

History of Annexations

Bayer Vella, Planning and Zoning Administrator
September 22, 2026



Town of Oro Valley

Annexation as a Community Defining Tool

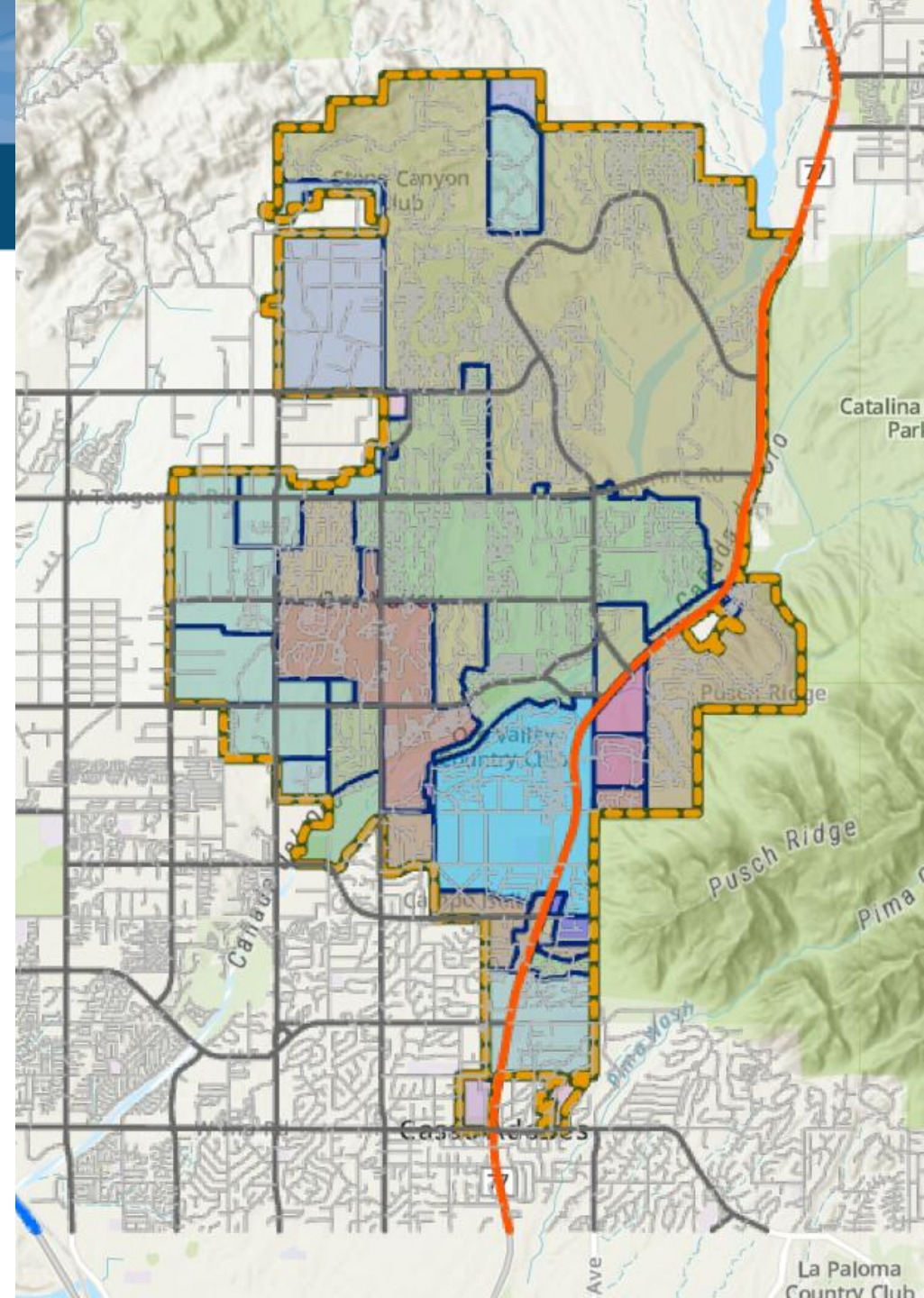
- ▶ What is annexation?
 - ▶ Process by which municipalities incorporate new territory into their municipal boundaries

- ▶ **Determined by:**
 - ▶ Property Owners Agreement
 - ▶ State Law
 - ▶ Local Policy

► **Determined by:**

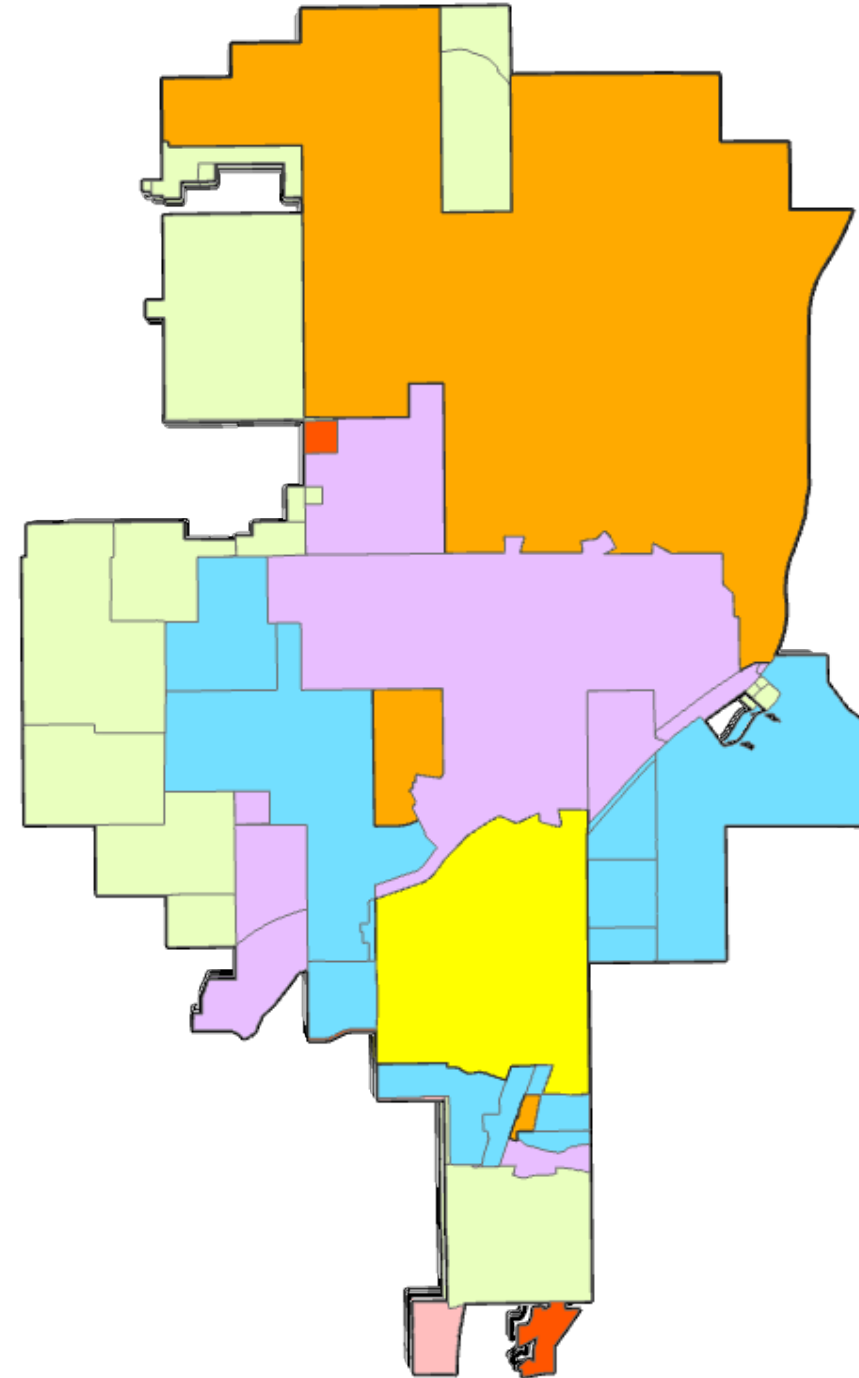
- Property Owners Agreement

- ▶ Property Owners Agreement
- ▶ State Law
- ▶ Local Policy



History of Annexations

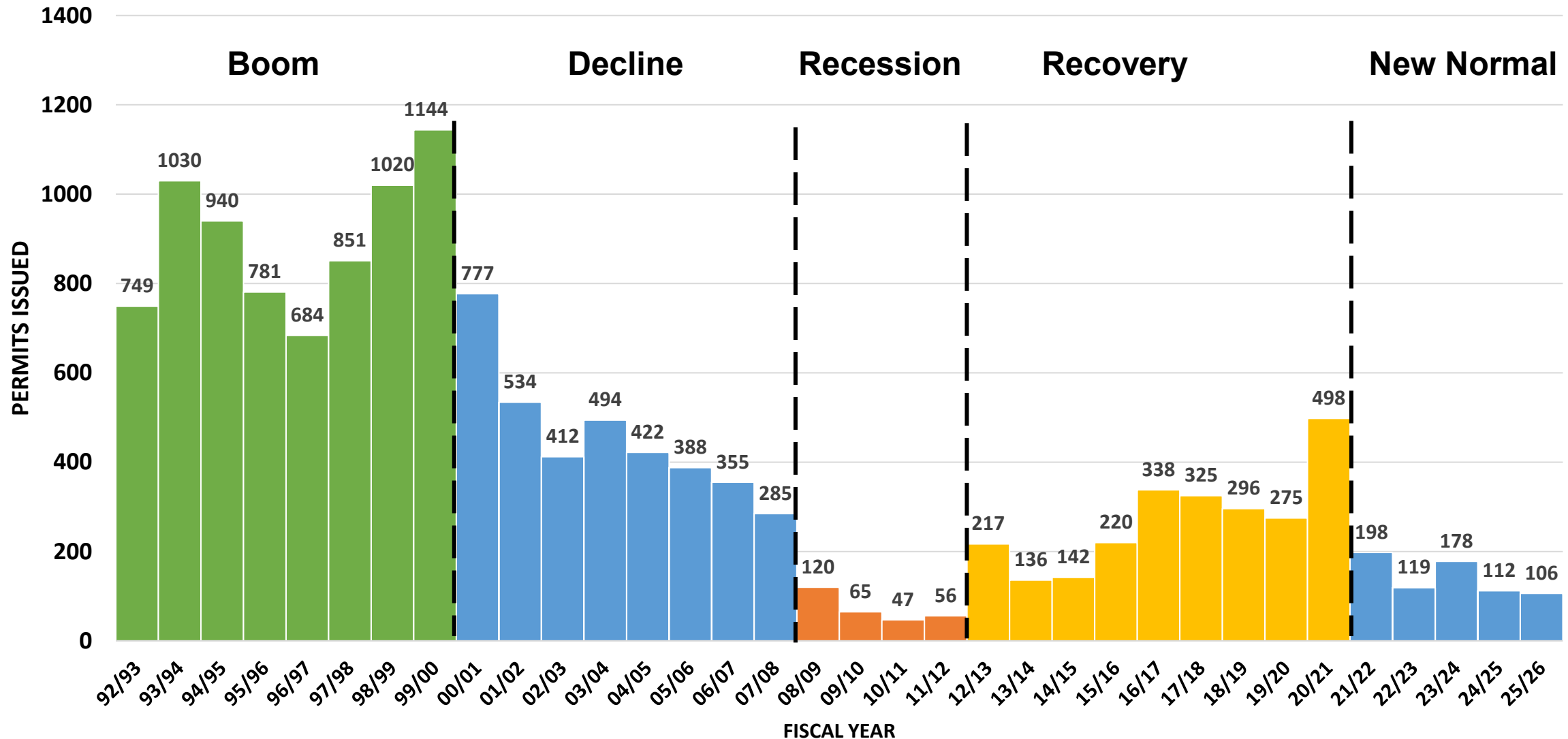
- ▶ **1974: Incorporation**
 - ▶ 2.5 sq. miles
 - ▶ Population: 1,000
- ▶ **1978-1986: 6 annexations**
- ▶ **1987: Rancho Vistoso**
- ▶ **1988-1996: 6 annexations**
- ▶ **2002-2009: Oracle and Magee and La Cholla Airpark**
- ▶ **2013: Tohono Chul**
- ▶ **2021-2023: Westward Look and Moore/La Canada**
- ▶ **2026: Today**
 - ▶ 36 sq. miles (through annexation)
 - ▶ Population: ~49,000

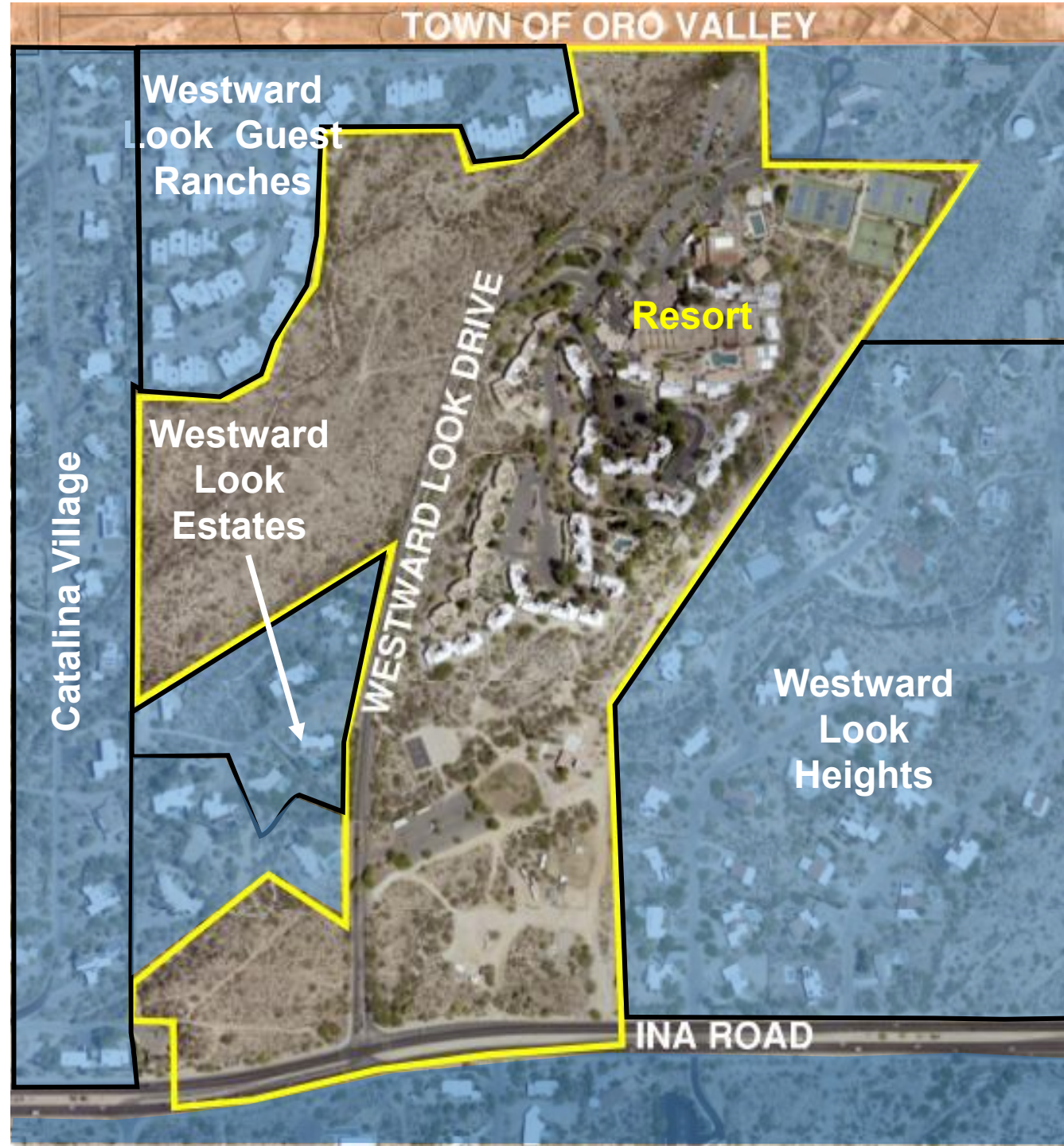




Historical Single Family Residential (SFR) Permits

Town of Oro Valley





Westward Look



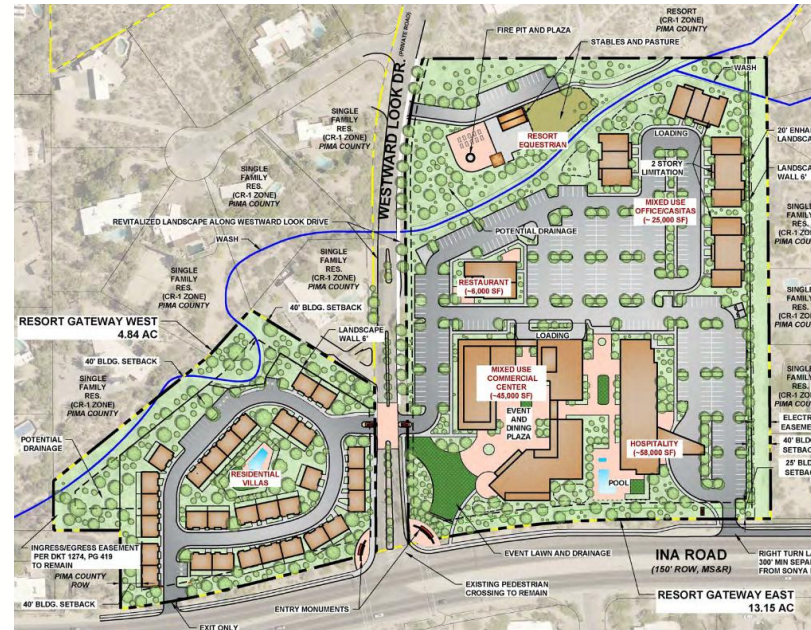
Town of Oro Valley



CONCEPT A

Resort Gateway – West
Boutique Retail and Restaurant

Resort Gateway – East
Multi-family Residential



CONCEPT B

Resort Gateway – West
Residential Villas (Townhomes)

Resort Gateway – East
Commercial, Restaurant, Hotel, Office



CONCEPT C

Resort Gateway – West
Office and Retail

Resort Gateway – East
Multi-family Residential and/or Hotel

Oro Valley's Annexation Policy

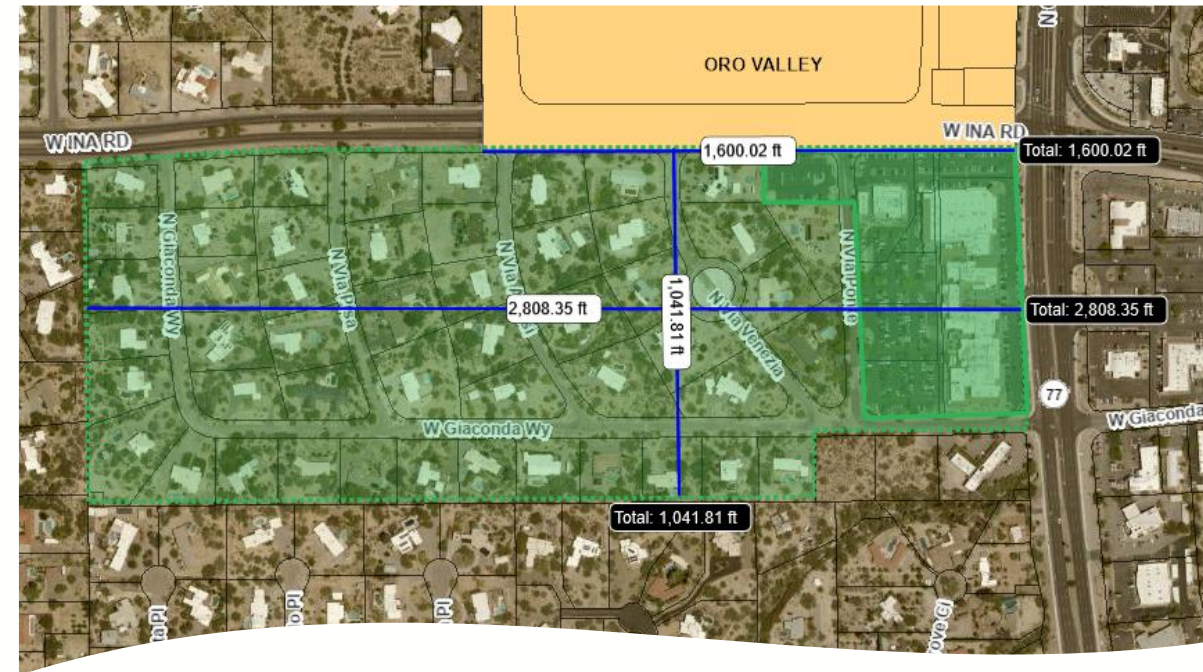
Karl Shaddock, Assistant Town Manager
September 22, 2026



Town of Oro Valley

Key statutory requirements remain central to any annexation pathway.

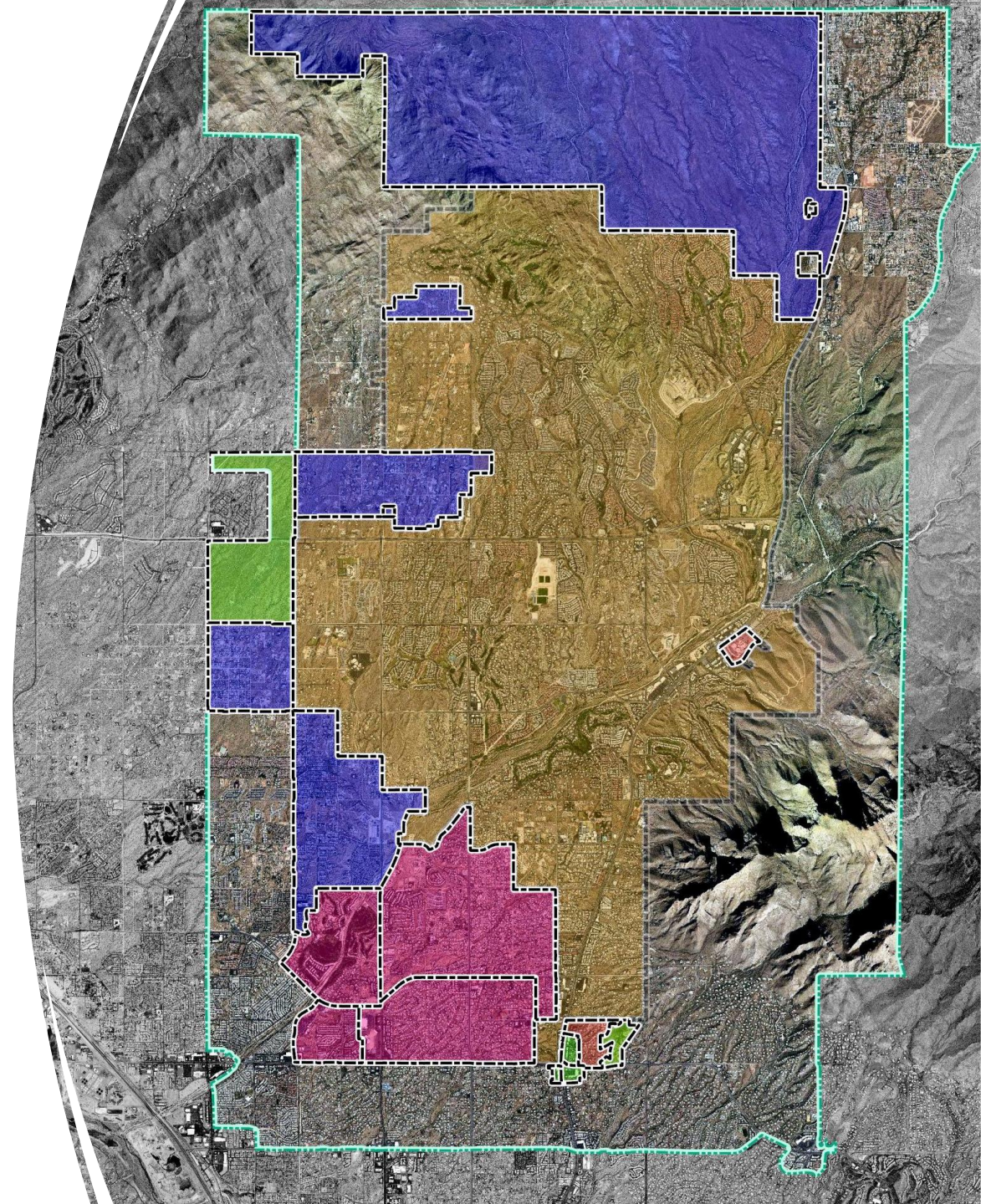
- ▶ Contiguity and boundary configuration requirements
- ▶ Standard petition process and property-owner thresholds
- ▶ Required notice and public hearing steps
- ▶ 10-year service plan and infrastructure disclosure requirements
- ▶ Restrictions on creating county islands
- ▶ HB 2793 streamlined option for qualifying single-owner annexations



Annexation Operates Within Clear Legal Guardrails

Local Policy

- ▶ The ability to provide full municipal services.
- ▶ Fiscal neutrality or positive fiscal impact.
- ▶ Logical service areas and boundary consistency.
- ▶ Growth management objectives.
- ▶ Consistency with the *Your Voice Our Future* General Plan.





Council Decision Points

Staff can explore; Council retains control over consequential commitments.

1

Strategy & priorities

Adopt or materially amend the strategy and Tier 1 priorities

2

Unanticipated opportunity

Decide whether owner-initiated opportunities warrant more work

3

Formal pursuit

Authorize significant annexation work requiring substantial resources

4

Agreements & commitments

Approve material financial, infrastructure or service commitments

5

Statutory / land-use actions

Conduct hearings and consider required land-use actions

6

Annexation ordinance

Decide whether to extend the Town's corporate limits



Fiscal Analysis Components

Fiscal analysis should show the full municipal effect, not revenue alone.

Measure	Illustrative considerations
Recurring revenue	Retail sales tax; utility sales tax; state-shared revenue
One-time revenue	Construction sales tax and other development-dependent revenues
Recurring operating costs	Police; roads; court; general government; service delivery
Capital / infrastructure	Initial infrastructure needs and longer-term maintenance obligations
Risk and assumptions	Development timing, ownership conditions, service exposure and lifecycle costs

Revenue dependent on future development should be distinguished from revenue generated by existing uses.

Case Study: When Annexation Aligns Financially and Strategically



Town of Oro Valley

FIGURE 5: ANNUAL NET FISCAL IMPACTS -
GENERAL FUND AND HIGHWAY FUND
(Thousands of Dollars)

Build Out	
REVENUES	\$14.51
Taxes and Fees	
Retail Sales Tax (2%)	\$2.74
Construction Sales Tax (4%)	\$0.00
Utility Sales Tax (4%)	\$0.88
Dedicated Sales Tax (0.5%)	\$0.69
Bed Tax (6%)	\$0.00
Cable Franchise Fees	\$0.24
State Shared Revenues	
State Income Tax	\$3.19
State Sales Tax	\$2.85
Vehicle License Tax	\$1.17
Highway Users Revenue	\$1.96
Intergovernmental	
Federal/State Operating Grants	\$0.00
Other Intergovernmental	\$0.54
Licenses and Permits	\$0.00
Charges for Services	
Recreation Fees	\$0.20
Court Fees	\$0.02
Fines and Forfeitures	\$0.01
Misc. Revenue	\$0.00

*Dedicated sales tax revenues captured in Com

FIGURE 5 (continued)
ANNUAL NET FISCAL IMPACTS - GENERAL FUND AND
HIGHWAY FUND
(Thousands of Dollars)

Build Out	
EXPENDITURES	\$13.69
Management & Policy	\$0.53
Administrative Services	\$0.44
Parks and Recreation	\$0.34
CED	\$0.05
Public Safety	\$10.97
Public Works	\$1.30
OVERALL NET OPERATING IMPACT	\$0.82
as percent of revenue	6%

FIGURE 6
ONE-TIME POTENTIAL TAXES AND FEES
(Thousands of Dollars)

Construction Sales Tax (4%)	\$140.29
Building Permit and Planning Fees	\$75.53
Development Impact Fees*	
Transportation	\$16.60
Police	\$10.54
Parks	\$2.83
TOTAL ONE-TIME REVENUES	\$245.78
Non-General Fund Portion	\$29.97

*Dedicated funds, not part of General Fund.



Annexation Is a Relationship-Based Process

The Town's value proposition depends on the stakeholder and the opportunity.



ANNEXATION GUIDE



BENEFITS OF ANNEXATION

- **Public safety.** The Oro Valley Police Department provides excellent service through partnerships that build trust, prevent crime, create a safe environment and enhance the quality of life within our community.
- **Improved infrastructure.** Oro Valley's roads are the best in the region because the Town has taken a proactive approach to investing in infrastructure.
- **Peace of mind.** Annexation provides protection to residents and businesses through specific planning, zoning and building ordinances. The Town does not collect a local property tax. Town regulations protect property values and encourage beautification and maintenance of Oro Valley neighborhoods.
- **Brand identity.** The Town of Oro Valley's reputation for scenic beauty, safety, stewardship of public funds and high quality of life has been acknowledged both regionally and nationally.
- **Business support.** The Town provides free, web-based support for Oro Valley businesses as well as "shop local" programs and campaigns.

- ▶ Property owners may value certainty, coordination or infrastructure clarity
- ▶ Residents may focus on public safety and service quality
- ▶ Developers may need predictable processes and implementation clarity
- ▶ Public agencies may prioritize planning, infrastructure and long-term obligations
- ▶ Gift Clause and budget authority define the limits of incentives

Gift Clause Defines the Boundaries of Incentives

What We Can Do:

- ▶ Infrastructure commitments
- ▶ Development standards certainty

What We Cannot Do:

- ▶ Pay for annexation
- ▶ Offer speculative economic incentives





A legally possible annexation is not automatically an active Town initiative.

Eligibility

- ▶ Credible legal pathway
- ▶ Contiguity and boundary rules
- ▶ Petition and notice requirements
- ▶ Service-plan requirements
- ▶ Council action remains required



Priority

- ▶ Likely benefit to residents
- ▶ Strategic importance
- ▶ Realistic prospects for progress
- ▶ Justifies intentional staff time
- ▶ Can change as conditions change

2020 Annexation Strategy

► Current

- Westward Look Resort
- Tangerine 880
- Casas Adobes Plaza
- La Toscana Plaza
- Cottonwood Properties

► Near-term

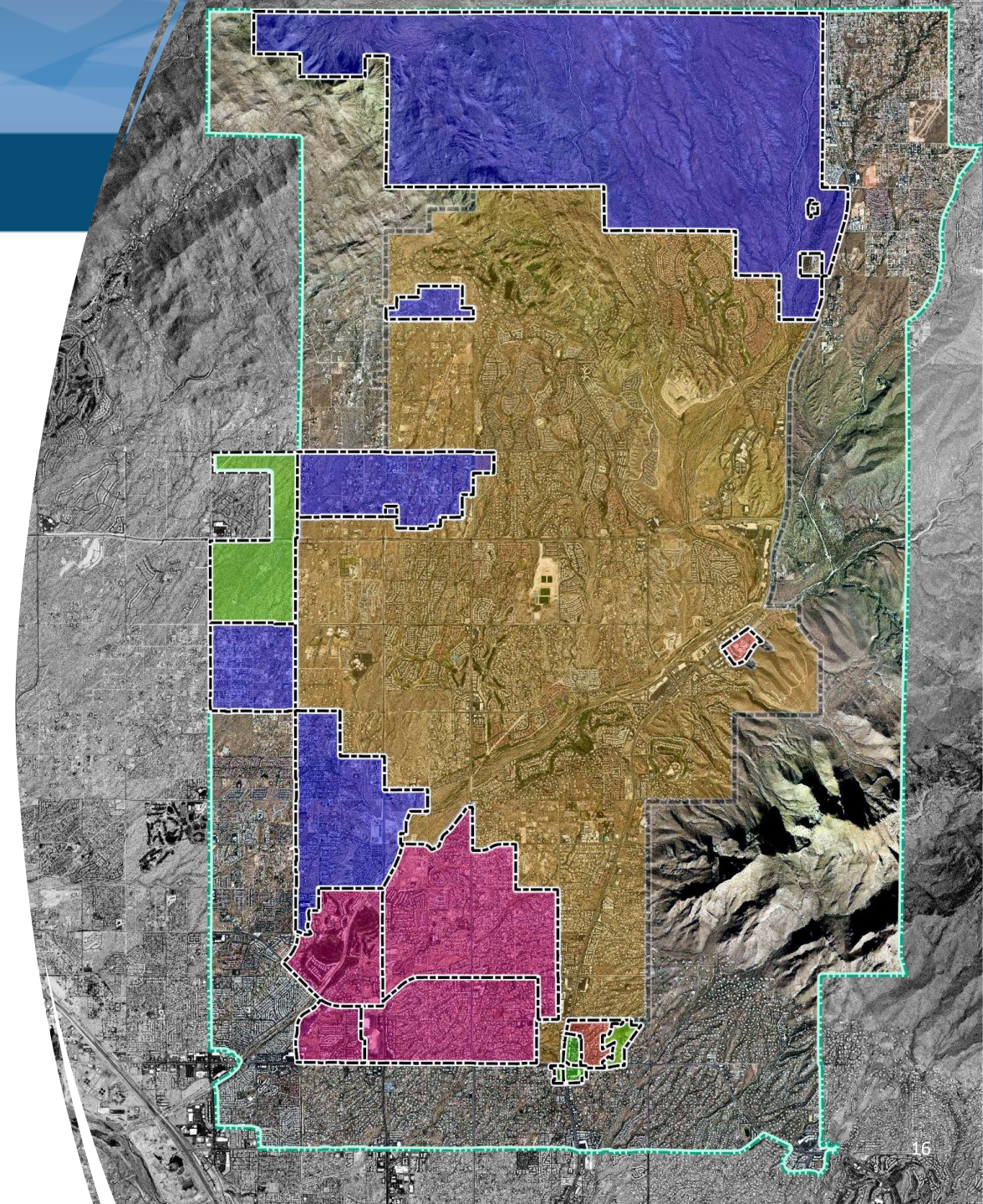
- Residential area adjacent to Westward Look
- Honeywell

► Mid-term

- Foothills Mall
- Pima Community College
- Omni Tucson National Residential
- Nearby/surrounding commercial and residential areas

► Long-term

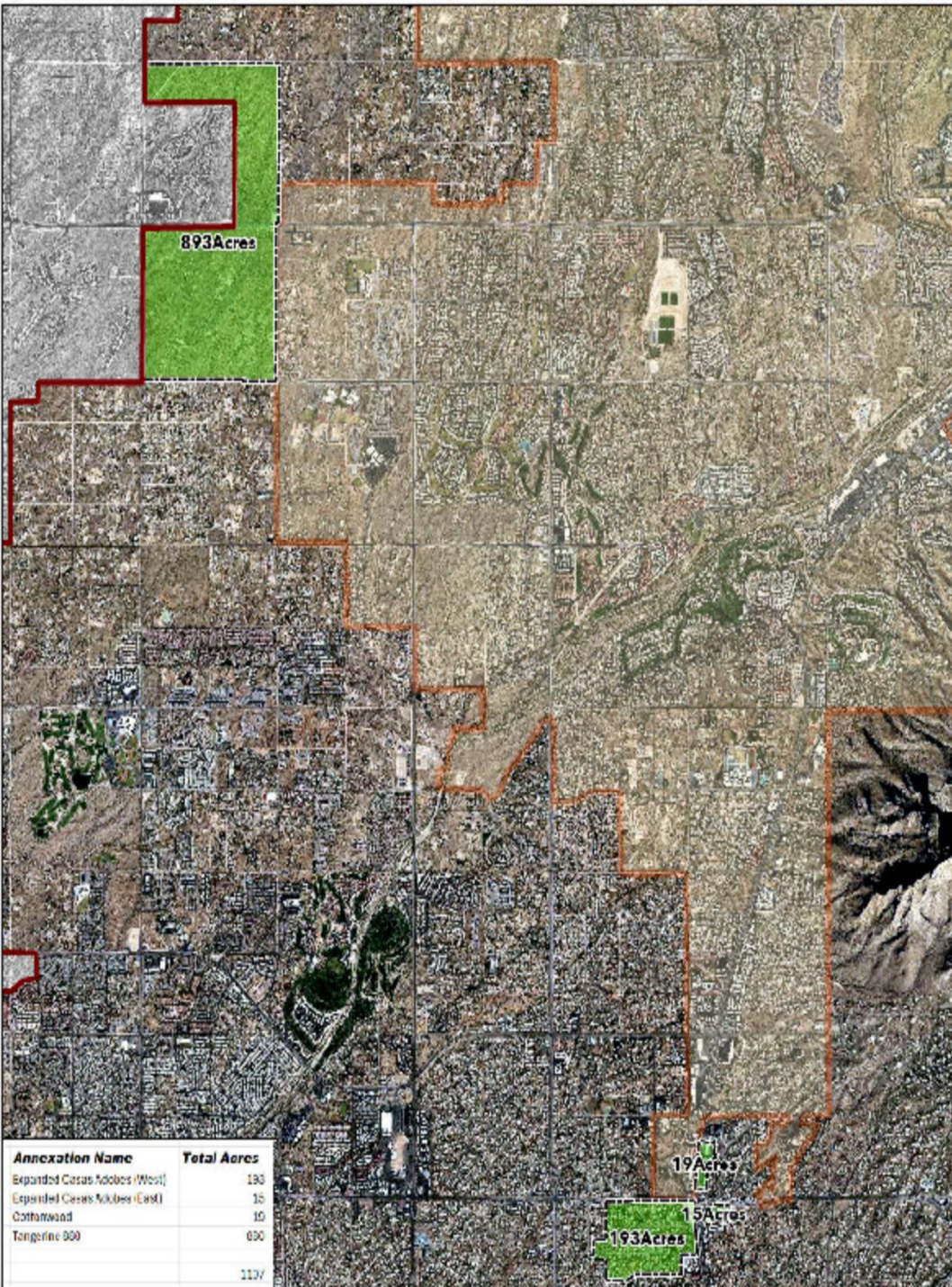
- Arroyo Grande
- Tangerine/Moore
- Shannon/Thornydale
- La Cholla/Shannon



2026 Proposal

► Tier 1 – Active Staff Work

- Tangerine 880
- Casas Adobes Plaza
- La Toscana Plaza
- Cottonwood Properties

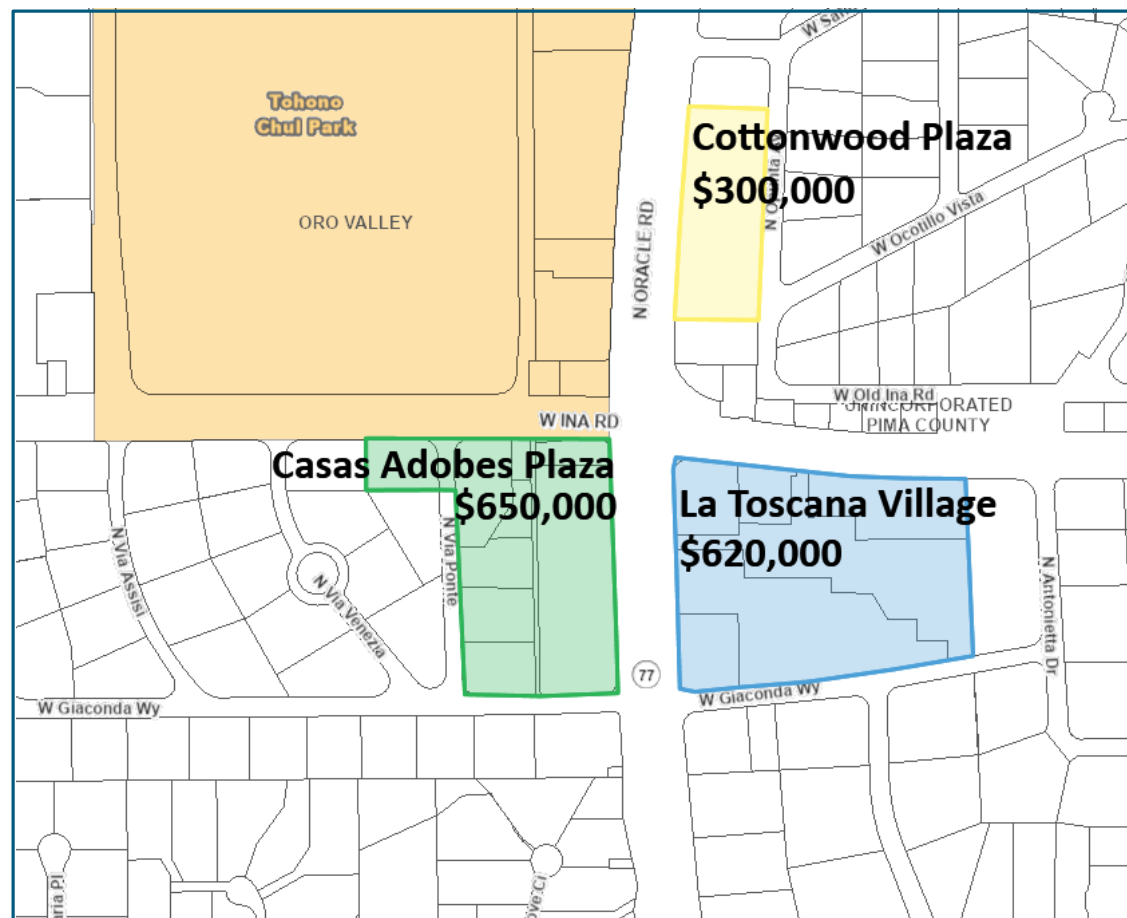




Tier 1 — Ina/Oracle Commercial Areas

Established retail nodes remain the clearest near-term fiscal opportunity.

- ▶ Mature commercial activity and recurring retail sales-tax potential
- ▶ Immediate adjacency to Town boundaries and gateway value
- ▶ Potential for a relatively retail-focused annexation approach
- ▶ Property-owner interest remains uncertain



Council direction: Continue treating Ina/Oracle as an active priority?

Policy Option Examples



Town of Oro Valley

Option A – Maintain Position

- Continue dialogue
- Establish clear incentive limits
- Await redevelopment trigger
- Low fiscal risk / uncertain timing



Policy Option Examples

Option B – Expanded Strategy

- ▶ Include adjacent residential areas
- ▶ Capture minimal State Shared Revenue increase
- ▶ Increase service exposure (roads, police)
- ▶ Higher complexity / higher risk





Ina/Oracle – Annexation Fiscal Snapshot (Annualized Estimate)

Town of Oro Valley

Category	Retail-Focused Annexation			Retail + Residential Annexation	
	Casas Adobes	La Toscana	Cottonwood Plaza	Casas Adobes, La Toscana and Residential	Cottonwood Plaza and Residential
<u>Recurring Revenues</u>					
Retail Sales Tax	\$650,000	\$620,000	\$300,000	\$1,270,000	\$400,000
Utility Sales Tax	-	-	-	\$6,000	\$6,000
State Shared Revenue	-	-	-	\$34,000	\$34,000
Total Annual Revenues	\$650,000	\$620,000	\$300,000	\$1,310,000	\$440,000
<u>Recurring Expenses</u>					
Police Services	-	-	-	-	-
Roads / Maintenance (Annualized Equivalent of Capital Expenditures)	\$10,000	\$12,500	-	\$85,000	\$34,000
General Government (P&R, CED, Admin, Fleet, etc.)	-	-	-	\$41,000	\$41,000
Total Annual Expenses	\$10,000	\$12,500	\$0	\$126,000	\$75,000
Net Annual Fiscal Impact	\$640,000	\$607,500	\$300,000	\$1,184,000	\$365,000

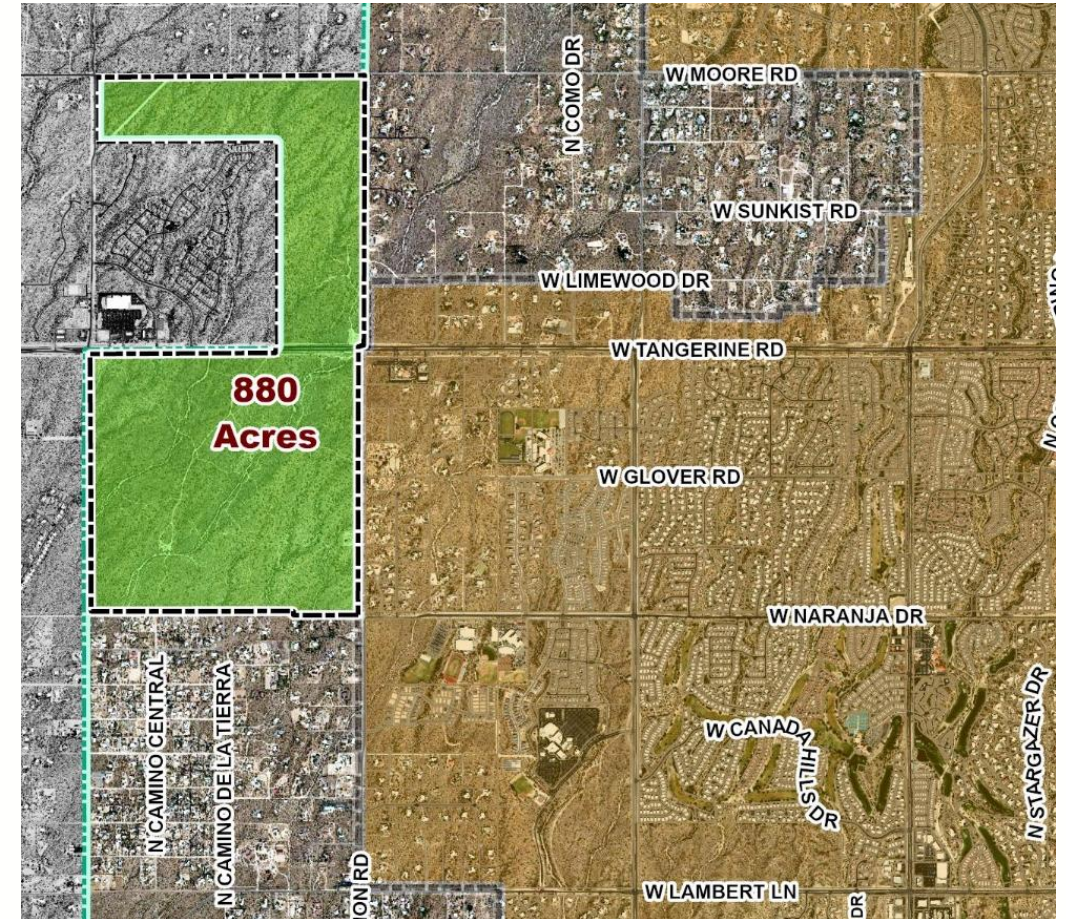
Tier 1 — Tangerine/Thornydale State Trust Land



Town of Oro Valley

Council has directed staff to evaluate “880’s” long-term potential and to return for further direction.

- ▶ Major adjacent State Trust Land opportunity along the Town’s western edge
- ▶ Potential for future commercial and economic activity
- ▶ Opportunity to shape development framework before auction and build-out
- ▶ Requires ASLD coordination, technical analysis, entitlement work and agreements.
- ▶ Planning scenarios are assumptions – not commitments or approvals
- ▶ Presentation to Council on October 7th.





Town of Oro Valley

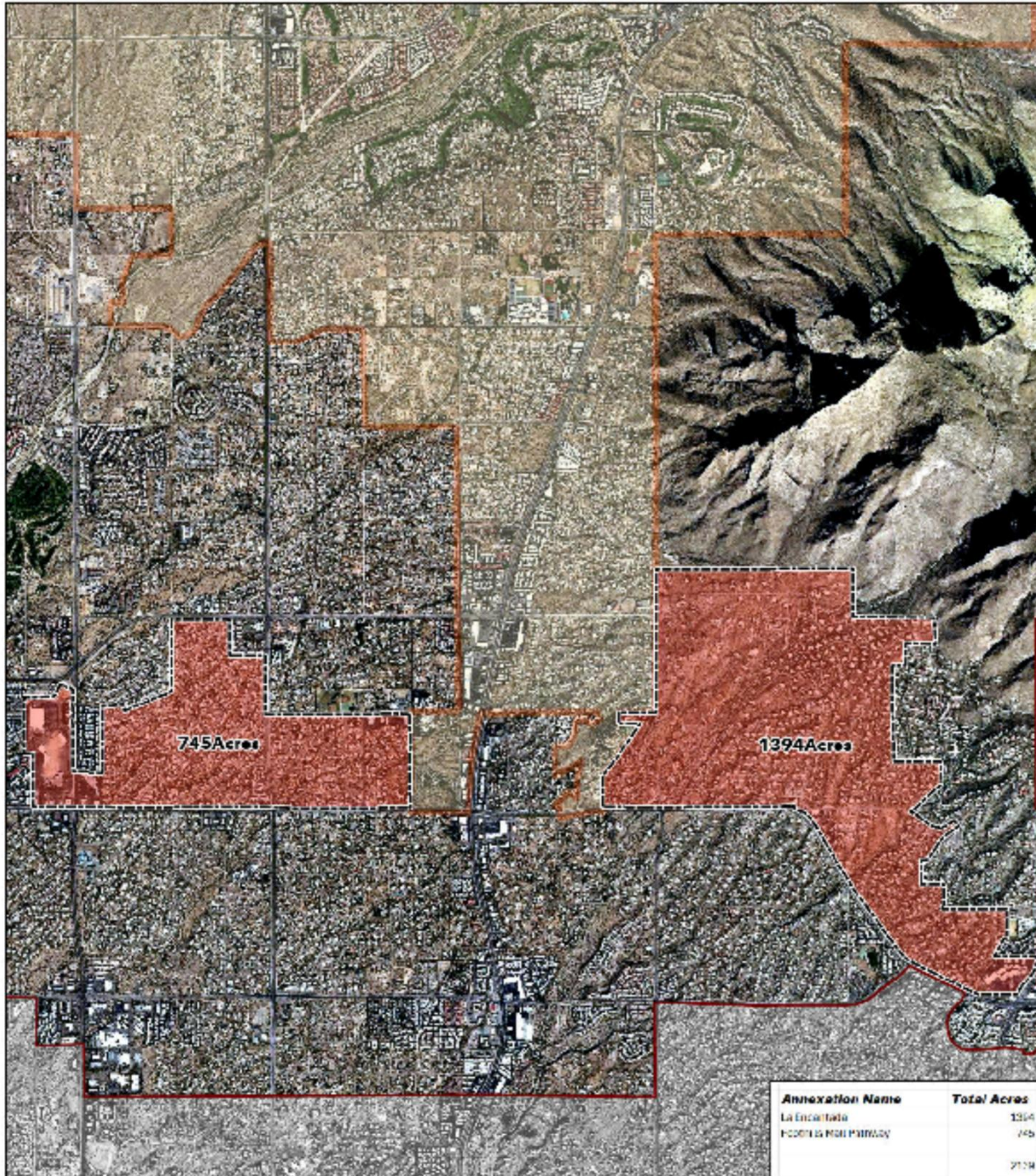
Tangerine and Thornydale – Annexation Fiscal Snapshot (Annualized Estimate at Build-Out)

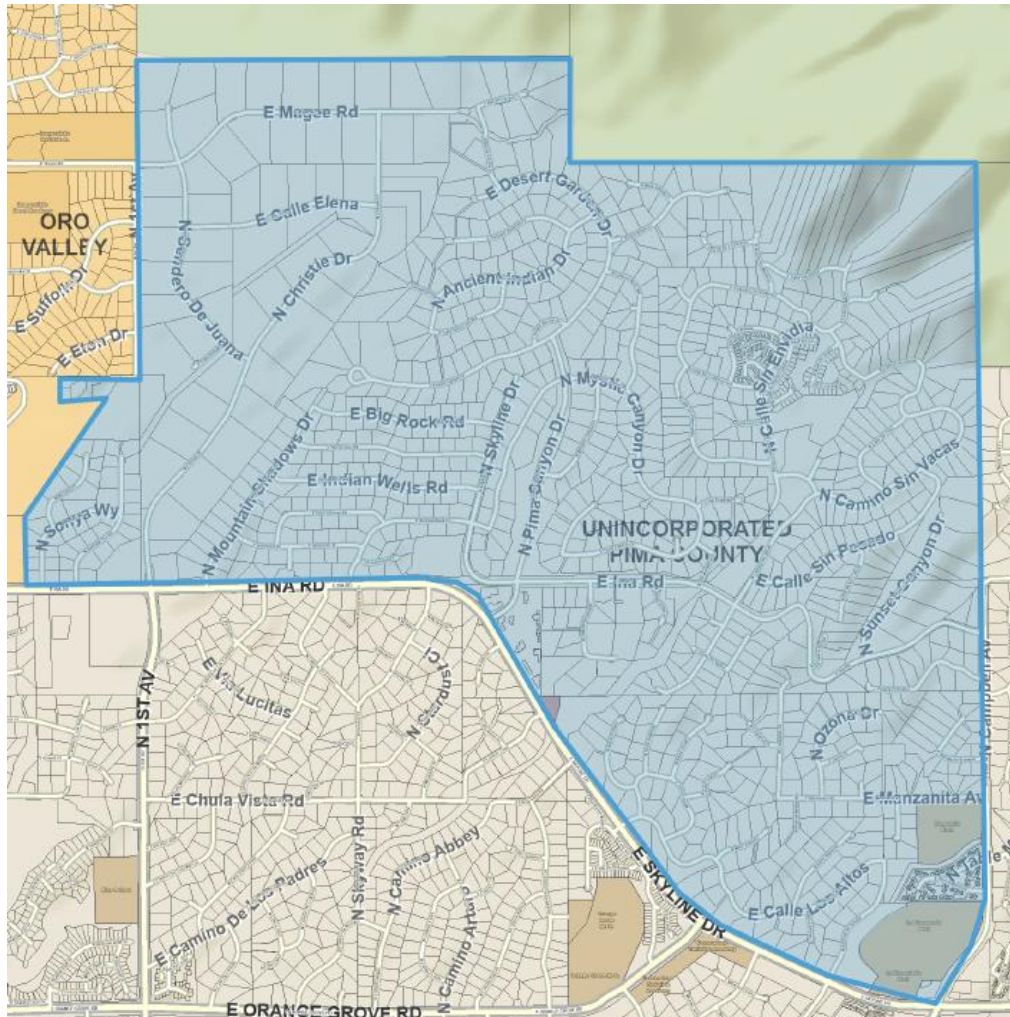
Category	Amount
<u>Recurring Revenues</u>	
Retail Sales Tax	\$1,032,000
State Shared Revenue + Utility Sales Tax	\$2,160,000
Total Annual Revenues	\$3,192,000
<u>Recurring Expenses</u>	
Police Services	\$0
Roads & Maintenance (Annualized Equivalent of Capital Expenditures)	\$0
General Government (P&R, CED, Admin, Fleet, etc.)	Minimal
Total Annual Expenses	TBD
Net Annual Fiscal Impact	TBD

- ▶ Estimated One-Time Town Receipts Over Build-Out:
 - ▶ \$24,532,256

2026 Proposal

- ▶ Tier 2 – Monitoring and long-term relationship building
 - Foothills Mall via Ina Corridor
 - La Encantada and pathway







La Encantada – Annexation Fiscal Snapshot (Annualized Estimate)

Category	Amount
<u>Recurring Revenues</u>	
Retail Sales Tax	\$4,500,000
Construction Sales Tax (avg.)	Minimal
Utility Sales Tax	\$200,000
State Shared Revenue	\$1,150,000
Total Annual Revenues	\$5,850,000
<u>Recurring Expenses</u>	
Police Services	\$835,000
Roads & Maintenance (Annualized Equivalent of Capital Expenditures)	\$565,000
General Government (P&R, CED, Admin, Fleet, etc.)	\$205,000
Total Annual Expenses	\$1,605,000
Net Annual Fiscal Impact	\$4,245,000



Foothills Mall – Annexation Fiscal Snapshot (Annualized Estimate)

Category	Amount
<u>Recurring Revenues</u>	
Retail Sales Tax	\$2,754,546
State Shared Revenue and Utility Sales Tax	TBD
Total Annual Revenues	TBD
<u>Recurring Expenses</u>	
Police Services	\$727,525
Roads & Maintenance (Annualized Equivalent of Capital Expenditures)	\$83,000
General Government (P&R, CED, Admin, Fleet, etc.)	TBD
Total Annual Expenses	\$810,525+
<i>Rough Net Annual Fiscal Impact</i>	<i>\$1,944,021</i>