

Industrial Development Authority Briefing Packet

Why This Matters Now for Northwest Arkansas

Northwest Arkansas is growing, but the way we grow next matters.

Over the last decade, Northwest Arkansas has attracted thousands of new residents and billions in private investment. That success has also created real constraints that are increasingly difficult for individual cities or counties to solve alone:

- A shortage of large, prepared industrial sites
- Missed opportunities when companies need shovel-ready locations quickly
- Competition from regions that plan and act at a regional scale
- Rising land and infrastructure costs

Without enhanced tools, many high-quality projects evaluate and eliminate regions, counties and localities before local officials are ever contacted. The result is lost jobs, lost tax base, and greater pressure on housing and infrastructure without the wage growth to match.

An Industrial Development Authority gives any city or county a way to prepare sites responsibly, attract higher-wage jobs, and grow in a way that strengthens communities.

Projects are financed through revenue bonds rather than taxpayer funds.

Overview: Industrial Development Authority

Definition and Purpose

The Arkansas Legislature and Gov. Sarah Huckabee Sanders recently approved a package modernizing the state's economic development tools. As part of that package, Act 576 of 2025 (SB 361, Industrial Development Authorities Expansion Act) authorizes cities and counties to form an Industrial Development Authority tailored to a municipality's needs.

The goal is not faster growth, but better growth: jobs that pay well, strengthen the tax base, and reduce long-term pressure on schools, roads, and local services.

An IDA is ideally suited to pursue high-impact, high-return transformative real estate & economic development opportunities, which in turn increases tax bases, diversifies the economy, provides better wages, economic mobility and more career pathways.

Geographic Scope

Any city or county in the State of Arkansas can create an IDA.

Current Opportunity

Preparing sites now allows cities and counties to compete for transformative projects and capitalize on opportunities while balancing the unique needs and wants of each community. **This is a long-term strategy designed to prepare sites responsibly and strengthen the region's economic foundation over time.**

Functions and Role

IDAs identify and prepare sites by making each shovel-ready and engineered for the types of projects a community desires. Examples include sites for advanced manufacturing, research and development, and innovation. These investments expand the tax base, create higher-paying jobs, increase property tax collections, and diversify the economy, producing long-term benefits for residents across the communities they serve.

Relationship with Local Infrastructure

The IDA operates through collaboration and not substitution. An IDA follows planning and zoning requirements and process. The authority works collaboratively with the city and county planning departments of the municipalities, which authorize the creation of such. An IDA also works closely with regional planning organizations, utility providers, and transportation authorities to ensure that any proposed development aligns with adopted plans, capacity assessments, and long-term infrastructure strategies.

The IDA is responsible for funding and delivering industry-specific, on-site engineering and internal infrastructure improvements required for private development. Where off-site improvements are needed, those discussions occur collaboratively with municipalities and utility partners.

<h2>What IDAs Are Not And Do Not Do</h2>

What an Industrial Development Authority Is Not

- It is **not** a taxing authority.
- It **cannot** raise property, sales, or income taxes.
- It does **not** replace city or county government.
- It does **not** control zoning or land-use decisions.
- It does **not** guarantee incentives or tax breaks.
- It does **not** put county credit or taxpayers at risk.

An IDA is a planning and financing tool authorized by state law to support high-quality economic development through purposeful industrial real estate development, which the private sector is currently not addressing. Lastly, it is not an expansion of government or taxation. What it will do is increase the real estate tax base.

Preservation of Local Authority

The creation of an IDA does not remove or override the authority of cities or counties. All land-use decisions, zoning approvals, permitting and local infrastructure responsibilities remain with the appropriate local governments. When an IDA owns and leases project property, Arkansas law permits it to initiate the negotiation of a Payment in Lieu of Taxes (PILOT) agreement generally equals at least 35% but not more than 65%. A PILOT is required when a company leases publicly owned land. School districts must be given 10 days' written notice before a city council or quorum court votes to approve such. This provides a municipality or county with an increase in tax base, while providing the prospective company property tax savings and long-term financial predictability. It is not a 100% abatement of taxes.

Frequently Asked Questions

1. What is an Industrial Development Authority (IDA)?

An IDA is a public body authorized by a city or a county in Arkansas. It finances and builds projects such as industrial parks and technology centers.

2. Are IDAs new to Arkansas?

IDAs are not a new concept in Arkansas or across the country. The state has had industrial development authorities in the form of port authorities since the 1960s. The 2025 legislation broadened that framework to make the tool available to more cities and counties. Every state surrounding Arkansas has IDAs: Missouri (1977), Tennessee (1955), Louisiana (1962) Texas (1979) and Oklahoma (1961). There are approximately 3,000 industrial development authorities (cities, counties and regions) throughout the United States.

3. Who controls the IDA and ensures accountability?

Each city or county has meaningful control over how its IDA board is structured and who serves on it. The ACT states that, "each petitioning local government shall have at least one (1) representative as a member of the board of directors," reflecting a minimum rather than a maximum number of representatives. From there, cities and counties have full flexibility to shape the board as they see fit. A seven-person

board, for example, might include three council or quorum court members alongside a planning and zoning representative, with remaining seats filled by professionals with backgrounds in engineering, real estate law, accounting, or finance.

Once a city or county authorizes the creation of an IDA, appointments are made through the existing elected structure. The county judge or mayor presents proposed candidates to the quorum court or city council, which reviews and votes on each appointment. No one joins the board without approval of the governing body. All decisions are transparent and subject to public oversight and legislative audit

4. **Does an IDA have expansive powers of eminent domain as some claim?**

Arkansas has some of the strongest property rights protections in the country, and those protections do not change with the creation of an IDA. Any exercise of condemnation authority must satisfy existing Arkansas constitutional, statutory, and judicial constraints.

The Act does not create a free-standing or expanded power to take private property for any economic development objective an IDA may prefer. Rather, any attempted exercise of eminent domain must satisfy the same foundational requirements that govern all condemnations in Arkansas: the condemning entity must possess statutory authority for the particular taking, the taking must be for a constitutionally sufficient **public use** rather than an asserted **public good** or economic advantage, and the property owner must receive just compensation as determined through established legal process and a jury of one's peers.

A specific concern raised in public discussions suggests that an IDA could use eminent domain to take property for the creation of an industrial park. Arkansas courts have addressed this directly. In *City of Little Rock v. Raines*, decided in 1967, the Arkansas Supreme Court denied the City of Little Rock the right to exercise eminent domain for economic development purposes, establishing a clear and protective precedent that remains controlling law today.

5. **Will this raise taxes or burden citizens?**

An IDA has no taxing authority under its enabling legislation, Act 576, and cannot raise property, sales, or income taxes. The statute authorizes the issuance of revenue bonds but does not grant the power to levy ad valorem taxes, sales taxes, or special assessments. Industrial Revenue Bonds (IRBs) issued in Arkansas are governed principally by **Ark. Code Ann. §§ 14-164-201 to -224 (Act 9 of 1960)** and are authorized pursuant to **Ark. Const. amend. 62**. Under **Ark. Code Ann. § 14-164-217**, bonds issued for industrial development:

- Are **not general obligations** of the issuing municipality, county, or authority

- Do **not constitute indebtedness** within the meaning of constitutional debt limitations; and
- Are payable solely from revenues derived from the financed project (e.g., lease payments, loan repayments, or other pledged project revenues).
- Unless a tax is expressly pledged and approved by voters under amendment 62 to the Arkansas Constitution, no taxing power is implicated in bond repayment.
- In the event of project default, bondholders' remedies are limited to the pledged revenues and collateral associated with the project. There is no statutory mechanism requiring counties or cities to appropriate general funds or levy taxes to satisfy repayment.
- Accordingly, formation of the IDA does not, by itself, raise taxes, create general obligation debt, or impose financial liability on citizens. Financing structures are revenue-backed and project-secured, consistent with Arkansas constitutional and statutory law.

6. How does an IDA differ from giving incentives?

An IDA does not provide giveaways but does use PILOT agreements when appropriate. A PILOT cannot exceed 65%; full abatement is not possible. It uses financing tools such as IRBs to lower project costs without drawing from county budgets or relying on county credit.

7. How does Payment in Lieu of Taxes (PILOT) agreements work?

A PILOT phases in property tax payments to ease company costs while guaranteeing revenue to local governments.

8. How do IRBs differ from municipal bonds?

Municipal bonds rely on taxpayers and county credit. IRBs rely on company revenues. Counties bear no liability but gain the economic benefits.

<h2 style="margin: 0;">Putting the Economic Impact in Real-World Terms</h2>

It may be helpful to ground this discussion in something concrete, using the same cost-based approach the Benton County assessor's office applies when evaluating new construction.

Property Tax Impact Using the County Assessor's Method

Over time, and not all at once, companies are expected to construct approximately 7.5 million square feet of new, taxable facilities.

Using the same valuation method the Benton County Assessor applies today; this level of development could look like this at full build-out depending on whether the scenario is selling land or leasing land:

- Estimated market total value of new buildings: \$2.625 billion.
- Assessed value (20% of market value): approximately \$525 million.
- Estimated new* annual county property tax revenue at full build-out: \$32,917,500 per year. * *Such does not exist today.*

Independent Third-Party Economic Impact Analysis

In addition to property tax impacts, the Northwest Arkansas Council commissioned an independent, third-party economic impact analysis to better understand how this type of long-term, higher-quality development affects the broader regional economy.

The analysis focused specifically on advanced manufacturing and technology projects, not warehouse or distribution uses, and evaluated employment, wages, business spending, and recurring household spending over a 20-year period.

Over that period, the independent analysis estimates that projects could support approximately:

- 19,787 new jobs across the region
- Average annual earnings of approximately \$103,000 per job, plus benefits
- More than \$2.0 billion in annual earnings once development is mature.
- Over \$40 billion in total earnings paid to workers over 20 years.
- Approximately \$300 billion in total economic output over 20 years, including:
 - Direct company operations and spending,
 - Supply-chain and vendor activities,
 - Employee and household spending in local communities.

These impacts build gradually over time, alongside development. They are not instantaneous, and they depend on market conditions and project timing.

Why This Matters for Families and Communities

In 2000, nearly **37% of all jobs in Northwest Arkansas** were in skilled occupations, including production, construction, installation and repair, and transportation. Today, that number has dropped to **about 26%**.

At the same time, jobs requiring a four-year degree have nearly doubled their share of the regional economy.

That growth is good news. It reflects the success of companies like Walmart, Tyson Foods, and J.B. Hunt Transport Services and the expansion of professional careers across the region.

But it also means something important: **The pathway to the middle class has narrowed for people without a college degree.**

In 2000, more than 1 in 3 jobs were accessible to someone with a high school diploma and on-the-job training. Today, it's closer to 1 in 4.

For many families, that means fewer options that provide:

- Stable wages
- Good benefits
- Clear career ladders
- The ability to earn while learning

Not everyone is suited for college. Not everyone wants to take on student debt. And not every successful career requires a four-year degree.

But **everyone deserves the opportunity to achieve a middle-class life.** A forward thinking and acting Industrial Development Authority helps address this challenge by preparing large, job-ready industrial sites that can attract employers who offer:

- Production and advanced manufacturing jobs
- Installation and maintenance careers
- Skilled trades and construction work
- Transportation and logistics opportunities

These positions often pay **\$40,000–\$70,000+ annually with benefits**, provide advancement opportunities, and reward skill, reliability, and work ethic. They create real economic mobility for:

- People who learn best by doing
- Workers who want to earn while they train
- New residents building economic stability
- Workers seeking a fresh start and new opportunities
- Families seeking stability without long-term debt

This isn't about choosing college over trades. It's about making sure Northwest Arkansas works for everyone.

For Communities: Why It Matters

Northwest Arkansas has become one of the most prosperous regions in the country.

But prosperity should not depend on a diploma alone. By bringing more **industrial land online throughout the area**, communities can:

- Diversify the job base
- Increase local wage growth
- Expand the property tax base
- Provide long-term employment stability

Prepared industrial sites don't just attract companies. They create balanced economies.

A healthy local and regional economy needs:

- Corporate headquarters
- Entrepreneurs
- Engineers and scientists
- And skilled workers who build, operate, maintain, and move products

An IDA, when strategically used, ensures that when existing or new industry considers Northwest Arkansas, communities are ready not just for high-degree jobs, but for high-skill, middle-class careers.