Town of Oro Valley Annexation Strategy (2026)

Adopted October 21, 2026, by Resolution No. (R)26-50

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Purpose and Strategic Direction

Purpose

Annexation has played an important role in shaping Oro Valley's boundaries, service area and long-term fiscal position. This strategy establishes the Town's framework for determining where future annexation efforts should be focused and how potential opportunities should be evaluated.

The strategy is intended to:

- guide proactive staff work and the allocation of Town resources;
- identify the Town's active priority, near-term opportunities and longer-term strategic areas;
- establish the principles used to evaluate potential annexations;
- clarify how owner-initiated and unanticipated opportunities should be considered;
- identify the points at which Town Council direction or approval is required; and
- establish regular reporting so Council remains informed of annexation activity as it occurs.

The strategy is intended to guide the Town's annexation work for approximately five years. It does not commit the Town to initiate or complete any particular annexation, and inclusion of an area within the strategy does not create an expectation or entitlement to annexation, zoning, infrastructure participation, financial assistance or other Town action.

Current priority areas are based on existing geographic, fiscal, water, development and ownership conditions. Council will review tier assignments at least annually and may amend those priorities before the five-year review when circumstances change or when Council determines a different allocation of Town resources is warranted. Only Town Council may move an area between tiers or add property to the strategy.

Strategic Direction

The Town will focus proactive annexation efforts and staff resources on opportunities that:

- are reasonably expected to increase Oro Valley's long-term net retail and commercial revenue;
- can be served without creating water-resource obligations that shift significant long-term costs to current and future residents and ratepayers; and
- have a reasonable prospect of community acceptance, both among the owners and residents of the area being annexed and within the existing Oro Valley community.

Retail and commercial revenue remains the principal reason for proactive annexation. Established and emerging commercial areas are important to the Town's long-term fiscal sustainability, and limited staff resources should be directed toward opportunities capable of producing meaningful municipal benefit.

Water is both an immediate service question and a long-term cost question. The cost of acquiring new water supplies and building the infrastructure to deliver them is rising across Arizona, and those costs can extend for generations after an annexation is complete. Developed areas already served by an existing water provider generally present limited new water-resource obligations for the Town, while undeveloped land may require new supplies and infrastructure whose costs should be understood before the Town commits to pursuing annexation.

Community acceptance recognizes that annexation is one of the most lasting decisions a municipality makes. Successful annexation depends on more than meeting statutory petition thresholds: residents and businesses joining the Town should understand what annexation means for them, and current Oro Valley residents should have confidence that the Town's boundaries are growing in a way that reflects the community's character and values.

The Town may also evaluate owner-initiated annexations and other opportunities that advance a significant Town objective, provided they are legally feasible and do not create unacceptable fiscal, water, infrastructure or service-delivery impacts. Such opportunities may include properties where annexation would improve service delivery, facilitate desirable development, address an important land-use or boundary issue, or provide another compelling community benefit.

Annexation is not an objective in itself. It is a tool the Town may use when expanding its boundaries can advance Oro Valley's fiscal, service, economic-development, land-use or broader community interests.

Policy Evolution and Effect

2003 Annexation Policy

In 2003, Town Council adopted Resolution (R)03-06 establishing a policy framework for future annexations. The policy emphasized several concepts that have remained central to Oro Valley's approach:

- logical municipal boundaries;
- fiscal analysis;

- consistency with the General Plan;
- the Town's ability to provide municipal services; and
- the strategic pursuit of annexations that provide a benefit to the community.

The current strategy carries those principles forward while giving greater direction to how the Town should allocate its annexation resources.

2020 Annexation Strategy

In 2020, the Town replaced its earlier stand-alone annexation policies with a comprehensive Annexation Strategy. The strategy was intended to consolidate prior policy direction with General Plan objectives, evaluation criteria and geographic priorities. It established a five-year review cycle and called for annexation opportunities to be evaluated based on factors including fiscal impact, logical boundaries, service implications, land use, the perceived level of support among affected property owners and residents, and consistency with the General Plan. It organized potential annexation areas into four priority areas, ranging from current opportunities such as the Ina/Oracle commercial properties to long-term areas such as Arroyo Grande.

The 2020 strategy provided a useful framework for identifying potential annexation areas. Experience since its adoption, however, has demonstrated the importance of distinguishing between an area that may have strategic value and an area that warrants sustained staff investment at a particular point in time. It has also shown that a priority designation alone does not produce progress; Council needs regular visibility into the work underway and the options available.

Reasons for the Current Update

The Town's FY 2023–2025 Strategic Plan specifically directed staff to update the Annexation Strategy, revisit the Tangerine/Thornydale State Trust Land opportunity and continue work in the Ina/Oracle area.

Town Council revisited annexation during its March 2, 2026 Strategic Planning Retreat. Staff reviewed the existing priority structure, statutory constraints, fiscal considerations, available implementation tools and planning-level analyses of the Ina/Oracle and La Encantada areas. The discussion highlighted the need for a clearer distinction between active priorities and longer-term opportunities and for greater direction on where staff resources should be concentrated.

Council reviewed a draft framework at a September 16, 2026 study session. Council expressed consensus that the Ina/Oracle area remain the Town's top annexation priority; supported a three-tier structure that separates near-term opportunities from long-term

areas; asked that water and community acceptance be added to the strategic focus; and requested more regular reporting so that Council is informed of annexation work as it progresses rather than after it is complete.

At its October 7, 2026 meeting, Council directed staff not to proceed with further work on the State Trust Land at Thornydale and Tangerine. The tier assignments in this update reflect that direction.

The present update responds to that direction by:

- focusing proactive efforts on long-term net retail revenue, water resources and community acceptance;
- establishing a three-tier priority framework based on readiness as well as strategic value;
- concentrating Tier 1 effort and discretionary resources on the Ina/Oracle area;
- creating a defined pathway for owner-initiated and unanticipated opportunities;
- clearly identifying the decision points at which Council direction is required;
- reserving to Council all decisions to move areas between tiers or add property to the strategy;
- establishing two semi-annual Council reports, one paired with an annual Council presentation timed to the budget process;
- recognizing changing implementation approaches, particularly for State Trust Land; and
- aligning the strategy with the Town's broader long-range planning framework.

On October 21, 2026, Council adopted this update by Resolution No. (R)26-50, with the direction that Town Council shall be the one to move areas between tiers or add property to the Annexation Strategy. The provisions of this strategy governing tier changes, reporting and administration reflect that direction.

The update also coincides with Oro Valley's adoption of a new General Plan. OV Path Forward, submitted to voters as Proposition 431, passed at the November 3, 2026 General Election. This Annexation Strategy was designed, and should be administered, in a manner consistent with OV Path Forward and should be revisited if future General Plan amendments materially change the assumptions underlying this strategy.

Policy Effect

The 2020 Annexation Strategy incorporated and superseded the Town's 2003 Annexation Policy. This update in turn repeals and replaces the 2020 Annexation Strategy adopted by Resolution No. (R)20-36 and serves as the Town's controlling annexation policy framework.

Earlier annexation policies, strategies and Council actions remain useful for understanding the history of individual annexation areas, but they do not establish separate or competing policy direction unless expressly preserved by Council.

Guiding Principles

The following principles guide how the Town allocates annexation resources and evaluates individual opportunities. They are intended to be considered together rather than applied as independent pass/fail tests.

Guiding Principle 1: Focused Use of Town Resources

Proactive staff efforts should be concentrated primarily on annexation opportunities that are reasonably expected to increase the Town's long-term net retail revenue.

Designation as a Tier 1 active priority reflects an intentional decision to invest Town resources. Depending on the opportunity, that may include sustained property-owner or agency outreach, fiscal and service analysis, boundary development, intergovernmental coordination, negotiation of potential agreements and regular Council reporting.

Not every legally feasible or potentially beneficial annexation warrants the same level of effort. The amount of Town investment should reflect the likely municipal benefit and the realistic prospects for progress. Discretionary funding for annexation work, such as consultant or specialized analytical support, should be directed first to the Tier 1 priority unless Council directs otherwise.

Guiding Principle 2: Long-Term Fiscal Benefit

Town-initiated and proactively pursued annexations should be reasonably expected to produce a positive long-term net fiscal impact.

Fiscal analysis should consider the full municipal effect of annexation rather than revenue alone. Depending on the territory, relevant factors may include:

- recurring retail, utility and state-shared revenues;
- recurring operating expense;
- one-time revenues and costs;
- capital and infrastructure obligations;
- water-resource and water-infrastructure costs; and
- longer-term maintenance and lifecycle costs.

Revenue dependent on future development or redevelopment should be distinguished from revenue already generated by existing uses, and material assumptions and uncertainties should be disclosed.

The Town's existing annexation analyses already use this general approach, including consideration of recurring and one-time revenues, service costs and capital obligations. The level of detail may increase as an annexation progresses and implementation terms become better defined.

Owner-initiated annexations should generally be fiscally neutral or positive. Council may consider an exception when an annexation advances another compelling Town objective and the fiscal implications are clearly defined.

Guiding Principle 3: Water Resources and Long-Term Cost

Annexation should not create water-resource obligations that the Town cannot meet with its existing and reasonably available supplies, or that would shift significant long-term costs to current and future residents and ratepayers.

Evaluation should consider, as applicable:

- the area's current water provider and whether annexation would change it;
- whether the Town's existing water-resource portfolio could serve existing and anticipated development;
- the availability and cost of any new water supplies, rights or infrastructure that would be required; and
- the long-term effect on Oro Valley Water Utility ratepayers.

Developed commercial areas already served by an existing water provider generally present limited new water-resource obligations. Undeveloped land, including State Trust Land, may require substantial water-resource planning before the Town can responsibly commit to annexation. Where the Water Utility is analyzing what the Town's water resources could support in a particular area, that analysis should inform the area's tier classification and timing.

Guiding Principle 4: Community Acceptance

Annexation should have a reasonable prospect of acceptance by the property owners, businesses and residents of the area being annexed and by the existing Oro Valley community.

Evaluation should consider:

- the level of support among affected property owners, businesses and residents;
- the views of current Oro Valley residents, as expressed through Council, public engagement and the General Plan;
- compatibility with the character of adjoining Oro Valley neighborhoods; and
- the outreach needed to build understanding before a formal process begins.

Community acceptance is not a substitute for the statutory petition requirements, and it is not measured by a single test. It is an ongoing consideration that should shape outreach, boundary options and timing throughout the life of an annexation effort.

Guiding Principle 5: Protection of Existing Service Levels

Annexations should not materially diminish the Town's ability to provide services to existing residents and businesses.

Evaluation should consider:

- whether Police, Public Works, Water, Community and Economic Development and other affected Town operations can serve the territory efficiently;
- whether new facilities, equipment, staffing or infrastructure may be required; and
- whether the proposed boundaries would create inefficient or difficult-to-serve areas.

A positive revenue estimate would not, by itself, establish that an annexation is beneficial if the resulting service, water or infrastructure obligations are unacceptable.

Guiding Principle 6: Alignment with Community and Economic Goals

Annexations should advance applicable goals and policies established through the Town's General Plan, Strategic Plan and economic-development direction.

Depending on the territory, annexation may provide the Town greater ability to coordinate growth, apply Town development standards, support commercial activity, address gateway areas or improve the relationship between municipal boundaries and the community that Oro Valley serves.

Fiscal benefit remains the principal reason for proactive annexation under this strategy, but water, community and broader planning implications remain relevant to evaluating whether and how an opportunity should proceed.

Guiding Principle 7: Feasibility and Likelihood of Success

The level of Town investment should reflect legal feasibility, ownership conditions, stakeholder interest and a reasonable likelihood of eventual progress.

Some annexation opportunities may provide substantial theoretical benefit but require extensive intervening territory, numerous property-owner approvals, significant infrastructure or water commitments, or development conditions that do not yet exist. In those cases, maintaining relationships and monitoring conditions may be a better use of Town resources than sustained active pursuit.

Conversely, an ownership change, redevelopment proposal, public-agency initiative or other external event may significantly improve an area's prospects and warrant renewed Town investment.

Priority Tiers

A. Priority versus Eligibility

Eligibility

Legal eligibility determines whether there is a credible pathway for an area to be annexed under Arizona law. A.R.S. § 9-471 establishes requirements involving contiguity, boundary configuration, filing, notice, property-owner petitions, infrastructure and service planning, final Council action and other procedural matters.

Arizona's standard annexation process generally requires a 30-day period after filing a blank petition before signatures may be collected, a public hearing during that period, and petitions meeting the statutory ownership and assessed-value thresholds. Standard annexations generally become final 30 days after adoption of the annexation ordinance, subject to the statutory challenge process.

HB 2793, which took effect September 12, 2026, creates a streamlined option for qualifying single-owner annexations. When the territory encompasses the real and personal property of the initiating owner and that property represents 100 percent of the property that would be subject to municipal taxation in the proposed territory, the municipality may waive the standard 30-day waiting period and public hearing, and the annexation becomes final upon adoption of the ordinance. The legislation also modified certain notice procedures.

Use of that procedure does not, by itself, resolve other legal, fiscal, water, service, zoning, development, State Land or Council considerations associated with an annexation.

Priority

Legal eligibility means an area may be considered for annexation. It does not mean the Town should actively pursue it.

An area becomes an annexation priority when its potential benefit, strategic importance and prospects for progress justify an intentional commitment of Town resources. This distinction allows the Town to recognize long-term strategic opportunities without treating every potentially annexable territory as an active work program.

B. Overview of the Three Tiers

The strategy organizes annexation opportunities into three tiers. Tier classification reflects both strategic value and readiness, and it determines the level of staff effort and Town resources each area receives. Maps of the areas in each tier are provided in Appendices A through C.

Tier	Purpose	Areas	Level of Town Effort
Tier 1 – Active Priority	Areas that warrant proactive Town investment now	Ina/Oracle Commercial Areas and Pathway	Sustained outreach, analysis, boundary options and negotiation within authorized parameters; first claim on discretionary annexation funds; progress reported semi-annually
Tier 2 – Near-Term Opportunities	Areas with meaningful value that may become ready during the life of this strategy	Oracle Corridor; Foothills Mall/Ina Corridor Pathway; La Encantada and Pathway	Targeted analysis, relationship-building and monitoring of triggers; presented to Council annually for possible advancement
Tier 3 – Long-Term Strategic Areas	Areas with long-range value but significant barriers to annexation	State Trust Land known as Arroyo Grande; State Trust Land at Thornydale and Tangerine	Monitoring and relationship maintenance where practical; status summarized in semi-annual reports

Tier 1 – Active Priority

Tier 1 identifies the area that warrants proactive Town investment during the life of this strategy. Reflecting the consensus Council expressed at its September 16, 2026 study session, Tier 1 is limited to the Ina/Oracle area, concentrating the Town's annexation effort where it is most likely to produce results.

An active priority should be consistent with the guiding principles above, and should generally:

1. offer substantial long-term retail or commercial revenue potential that justifies a sustained commitment of Town resources (Guiding Principle 1);

2. be reasonably expected to produce a positive long-term net fiscal impact (Guiding Principle 2);
3. be capable of being served without creating water-resource obligations that shift significant long-term costs to current and future residents and ratepayers (Guiding Principle 3);
4. have a reasonable prospect of acceptance by affected property owners, businesses and residents and by the existing Oro Valley community (Guiding Principle 4);
5. be capable of being served without materially diminishing services to existing residents and businesses (Guiding Principle 5);
6. advance applicable goals of the Town's General Plan, Strategic Plan and economic-development direction (Guiding Principle 6); and
7. have a legally plausible annexation pathway, property-owner or public-agency interest, and a reasonable likelihood of progress through sustained staff effort (Guiding Principle 7).

Tier 1 status does not mean annexation is imminent, that all required property owners support annexation or that Council has committed to final approval. It means the potential benefit and current circumstances justify active staff work.

Ina/Oracle Commercial Areas and Pathway

The Ina Road and Oracle Road area has been a leading annexation priority since the 2020 Annexation Strategy because of its established commercial activity and significant retail sales tax potential, immediate adjacency to Town boundaries and location on a major gateway to the Town.

The current Tier 1 strategy includes:

- Casas Adobes Plaza and the related southwest Ina/Oracle residential area;
- La Toscana Village; and
- Cottonwood Plaza and related northeast Ina/Oracle commercial area.

Town staff's planning-level fiscal analysis estimates substantial positive annual net fiscal impacts for the commercial areas under the scenarios evaluated.

The strategic basis for continued Tier 1 status is:

- established, mature retail activity with significant recurring retail-sales-tax potential (Guiding Principle 1);

- favorable preliminary net fiscal results under the scenarios evaluated, with retail sales tax as the primary revenue driver and limited recurring service costs (Guiding Principle 2);
- existing water service and infrastructure, which limit new water-resource obligations for the Town (Guiding Principle 3);
- the ability to pursue a primarily retail-focused annexation, which limits the number of residents affected and allows outreach to be concentrated where acceptance can be built (Guiding Principle 4);
- immediate adjacency to Town boundaries and largely existing public infrastructure, which allow the area to be served without materially diminishing services to existing residents and businesses (Guiding Principle 5);
- the opportunity to bring a major commercial gateway on Oracle Road within Town boundaries, consistent with the Town's economic-development and General Plan direction (Guiding Principle 6); and
- a contiguous and legally plausible annexation pathway and longstanding Town and Council interest in the area (Guiding Principle 7).

Property-owner interest and the configuration of any viable annexation pathway will continue to determine whether and how the individual commercial areas can advance. Tier 1 designation directs staff to continue relationship-building, evaluate potential boundaries and pursue opportunities as conditions evolve.

Tier 1 Work Plan

Because the Ina/Oracle area has been a priority for several years, the Town's effort there should produce visible, measurable progress. Staff will maintain a Tier 1 work plan that identifies:

- the current status of each commercial area and the principal barriers to progress;
- alternative annexation approaches and boundary options, such as retail-focused and expanded configurations, with the fiscal, service, water and community implications of each;
- near-term outreach and analytical activities; and
- milestones against which progress may be reported to Council.

Progress against the work plan will be summarized in each semi-annual report, and the work plan will be reviewed with Council as part of the annual presentation. When an approach reaches a point where a policy choice is needed, such as whether to pursue a retail-only boundary or a broader configuration, staff will bring the options to Council rather than narrowing them administratively.

Tier 2 – Near-Term Opportunities

Tier 2 identifies areas with meaningful fiscal, economic or planning value that may become ready for active pursuit during the life of this strategy but do not currently warrant the sustained investment of a Tier 1 priority. Tier 2 areas may lack sufficient owner momentum, a defined annexation approach, a development or redevelopment trigger, or resolution of a significant policy question.

The current Tier 2 areas are established commercial areas. Each has meaningful retail value, and each depends on a viable pathway through intervening territory, progress in the Ina/Oracle area or both.

Staff work in Tier 2 is targeted: maintaining relationships, monitoring triggers and completing the analysis Council needs to decide whether an area should advance. Staff will present each Tier 2 area to Council at least annually so that Council determines whether an area should move into Tier 1, remain in Tier 2 or move to Tier 3.

Oracle Corridor

The Oracle Corridor extends south along Oracle Road from the Ina/Oracle Tier 1 area to Orange Grove Road. The corridor is not a continuous commercial district. It is primarily single-family residential, with transitional zoning along portions of the Oracle Road frontage and a series of separate commercial nodes: several smaller CB-1 properties along the corridor and a larger commercial concentration near Oracle and Orange Grove roads.

Those commercial nodes are already developed and served by existing infrastructure, and individually they offer meaningful retail-sales-tax potential. Reaching them, however, would require a pathway through intervening residential and transitional properties. That pathway raises contiguity and boundary-configuration questions, adds residential service obligations, and makes community acceptance a central consideration. The fiscal case therefore depends on whether a boundary can capture the commercial nodes without taking on residential territory whose service costs outweigh the added revenue.

The corridor's annexation pathway depends largely on progress in the Ina/Oracle area, since contiguity for most corridor properties would be established through the Tier 1 area. Staff should monitor the corridor, maintain or build relationships with property owners and identify properties that could follow from or complement Tier 1 progress.

Foothills Mall/Ina Corridor Pathway

Foothills Mall and the connected Walmart commercial area hold significant potential retail revenue, particularly following successful redevelopment. The intervening territory

necessary to establish a viable annexation connection along Ina Road holds significant gateway and community-identity value.

The pathway also presents substantial ownership, residential, infrastructure and service complexity. At present, those conditions do not justify Tier 1 investment.

Staff should monitor redevelopment, maintain and build appropriate relationships, and periodically reassess the practicality of an annexation pathway to the commercial area as part of the annual Tier 2 review.

La Encantada and Pathway

La Encantada is a major regional retail destination with significant potential retail-revenue and community-identity value to Oro Valley. However, it is not directly contiguous to the Town, and reaching the commercial area would require annexation of substantial intervening territory involving multiple property owners and residential areas with significant service and infrastructure responsibilities. Town staff's March 2026 analysis illustrated both the strong potential fiscal benefit and the complexity of the annexation pathway.

The Town should continue to monitor the area, maintain and build relationships as possible, and refine its understanding of potential pathways. Advancement to Tier 1 should await a credible legal and geographic pathway with sufficient property-owner momentum and community acceptance.

Tier 3 – Long-Term Strategic Areas

Tier 3 identifies large, largely undeveloped areas with long-range fiscal, economic or growth-management value that face significant barriers to annexation and are not expected to warrant active pursuit in the near term.

Both current Tier 3 areas are State Trust Land. Their principal barriers are unresolved water-resource questions for the northern territory known as Arroyo Grande; the Arizona State Land Department's (ASLD) expectation that State Trust Land be substantially entitled before auction; and long development horizons, requiring a significant staff commitment and upfront study costs.

Tier 3 areas receive limited staff effort: monitoring of conditions, relationship maintenance with ASLD and other stakeholders where practical, and a status summary in the semi-annual reports. Council may move an area to a higher tier if conditions change materially.

State Trust Land known as Arroyo Grande

Arroyo Grande consists of more than 10,000 acres of largely vacant State Trust Land along the Town's northern boundary west of Oracle Road, extending just beyond the Pinal County line. It was identified as a long-term priority area in the 2020 Annexation Strategy.

Arroyo Grande has significant long-term potential. Future residents would be oriented toward Oracle Road and Oro Valley's existing commercial areas, so development there could support retail activity within the Town to a greater degree than areas adjacent to competing retail in neighboring jurisdictions.

Water is the principal constraint. Development of Arroyo Grande would require water resources and infrastructure the Town has not yet identified, and the long-term cost of acquiring new supplies is a significant concern.

State Trust Land at Thornydale and Tangerine

Approximately 888 acres of State Trust Land are located generally between Moore Road to the north, Camino del Norte to the south, Thornydale Road to the west and Shannon Road to the east. The property consists of two State Trust Land parcels along Oro Valley's western edge: a southern parcel with some commercial and retail potential and a northern parcel with limited commercial potential. Both are within the Town's General Plan Planning Area and within the Town's Urban Service Boundary.

The property has a long planning history. The southern portion was added to the Town's General Plan Planning Area in 2005. The northern portion was added through a 2017 General Plan amendment that requires both parcels to be planned comprehensively. In 2018, the State Selection Board approved the Town's application to pursue annexation. The subsequent annexation and entitlement work advanced before ASLD paused the effort in 2019. The Town revisited ASLD's updated entitlement process with Council in October 2025. Town Council heard an extensive updated evaluation from staff in October 2026.

In 2026, staff re-engaged ASLD at Council's direction and prepared updated development concepts, an updated environmentally sensitive lands map and planning-level fiscal analysis.

On October 7, 2026, Council directed staff not to proceed with further work on the territory. Considerations relevant to that direction, and to any future reconsideration, include:

- Revenue mix: roughly two-thirds of projected recurring revenue would come from residential growth rather than retail, and nearly all revenue depends on future development;

- Single-process requirement: ASLD has stated that it will consider annexation and rezoning only as a single effort covering both parcels. As a result, the Town cannot pursue the southern, more commercially oriented parcel on its own; and
- Costs and processes: ASLD expects territories to be substantially entitled before auction, a process that requires significant work by Town staff and upfront study costs well before an annexation ordinance can be considered.

The property remains in the strategy because of:

- potential for future retail and economic activity, particularly along Tangerine Road;
- its location along a major and growing western gateway to Oro Valley; and
- the opportunity for the Town to help shape the planning and development framework for a significant adjacent property.

Tier 3 classification limits staff work to monitoring and maintaining a working relationship with ASLD. Any renewed pursuit would require Council direction.

Owner-Initiated and Other Unanticipated Opportunities

The priority framework should not prevent the Town from responding to legitimate annexation interest outside of the identified tiers.

An owner-initiated or otherwise unanticipated opportunity should generally be brought to Council when staff has established two threshold conditions:

1. meaningful owner interest has been demonstrated; and
2. the area appears legally feasible for annexation.

These conditions are intentionally limited. Annexation is one of the most lasting and meaningful decisions a municipality can make; therefore, Council should determine whether an unplanned opportunity warrants further Town investment.

To the extent reasonably available through preliminary review, staff will advise Council whether:

- the annexation appears likely to be fiscally neutral or beneficial;
- service, infrastructure and water-resource impacts appear manageable;
- there are known indications of community support or concern; and
- evaluating or pursuing the opportunity would materially interfere with Tier 1 work.

The report to Council should identify significant unknowns and the additional analysis that would be necessary before a reliable recommendation could be made.

Council may direct staff to:

- decline further consideration;
- authorize limited evaluation or more detailed analysis; or
- proceed to the next appropriate stage of the annexation process.

Direction to proceed is not final approval of the annexation or of associated zoning, agreements, infrastructure participation, financial commitments or development approvals. Those matters return to Council when required by law or by the decision points described in the Council Decision Points and Reporting section.

This approach gives staff a clear path for responding to property-owner interest without allowing unplanned opportunities to displace the adopted Tier 1 priority without Council direction. An owner-initiated area is not added to a tier of this strategy unless Council so directs.

Movement Between Tiers

Tier classifications are intended to reflect changing conditions rather than permanently fix the Town's annexation program. Consistent with Council's direction in adopting this strategy, Town Council is the sole authority to move an area from one tier to another or to add property to the Annexation Strategy. Staff may recommend such changes, but they take effect only upon Council direction.

Advancement to Tier 1

Council direction is required to move an area into Tier 1. Staff will present Tier 2 areas for Council consideration at least annually and may recommend advancement at any time when several of the following conditions occur:

- a property owner, major ownership group or public agency demonstrates meaningful interest;
- a development, redevelopment, sale or disposition trigger emerges;
- progress appears reasonably achievable through sustained staff effort; or
- the Town has organizational capacity to undertake the work.

A recommendation to advance an area will be accompanied by staff's assessment of the area against the guiding principles in this strategy.

Other Tier Changes and Additions to the Strategy

Council direction is also required to move an area between Tier 2 and Tier 3 or to add a new area or additional property to any tier. Staff may recommend such a change at the annual Council presentation or, when circumstances warrant, at any time through a Council

agenda item. A recommendation will be accompanied by staff's assessment of the area against the guiding principles in this strategy.

Staff may make technical corrections to the mapping of an existing tier area, such as aligning a boundary with current parcel lines, provided the correction does not add property to the strategy. Any such correction will be documented in the next semi-annual report.

Removal or Formal Reclassification

Council direction is required to:

- remove any area from the strategy;
- move an area from Tier 1 to a lower tier;
- materially redefine the purpose or geography of an active priority; or
- suspend or permanently discontinue a major active annexation initiative.

The Town Manager may temporarily reduce the level of staff activity on an adopted priority, without changing its tier classification, when circumstances such as loss of owner interest, changing legal feasibility or competing organizational priorities make continued work impractical. Any such change will be reported in the next semi-annual report, or sooner through an interim update when significant, and will be brought to Council for direction when it is significant or prolonged.

Evaluation Framework

The following framework provides a consistent way to evaluate annexation opportunities. It is not intended to produce a mathematical score. Legal feasibility is a threshold condition; the remaining factors inform whether a legally feasible opportunity is beneficial and warrants Town investment.

Criteria	Core Question	Illustrative Considerations
Fiscal Impact	Is the annexation expected to strengthen the Town's long-term fiscal position?	Recurring revenue; one-time revenue; operating costs; capital obligations; infrastructure maintenance; lifecycle costs; development-dependent revenue; assumptions and risk
Economic Development	Does the opportunity advance the Town's economic and revenue objectives?	Retail-sales-tax generation; commercial development; redevelopment potential; competing retail nearby; gateway or brand value; tourism or employment opportunities where applicable

Criteria	Core Question	Illustrative Considerations
Water Resources	Can the area be served without imposing significant long-term water costs on the Town and its ratepayers?	Current water provider; capacity of existing Town water resources; need for new supplies, rights or infrastructure; long-term supply cost; effect on ratepayers
Community Acceptance	Is there a reasonable prospect of acceptance by affected owners and residents and by the existing Oro Valley community?	Property-owner, business and resident sentiment; views of current Oro Valley residents; compatibility with community character; outreach needs
Service Delivery	Can the Town serve the area efficiently without materially reducing existing service levels?	Police; roads and maintenance; planning and code services; parks and recreation; geographic efficiency
Property-Owner Participation	Is there a reasonable pathway to sufficient owner participation and implementation?	Property-owner interest; ownership concentration; petition feasibility; major stakeholder considerations
Land Use and Growth Management	Would annexation improve the Town's ability to manage development and municipal boundaries?	General Plan consistency; logical boundaries; development coordination; compatibility; gateway conditions; future annexation sequencing

Not every factor will carry the same weight in every annexation. A mature retail center may be driven primarily by fiscal, ownership and community considerations, while State Trust Land and other undeveloped land may require substantially greater attention to water resources, long-range planning, infrastructure and development conditions.

Council Decision Points and Reporting

Council has asked to be informed throughout the annexation process, not only when a formal action is required. This section identifies the decisions reserved to Council and establishes regular reporting so that Council has visibility into staff work between those decisions.

A. Decision Points

Staff may conduct routine research, relationship-building and preliminary analysis without repeated Council authorization. Council direction is required when an annexation moves from administrative exploration to a consequential policy, resource or legal commitment, as shown below.

Decision Point	Council Direction	Staff Role
Strategy adoption	Establish the policy framework and tier assignments	Recommend priorities based on fiscal, water, legal, service, community and strategic conditions

Decision Point	Council Direction	Staff Role
New owner-initiated opportunity	Decline, authorize further evaluation, or direct staff to proceed	Confirm meaningful owner interest and preliminary legal feasibility; provide available fiscal, service and water context
Tier changes and additions	Decide whether an area moves between tiers, whether property is added to the strategy and whether an area is removed	Present Tier 2 areas at least annually; recommend tier changes or additions when conditions warrant
Material Tier 1 change	Reclassify, redefine, suspend, or discontinue the initiative	Report significant changes in owner interest, feasibility or capacity; recommend appropriate action
Completed feasibility review	Decide whether staff should formally pursue annexation	Complete appropriate analysis; present boundary and approach options; identify remaining uncertainties
Agreements and commitments	Approve development, infrastructure, financial, or pre-annexation terms	Negotiate within authorized parameters; coordinate Legal, Finance, Water and operating-department review
Formal statutory actions	Conduct hearings and provide required procedural direction	Prepare notices, reports, technical analysis and recommendations
Final action	Adopt or decline the annexation ordinance and related land-use actions	Confirm statutory compliance, petition sufficiency, implementation readiness and outstanding obligations

Under HB 2793, Council may elect to use the streamlined statutory procedure for a qualifying single-owner annexation when the Town Attorney confirms that the statutory conditions are satisfied. Because the legislation permits waiver of the standard waiting period and annexation public hearing, the internal process should ensure that Council receives sufficient legal, fiscal, water and operational information before the annexation ordinance is scheduled.

The streamlined procedure should reduce unnecessary process for a willing-owner annexation; it should not reduce the quality of the Town's decision-making.

B. Reporting to Council

Staff will report to Council on annexation activity through two semi-annual written reports each year, one of which accompanies an annual Council presentation. Interim updates will supplement those reports when significant developments occur.

Semi-Annual Council Reports

The first report each year is prepared in advance of the annual Council presentation and provides its foundation. The second is provided approximately six months later, at the midpoint between presentations. Each report will include:

- progress against the Tier 1 work plan;
- significant outreach, meetings and analysis completed since the prior report;
- notable changes in conditions affecting Tier 2 or Tier 3 areas, and any technical mapping corrections;
- owner-initiated inquiries received and their status;
- any temporary change in the level of staff activity on an adopted priority; and
- use of consultant or other discretionary resources for annexation work.

Annual Council Presentation

Staff will present an annual update to Council, accompanied by the semi-annual report prepared for that purpose, at a regular meeting, study session or executive session, as appropriate. Any Council direction arising from the annual update will be taken in a public meeting. The presentation will be scheduled to inform the Town's budget and strategic planning process and will:

- review progress over the prior year and the outlook for the Tier 1 priority;
- present each Tier 2 area for Council consideration of whether it should advance to Tier 1;
- identify any recommended amendments to the strategy, including tier changes or additions of property; and
- outline anticipated resource needs for the coming fiscal year.

Interim Updates

Between semi-annual reports, the Town Manager will direct staff to inform Council promptly, through a Council report or Town Manager communication, when a significant development occurs, such as a new owner-initiated request, a material change in an owner's position, a significant meeting with a major stakeholder or public agency, or a meaningful change in the level of staff activity on the Tier 1 priority.

Protecting the Town's Negotiating Position

Some annexation information, such as an owner's negotiating position, potential agreement terms or the Town's negotiating approach, could weaken the Town's position if discussed publicly. Public reports will focus on status, progress and policy questions.

Where appropriate and permitted under Arizona's open meeting law (A.R.S. § 38-431.03), sensitive matters may be addressed in executive session for legal advice or for consultation with the Town Attorney regarding the Town's position in contract negotiations.

Annexation Tools

Successful annexations often depend less on the statutory petition process than on the work that occurs before it. The Town should use the following tools selectively based on the circumstances of each opportunity.

A. Relationship Building

Annexations are voluntary processes that often develop over several years. Sustained relationships allow the Town to understand what matters to property owners and stakeholders, identify changes that could create an annexation opportunity and address concerns before the formal process begins.

Depending on the territory, relationship-building may include:

- property-owner outreach;
- neighborhood meetings and other resident engagement;
- coordination with ASLD or other public agencies;
- communication with businesses, developers and institutional owners; and
- long-term relationship maintenance when an opportunity is not yet ready to advance.

Outreach should be designed to understand interests and constraints rather than begin with a predetermined annexation proposal. Staff should be clear about what the Town can and cannot offer and should avoid creating expectations that have not been authorized by Council. Outreach is also the Town's primary means of understanding and building community acceptance.

B. Agreements and Development Tools

Annexation may be coordinated with agreements or development processes when those tools help define responsibilities, provide appropriate certainty or address infrastructure and service issues.

Arizona law authorizes municipalities to enter development agreements concerning property both inside and outside municipal boundaries. For property outside a municipality, a development agreement does not become operative unless the annexation

is completed within the period specified in the agreement. Development agreements may address matters including permitted uses, development intensity, phasing, public infrastructure and the timing or conditions of annexation.

A.R.S. § 9-471 also expressly allows a city, town or developer to enter into a pre-annexation agreement with a property owner concerning future annexation.

Depending on the opportunity, the Town may consider:

- pre-annexation agreements;
- development agreements;
- coordination of zoning and development processes;
- infrastructure commitments or participation;
- service coordination;
- roadway or maintenance agreements; and
- other lawful implementation tools appropriate to the property.

These tools should be used to address legitimate municipal and development issues, not merely to secure consent to annexation.

Annexation, zoning, development approval and infrastructure participation are related but distinct Town actions. Annexation does not guarantee a particular zoning designation or development outcome, and staff should avoid representing exploratory development concepts as approved commitments.

State Trust Land

State Trust Land requires a distinct implementation approach. A.R.S. § 9-471 requires State approval when qualifying State Land is included in an annexation. In addition, the process presented to Council by ASLD and Town staff in October 2025 and 2026 contemplates substantial entitlement work before State Trust Land is auctioned, including technical studies, planning, agreements and coordinated annexation and land-use actions.

Accordingly, an active State Land annexation may require Council decisions and Town investment well before an annexation ordinance is ready for consideration. The Town should evaluate those commitments incrementally, including water-resource commitments, and avoid treating eventual development or auction outcomes as certain.

C. Municipal Value Proposition

Annexation should provide a reason for a property owner or stakeholder to choose Oro Valley.

That value proposition will differ by opportunity. A commercial owner may place greater importance on development coordination or economic-development support; a resident may focus on public safety, infrastructure or representation; a developer may value predictable processes and long-term development certainty; and a public agency may be concerned primarily with planning, infrastructure and implementation responsibilities.

Potential components of the Town's value proposition include:

- high-quality public safety;
- infrastructure quality and maintenance;
- responsive municipal service;
- coordinated development and permitting processes;
- economic-development support;
- community identity and the Oro Valley brand;
- representation and access to elected officials; and
- access to reliable municipal water service, where the Town's water resources allow.

Staff should first understand the interests of the affected owners and stakeholders and then determine which Town attributes are relevant to the particular annexation. The Town should not assume that a single message or incentive will apply across different opportunities.

Limitations

The Town's annexation tools are constrained by law, budget authority and the need to protect the public interest.

The Arizona Constitution's Gift Clause prohibits municipalities from making prohibited gifts or subsidies to private parties. Arizona courts evaluate public expenditures based on whether they serve a public purpose and are supported by adequate consideration. Accordingly, staff may explore potential terms but may not bind the Town beyond delegated authority, and material commitments are subject to Legal review and Council approval when required.

Governance and Administration

Effective implementation requires a clear distinction between Council's policy role and the Town Manager's responsibility for administering the strategy, supported by regular communication between them.

Town Council

Town Council is responsible for the principal policy and formal approval decisions associated with annexation, including:

- adopting and materially amending the Annexation Strategy;
- establishing tier assignments through adoption of this strategy;
- moving any area between tiers, adding property or new areas to the strategy, and removing areas from it;
- providing direction on owner-initiated and unanticipated opportunities;
- authorizing formal pursuit of significant annexations when appropriate;
- approving development agreements, pre-annexation agreements and material financial or infrastructure commitments when required;
- conducting statutory or land-use hearings when required; and
- deciding whether to adopt annexation ordinances.

Council retains the authority to decline an annexation even when it satisfies the evaluation principles in this strategy.

As used in this strategy, "Council direction" means action taken by a majority vote of the Town Council on a properly noticed agenda item. Study session discussion, individual Councilmember input and informal consensus inform staff work but do not constitute Council direction.

Town Manager's Office

The Town Manager's Office is responsible for administering the strategy and coordinating the Town's annexation work. Responsibilities include:

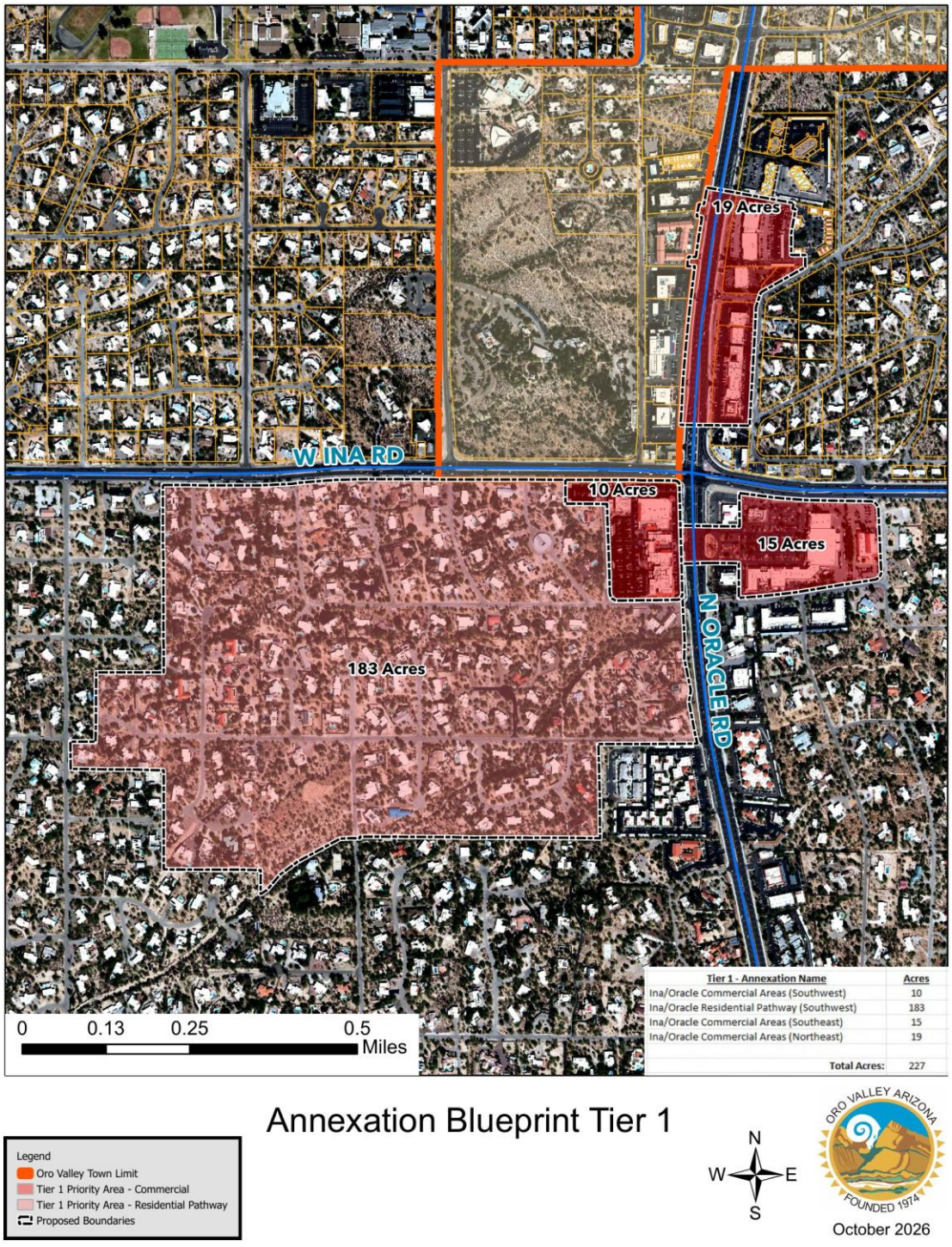
- allocating staff resources among adopted priorities, with Tier 1 receiving first priority;
- maintaining the Tier 1 work plan;
- coordinating Police, Public Works, Finance, Community and Economic Development, Legal, Water, GIS and other departments as needed;
- conducting or authorizing preliminary screening and analysis;
- maintaining relationships with property owners, residents, businesses, ASLD and other stakeholders;
- coordinating development of potential annexation boundaries and implementation strategies;
- determining when an opportunity has developed sufficiently to warrant Council direction, including recommending tier changes or additions of property;

- coordinating statutory annexation processes;
- temporarily reducing the level of staff activity when circumstances warrant, subject to the reporting and Council direction described in this strategy; and
- preparing the semi-annual reports, annual presentation and interim updates described in the Council Decision Points and Reporting section.

The Town Manager may adjust the timing and intensity of work within adopted priorities based on staffing, property-owner conditions and changing circumstances. Changes in the purpose of an adopted priority, any change in tier classification and any addition of property to the strategy remain subject to Council direction as provided in this document.

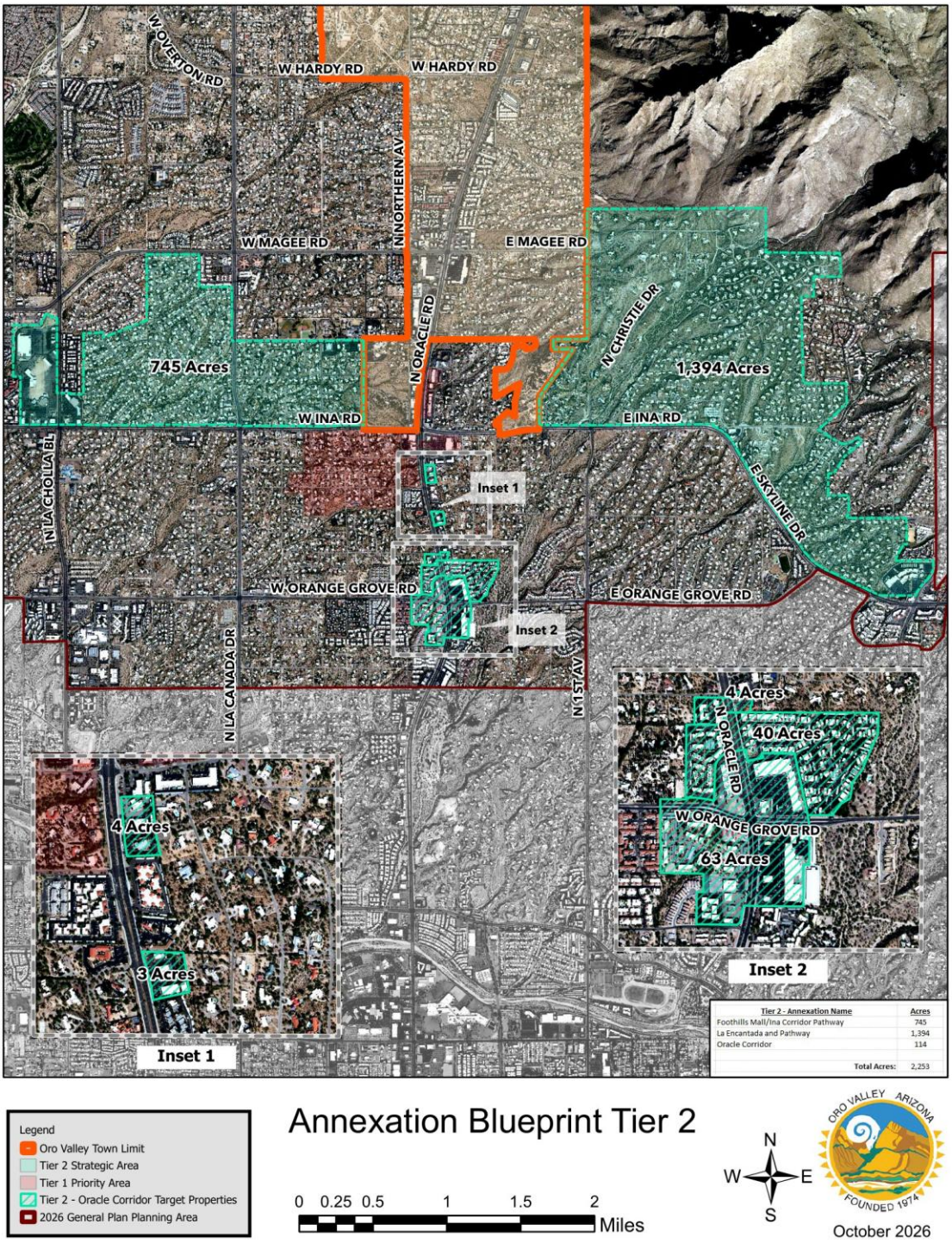
The annual Council presentation provides Council a regular opportunity to adjust tier assignments and review implementation. The Town should also conduct a comprehensive review of this strategy approximately every five years. Staff may recommend earlier amendments when changes in law, water resources, development conditions, ownership, fiscal circumstances or Council priorities materially affect the framework.

Appendix A – Annexation Blueprint Tier 1



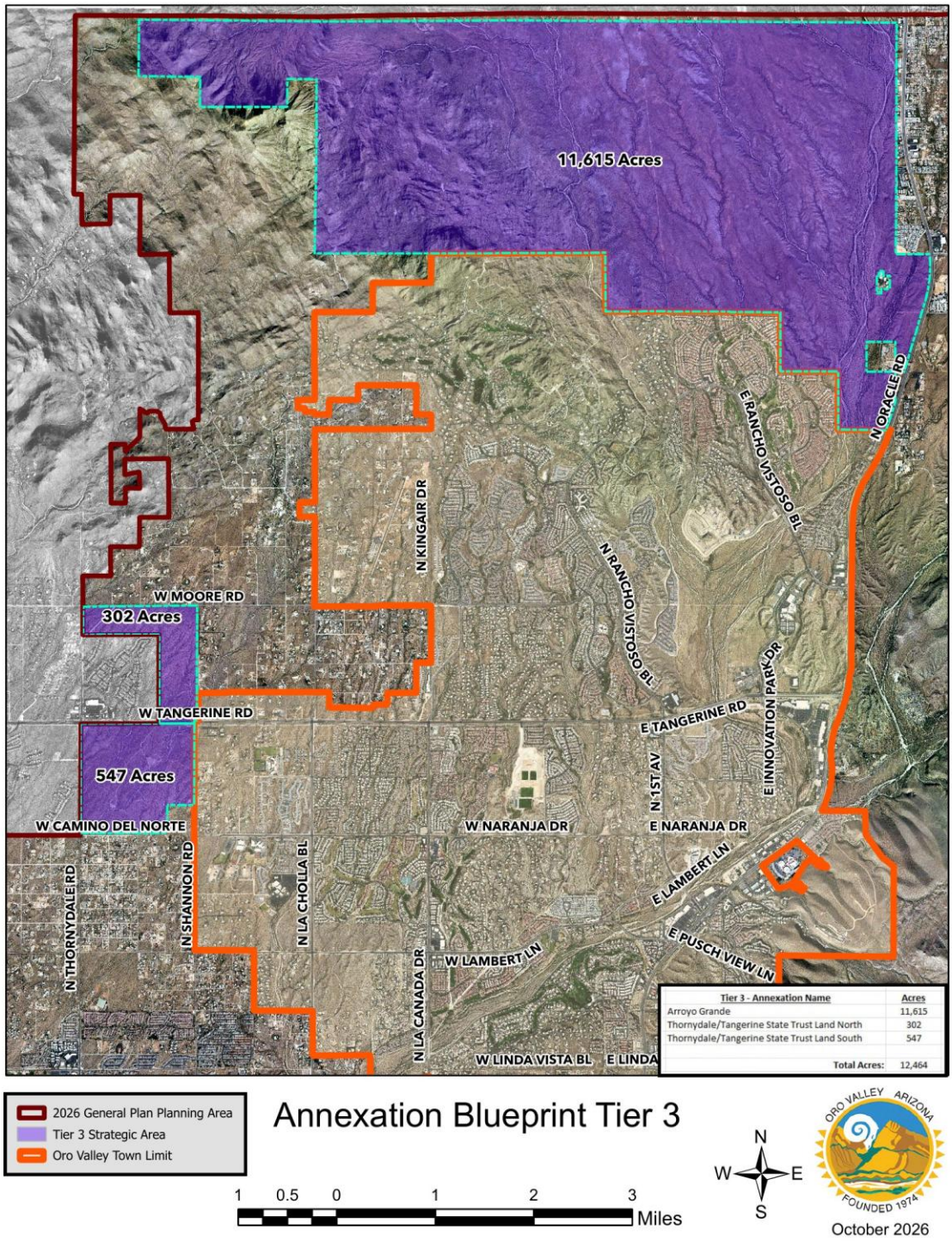
Tier 1 Active Priority: Ina/Oracle Commercial Areas and Pathway. Acreages are approximate.

Appendix B – Annexation Blueprint Tier 2



Tier 2 Near-Term Opportunities. Areas shown are strategic areas to be monitored and do not represent proposed annexation boundaries. Acreages are approximate.

Appendix C – Annexation Blueprint Tier 3



Tier 3 Long-Term Strategic Areas. Areas shown are strategic areas to be monitored and do not represent proposed annexation boundaries. Acreages are approximate.