

# Generation Z and an Urbanizing North Carolina

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## Introduction

The results of the 2010 U.S. Census Bureau reflect the continuing urbanization of North Carolina's population. Most demographers expect this trend to continue, and the North Carolina facing Generation Z in 2020 will be one where a majority of the state's residents live in a metropolitan area. This will be a dramatic shift from the North Carolina of 1970, when Generation Z's grandparents found themselves at a similar stage of life.

In 1970, more than 50 percent of North Carolina residents lived in a rural area. Urban clusters of small- to medium-sized cities could be found throughout the state, and growing suburban development was already beginning to characterize the outskirts of many cities and towns. However, North Carolina's social and political fabric was still shaped by the rural and small-town culture that had always influenced the state. Public policy decisions often gave priority to the interests of rural communities. Political reforms that benefitted urban areas, such as changes in the way roads, schools and municipal water systems were funded, were as often in response to rural needs as they were to urban ones.

Nonetheless, industrialization and population growth throughout the twentieth century led to an unmistakable shift in the state's demographics, with the greatest population growth occurring around North Carolina's cities and towns. By 2000, the number of North Carolinians defined by the U.S. Census as "rural" had dropped to 39.8 percent. The state's leadership began to recognize the challenges this growth was placing on local governments, and as early as 1959, new legislation greatly expanded municipalities' authority to regulate development along their fringes. That year the legislature established the ground rules for municipalities' involuntary annexation of adjacent urbanized areas. Municipalities were also given authority to regulate land use in surrounding, unincorporated areas, in what planners refer to as "extraterritorial jurisdictions."

## Tools for Financing Public Services

Involuntary annexation and the use of extraterritorial jurisdictions to regulate land use gave North Carolina's municipalities two powerful tools for managing growth and financing expansion of public services. Compared to other states, North Carolina's annexation laws were considered liberal in granting significant power to municipalities to annex unincorporated areas regardless of affected residents' wishes. Involuntary annexation also allowed municipalities to raise revenue by adding residents to their tax rolls, helping offset the costs of extending services to newly urbanized areas. This tool allowed municipalities to pay for both new services as well as replacement of aging infrastructure. The ability of North Carolina's municipalities to use involuntary annexation to expand their tax bases over the past half century has been viewed by many as a key reason for the relative fiscal health of North Carolina's municipalities.

As the grandparents of Generation Z entered adulthood in 1970, North Carolina's municipalities were better prepared financially than they might otherwise have been to accommodate a sustained period of unprecedented population growth. According to the U.S. 2010 Census, population gains over four decades moved North Carolina into the nation's top ten states, with 43 percent of the state's population living in the ten most populous counties. Despite growing pains such as traffic congestion, environmental degradation, and school overcrowding, as well as financial stress caused by the Great Recession of 2008, North Carolina's municipalities have emerged in relatively good fiscal health.

## **Generation Z's North Carolina**

But what kind of state will Generation Z inherit in 2020? An outsider unfamiliar with the state's recent political debates and legislation might easily conclude that North Carolina will continue to be a state whose municipalities are fiscally well-positioned to tackle the opportunities and challenges facing an urban population. Building more vibrant and cosmopolitan urban areas with amenities such as parks and cultural facilities enriches the lives of the state's existing residents. In addition, high quality urban environments enhance North Carolina's economic competitiveness by providing an attractive quality of life for companies. On the flip side, the challenges resulting from greater urbanization go beyond the rising demand on the state's traditional infrastructure such as transportation, water and sewer, and schools. A more urban population will likely require greater access to an expanded network of "green infrastructure," not only for recreation but also for public health, while other social concerns such as the availability of affordable housing and the well-being of an aging Baby Boom generation will also take on more urgency.

## **Changes to Financing Urban Infrastructure**

Most of the state's municipalities today are relatively healthy despite recent, short-term budget crises. However, 2011 legislative changes to North Carolina's involuntary annexation laws have created more uncertainty about how municipalities will accommodate the needs of an urban population. Notable changes include new requirements for gaining the approval of a majority of residents in areas to be annexed, and tighter restrictions on what local governments can charge new residents to tap into expanded infrastructure systems like water and sewer lines. These changes have led many observers to declare involuntary annexation, at least as North Carolina has known it over the past 50 years, to be dead.

In the short-term, the loss of expected revenues from involuntary annexations will create financial challenges for many municipalities in paying the debt service on infrastructure with high upfront costs. Longer term, it's more unclear how the loss of involuntary annexation will affect local governments.

The North Carolina that greets Generation Z in 2020 will undoubtedly be a different place than the one that opened its doors of opportunity for Generations Z's parents and grandparents, and the land use policies available to them as young leaders to shape the state's landscape will likewise be different. What seems certain, however, is that North Carolina will solidify its place among the nation's urban states – completing a historic shift for a state that for nearly 250 years viewed itself as predominantly rural. And just as certain the next generation of leaders will chart new territory, both in defining what "urban" really means for them, and in developing the 21st-century growth management tools that will enable them to achieve that vision.