

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.

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 designed to pursue high-quality economic development that expands the tax base, creates better-paying jobs, and opens more career pathways for working families.

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 measured in decades and designed to prepare sites responsibly and strengthen the region's economic foundation over time.**

Functions and Role

IDAs identify and prepare sites, making them 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 processes. The authority works collaboratively with the city and county planning departments of the municipalities that authorize its creation. 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.

How an IDA Works

An IDA is a planning and financing tool authorized by state law to support economic development, not an expansion of government or taxation. Rather, the purpose of an IDA is to increase the real estate tax base for the benefit of the municipality and its residents.

An Industrial Development Authority:

- Is **not** a taxing authority.
- **Cannot** raise property, sales, or income taxes.
- Does **not** replace city or county government.

- Does **not** control zoning or land-use decisions.
- Does **not** guarantee incentives or tax breaks.
- Works within existing planning and zoning processes.

Preservation of Local Authority

An IDA operates under the full authority of the elected officials who created it. All land-use decisions, zoning approvals, and permitting remain with the city council or quorum court that authorized it.

Any PILOT agreement must be negotiated and approved by those same elected officials in a public meeting. School districts receive written notice before any vote. Nothing is finalized without elected representatives at the table.

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 authorizing city or county has 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. Must an IDA participate in and comply with a city or county's established planning and zoning regulations and processes?

Yes. Arkansas law establishes the authority for municipalities and counties to regulate all real estate development through planning and zoning under Title 14 of the Arkansas Code. An IDA is subject to those same requirements.

5. 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 a city, county or 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, which includes elected circuit court judges 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.

6. Does the use of industrial revenue bonds 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 since 1960 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 a municipality or county.
- 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.

7. What is a PILOT agreement and how do they differ from tax incentives?

A payment in lieu of taxes (PILOT) is a structured, locally controlled agreement that ensures communities receive tax revenue from industrial development projects. When a private company leases or purchases property held by a public entity as part of an industrial development project, Arkansas law encourages PILOT agreements to ensure taxes are not foregone entirely.

Under Arkansas Code § 14-164-704, total payments over the initial term must equal at least 35% of what property taxes would have been if the property were fully taxable. The 35% threshold is a floor, not a ceiling. Agreements are fully negotiable and often structured at significantly higher levels, sometimes approaching full tax equivalency over time.

Each agreement is tailored to the specific project and can include phased or step-up payment structures and performance-based provisions. In many cases, a structured PILOT generates substantial new revenue for the community.

An IDA cannot unilaterally approve a PILOT agreement. Under Arkansas Code § 14-164-701, the final determination rests with the city council or quorum court, in a public meeting, on the record. School districts receive written notice before any vote.

8. What is the process for negotiating and approving a PILOT agreement?

Negotiating a **payment in lieu of taxes (PILOT)** is a structured, locally controlled process that aligns a project's economic benefits with community priorities. While each agreement is tailored to the specific project, the process generally follows these steps:

Project Identification and Initial Request

- A company submits a proposal outlining capital investment, job creation, facility type, and timeline.

Financial Analysis

- Local stakeholders evaluate estimated property taxes, current land value and broader economic impact including jobs, payroll, and supply chain activity.

Deal Structuring

- An initial framework is developed including payment level, term length, and payment structure, at or above statutory minimums under Arkansas Code § 14-164-704.

Negotiation

- The company and local representatives negotiate payment percentage, term, performance expectations, and compliance provisions.
- Each agreement is customized.

Notice and Transparency

- School districts and other taxing entities receive written notice at least 10 days prior to final approval and are often consulted in advance.

Public Approval:

- The agreement is approved by the city council, quorum court, or both in a public meeting subject to Arkansas open-meetings laws.
- The final determination rests with elected officials.

Ongoing Administration:

- Payments are made per the agreement.
- Performance is monitored.
- Provisions are enforced as needed.

Putting the Economic Impact in Real-World Terms

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 Benton County Assessor's current valuation method, this level of development would look like this at full build-out, depending on whether land is sold or leased:

- 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: \$32,287,500 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**. An IDA 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.