

Basics of Annexation

What is annexation?

Annexation is the procedure by which municipal boundaries are adjusted so that land is brought into a city and needed municipal services can be provided. The land may already be developed or may be expected to be developed for residential, commercial, industrial or governmental purposes.

What is state annexation and land use policy?

A discussion of annexation should begin with the state's annexation policy:

“The legislature finds that:

- (1) sound urban development and preservation of agricultural land and open spaces through land use planning is essential to the continued economic growth of this state;
- (2) municipal government most efficiently provides governmental services in areas intensively developed for residential, commercial, industrial, and governmental purposes; and township government most efficiently provides governmental services in areas used or developed for agricultural, open space, and rural residential purposes;
- (3) the public interest requires that municipalities be formed when there exists or will likely exist the necessary resources to provide for their economical and efficient operation;
- (4) annexation to existing municipalities of unincorporated areas unable to supply municipal services should be facilitated; and
- (5) joint resolutions for orderly annexation, consolidation of municipalities, mergers of towns and municipalities, long-range joint powers planning or other cooperative efforts among counties, cities, and towns should be encouraged.”

(Minn. Stat. § 414.01, subd. 1a)

This policy is sound and based on two principles: 1) urban areas should be in cities where infrastructure exists and services can be extended cost-effectively and efficiently; and 2) townships are best equipped to provide services to rural areas since they often do not have the staff or infrastructure to provide the level of services needed in urbanizing areas without duplicating existing city infrastructure or services.

What are the state's goals in promoting and regulating municipal development?

“(1) to provide for the extension of municipal government to areas which are developed or are in the process of being developed for intensive use for residential, commercial, industrial, institutional, and governmental purposes or are needed for such purposes; and

(2) to protect the stability of unincorporated areas which are used or developed for agricultural, open space, and rural residential purposes and are not presently needed for more intensive uses; and

(3) to protect the integrity of land use planning in municipalities and unincorporated areas so that the public interest in efficient local government will be properly recognized and served.”

(Minn. Stat. § 414.01, subd. 1b)

What are the basic types of annexation procedures available in Minnesota?

Currently, three basic forms of annexation are available under state law:

1. **Automatic Annexation by Ordinance** Automatic annexations of land abutting a city may be accomplished without an evidentiary hearing before the Office of Administrative Hearings (“OAH”) under specific circumstances. Examples include: an annexation petitioned by a property owner of 120 acres or less, land owned by a city, or a township area is completely surrounded by a city. Provided a city has met certain notice and public hearing requirements, it may enact an annexation ordinance, file the same with the OAH and annex the area without further process. This statutory procedure allows for simple annexations to be completed quickly, efficiently, and cost-effectively. Note: there are some other annexation by ordinance procedures that may require an evidentiary hearing and the utilization of this procedure may be impacted by the terms and conditions contained in a joint resolution for orderly annexation. *See* Minn. Stat. §§ 414.033 and 414.0335.
2. **Negotiated/Orderly Annexation** Negotiated/orderly annexation is accomplished by a city and township negotiating an agreement containing terms and conditions for immediate and/or future annexations, extension of municipal services and future growth. *See* Minn. Stat. § 414.0325.
3. **Contested-Case Annexation** Contested-case annexation is trial-type annexation. The process for contested cases includes mediation followed by an administrative evidentiary hearing if the dispute cannot be settled. The hearing process, if necessary, allows each party to present evidence and testimony to an administrative law judge (“ALJ”), who makes a binding decision based upon specific statutory criteria and

standards. Some of the criteria considered by the ALJ include: development pattern, environmental issues, services, fiscal impacts, and effect of the proposed annexation on adjacent communities. Based on this criteria, the ALJ may order the annexation if: 1) the area is urban or suburban or about to become so; 2) annexation is necessary to protect the public health, safety, and welfare; or 3) annexation is in the best interest of the property proposed for annexation. *See* Minn. Stat. §§ 414.031.

Why do cities annex land and what are the benefits of annexation?

Generally, cities that expand their boundaries to include developing urban or suburban areas can organize for economic growth, create jobs, provide services cost-effectively, clean up environmental problems caused by poor land-use planning, and improve consistent future land use planning. Businesses and homes that are developed on the fringes of cities often directly benefit from many city services, but do not in turn help to support those service demands to the same extent as city taxpayers. As a result, the tax burden falls disproportionately on city residents to pay for the additional community services demanded and used by urbanizing township areas. It also creates significant disparities between city and township tax rates where the city tax rate will often be two or three times the township tax rate.

Some of the benefits of annexation include the following:

1. Costs of urban services fairly distributed among all who benefit;
2. City organized for economic growth;
3. Good land use planning to preserve agricultural land and stop sprawl;
4. City services provided more efficiently, cost-effectively and without duplication; and
5. Protection of the environment and groundwater from failing individual septic systems.

What do property owners think of annexation?

Generally, many property owners want annexation so their homes or businesses can receive city services, including police and fire protection, economic development, public works, administration, and sewer and water services. Some township residents, however, oppose annexation because (1) they will be required to pay the increased property taxes necessary to fund the services required because of township urbanization, (2) they desire to maintain their current regulatory framework, or (3) they perceive a loss in participatory government.

How do cities and townships differ in their views of annexation?

In general, cities favor annexation and townships oppose it. Cities favor annexation because it promotes economic vitality, service efficiency, tax fairness and the environmental health of the entire community. Townships oppose annexation because it will result in a loss of tax base and perceived autonomy.

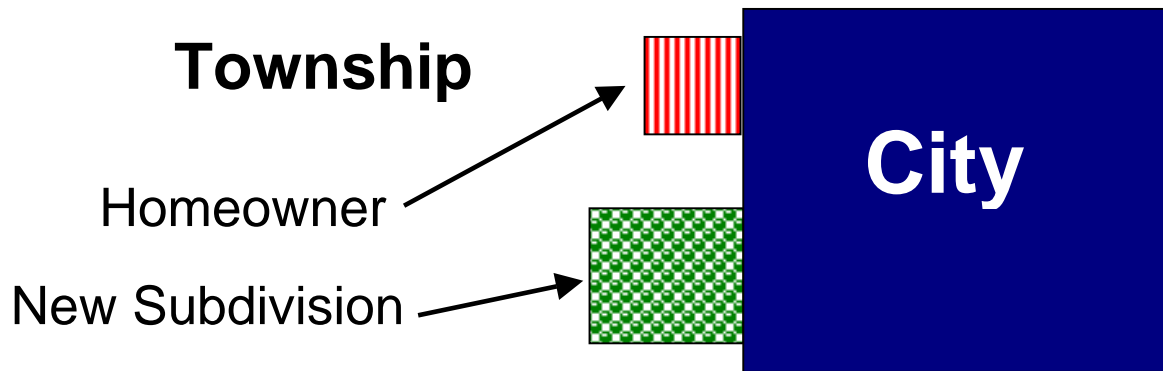
What are the effects of years of bad annexation laws in Minnesota?

Restrictive annexation laws have prevented cities from engaging in efficient, long-term land-use planning by making orderly annexation, growth, and service extensions difficult and divisive. As a result, many townships continue to steadfastly oppose annexation and seek to urbanize

without proper planning and services. Such activities hurt regional economic growth, encourage sprawl, and result in wasteful duplication of services, environmental problems from failing septic systems, needless destruction of valuable farmland, and higher service costs from the need to retroactively provide major services in already developed township areas when environmental problems inevitably occur.

What are some typical examples of annexation?

Residential Example - A homeowner in the township wants to join the city in order to stop septic system leakage into the groundwater and avoid having to install a costly replacement septic system, and a developer of a new subdivision wants to connect to city sewer and water services to facilitate development adjacent to the core city at higher densities thereby protecting valuable farmland by utilizing a smaller urban footprint.



Industrial Example - An industry now located in the city needs to expand and must have city sewer, water, police and fire services. The industry will relocate to another state if its expansion objectives cannot be achieved at its current location, which would result in a loss of 100 jobs. Expansion space is only available in the township.

