)



Valdosta

You can see how annexation for revenue hurts our hopes for controlled, “smart” or channeled growth. Instead, the “system” has put Georgia on the fast track to some very sticky problems. We are getting unplanned, cookie-cutter sprawl and headache-making congestion, while the rights and desires of small landowners are ignored in the rush.

What Kind of Damage Is the “System” Doing to Georgia?

Our malfunctioning annexation laws are creating a number of problems that affect people all over the state.

Two Classes of Property Rights Are Emerging

Many Georgians want to live in quiet suburbs or rural areas, and they decide where to live based on county plans to shape certain neighborhoods that way. However, a few large landowners can completely change a neighborhood's character by agreeing to be annexed. Small landowners have no say in the process.

If we truly believe that everyone's property rights matter, then large and small landowner's rights should be equal. Instead, we see large landowner's getting lucrative special treatment. Small landowner's rights are being ignored and trampled.

Aggravated Sprawl and Congestion

Some sprawl and congestion are inevitable with growth. But there is a "scramble for the prize" attitude gripping many cities and large landowners. It produces unpredictable growth, and creates extra sprawl and congestion. Georgia is being overwhelmed by these unexpected stresses.

The "System" Doesn't Always Work

Annexing for revenue often includes promises of water and sewer service. Cities are accumulating a backlog of these systems to build. Many home and lot owners are still waiting for the promised services. To try to deliver on these promises, cities keep annexing; but they may eventually have to raise property taxes and service fees, because they cannot annex and develop fast enough.

Long Term Planning to Manage Growth Is Disrupted

Georgia law basically requires counties to create and abide by future land use plans. The planning process requires extensive community input and a lot of time and money. However, when an area is annexed, cities can ignore county land use plans. The plans become useless, along with any public expectations they created.

Unfair Transfer of Tax Burden

Cities are gaining revenue that would have stayed with counties before annexation for revenue was possible. When counties have to raise property taxes in order to make up for these losses, their residents are, in effect, forced to subsidize city services.

Cities with Independent School Systems

Cities with their own school systems create an extra problem when they annex for revenue. School property taxes are shifted from the county's system to the city's system. Commercial properties built on annexed land increase revenue for the city's school system, yet add no students. This loss is devastating to the county system. It loses the revenue, retains the same number of students – and to compensate, is usually forced to raise property taxes.

The impact is doubly severe due to another law. These cities can veto an education SPLOST (Special Purpose Local Option Sales Tax) proposed by a county school system. This veto, or threat of it, is used to negotiate an unfair cut of the SPLOST. Georgia has several situations where city school systems are collecting

ten, or even twenty times as much revenue per student than the county paying and collecting the tax. Who does this hurt? It hurts students in the county school system.

Farmers Are Being Driven From the Land

Land speculation drives up property values over wide areas. This leads to higher property taxes, and really hurts farmers. Many farmers are being forced off their land by tax increases. This is happening despite the “Conservation Easement”, which reduces property tax burdens for real farmers.

What Can We Do About These Problems?

You can see that we must reform Georgia’s annexation laws for several reasons. This change won’t be easy, however, because “the system” has become business as usual. There are many who have a vested interest in keeping it. A strong, grassroots call for change is the only way to get this reform through the legislature.

Make your voice heard! Contact your county commissioner – and if you live in a city, your council member or mayor as well. Tell them that you support annexation reform.

*Most importantly, you should tell your **state representative and senator** that you want reform. Only they can pass legislation that will change annexation law, make it fair, and end the many problems it currently causes Georgia!*

You can find your state legislators at:

<http://www.sos.state.ga.us/cgi-bin/Locator.asp>

If you don’t have Internet access, you can find out from your county board of elections. If your county doesn’t have a board of elections, call your probate court.

It’s Not Just For Us, But For Our Children and Grandchildren, Too

Georgia is a beautiful state, and a great place to live. It’s our responsibility to preserve this blessing – so that future generations will want, and be able, to live here.

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