



# SENATE BILL 1074: Eden/Mills River/Guilford Art 46 Local Act.

2025-2026 General Assembly

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<b>Committee:</b> Senate Rules and Operations of the Senate	<b>Date:</b> June 9, 2026
<b>Introduced by:</b> Sen. Berger	<b>Prepared by:</b> Nicholas Giddings and Trina Griffin
<b>Analysis of:</b> Second Edition	Staff Attorneys

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**OVERVIEW:** *Senate Bill 1074 would do the following:*

- *Part I would authorize the City of Eden to agree by contract not to annex two described tracts, known as the Dan River Plant Property, and to accept payment in lieu of taxes as part of that agreement.*
- *Part II would repeal the Town of Mills River's temporary authority to adopt a unified development ordinance (UDO) notwithstanding the general prohibition on down-zoning and declare any UDO adopted pursuant to that authority null and void.*
- *Part III is applicable to Guilford County only and would modify the ballot question for levy of the one-quarter cent local sales and use tax and modify the distribution of the proceeds upon levy of the tax after a successful referendum.*

## PART I. CITY OF EDEN ANNEXATION AGREEMENT

**CURRENT LAW:** Annexation is a method by which municipalities alter their boundaries. The municipality must follow statutorily prescribed steps in order to add an area into its boundaries. The municipality must provide the annexed area with substantially the same level of services provided to the municipality. These services may include police protection, fire protection, solid waste collection and the extension of water and sewer lines.

North Carolina law sets forth four basic ways in which a municipality may annex an area:

- **Voluntary Annexation.** – The owners of all real property in an area contiguous to the municipality desiring to be annexed sign a petition requesting annexation.
- **Voluntary Satellite Annexation.** – The owners of all real property in the area desiring to be annexed sign a petition requesting annexation, if it otherwise meets the statutory requirements.
- **Municipal-Initiated Annexation subject to a referendum.** – The municipality initiates an annexation proceeding, pursuant to statutory requirements.
- **Legislative Act.** – The General Assembly has the authority to extend the boundaries of any municipality.

**BILL ANALYSIS:** Part I of Senate Bill 1074 would authorize the City of Eden, by contract, to provide that the described Dan River Plant Property may not be annexed by the City between July 1, 2025, and June 30, 2030, except as provided in the agreement. The Part would also allow the City to accept, as consideration for the contract, payments in lieu of taxes in the amount of \$1,000,000 for the five year period of the agreement, requiring Duke Energy to make annual payments of \$200,000. Provided

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modification does not materially alter the concept of the agreement, the parties would be permitted to modify the agreement on mutual written consent without further action of the General Assembly.

**EFFECTIVE DATE:** This Part would become effective when it becomes law.

**BACKGROUND:** S.L. 1993-418, S.L. 2002-74, S.L. 2013-219, and S.L. 2018-19 authorized the City of Eden, by contract, to provide that the described Dan River Plant Property would not be annexed by the City prior to a specific date, and that the City could accept, as consideration for the contract, payments in lieu of taxes.

## PART II. MILLS RIVER UNIFIED DEVELOPMENT ORDINANCE

**CURRENT LAW:** G.S. 160D-601(d), as amended by Section 3K.1 of S.L. 2024-57, prohibits, without the written consent of all affected property owners, local government initiated rezonings or text amendments that (i) decrease the permitted density of development, (ii) reduce the range or permitted uses of the property, or (iii) create any type of nonconformity on land not in a residential zoning district, including a nonconforming use, nonconforming lot, nonconforming structure, nonconforming improvement, or nonconforming site element. However, Section 2.3 of S.L. 2025-32 authorized the Town of Mills River to adopt the UDO initiated by the Town Council in October 2024 notwithstanding the general prohibition on down-zoning in G.S. 160D-601(d). Any adoption of the UDO must occur on or before July 1, 2026.

**BILL ANALYSIS:** Part II of Senate Bill 1074 would repeal Section 2.3 of S.L. 2025-32, thereby removing the Town of Mills River's authority to adopt its UDO notwithstanding the general prohibition on down-zoning. Further, Part II would declare that any UDO adopted between June 30, 2025, and July 1, 2026, is null and void.

**EFFECTIVE DATE:** This Part would become effective when it becomes law.

## PART III. GUILFORD COUNTY ARTICLE 46 MODIFICATIONS

**CURRENT LAW:** Article 46 of Chapter 105 of the General Statutes authorizes counties to levy a one-quarter cent ( $1/4\phi$ ) local sales and use tax if approved in a referendum. The proceeds of the tax are not shared with the cities and may be used for any public purpose. 48 counties levy this tax. Guilford has held 7 unsuccessful referenda for this tax.

In 2025, the General Assembly enacted [S.L. 2025-87](#), which, in part, did the following applicable to Guilford County only:

- Modified the ballot question that would be posed in a referendum for the levy of the Article 46 local sales tax by specifying the uses for which the tax may be expended.
- Modified the distribution method for the net proceeds of the Article 46 tax to provide certain cities with a share. Under general law, Article 46 proceeds are not shared with cities.
- Specified the use of Article 46 proceeds as follows:
  - For qualifying municipalities other than the Town of Summerfield, the proceeds may be used for any public purpose. The Town of Summerfield would be required to distribute its share to the Summerfield Fire District until the cumulative proceeds reach \$3 million dollars. The fire district may only use the proceeds for capital enhancements for water resources related to fire protection. Once the cumulative total reaches \$3 million dollars,

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the Town may retain its allocated share of future distributions and use the funds for any public purpose.

- The county must use the proceeds as follows:
  - 20% or \$5M, whichever is greater, to the Guilford County Fire and Rescue Council for equipment purchases or capital expenditures necessary to provide fire protection services.
  - 10% or \$2.5M, whichever is greater, to Guilford Technical Community College for capital expenditures.
  - The remainder for classroom teacher salary supplements.

**BILL ANALYSIS:** Part III of Senate Bill 1074 would do the following and is applicable to Guilford County only:

**Ballot Question.** – Modify the ballot question by indicating the percentage of net tax proceeds that would be dedicated to the various specified purposes as follows:

Classroom teacher salary supplements	70%
Fire protection and equipment and services	18%
Guilford Technical Community College	8%
To municipalities for any public purpose	4%

**Distribution of Proceeds.** – Modify the distribution of proceeds as follows:

- To the County – 96% to be used as follows:
  - 73% for teacher salary supplements. This would include instructional support personnel.
  - 19% to the Guilford County Fire and Rescue Council for equipment purchases or capital expenditures necessary to provide fire protection services in the county. Guilford County may establish a custodial fund for the benefit and use of the Fire and Rescue Council.
  - 8% to the Guilford Technical Community College for capital expenditures.
- To qualifying municipalities – 4% to be allocated in proportional shares
  - A qualifying municipality is one for which the distribution of its share of proceeds from the first 2-cent levy of local sales tax using the per capita distribution method multiplied by 25% is greater than its ad valorem distribution. Using current data, there are 5 municipalities in Guilford County that meet this criterion: Oak Ridge, Pleasant Garden, Stokesdale, Summerfield, and Whitsett.
  - The use of these funds remains the same as under the original legislation.
    - The Town of Summerfield must distribute its share to the Summerfield Fire District until the cumulative total reaches \$3 million dollars. Funds received by the fire district must be used for capital enhancements for water resources related to fire protection. Once the cumulative total reaches \$3 million dollars, the Town of Summerfield retains its allocated share of future distributions and may use those funds for any public purpose.
    - All other municipalities that receive a proportional share may use the funds for any public purpose.

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**EFFECTIVE DATE:** This Part would be effective when it becomes law and applies to referenda held on or after that date for which the Guilford County Board of Commissioners has adopted a resolution prior to, on, or after the effective date of this Part.

*Karyl Smith, counsel to Senate State and Local Government, substantially contributed to this summary.*