

Border Wars: Tax Revenues, Annexation, and Urban Growth in Phoenix

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Abstract

Phoenix and neighboring municipalities, like many in the South and West, pursued a growth strategy based on annexation in the decades after the second world war. This article explores the link between annexation and competition for tax revenues. After discussing arguments for annexation, it traces the history of annexation in the Phoenix metropolitan area. A long-running series of 'border wars' entailed litigation, pre-emptive annexations and considerable intergovernmental conflict. The article argues that tax revenues have been a key motivation for municipalities to seek annexation, particularly since the 1970s. The timing of annexation was an important component of the strategies of municipal officials. Developers sought urban economic growth, but did not always favor political expansion of municipal boundaries through annexation. The article then considers several related policy issues and argues that while opportunities for annexation are becoming more limited, competition for tax revenues (particularly sales-tax revenues) continues to be fierce, creating dilemmas for municipalities in the region.

Introduction

Phoenix has been one of the most rapidly growing cities in the United States since 1950. It was the fifth largest US city in terms of population in July 2007, having surpassed Philadelphia to attain that rank (US Census Bureau, 2008a). Phoenix expanded its boundaries dramatically by annexation, and a relatively large share of the metropolitan-area population lived within the city (see Figure 1). It grew from about 17 square miles in 1950 to about 515 square miles by 2005. Other cities and towns in Maricopa County also expanded by annexation, in most decades even more rapidly than Phoenix (see Tables 1 and 2, Figure 2 and Appendix 1, Figures 3 to 7).¹ As municipalities approached

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1 The Phoenix metropolitan area included only Maricopa County until after the 1990 census, when Pinal County (much smaller) was added. For most of the period covered in this article, it is reasonable to focus primarily on Maricopa County in studying the Phoenix metropolitan area. As growth spreads into Pinal County, this becomes less true.

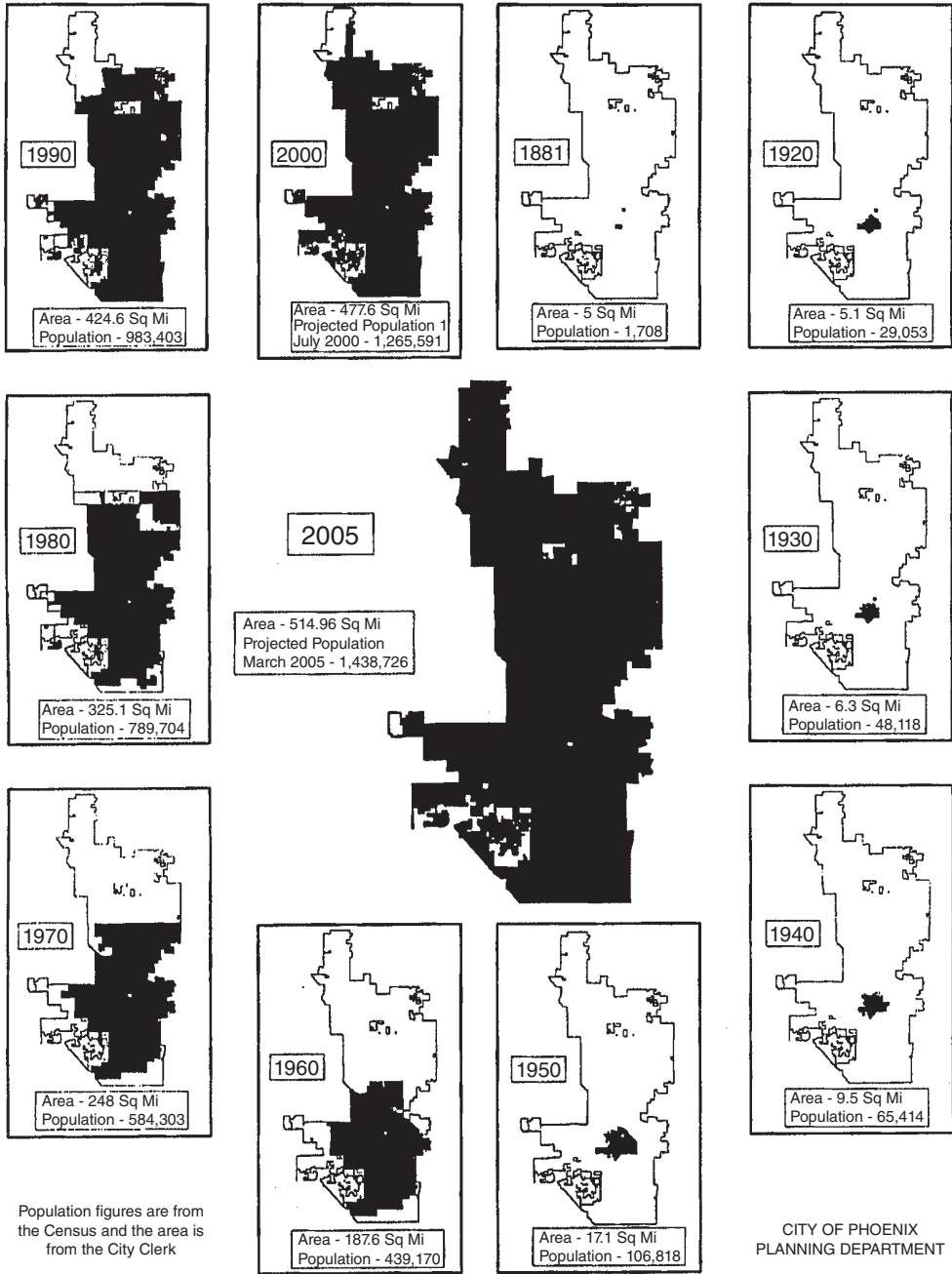


Figure 1 Growth of Phoenix, 1881-2005 (source: City of Phoenix, 2005-06: 16)

each other’s boundaries, there ensued a long-running series of ‘border wars’ or what some called ‘range wars’ (*Arizona Republic* [hereafter AR], 25 June 1976: B1).

Expansion by annexation was common throughout the United States in the nineteenth century. In the twentieth century it slowed in the East and Midwest, but continued in the South and West, especially after the second world war (Teaford, 1979: 32–63; Goldfield, 1982: 99, 129–30; Jackson, 1985: 138–56; Abbott, 1987: 54–5; Teaford, 1993: 32–63,

Table 1 Land area (square miles) of cities and towns in Maricopa County, 1950-2005

Municipality	1950	1960	1970	1980	1990	2000	2005
Avondale	0.54	1.10	2.26	5.08	22.01	40.62	43.80
Buckeye	0.83	0.83	1.07	2.13	14.51	126.82	230.79
Carefree					8.80	8.81	8.81
Cave Creek					22.60	27.89	28.65
Chandler	0.68	2.89	4.11	23.63	47.84	52.94	63.49
El Mirage		0.22	2.13	7.60	9.92	9.92	9.88
Fountain Hills					16.67	18.23	18.26
Gila Bend			2.87	2.87	8.66	22.43	37.87
Gilbert	0.97	0.97	0.97	6.72	27.28	35.29	57.28
Glendale	1.27	3.66	15.23	39.45	50.30	54.34	57.01
Goodyear	0.31	0.45	1.02	5.91	113.85	115.37	118.42
Guadalupe				0.75	0.75	0.82	0.80
Litchfield Park					2.30	2.97	3.21
Mesa	5.82	13.77	19.70	65.38	113.20	124.38	131.07
Paradise Valley			13.40	13.60	15.23	15.40	15.39
Peoria		1.08	3.72	21.85	60.72	140.68	177.58
Phoenix	16.09	110.95	245.50	321.03	420.36	475.15	515.10
Queen Creek					10.14	22.22	26.08
Scottsdale		3.38	61.34	107.08	182.36	183.19	184.43
Surprise			1.06	1.47	60.30	67.70	76.35
Tempe	2.19	13.09	24.61	37.98	39.64	39.88	40.09
Tolleson	0.47	0.51	0.58	1.68	4.24	4.91	5.11
Wickenburg	1.02	1.33	3.43	6.10	10.93	11.39	14.80
Youngtown			0.96	1.00	1.25	1.30	1.51

Source: Data provided by the Maricopa County Planning and Development Department

88–104). This article explores the link between annexation and competition for tax revenues. After discussing the legal context and several arguments for annexation, the article traces the history of annexation in the Phoenix metropolitan area from the 1950s onward. It argues that evidence shows that tax revenues were a key motivation, particularly since the 1970s. Fiscal motivations of municipal officials led to strategic decisions, particularly concerning the timing of annexation. The article then considers policy issues raised by annexation and argues that while opportunities for annexation are becoming more limited, competition for tax revenues (particularly sales-tax revenues) continues to be fierce and to create dilemmas for municipalities in the area.

Urban growth and municipal authority in the United States

Municipalities in the United States are legal creatures of the state, and state legislatures set requirements for a community to obtain recognition as a municipality. In some states, the requirement is a simple petition by local residents, making incorporation as a city or town with defined geographic boundaries relatively easy. Elsewhere, there are more

Table 2 Rate of growth of land area of cities and towns in Maricopa County, 1950-2005

Municipality	% Change 1950-60	Municipality	% Change 1960-70	Municipality	% Change 1970-80	Municipality	% Change 1980-90	Municipality	% Change 1990-2000	Municipality	% Change 2000-05
Phoenix	589.56	Scottsdale	1,714.79	Gilbert	592.78	Surprise	4,002.04	Buckeye	774.02	Buckeye	81.98
Tempe	497.72	El Mirage	868.18	Peoria	487.37	Goodyear	1,826.40	Gila Bend	159.01	Gila Bend	68.84
Chandler	325.00	Glendale	316.12	Goodyear	479.41	Buckeye	581.22	Peoria	131.69	Gilbert	62.31
Glendale	188.19	Peoria	244.44	Chandler	474.94	Avondale	333.27	Queen Creek	119.13	Wickenburg	29.94
Mesa	136.60	Wickenburg	157.89	El Mirage	256.81	Gilbert	305.95	Avondale	84.55	Peoria	26.23
Avondale	103.70	Goodyear	126.67	Mesa	231.88	Gila Bend	201.74	Gilbert	29.36	Chandler	19.93
Goodyear	45.16	Phoenix	121.27	Tolleson	189.66	Peoria	177.89	Litchfield Park	29.13	Queen Creek	17.37
Wickenburg	30.39	Avondale	105.45	Glendale	159.03	Tolleson	152.38	Cave Creek	23.41	Youngtown	16.15
Tolleson	8.51	Tempe	88.01	Avondale	124.78	Chandler	102.45	Tolleson	15.80	Surprise	12.78
Buckeye	0.00	Mesa	43.06	Buckeye	99.07	Wickenburg	79.18	Phoenix	13.03	Phoenix	8.41
Gilbert	0.00	Chandler	42.21	Wickenburg	77.84	Mesa	73.14	Surprise	12.27	Litchfield Park	8.08
Carefree		Buckeye	28.92	Scottsdale	74.57	Scottsdale	70.30	Chandler	10.66	Avondale	7.83
Cave Creek		Tolleson	13.73	Tempe	54.33	Phoenix	30.94	Mesa	9.88	Mesa	5.38
El Mirage		Gilbert	0.00	Surprise	38.68	El Mirage	30.53	Fountain Hills	9.36	Glendale	4.91
Fountain Hills		Carefree		Phoenix	30.77	Glendale	27.50	Guadalupe	9.33	Tolleson	4.07
Gila Bend		Cave Creek		Youngtown	4.17	Youngtown	25.00	Glendale	8.03	Cave Creek	2.72
Guadalupe		Fountain Hills		Paradise Valley	1.49	Paradise Valley	11.99	Wickenburg	4.21	Goodyear	2.64
Litchfield Park		Gila Bend		Gila Bend	0.00	Tempe	4.37	Youngtown	4.00	Scottsdale	0.68
Paradise Valley		Guadalupe		Carefree		Guadalupe	0.00	Goodyear	1.34	Tempe	0.53
Peoria		Litchfield Park		Cave Creek		Carefree		Paradise Valley	1.12	Fountain Hills	0.16
Queen Creek		Paradise Valley		Fountain Hills		Cave Creek		Tempe	0.61	Carefree	0.00
Scottsdale		Queen Creek		Guadalupe		Fountain Hills		Scottsdale	0.46	Paradise Valley	-0.06
Surprise		Surprise		Litchfield Park		Litchfield Park		Carefree	0.11	El Mirage	-0.40
Youngtown		Youngtown		Queen Creek		Queen Creek		El Mirage	0.00	Guadalupe	-2.44

Source: Table 1 (data provided by the Maricopa County Planning and Development Department)

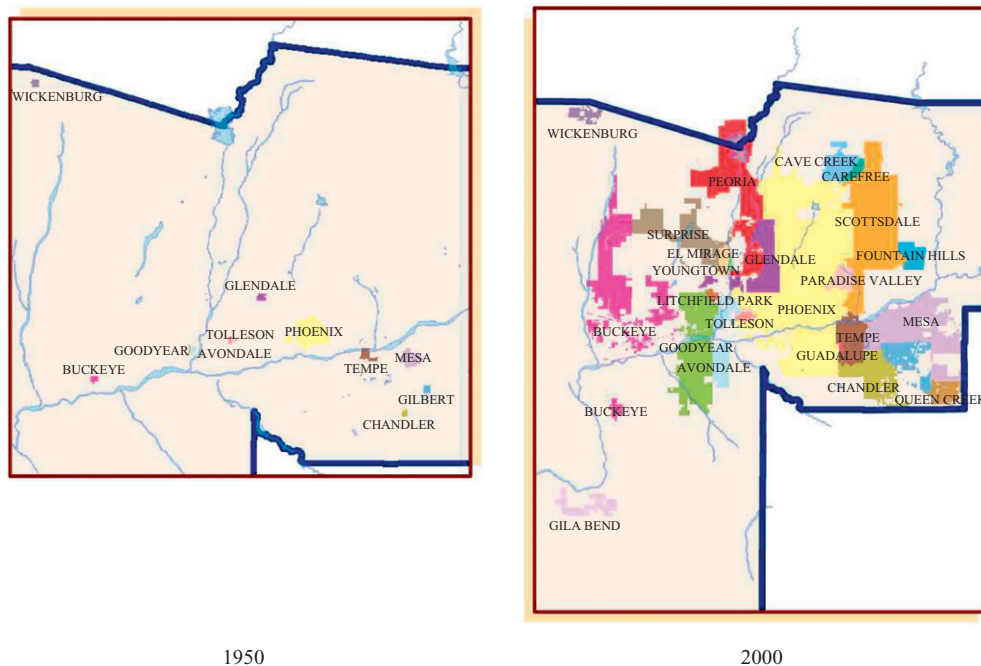


Figure 2 Annexation by Maricopa County cities and towns, 1950-2000 (source: Maricopa County Planning and Development Department, n.d.)

stringent requirements, such as approval by a commission or judge. Once formed, municipalities can expand their boundaries by annexing adjacent geographic areas if that action is allowed by the state legislature (Fyffe, 2001; Krane *et al.*, 2001: 472-3, 481-2).

The legal mechanisms for annexation have varied widely in different states and have influenced the ease with which annexation could be undertaken (Steinbauer *et al.*, 2002; Facer, 2006). Jon Teaford (1993: 146) pointed out that ‘whereas Cleveland, Detroit, and Philadelphia could not add rich suburban properties to their tax rolls, permissive annexation laws in Texas allowed Houston to absorb more than one hundred square miles of outlying territory between 1970 and 1987’. At the start of the period covered in this article (1950), Arizona law allowed property owners to petition city councils for annexation if owners of not less than one-half in value of property contiguous to the city signed the petition.² In 1954, annexation was made more difficult when the law was amended to specify that personal property, as well as real property, was included in determining whether owners of one-half of the value of property had signed the petition (Collins, 2005: 85-96).³ Additional legal changes in the 1980s are discussed below.

Other powers granted by states to municipalities also vary. These powers fall into three categories: governmental (ordinance making, police and taxing powers), corporate (contractual powers) and proprietary (commercial powers, such as owning and operating

2 See ARIZ. CODE §§ 16-701, 16-702, 16-705 (Bobbs-Merrill, 1940). The law also allowed the legislative body of a city to petition the county superior court to permit annexation of contiguous territory with a resident population of at least 25 persons. Not less than a majority of legal voters or the owner or owners of land contiguous to a city could also petition the superior court. On 9 January 1956, revisions to the law eliminated the provisions allowing for annexation by petition to superior court. See Reviser’s Notes in Historical and Statutory Notes, ARIZ. REV. STAT. ANN. § 9-471, at 192 (West, 1996).

3 See also Notes of Decisions, Note 26, citing *City of Phoenix v. State ex rel. Harless* (1941) 58 Ariz. 8, 117 P.2d 87, ARIZ. REV. STAT. ANN. § 9-471, at 199-200 (West, 1996).

a utility) (Krane *et al.*, 2001: 15). In Arizona, as in most states, municipalities have land-use control and taxing authority, allowing them to zone land and collect taxes within their boundaries. Municipalities also have powers pertaining to planning, zoning and subdivision regulation in unincorporated territory within three miles of their boundaries (Berman and Salant, 2001).

The taxing and zoning powers granted to municipalities create opportunities for strategic decisions by municipal officials concerning boundary changes. They may seek or avoid land to influence land use and to reap fiscal benefits or avert costs. In Phoenix and neighboring municipalities, strategic decisions were especially evident in relation to the timing of annexations. Some boundary changes were accelerated to increase census population counts, and thus the likelihood of obtaining federal funds, or to ensure that property-tax revenue arrived before the next fiscal year. Other boundary changes were delayed until the net fiscal benefits in terms of local revenues and expenditures were perceived to be positive (although the methods of calculating those benefits might be fairly rudimentary). However, it should be noted that there is also considerable evidence of willingness to accept short-term losses in return for longer-term benefits. Strategic considerations concerning the timing of annexations are illustrated in the sections that follow in the cases of annexations by Buckeye, Gilbert, Glendale and Phoenix.

Arguments for annexation

Scholars have identified a variety of arguments or motivations for annexation. In discussing nineteenth-century annexation, Kenneth Jackson (1985: 144) emphasized the municipal booster spirit and the efficiency advantages of a large governmental organization. He also suggested that a desire to exploit and to control could be at work, with large merchants and businessmen of central business districts exercising a form of urban imperialism in relation to outlying areas and competing cities. Finally, he argued that land speculators supported annexation, although 'they usually worked behind the scenes, and their precise role is difficult to measure' (Jackson, 1985: 145–46). In the twentieth century, cities in the East and Midwest were blocked from further expansion by unfriendly suburbs. Where annexation and consolidation did occur, by cities such as Dallas, Houston, Indianapolis, Oklahoma City and Jacksonville, Jackson (1985: 153–4) appeared to view this outcome as a response to a need for metropolitan government to achieve efficiency and address regional problems.

By contrast, Richardson Dilworth's (2005) study of metropolitan fragmentation in the New York region in the late nineteenth and early twentieth centuries emphasized municipal corruption and its relationship to annexation and consolidation. Central-city officials operating in a world of corruption and graft could benefit personally from infrastructure development in annexed suburban communities. This created a motivation for annexation. In addition, while some suburban residents resisted annexation by central cities they viewed as having corrupt administrations, others sought annexation to escape corruption in their own local governments. Dilworth (2005: 27) also argued that advances in infrastructure technology undermined the efficiency advantages of large metropolitan areas and thus contributed to suburban autonomy. Small communities could remain independent, yet still provide municipal services cheaply and efficiently.

For both Jackson and Dilworth, economic motivations for annexation were part of the story, but their primary focus was on individuals (members of the local business community and landowners, or residents and corrupt city officials) rather than on the municipality as a taxing and spending entity. Other scholars observed that municipal fiscal considerations could be one of the motivations for annexation (MacManus and Thomas, 1979; Fleischman, 1986; Austin, 1999). Carl Abbott (1987: 54) explained that as population deconcentrated in the post-second world war Sunbelt, annexation enabled

municipalities to capture outlying residents and revenue sources. San Jose city officials justified annexations partly on the grounds that they would capture a tax base for city services (Trounstine and Christensen, 1982: 92–3; Abbott, 1993: 40). William Fulton (1997: 75), discussing the area southeast of Los Angeles, noted that after 1954, ‘municipal raids upon surrounding county territory became common. In particular, voracious cities coveted the tax-rich industrial area east of Vernon’. Ann O’M. Bowman and Michael Pagano (2004: 67–8, 131–40) described municipal fiscal motivations for annexation in the Phoenix metropolitan area, focusing particularly on the 1990s. One of the goals of this article is to extend their contribution by providing more detailed evidence for a longer period and a larger set of municipalities in the area, and to evaluate the importance of the fiscal motivation in relation to others.

In the Phoenix area the primary argument for annexation, from the perspective of municipal officials, often was to obtain tax revenues and fees. These included sales taxes, property taxes and other revenues such as population-based shared revenues (for example, state-shared revenues and federal revenue sharing). Population-based state-shared revenues come to municipalities from the state sales tax, income tax, vehicle license tax, highway user revenue fund and local transportation assistance fund. From the late 1980s, development impact fees were also collected in annexed (and other) areas.⁴

Annexation brought additional costs as well as revenues. The League of Arizona Cities and Towns (1973: 2) encouraged municipalities to undertake studies of the effects of annexation before taking action, since ‘the additional revenue to be gained must be considered in light of the necessary expenditures to provide services to the annexed areas’. In some cases, such considerations led to decisions against annexation. Mesa held off on a proposed annexation in 1974 owing to concern that financing necessary services in the area would lower the city’s income (*Phoenix Gazette* [hereafter *PG*], 18 June 1974: A2; 3 December 1974: C11).

The city of Phoenix’s staff conducted a series of studies on the budgetary impact of annexations. In several cases they concluded that the short-run cost-revenue relationship was negative, but the longer-run outcome would be more positive. For example, a retrospective cost-benefit analysis of a 1972 annexation by Phoenix showed that it cost the city more than it received in revenue in the first two fiscal years, although the report predicted that the relationship between costs and revenues was likely to become more positive in the future (City of Phoenix, 1974). Similarly, a 1978 study concluded that the annexation being analyzed would be financially beneficial after 2–3 years (City of Phoenix, 1978). In 1982, Phoenix city departments concluded that annexation in areas to the west and southwest would result in immediate costs exceeding revenues. By the third year, general-revenue-fund benefits would be positive, although by less than the amount of water and wastewater surcharges that would be lost when the areas were annexed. The study recommended that the city annex only contiguous parcels where development appeared imminent, a positive cost-revenue projection was made and infrastructure was funded by the developer (Andrews *et al.*, 1982: 3–4, 48). Other reports also emphasized various aspects of the timing of annexation, including setting dates for annexation such that property-tax revenue would arrive in time for the next fiscal year (City of Phoenix, 1981).

The 1988 *Annexation Policy Study* produced by the City of Phoenix Planning Department discussed variables affecting the short-term revenue/cost ratio (including population density, proximity to existing services, non-residential land use, infrastructure needs and finance and timing), the approach the city used to determine benefits and costs, and difficulties in calculating revenue/cost ratios (City of Phoenix,

4 Arizona has transaction privilege taxes rather than traditional sales taxes. These are not imposed on the purchaser of the goods, but on the seller for the privilege of conducting business. The population-based state-shared revenues did not all exist throughout the entire period studied in this article.

1988: 4–5, 10–13). It concluded (*ibid.*: 28) that ‘in return for the longer term economic benefits enabling it to be a strong core city, Phoenix has temporarily subsidized the operating costs of service delivery to areas with low density, scattered residential development and few commercial areas’.

Population-based tax revenues motivated municipalities to accomplish annexation before the next census. Gilbert’s Acting Town Manager advised the Town Council and Planning and Zoning Commission that ‘during the calendar year 1979, annexation should be an important issue for the Council, P&Z Commission and the Town staff’, since the town’s boundaries for the 1980 census would include areas annexed before 1 January 1980 (Town of Gilbert, 1979).⁵ Buckeye, a town of 5,600, annexed state prison facilities so that the inmates would be counted in the town’s population in the 2000 census.⁶

Through annexation, cities also sought to avoid being ringed by independent municipalities with their own taxing powers. David Rusk (former mayor of Albuquerque) argued that cities must be ‘elastic’ in order to grow. An elastic city ‘had vacant city land to develop *and* the political and legal tools to annex new land’ (Rusk, 1995: 10). Phoenix city officials and staff clearly shared this view. ‘Phoenix has had an aggressive annexation policy, officials explain, to prevent a landlocked core city that eventually would decay and cause residents to move to the suburbs. Instead, [Mayor] Barrow said, “we annexed the suburbs”’ (AR, 13 November 1974: B2).⁷ A 1974 staff report compared Phoenix to cities that did not annex between 1950 and 1970. It concluded that annexation provided an expanding tax base and protected the city against a proliferation of incorporated cities or annexations by other cities (Cravens, 1974). Council member Howard Adams was explicit about revenue motivations: ‘It’s incumbent upon us to protect our pocketbook . . . and keep bedroom communities from sapping our financial strength’ (PG, 24 March 1978: C6). Mayor Margaret Hance, echoing the 1974 report, said annexation policy had been ‘the single most important factor in the health and vitality of Phoenix’ (PG, 4 July 1978: A4).⁸

In some cases, the goal of annexation was to capture existing sources of revenue, such as the factory outlet mall inside a 12-square-mile area near New River, annexed by Phoenix in 1995 (AR, 17 November 1995: A1). Often, however, annexation was in anticipation of future development. For example, in 1987 Gilbert annexed 150 acres at the southeast corner of Gilbert and Williams Field Road; plans for the area included a major shopping center, an auto sales mall, an office complex and residential housing (AR, 30 January 1987: SE Extra 6; *Gilbert Independent*, 20–26 May 1987: 11). Sales-tax revenues were especially desired and auto malls topped the list of sought-after developments.

5 See also *Gilbert Tribune* (13 July 1995: B4; 15 August 1995: B1), on Gilbert’s unsuccessful efforts to gain state-shared revenue by annexing residents of 9 Maricopa County neighborhoods before the mid-decade census of 1995.

6 See *Arizona Republic* (29 January 1999: 1 and 19 May 1999: 1 [Southwest Valley Community section]; 21 May 1999: 3 [Sun Cities/Surprise Community section]; Committee on Public Institutions and Universities, 1999).

7 See also Wenum (1970: 51–2, 57); *Phoenix Gazette* (31 October 1974: A16); Luckingham (1989: 161–62); Bridges (1997: 152–54); VanderMeer (2002: 41); Gammage (2003: 36–9, 49); Collins (2005: 8, 94) and Gober (2006: 34–5).

8 Pack (2002: 41–5, 192–95) disagreed with Rusk’s assertions that annexation brought metropolitan-wide benefits. She concluded that central cities were the main beneficiaries. For 250 metropolitan areas during the period 1960 to 1990, annexation did not lead to significant increases in growth of population or per-capita income in the suburbs or the metropolitan area as a whole. Much of what may appear to be effects of annexation were regional effects; annexations were concentrated in regions of high growth (the South and West). Central-city residents benefited from the improved tax base: ‘The one clear change is that the newly enlarged city will generally have a sounder fiscal base after incorporating suburban areas, which will account for the higher city bond rating Rusk cites, and this will be a real benefit to the residents of the original city, at least in the short run’ (*ibid.*: 42). This assumes that at least some of the additional revenues resulting from the sounder fiscal base are spent within the original city boundaries.

Table 3 Sales taxes as a share of revenue

Fiscal Year	Phoenix	All US Municipalities
Share of general revenue from own sources (%)		
1969-1970	41.62	12.94
1979-1980	38.80	17.18
1989-1990	28.66	16.98
1999-2000	34.44	NA
2001-2002	37.24	17.69
Share of general revenue (%)		
1969-1970	30.82	9.10
1979-1980	21.01	10.79
1989-1990	19.28	12.12
1999-2000	22.96	NA
2001-2002	24.11	12.41

Note: Sales taxes in this table include general and selective sales taxes that are part of general revenue from own sources. General revenue from own sources (which also includes other taxes, current charges for commodities and services other than liquor-store sales, and miscellaneous revenue) is one of two categories that make up general revenue; the other is intergovernmental revenue.

Sources: US Census Bureau (1971: 7, 9; 1981: 10, 13; 1991: 4, 7; 2003: 130; 2005; 2008b)

Phoenix’s fiscal structure is more dependent on sales taxes than US municipalities as a whole (see Table 3). In Scottsdale, sales taxes were reported in 2005 to make up half of the city’s operating budget, with sales taxes from auto deals accounting for about 17% of those sales taxes (AR, 18 January 2005). More than one-quarter of the municipalities in the Phoenix metropolitan area had no primary or secondary property tax in early 2005.⁹

A second argument municipalities made for annexation was that it would allow for orderly, planned growth. Planning staff for Mesa explained that ‘city zoning laws are tougher than those of Maricopa County, which administers unincorporated land’ (AR, 29 March 1978: B2). A former Phoenix City Council member claimed that ‘some of the worst problems the cities have is in areas where (land was) annexed from the counties. Counties have just a hodgepodge of zoning that’s inappropriate. In the counties’ defense — some of the stuff is very old — they were not equipped to make those kinds of (planning and zoning) decisions’ (Arizona Business Gazette, 20 July 1987: 8).¹⁰

9 Property tax information was provided by the League of Arizona Cities and Towns, in an email from Brent Stoddard to the author dated 15 February 2005. Municipalities in Arizona are not responsible for school finance; that responsibility lies with school districts, which levy their own taxes.

10 It is, of course, possible that planning was offered as a rationale for annexation when another motivation (such as tax revenues) was equally or more important. However, there did not seem to be great reluctance on the part of municipal officials to put forward tax revenues as a reason for annexation, so it appears that concerns about planning were genuine, and not merely a smokescreen for other motivations. It does not necessarily follow that growth, in fact, will be well-planned as a result of annexation. Municipalities do not always have the tools or political conditions to allow the quality of planning they might desire. Similarly, a belief that annexation will bring net economic benefits can be a motivation for annexation regardless of whether the belief is correct. Not all municipalities conduct revenue and expenditure studies, and even if studies are undertaken, municipal officials may not have complete, accurate information about the costs and benefits of annexation (Herzik, 1984). According to Steinbauer *et al.* (2002: 55): ‘Annexation does not always lead to universal revenue gains for a city’. My focus in this article is on the reasons annexations were

Municipalities also did not want to have to upgrade infrastructure when areas eventually came within their boundaries.

Annexation may also contribute to orderly development by simplifying the political structure of a region. Maricopa County has only 24 municipalities, whereas the Chicago region has 265 and the Los Angeles region approximately 180. Fewer jurisdictions may reduce political fragmentation leading to land-use mismanagement (Morrison Institute, 2000: 26). A 1977 editorial, strongly defending annexation in the 1950s and later, claimed that 'the entire Valley of the Sun would be a governmental shambles if annexation hadn't been carried out' (AR, 7 July 1977: A6) (although it did not elaborate on the harmful consequences).

From the perspective of some residents, annexation was desirable because of the municipal services it would bring, and some city officials cited extension of services as one of their motivations. Other residents, however, had moved precisely to avoid living in a city and opposed annexation. Some did not wish to pay city property taxes even though services would improve (Wenum, 1970: 41; *PG*, 29 October 1974: B2; 9 October 1981: B1). Property owners sometimes asked for assurance in advance that a property would be rezoned (for example, from agricultural to commercial) if they agreed to annexation (*PG*, 16 February 1977: C3).

Property owners and developers are important actors in urban growth machine coalitions and in some contexts pressed for annexations (Molotch, 1976; Mollenkopf, 1983; Logan and Molotch, 1987; Fleischman, 1988). They did not, however, universally favor annexation. In the Phoenix area, some developers requested annexation. For example, Continental Homes asked the Phoenix City Council to consider annexation of Pima Ranch, where it hoped to create a major residential development. The Council scheduled a policy session in January 1980 to discuss the pros and cons of the case. Avanti Mortgage Company of Phoenix, which wanted to develop a 33-acre industrial park, requested annexation of 620 acres in 1987 in order to receive Phoenix services (*Arizona Weekly Gazette*, 1 January 1980: 2, Section A; AR, 2 November 1987: Extra 2N-B).

But other developers opposed annexation of undeveloped areas, preferring to develop under county jurisdiction and have residents request annexation later if they wished. Pulte Homes opposed annexation by Queen Creek of a project site in 1998 because the town would require lower-density zoning than the county. If Pulte could get the land rezoned in the county before annexation, the more profitable higher-density zoning would persist even if Queen Creek were to annex the land later (AR, 15 September 1998: EV1; 21 January 1999: EV3; 26 June 2004).

Thus, while developers sought urban economic growth along with other members of growth coalitions, and extended the urban fringe through developments they built, they did not always seek annexation. Annexation was desirable to them only when they thought it would increase their economic returns from property development. Those returns depended on local zoning practices, among other factors. In Columbus, Ohio, for example, where city zoning categories were less restrictive than those of its suburbs, developers in the 1950s did favor annexation (Jonas, 1991: 212).

In showing that certain members of a growth coalition sought economic but not political expansion of a municipality, the Phoenix-area case study adds to parts of the growth-coalition literature that emphasize geographic scale and jurisdictional

undertaken, rather than their consequences. Additional research could fruitfully examine the extent to which municipal officials' hopes or expectations concerning municipal revenues were realized in cases of specific annexations. Further research could also explore geographic patterns of economic development that preceded and followed specific boundary changes such as the annexations by Glendale in the Loop 303 area. For example, the location of commercial development, changes in zoning designations and location of infrastructure could be examined in more detail. It would also be interesting to learn more about the extent to which recommendations concerning timing of annexations and other matters in the reports by City of Phoenix staff were actually implemented.

organization (Cox and Nartowicz, 1980; Jonas, 1991; Brenner, 2009). An interesting project for future research, with implications for this literature and other work on urban politics, would identify a larger group of annexations in the Phoenix metropolitan area as developer-initiated versus initiated by other actors such as municipal officials. It would then explore the circumstances (such as zoning practices or other factors) under which different growth coalition members sought both economic and political expansion, or only the former.

The impact of local zoning practices provides an example of how political rules and conventions influenced the strategic decisions of stakeholders in the annexation process. Legislative and regulatory frameworks at the local as well as the state level were important in influencing where and when annexation occurred. Although the emphasis in this article is on annexations linked to a financial stake, differences in local zoning practices could also lead to annexations linked to quality-of-life considerations. The small town of Cave Creek annexed territory in 2009 to protect its rural lifestyle and create the opportunity for preserving open space. Town officials and staff spent years laying the groundwork for and working out a deal with the State Land Department (*AR*, 31 May 2009: GN10). It was reported early in the process that ‘the fear is that if Cave Creek doesn’t annex the property, Phoenix will. While Cave Creek doesn’t particularly want to add another 6,000 residents, under Phoenix’s less-restrictive residential and commercial zoning ordinances there could be three times more people in the area along with increased commercialization, traffic, noise and light pollution’ (*AR*, 8 June 2004: 1).

Water also influenced some annexation decisions. Arizona’s 1980 Ground Water Management Act required that new subdivisions in Active Management Areas, where groundwater was being depleted, have a 100-year water supply. This created a reason for developers to seek annexation of their properties by municipalities, since the properties then would qualify as having an assured water supply (*Arizona Business Gazette*, 20 July 1987: 8; 1 May 1988: A1). Legislators also voiced concerns that cities were ‘battling for more land so they can qualify for more Central Arizona Project water’ (*AR*, 25 January 1985: A1; 26 January 1985: A26; 8 February 1985: B5).¹¹

In some US cities, annexation was motivated by a desire to dilute the city’s minority vote (Bayer, 1990; Austin, 1999). In the Phoenix area, some annexations involved territory containing few people; they did not bring a large additional white population into the city. Phoenix also had a smaller non-white population than many other annexing cities.¹² However, the issue was raised in Phoenix in 1979. Plaintiffs claimed that a May annexation had diluted the strength of minority voters, and sought to halt a primary election on the grounds that the annexation and precinct changes had not been screened as required by the Voting Rights Act of 1965. The Justice Department allowed the annexation to become effective (*AR*, 4 November 1979: A15; 14 November 1979: A1). Racial considerations may have worked against annexation of certain areas. Amy Bridges argued that in the 1950s, annexation of poor African-American communities was delayed, whereas newer

11 More recently in Peoria, availability of water has become a precondition for annexation rather than a motivation. The city is not eager to annex areas that do not bring their own water supply, and requires that development and annexation agreements for large developments include a water budget indicating anticipated demand and supply (City of Peoria, 2001; interview with B. Hill, Water Resources Manager, City of Peoria, 7 April 2004).

12 The proportion of the Phoenix population whose race was non-white was 6.2% in 1950, 5.8% in 1960, 6.7% in 1970, 15.7% in 1980, 18.3% in 1990 and 25.7% or 28.9% in 2000, depending on whether those of ‘two or more races’ are included in the number for white or non-white (see US Bureau of the Census, 1953: 442; 1962: 476; 1973: 630; 1983: 650; 1994: 650; 2000: 662). Census 2000 data on race are not directly comparable with those from earlier censuses. People identifying their origin as Spanish, Hispanic or Latino may be of any race. The proportion of the Phoenix population that was of ‘Spanish origin’ in 1980 was 14.8%, of ‘Hispanic origin’ in 1990 was 20%, and ‘Hispanic or Latino’ in 2000 was 34.1% (see US Bureau of the Census, 1983: 650; 1994: 651; 2000: 644).

communities further out were annexed and provided with streets and utilities. The black community in the southernmost part of Phoenix 'was annexed just in time for the 1960 census' (Bridges, 1997: 154).

Municipal officials in Phoenix were important agents in promoting annexation, often taking a leading role. They used city employees and, later, paid circulators to gather petition signatures. They overcame early opposition from some industrialists and private water company owners, as well as potential residents. In later years, annexation was opposed by City Council members and others who objected that annexations were expensive, delayed service provision for areas already in the city and discouraged infill. For the most part, however, pro-growth sentiments were dominant in Phoenix in the second half of the twentieth century. It does not appear to have experienced the same level of resistance to annexation across a broad political spectrum that was found in other cities, such as Tucson and Albuquerque (Wenum, 1970: 75–90; Ellis, 1990: 94–102; Logan, 1995: 108–11; 2006: 181–2; VanderMeer, 2002: 40–6, 90–2; 2007: 70–3; Collins, 2005: 90–4; Gober, 2006: 124–8).

The discussion below of the historical record of annexation in the Phoenix area focuses on how fiscal motivations of municipal officials translated into strategic decisions. The Phoenix-area case illustrates clearly the importance of these officials in initiating annexation activity. In highlighting this group (and, under certain circumstances, developers), my argument aligns more closely with political-economy approaches to the study of metropolitan areas than with public-choice models focusing on individual residential location decisions.¹³

Scott Bollens (1986: 238), for example, in studying income inequality in metropolitan areas, argued for a more political perspective in which governmental units are viewed as active agents rather than passive reactors. Paul Lewis (1996: 23–4) argued: 'It is the strategic behavior of developers and local governments, rather than individual firms or households, that should occupy our attention as we examine the nonresidential development process'. In his framework, differences in local-government organization, and especially the degree of political fragmentation, influence public and private elites during the land use decision-making process. In the Denver metropolitan area, one of the cases he examined closely, municipalities were 'active players' operating within a set of interlocking rules regarding sales taxes and annexation in Colorado (*ibid.*: 159–60). As in the Phoenix-area case, the search for sales-tax revenues by the city of Denver and its suburbs affected strategic actions by these municipalities. Lewis has made important contributions to the literature on 'fiscalization of land use', which addresses options open to municipalities as a result of rules governing boundary formation, land-use control and tax authority (Fulton, 1997; Chapman, 1998; 2008; Lewis and Barbour, 1999).

The role of public officials, and the degree to which they act autonomously of societal actors, is an important analytical issue for urban political theorists. Joel Rast (2007) contrasts the approach of historical institutionalism with that of urban regime theory, in which societal actors such as downtown business elites are often viewed as the driving force in coalitions between public- and private-sector actors that shape urban policy. In his case study of Milwaukee, Rast showed how city officials were able in one brief historical phase after the second world war to mobilize the resources necessary for an effective annexation program, despite the active opposition of important societal actors (builders' and realtors' organizations that opposed the city's agenda of using annexed land for the construction of public housing). While the Phoenix case differs in many important respects, especially concerning the characteristics of opposition, it is similar to

13 Dowding *et al.* (1994) and Oates (2006) provide surveys of literature on the Tiebout model. Public choice theorists analyze municipalities as competing for residents by offering efficient packages of local services (see, for example, Dilorenzo, 1983). In the Phoenix-area case, particularly in recent decades, competition for residents appears to have been less important than competition for retail establishments generating sales-tax revenues, and annexation might be delayed to avoid the need to provide costly services to new residents.

Milwaukee in demonstrating the importance of local government capacity — in particular, a well-organized city effort to promote annexation.

Annexation in the Valley of the Sun

Early annexation efforts

Significant annexation in the Phoenix area dates from the late 1950s. The municipal reforms of 1948 to 1950 established charter government with a strong city manager and improved municipal administration. Potential Phoenix residents had more confidence that, if annexed, they would live in a well-managed city. However, annexation initially proceeded slowly, partly owing to lack of city staff and to legal and political challenges by opponents (Wenum, 1970: 44–7; Konig, 1983: 84–5, 96–8; Bridges, 1997: 110–24; VanderMeer, 2002: 28–32, 39–41; Collins, 2005: 45–66, 82–104).

The role of revenue motivations in early annexation efforts is not entirely clear. Phoenix City Manager Ray W. Wilson denied in 1951 that the need for more tax revenues was a reason for city expansion and thought that ‘annexed areas receive more in services for several years than they contribute in taxes’.¹⁴ The argument for annexation made by the *Arizona Republic* in 1957 was that ‘Phoenix is a metropolitan area. Industries in this area can choose between a handful of small, autonomous cities, with duplicating services and inefficient operation, or one large municipality of the type now enjoyed by Phoenix. We’ll choose the latter’ (*AR*, 1 July 1957: 6). In 1958, to ensure successful annexation, the city was willing to forego sales-tax revenues, as well as to amend its building code and zoning ordinance and to assure property owners that property-tax rates would remain stable. Industrialists in southeastern and southwestern areas opposed annexation and argued that they needed tax exemptions to compete effectively while being inside the city. On 24 March 1959, voters approved 14 exemptions to the city sales tax for business and industry and the annexations proceeded (*AR*, 25 March 1959: A1; Collins, 2005: 98–9).¹⁵

However, John Williams, the city’s finance director, argued that increased property-tax revenues from highly valued industries would offset lost sales-tax revenues (*AR*, 19 April 1958: 1; Konig, 1983: 107–8). According to John Wenum (1970: 49), ‘despite their disavowal of tax-base expansion as a goal of annexation, nine [of 41 public and private] respondents indicated that this might have been a consideration in the annexation of a large industrial tract in 1959’. A 1975 editorial stated that ‘the industries have paid far more in property taxes than they have saved through the sales tax “concessions” . . . the voters approved the small price paid for annexation in return for the much larger benefits that would stem from having these firms in the city’ (*AR*, 6 December 1975: A6).

By the end of the 1950s, cities were approaching each other’s boundaries and considerable animosity ensued (see Appendix 1, Figure 3) (Wenum, 1970: 85–9; Collins, 2005: 96–7; Logan, 2006: 163–5). The most heated conflict, which began in 1956, was between Phoenix and Scottsdale. The two cities ended up in protracted court battles after attempting to annex the same land. The *Arizona Republic* reported in March 1963 that the ‘recurring annexation war between Phoenix and Scottsdale erupted anew yesterday’ (*AR*, 6 March 1963: 1). Scottsdale accused Phoenix of ‘trying to hem us in from the north’

14 See *Arizona Republic* (20 September 1951: 1). A similar claim concerning the relationship between revenues and the cost of services had been made by the chairman of the mayor’s finance advisory committee in 1947, and city officials reiterated the point in 1965 (Wenum, 1970: 41; Collins, 2005: 48–9).

15 Tax concessions were also associated with annexation of a west side industrial area in 1949 (Konig, 1983: 95–6). Connerly (1999: 49) described how iron and steel firms, particularly US Steel, ‘strongly resisted annexation into Birmingham, preferring to remain in unincorporated areas or jurisdictions in which such firms paid lower taxes or had greater control’.

(AR, 11 March 1963: 8). Scottsdale's incorporation in 1951 had been motivated by its fear of being swallowed up by Phoenix. Its dramatic expansion during the 1960s is shown in Tables 1 and 2, and in Appendix 1, Figure 4. Tempe and Glendale also reacted to Phoenix's expansion by attempting to annex, sometimes unsuccessfully.

Some efforts were made to halt the border wars by creating 'neutral areas' or 'spheres of annexation influence', although they did not always have lasting success. In 1968, Chandler and Tempe passed a 'gentlemen's agreement', setting out which areas could be annexed by each city in the future without prior approval of the other city and establishing an open area between them that was to be jointly planned (City of Tempe, 1968a; 1968b; *PG*, 17 December 1968: 15; Wenum, 1970: 87; Collins, 2005: 97). The agreement was reaffirmed in 1971 but violated by Chandler in 1974, setting off the annexations described below (City of Tempe, 1971a; 1971b; *PG*, 26 May 1971: A18; 23 October 1974: B15; 28 October 1974: C7; 26 November 1974: A11). Similar attempts were made in the 1970s and later decades by other municipalities in Maricopa and Pinal Counties.

Pre-emptive strip annexation and legislative changes

In their annexations, municipalities could not 'jump over' land that had been annexed by another city, even if that land was simply a narrow strip of property intended to serve as a barrier to another municipality's expansion. The area inside the strip remained county land (referred to as a 'county island') until the strip-annexing municipality chose to annex it. A 1974 annexation by Chandler spurred Gilbert in 1975 to create the largest county island to date with a strip varying in width up to 200 feet that enclosed a 51-square-mile area (see Figure 8) (*PG*, 21 November 1974: A21; 26 November 1974: A11; 9 January 1975: B12; *AR*, 19 January 1975: B6; Town of Gilbert, 1975). Gilbert was seeking to prevent similar action by Mesa or Chandler. In 1978 Gilbert was a town of 4,100 that was anticipated to grow to 125,000. Gilbert Mayor Dale Hallock explained that 'by doing the stripping we've taken in everything that could ever be in Gilbert and now we are in a position to very slowly go ahead and develop it' (*AR*, 19 January 1975: B6).¹⁶ Manager Lynn Stuart also emphasized planning considerations and citizens' desire that Gilbert keep its rural atmosphere (*Arizona Real Estate Press*, 1976).

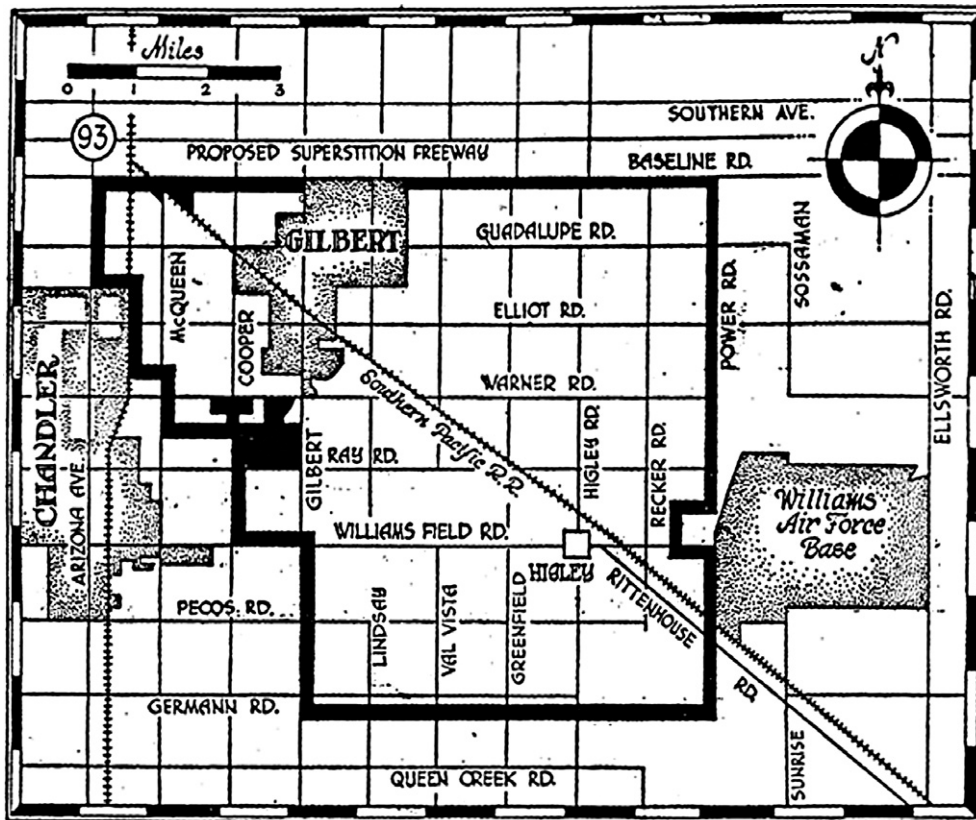
County islands created headaches for county officials in law enforcement, road maintenance and construction. They claimed that municipalities only annexed parts that benefited them, leaving behind pockets that needed extensive road work or bridges. Maricopa County Manager Robert Mauney argued:

Cities and towns look at annexation as a business venture, and the profit motive is always there. They want the tax base, but they don't want to have to put a lot of money into improvements. That's why many of them wait until roads and other improvements are completed before they consider annexation (*PG*, 10 October 1981: B1).

Strategic considerations based on fiscal concerns clearly were at work and affected the timing of annexation. As in the case of Glendale, discussed in the next section, infrastructure development was a major determinant of the attractiveness of an area for annexation.

The problem of county islands persisted into later decades. Some municipalities eventually decided to cut off emergency and fire-protection services to residents of county

¹⁶ See also *Phoenix Gazette* (9 January 1975: B12; 21 January 1975: C7). Gilbert's population was 207,550 as of 1 July 2007 (US Census Bureau, 2008a).



Republic map by Kearney Ecarton

The strip of land annexed by the Gilbert City Council is represented by the dark line. The strip encompasses 51 square miles.

Figure 8 Strip annexation by Gilbert, 1975 (source: *Arizona Republic*, 19 January 1975: B6 – used with permission; permission does not imply endorsement)

islands who were not paying taxes to them and had contracted instead for services with a more distant private supplier. Not surprisingly, such decisions were controversial.¹⁷

The 1975 Gilbert strip annexation was challenged in court. The annexation law required consent of the owners of at least 51% of the assessed valuation of the area to be annexed. The suit claimed that Gilbert annexed all of the property of those favoring annexation, but only part of the property of those opposing it. The *Arizona Republic* reported that ‘Lawyers for the town concede it used that method in its annexation, but say the action was legal’ (*AR*, 22 January 1978: B3). The annexation was upheld, but the case

17 See *Arizona Republic* (16 October 2003; 21 October 2003; 6 November 2003). Gilbert maintained that it was not responsible for providing services to county-island residents who refused to be annexed. A 2007 law (House Bill 2780) allowed scattered county islands to form a fire district and required the surrounding municipality to provide service for a fee if the fire district was unable to obtain services from another provider. The law was passed after an incident in which Gilbert firefighters, following town policy, responded to a fire at a county-island home but did not fight the fire because there was no threat to life. Gilbert continued to encourage annexation and by August 2007, 68% of county-island parcels within Gilbert’s planning area had annexed into Gilbert. However, residents who did not wish to annex formed a fire district that became official in 2008. The Gilbert Fire Department was required to provide services (see *Arizona Republic*, 1 September 2007; 20 December 2007 [Gilbert Republic section]; 18 June 2008 and 22 June 2008 [Mesa Republic West section]).

helped to generate legislative changes discussed below. A ruling by the Arizona Court of Appeals in a later case noted that ‘*Glick* indicated that some cities were engaging in “strip” annexation, that is, were artificially extending their boundaries to include potentially high value taxable areas, or to defend against the encroachment of equally aggressive neighboring municipalities’.¹⁸

One neighboring East Valley community — Mesa — was reported to be relatively unconcerned by Gilbert’s 1975 annexation (*Mesa Tribune*, 20 January 1975). However, Mesa pursued its own aggressive annexation plans and municipalities west of Phoenix, including Tolleson, Avondale, Goodyear and Peoria, joined in border wars in 1976 and 1977 (see Tables 1 and 2, and Appendix 1, Figure 5). Phoenix undertook several preemptive strip annexations, including a 37-square-mile area in June 1976. It added another 5 square miles in July ‘so Avondale wouldn’t annex the world’, according to Council member O’Dell (*AR*, 25 January 1976: B1; 23 July 1976: B1; 7 July 1977: A6). Stealth was involved in some annexations. In May 1976, ‘Goodyear annexed a parcel of land a few hours ahead of its neighbor city [Avondale]’, sparking a dispute (*AR*, 28 May 1976: B3). In another case, ‘the southern boundary of Phoenix was locked into place permanently Thursday when the City Council called a special annexation meeting on short notice to head off a rumored intrusion by Chandler into the Ahwatukee area’ (*AR*, 24 March 1987: C6). Chandler had been scheduled to consider an annexation that Thursday night.

As Figures 4 and 5 in Appendix 1 illustrate, in the 1960s and 1970s Phoenix began to be hemmed in by suburbs to its east and west. Since the narrow strips involved in strip annexations do not all show up in the maps, the degree to which Phoenix (and other municipalities) were constrained is visually understated. Also, the strips themselves did not result in a large increase in land area for a municipality and their impact is not fully captured by the data on land area in Tables 1 and 2. Many of the annexations by neighboring municipalities, as well as those by Phoenix itself, were pre-emptive in nature and were motivated, as the Arizona Court of Appeals noted, by fiscal considerations.

The 1980s brought two important changes in annexation legislation. Strip annexation was outlawed in 1980.¹⁹ Despite this action, annexation wars continued in the early 1980s. Conflicts among Phoenix, Scottsdale, Cave Creek and Peoria gave important impetus to additional legislation in 1986 (*AR*, 25 January 1985: A1; 28 January 1985: A1; 8 February 1985: B5). The 1986 changes made annexation more difficult. They included a waiting period, notices and a public hearing. The annexation petition had to be ‘signed by the owners of one-half or more in value of the real and personal property and more than one-half of the persons owning real and personal property that would be subject to taxation by the city or town in the event of annexation’.²⁰ Previously, annexations could be done with the signatures of a few large property owners whose property was worth more than one-half of the assessed value in the area to be annexed. In one extreme case, Phoenix annexed a 14-square-mile area with the signature of a single property owner (*AR*, 6 July 1977: A1).

After passage of the 1986 legislation, and in response to Phoenix City Council discussions, a multi-departmental task force produced the *Annexation Policy Study* described above (City of Phoenix, 1988). It reaffirmed earlier staff conclusions that annexation had long-term benefits, although it recommended careful determination of areas to be annexed and of optimum timing. Phoenix remained committed to expansion. Both revenue and planning considerations remained important for city officials (City of Phoenix, 1988; *PG*, 19 July 1988: A10; 25 January 1989: B1; 25 February 1989: B1; interview with J.A. Mee, Assistant Planning Director, City of Phoenix, 18 June 2003).

18 See *Petitioners for Deannexation v. City of Goodyear*, 773 P.2d 1026 (Ariz. App. Ct. 1989).

19 ARIZ. REV. STAT. ANN. § 9-471 (I) (West 1996).

20 ARIZ. REV. STAT. ANN. § 9-471 (A) (4).

West Valley growth and state trust lands

Although the tightening of legislation made it more difficult, annexation continued, especially in the West Valley (see Tables 1 and 2 and Appendix 1, Figures 6 and 7). Buckeye and Peoria were among the municipalities registering especially large increases in land area. They followed in the footsteps of Surprise, another West Valley municipality that annexed a large amount of territory in the 1980s to position itself for future development. Figure 6 (see Appendix 1) shows how the annexations of the 1980s brought Peoria and Phoenix up against each other's borders north of Glendale, and Figure 7 (see Appendix 1) shows both municipalities continuing to expand to the north in the 1990s. There were significant border conflicts between Peoria and Phoenix during these years.

In 1999, Buckeye annexed the site that would become the Verrado development created by DMB Associates. With an annual budget of US \$2.6 million, Buckeye hoped to see Verrado bring in annual property-tax revenue of US \$10 million. An even larger annexation of 35,000 acres in 2002 was requested by the developers of Douglas Ranch, a master-planned community. Their representative and Buckeye's mayor both argued that annexation would bring control of water resources essential for the town's future growth. With other developments already approved, over 240,000 new housing units were projected for a town with a population of approximately 7,000 (Town of Buckeye, 2002; *AR*, 27 May 2003; 26 October 2003; 18 April 2004; 28 November 2004).

An overall shift in the focus of growth from the East Valley to the West Valley occurred, partly as a result of the development of highways west of Phoenix and the availability of land. In 1991, about 26% of Valley housing starts occurred in the west; by 1999 its share was 40%, more than the northeast or southeast (*AR*, 1 January 1998: 1 [Northwest Valley Community section]; 17 December 1999: 1 [Sun Cities/ Surprise Community section]; 22 December 1999: EV13). In 2000, the last segment of the Agua Fria Freeway (a segment of Loop 101) opened in Glendale. A half-cent state transportation sales tax (Proposition 400), passed in 2004, included among its projects improvement of Loop 303, serving an area further west than Loop 101.

Strategic decisions concerning the timing of annexation, linked to the timing of these infrastructure improvements, are evident in the case of Glendale. The opening of Loop 101 'heightened interest in annexation of the remaining unincorporated parcels located east of 115th Avenue' and the city's first annexation policy was adopted in 2003 (City of Glendale, 2005a: 3). Projected improvements in the Loop 303 freeway led city officials to anticipate increases in land values and development along the Loop 303 Corridor. These fiscal considerations prompted re-examination of its annexation policy, which the City Council amended in 2005.

The annexation policy's five-mile 'emphasis area' along Loop 303 lay within the territory strip-annexed by Glendale in the 1970s. The city had not been eager to annex the unincorporated territory and for decades parcels in that area had remained off-limits to other municipalities, but not yet been sought by Glendale. But with the prospect of sales- and property-tax revenues, Glendale began actively courting property owners for annexations (*AR*, 10 February 2005; 15 February 2005). The amended annexation policy stated that 'the City will proactively pursue voluntary annexation in the Loop 303 Corridor' (City of Glendale 2005a: 7).²¹

The annexation policy amendment was followed by a City Council workshop to consider a Major General Plan Amendment for part of the Loop 303 Corridor in November of the same year. The area selected for the amendment was the most active for development proposals. City staff noted that conditions had significantly changed since the ratification of the General Plan in 2002. In particular, they cited the approval of Proposition 400 (the transportation sales tax) and subsequently argued:

21 El Mirage, also eager for tax revenues, unsuccessfully sued Glendale in 2005, seeking to reverse this strip annexation and open up the land near Loop 303 for its own annexation. The suit claimed that open meeting law had been violated in the annexation process. El Mirage appealed to the Arizona Supreme Court in 2008, but the Court ruled against it (*Arizona Republic*, 29 September 2008: B2).

Among the positive impacts to the City and its residents is the potential for future economic development opportunities in the Loop 303 Corridor, increase in the tax base and sales tax revenue for the city.

Full improvements of the Loop 303 freeway will substantially increase access to this area. The Northern Parkway is planned to run east–west through the center of this amendment area providing a second major transportation corridor (City of Glendale, 2005b: 6).

Annexation clearly was perceived as part of a broader strategy of economic development for the western part of the City's Municipal Planning Area, a strategy that had not been feasible prior to the transportation improvements.

Further opportunities for annexation in the Phoenix area, however, are becoming more limited. Much of the remaining undeveloped land is owned by the state or federal government or by Native American tribal communities. State trust lands are available for annexation and pose some interesting issues. At the time of Arizona's State Enabling Act in 1910, sections of each township were assigned to be held in trust for funding public schools. Unlike many states, Arizona retained ownership of much of its trust land. The trust has a fiduciary responsibility to its beneficiaries and trust lands cannot be sold or leased except to the highest and best bidder at a public auction. These requirements constrain what the Arizona State Land Department can do with the land and create difficulties for environmental groups and municipalities that want to see open space preserved rather than developed. At auctions during 2004, state trust lands sold at prices well above their appraised values, sometimes double or more (AR, 20 September 2004; 22 September 2004; 25 December 2004; Laurenzi, 2004; Culp and Culp, 2007). Appraisals were raised, but later lowered as the housing market cooled and then collapsed after peaking in 2006.

Border wars can occur over state trust land as well as privately owned land. Peoria and Phoenix had a long history of jockeying for position in the northwestern area near Lake Pleasant. Before annexation requests were approved in December 2002, the State Land Department required that the two cities work out their current boundary dispute. Phoenix had sought to annex west to 79th Avenue; Peoria had included the area east to 67th Avenue in its General Plan. The boundary ultimately ended up following the 75th Avenue alignment north of New River Road (AR, 25 March 1987: B1; 4 April 1987: A14; 17 November 1987: B1; VanderMeer, 2002: 90–1; interviews with C. Balzano, Planner III, Real Estate Division, Arizona State Land Department, 19 March and 5 April 2004).

A large area of state trust land south and east of Phoenix is available for annexation and is being viewed as an opportunity for more coordinated regional planning than previously typical in metropolitan Phoenix. This 275-square-mile area, known as Superstition Vistas, ultimately may have a population of 900,000. Similar hopes for regional cooperation have been voiced for the Williams Gateway area, located on a county island east of Mesa and the Phoenix–Mesa Gateway Airport. The Arizona State Land Department owns land adjacent to a proposed mixed-use development there and hopes to increase the land's value by working with the developer (DMB) to plan and rezone a large area. DMB petitioned the Mesa City Council in 2008 to annex its 5 square miles and proposals to annex adjacent state trust lands are likely to follow (Gammage *et al.*, 2006; AR, 15 August 2007 [Mesa Community Section]; 31 May 2008; 2 July 2008; 31 July 2008 [Mesa Community Section]).²²

Policy issues

Annexation raises numerous policy issues, including distributional ones. City council members and others questioned the policy of extensive growth and asked whether central-city residents should bear the costs of providing infrastructure for newly annexed areas at the fringe. Unfortunately, it is difficult to assess accurately the distributional

22 These annexations will be subject to the Growing Smarter Plus legislation passed in 2000, which stated that governing bodies cannot annex land until they have a plan to provide infrastructure and services for anticipated new development within 10 years.

consequences of annexation. Municipal budgets do not identify a distinct geographical location for all expenditures and revenues, and facilities or services may cover several neighborhoods. From the 1980s, development impact fees were adopted in the Phoenix metropolitan area, their goal being that of 'requiring growth to pay for itself'. These are assessed on new developments to pay for additional public facilities needed for them, such as water and wastewater treatment plants, parks, libraries, fire and police stations, roads and other facilities. Impact fees are an important source of funds, although only a partial solution to the problem of infrastructure finance (Guhathakurta and Wichert, 1998; Gammage, 2003: 128–32).

Three additional policy issues can be noted. First, did the bitter history of annexation wars make it more difficult for municipalities to cooperate on matters of regional concern, such as transportation or environmental issues? While some planners and others think this may have played a role, it was difficult to find examples of specific policy decisions that were blocked or made poorly that could be attributed to this cause. There may have been some examples in the area of transportation, such as streets from Phoenix that were not aligned to make it easy for Phoenix shoppers to get to Scottsdale, or delays in their construction (interview with D.E. Hadder, Sr., Principal Planner, City of Scottsdale, 10 June 2003). However, municipalities did succeed in coming to agreement on a major transit plan associated with the 2004 referendum (Proposition 400) to extend a half-cent sales tax that was due to expire. Ongoing difficulties in reaching cooperation may not primarily be the result of historical memories of annexation wars, but of current situations that appear to participants to be zero-sum games.

Another policy issue emerges when annexation and the associated land-based growth path are no longer an option. What happens when a city runs out of land? What changes in policy become necessary when a city can no longer count on tax revenues from extensive growth? The collapse of the housing boom has pushed build-out further into the future. But the structural problem of dependence on tax revenues from new construction remains.

Scottsdale is one of several municipalities facing this problem. By 2003, Scottsdale had only about 4,000 acres of developable land left of its 117,000 acres. It decided to focus on intensive development and redevelopment, including a push to top-tier science and technology status. High-rise developments were accepted downtown as part of this strategy. However, ambivalence about building heights persisted and became a major issue in the 2008 City Council election. Other strategies of municipalities approaching build-out include finding new revenue sources, such as a property tax, and trying to protect sales-tax revenues by avoiding down-zoning (AR, 25 October 2003; 20 January 2005; 29 July 2008 [Scottsdale Community Section]; Waits and Fulton, 2003; City of Chandler, 2007; Heim, 2007; Lang and LeFurgy, 2007).

Tempe was landlocked early on. It successfully redeveloped (or gentrified) its downtown area during the 1980s. However, one tool that appears to have been important — eminent domain — may be less available to other municipalities. Eminent domain has not been popular in Arizona, a strong property-rights state. Recent controversial cases inflamed opposition. When Mesa tried to exercise eminent domain for redevelopment in the case of Bailey Brake Service, many viewed the action as a taking for private developers rather than serving a genuine public purpose. The courts ultimately blocked the action and the state legislature made exercise of eminent domain more difficult. Further revisions to eminent-domain law were passed in 2006 as part of Proposition 207, which also included sweeping provisions requiring government to compensate property owners if land-use regulations reduced the value of their property (AR, 2 October 2003; 3 October 2003; Gammage, 2007).

Phoenix probably will not face dilemmas associated with build-out for several decades, especially with its recent annexations to the north, but there has been concern about strengthening the city's downtown area. In 2004, Phoenix adopted a major redevelopment plan, including a downtown campus for Arizona State University, bioscience centers, light rail and high-density housing. At the same time, Phoenix appeared to be trying to keep its options open for extensive growth, and objected

(unsuccessfully) to the State Land Department when neighboring Cave Creek proposed an annexation (City of Phoenix, 2004).²³

Finally, even as the annexation wars wound down, competition for tax revenues remained intense. When David Richert became Phoenix Planning Director in 1992, City Manager Frank Fairbanks gave him a directive to stop the bleeding of sales tax at the city's borders (in other words, the loss of revenues to neighboring municipalities) (interview with D. Richert, Planning Director, City of Phoenix, 19 June 2003). Within municipalities, the push for sales-tax revenues may have led to inferior planning and zoning decisions. Debra Stark, Peoria's Community Development Director in 2004, described the possibility of properties being zoned for commercial use, but municipalities then being unable to attract commercial development, sitting vacant and eventually having to be down-zoned (interview with D. Stark, 8 March 2004; *AR*, 18 April 2004).²⁴ Or, too many retail facilities may be built. Retailers then struggle to survive and cities end up with empty buildings if they fail.

In the Phoenix area, like elsewhere, municipalities compete by offering tax incentives and other subsidies to developers to locate retail development within their boundaries. It certainly would seem to be in municipalities' interest to avoid paying large subsidies for retail developments that would locate somewhere in the region in any case. The dilemma is, of course, that they risk losing the development to another municipality willing to pay, and many municipal officials feel that if subsidies succeed, they are worth the price. Citizens do not always agree; Scottsdale ultimately decided through a voter referendum not to provide a US \$36.7 million subsidy, approved by the City Council, to Wal-Mart to locate at the site of the former Los Arcos Mall in south Scottsdale (*AR*, 18 May 2004). In 2007, the Goldwater Institute filed a lawsuit against the Mayor of Phoenix for incentives offered to CityNorth, a retail and housing development. It argued that the incentives violated the Arizona Constitution's gift clause prohibiting giving public money to private parties without a fair return. Although the Arizona Supreme Court's ruling let the CityNorth agreement stand, it set up stricter provisions concerning public benefits from future development agreements between governments and private parties (*AR*, 26 January 2010: A1; 1 February 2010: B1).

Joint revenue-sharing agreements, in which municipalities share sales-tax revenues generated by a mall regardless of where it locates, can eliminate this dilemma. There have been two successful revenue-sharing agreements between Tempe and Chandler, one of which also included Guadalupe. But other efforts, such as those between Phoenix and Scottsdale, did not come to fruition. Arizona legislators, impatient with the lack of progress by municipalities, passed legislation to limit incentives for retail development (Heim, 2007). In 2008, Mesa, Apache Junction and Queen Creek were working on a revenue-sharing pact for a 10.5 square mile parcel in Superstition Vistas, 'to prevent municipal wars over landing major sales tax generators like auto malls' (*AR*, 18 May 2008 [Mesa Community Section]). Phoenix and Glendale formally concluded an agreement in 2009 to share sales tax generated by a baseball spring training facility, although only after delays that can be attributed partly to disagreement over naming rights. The agreement, which was necessitated by Glendale's construction of the stadium on land owned by Phoenix, compensated Glendale for road, sewerage and water infrastructure it installed around the stadium (*AR*, 10 July 2009: 12).

It is difficult to tell whether cooperative efforts in recent years signal a significant change from past practice, or whether continuity is the more dominant theme. A detailed case study of factors contributing to the recent success of the Valley-wide 2004

23 Also see *Arizona Republic* (9 June 2004; 10 June 2004; 15 September 2004; 14 April 2008). On conflicts between outlying commercial interests and downtown business interests and on earlier efforts to revitalize downtown, see Bridges (1997: 158-9) and VanderMeer (2002: 68-71, 89-90).

24 C. Daines, Planning Manager, City of Peoria (interview 12 January 2006) explained that there may be other reasons for down-zoning than an excess of sites zoned for commercial use. For example, a site may be unable to attract commercial development owing to poor freeway access.

transportation tax agreement, and the subsequent agreement by West Valley municipalities (after controversies over allocation of financial liabilities) to accelerate the widening of the I-10 in the Southwest Valley, would be an interesting project for future research. One possible arena for future cooperation might be agreements between municipalities and Native American tribal communities, which hold rights to important land and water resources in the Phoenix area. As with agreements among municipalities, the record so far is mixed. The Salt River Pima–Maricopa Indian Community and Scottsdale concluded an agreement in 2009 to share costs to widen Pima Road and control flooding; the Tohono O’odham Nation and Glendale sparred over the tribe’s desire to build a casino and resort at 91st and Northern Avenues near the University of Phoenix stadium (AR, 19 November 2009: 4; 13 March 2010: 4).

Many manifestations of rivalry persist. It remains to be seen how effective the legislation to limit retail sales-tax incentives will be. Moreover, other types of development, such as the Cancer Treatment Centers of America hospital, which chose Goodyear over Phoenix in 2007, were lured by other incentives such as a Government Property Lease Excise Tax (GPLET) agreement. The Arizona legislature took steps in 2010 to limit these incentives too. Municipalities rushed to approve incentive deals before the legislation took effect. Scott Smith, Mesa’s mayor, and Grady Gammage, a leading Valley land-use expert, observed at a 2008 meeting on ‘megapolitan’ areas in the West, sponsored by the Brookings Institution, that the Valley lagged in regional cooperation and had much to learn from other Western cities such as Denver and Salt Lake City. They did, however, cite the Superstition Vistas and Williams Gateway projects as opportunities for a new regionalism (AR, 4 November 2005: B1; 21 July 2007: B4; 31 July 2008 [Mesa Community Section]; 26 May 2010: 8).

Border conflicts in the Phoenix metropolitan area emerged in part because political fragmentation, although much less extreme than in some other metropolitan areas, allowed scope for municipalities to compete, through boundary changes and other means, for existing and future tax revenues. Scholars disagree about appropriate policies concerning metropolitan competition and about the optimal degree of political fragmentation (Savitch and Vogel, 2009). Classic studies in the metropolitan government school thought that fragmented local government led to inefficient and ineffective public services; recent evidence shows considerable variation in the scale economies associated with different local public goods and does not support a universal presumption in favor of larger metropolitan governments. For public choice scholars, who believe that the market mechanism and local competition produce efficient, low-cost service delivery and responsiveness to citizens, ‘fragmentation of local government is a virtue rather than a vice to be corrected’ (*ibid.*: 111). A new regionalist policy agenda in the 1990s focused on regional governance in addition to government, and on possibilities for cooperative agreements among local governments.

Such agreements have proven to be elusive in other metropolitan areas as well as Phoenix. In order to avoid unnecessary public losses that result from tax incentives and other forms of municipal competition, more state-level policy measures to curb wasteful competition, and monitoring of compliance with existing legislation, are needed. Broader state-level policies also might be considered, such as changes in the overall system of collection and distribution of sales-tax revenues and reduced reliance on sales taxes as a local revenue source. For example, it is not clear that sales-tax revenues in Arizona are most appropriately received by the municipality in which they are generated.

The lack of regional cooperation could be addressed at the federal as well as the state level. More federal funding, for example, could be made contingent on effective regional cooperation and planning. A stronger federal role in promoting regional governance might possibly appear on the agenda of the Obama administration. Guiding principles of its urban policy include statements that ‘federal policy must reflect the new metropolitan reality — that strong cities are the building blocks of strong regions, which in turn, are essential for a strong America’ and ‘President Obama will also take a regional approach

that disregards traditional jurisdictional boundaries, setting policy that takes into account how cities, suburbs, and exurbs interact' (White House, n.d.). Other pressing domestic-policy priorities, such as health care and financial reform legislation, have so far taken precedence over urban policy, but there is potential for the future.

Conclusion

Municipalities in the Phoenix metropolitan area expanded into new areas from which tax revenues could be reaped. These fiscal considerations were an important motivation for annexation, particularly from the 1970s onward, although other factors such as a desire for planning control and sheer boosterism should not be overlooked. Municipalities' tax and land-use powers underlay their strategic decisions concerning annexation. Strategic considerations were especially evident in the timing of annexation, which was heavily influenced by infrastructure development such as highway construction.

The resulting border wars entailed court battles, pre-emptive land grabs and mistrust between municipalities. They ultimately helped to provoke state legislation in the 1980s that outlawed strip annexation and made annexation more difficult. Annexation continued, however, both by municipalities such as Phoenix, which already had grown large but continued to see physical expansion as crucial to ongoing prosperity, and by tiny communities in the West Valley such as Buckeye, which sought to replicate the experience of Phoenix in earlier decades.

Several communities are approaching limits to annexation and to extensive growth, but competition for tax revenues continued unabated. As municipalities considered more intensive development strategies, inducements to developers to locate within their boundaries often were an important part of the package. The distributional consequences of such inducements led to opposition both from citizens' groups and from state legislators concerned about the transfer of funds from municipalities to private firms. Where extensive growth continued, some municipalities sought to craft intergovernmental agreements that might help prevent repetition of the earlier history of border wars.

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Résumé

Dans les décennies qui ont suivi la seconde guerre mondiale, Phoenix et plusieurs communes limitrophes, comme beaucoup dans le Sud et l'Ouest, ont appliqué une stratégie de croissance fondée sur l'annexion. L'article étudie le lien entre annexion et compétition en matière de recettes fiscales. Après un examen des arguments en faveur de l'annexion, il retrace son historique dans la zone métropolitaine de Phoenix. Une longue succession de 'guerres des frontières' a occasionné des litiges, des annexions préventives et un conflit important entre autorités publiques. Il est montré que les rentrées fiscales ont fortement incité les municipalités à rechercher les annexions, en particulier depuis les années 1970. Le calendrier de ces opérations a pesé dans les stratégies des dirigeants municipaux. Quant aux promoteurs, en quête de croissance économique urbaine, ils ne prônaient pas toujours l'extension politique des frontières municipales par annexion. L'article envisage donc plusieurs aspects politiques connexes et soutient que, si les possibilités d'annexion se restreignent, la concurrence en matière de recettes fiscales (l'imposition sur les ventes notamment) reste acharnée, créant des dilemmes pour les autorités municipales de la région.

Appendix 1

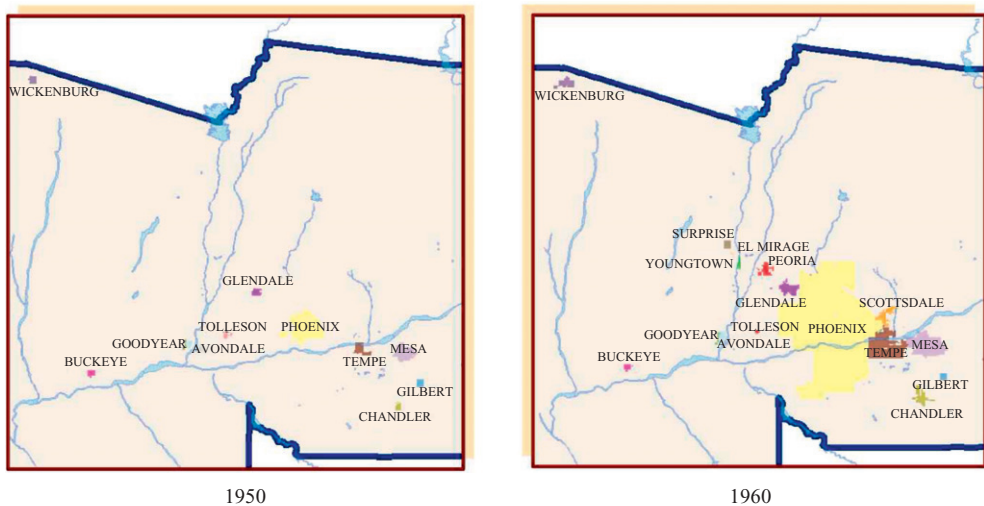


Figure 3 Annexion by Maricopa County cities and towns, 1950–60 (source: Maricopa County Planning and Development Department, n.d.)

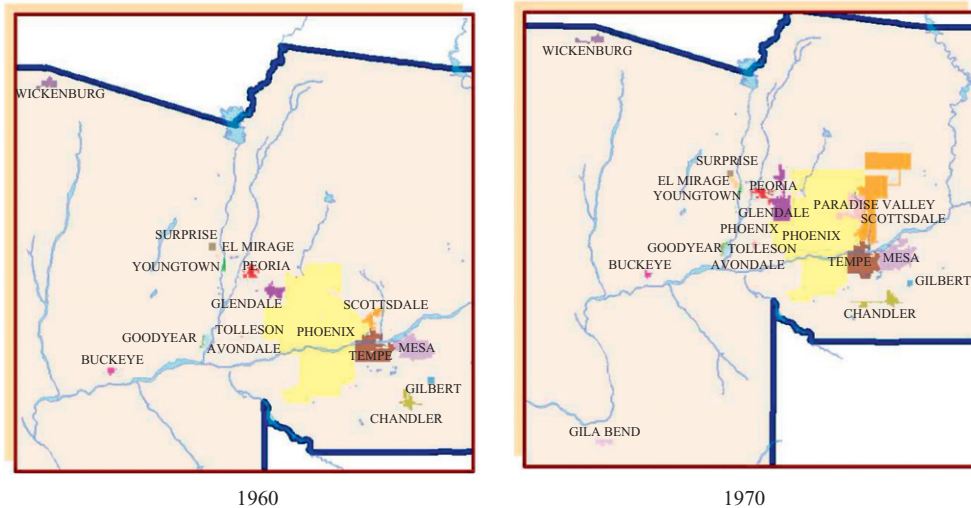


Figure 4 Annexation by Maricopa County cities and towns, 1960-70 (source: Maricopa County Planning and Development Department, n.d.)

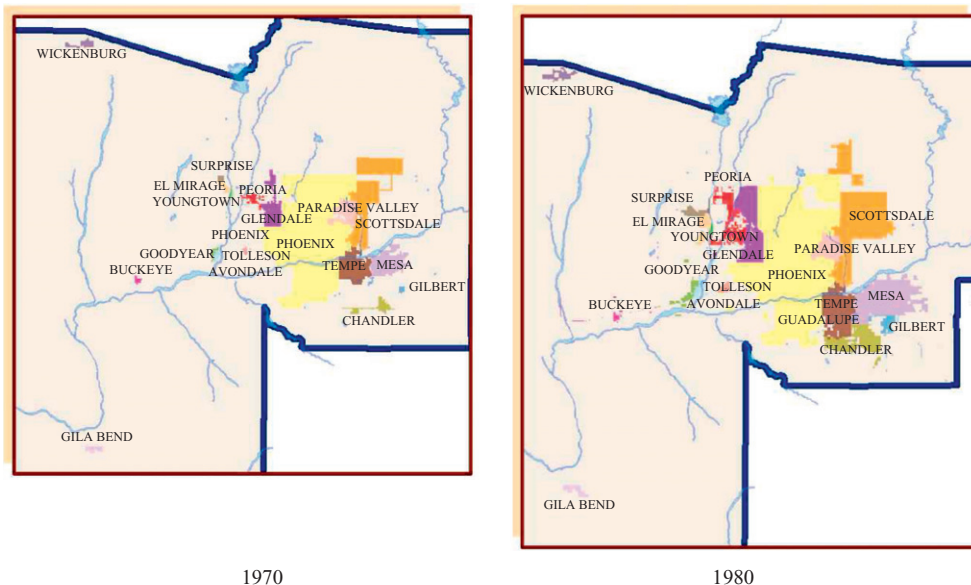
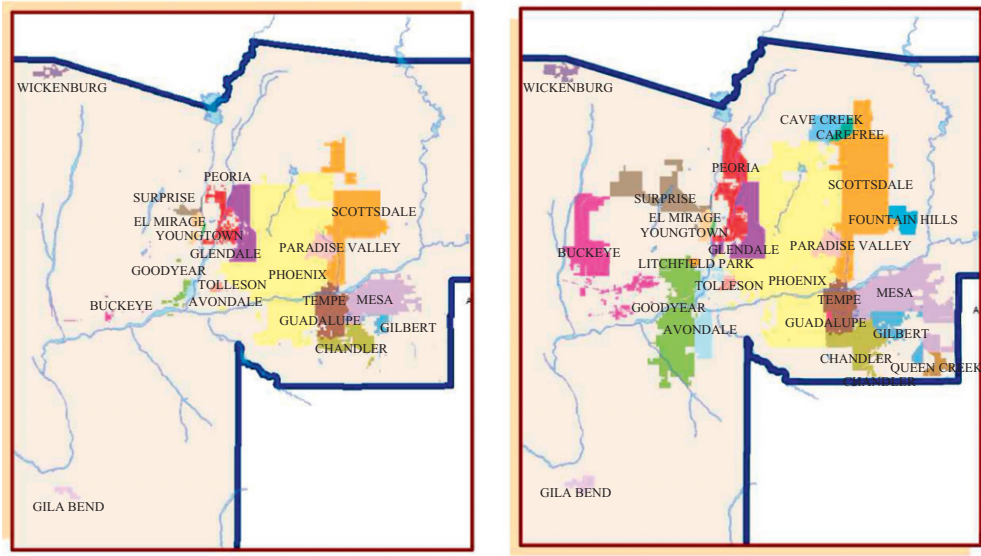


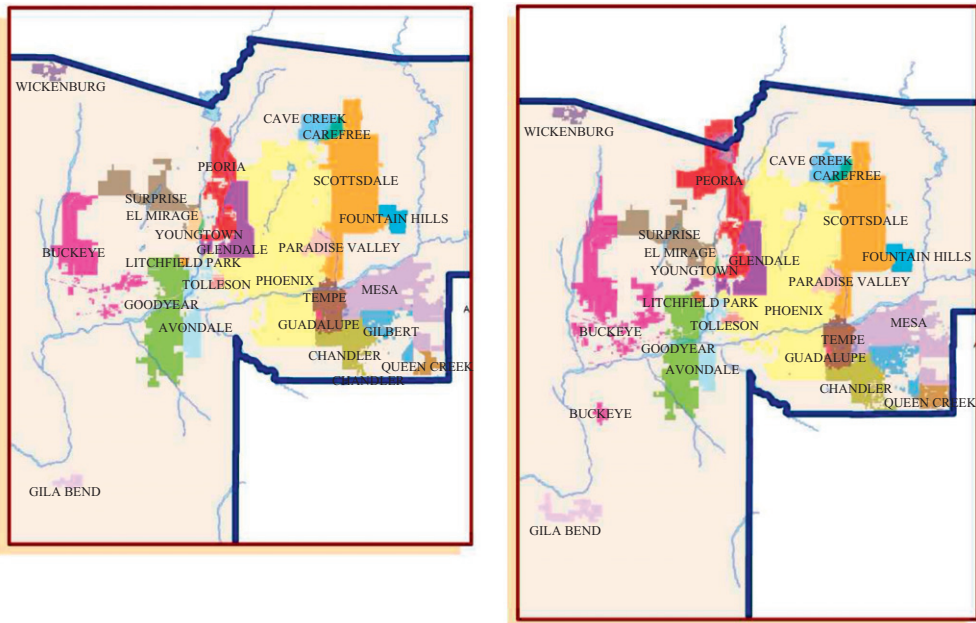
Figure 5 Annexation by Maricopa County cities and towns, 1970-80 (source: Maricopa County Planning and Development Department, n.d.)



1980

1990

Figure 6 Annexation by Maricopa County cities and towns, 1980-90 (source: Maricopa County Planning and Development Department, n.d.)



1990

2000

Figure 7 Annexation by Maricopa County cities and towns, 1990-2000 (source: Maricopa County Planning and Development Department, n.d.)

Appendix 2

In addition to individuals cited in the footnotes, these persons provided useful information in interviews or other communications. Affiliations listed here and in the footnotes were held by these individuals at the time I spoke to or corresponded with them; some details have subsequently changed.

Douglas Ballard (Chandler Planning and Development Department)
 David R. Berman (Department of Political Science, Arizona State University, and Morrison Institute for Public Policy)
 Dalen Buchanen (Maricopa Planning and Development Department)
 Robert Cafarella (Scottsdale Preservation Department)
 Jeffrey Chapman (School of Public Affairs, Arizona State University)
 Catherine Connolly (League of Arizona Cities and Towns)
 Corey Cox (Arizona Department of Commerce)
 Patrick Flynn (Flynn Financial Consulting)
 Grady Gammage, Jr. (Gammage & Burnham)
 Ruth Gieszl (Gilbert, Arizona)
 Patricia Gober (Department of Geography, Arizona State University)
 Matthew Holm (Maricopa Planning and Development Department)
 Teresa Huish (Scottsdale Planning and Development Services Department)
 Kathleen Ingley (*Arizona Republic*)
 Gregory Keller (Arizona State Land Department)
 Jeff Kulaga (Scottsdale Mayor's Office)
 Joseph Nucci (Tempe Development Services Department)
 Tanis Salant (Institute for Local Government, University of Arizona)
 Dan Stanton (Arizona State University Libraries)
 Jon Talton (*Arizona Republic*)
 Philip VanderMeer (Department of History, Arizona State University)

Newspaper articles cited in this article came from several sources, including original hard copies of newspapers, microfilm copies, collections of clippings in local archives, the CD-ROM titled *CD News: The Arizona Republic, Arizona Business Gazette* at Arizona State University's Hayden Library in Tempe and the electronic edition of the *Arizona Republic* in databases of NewsBank, Inc. and ProQuest, LLC. Some sources do not provide page numbers for articles.

A longer version of this article with additional documentation is available from the author.