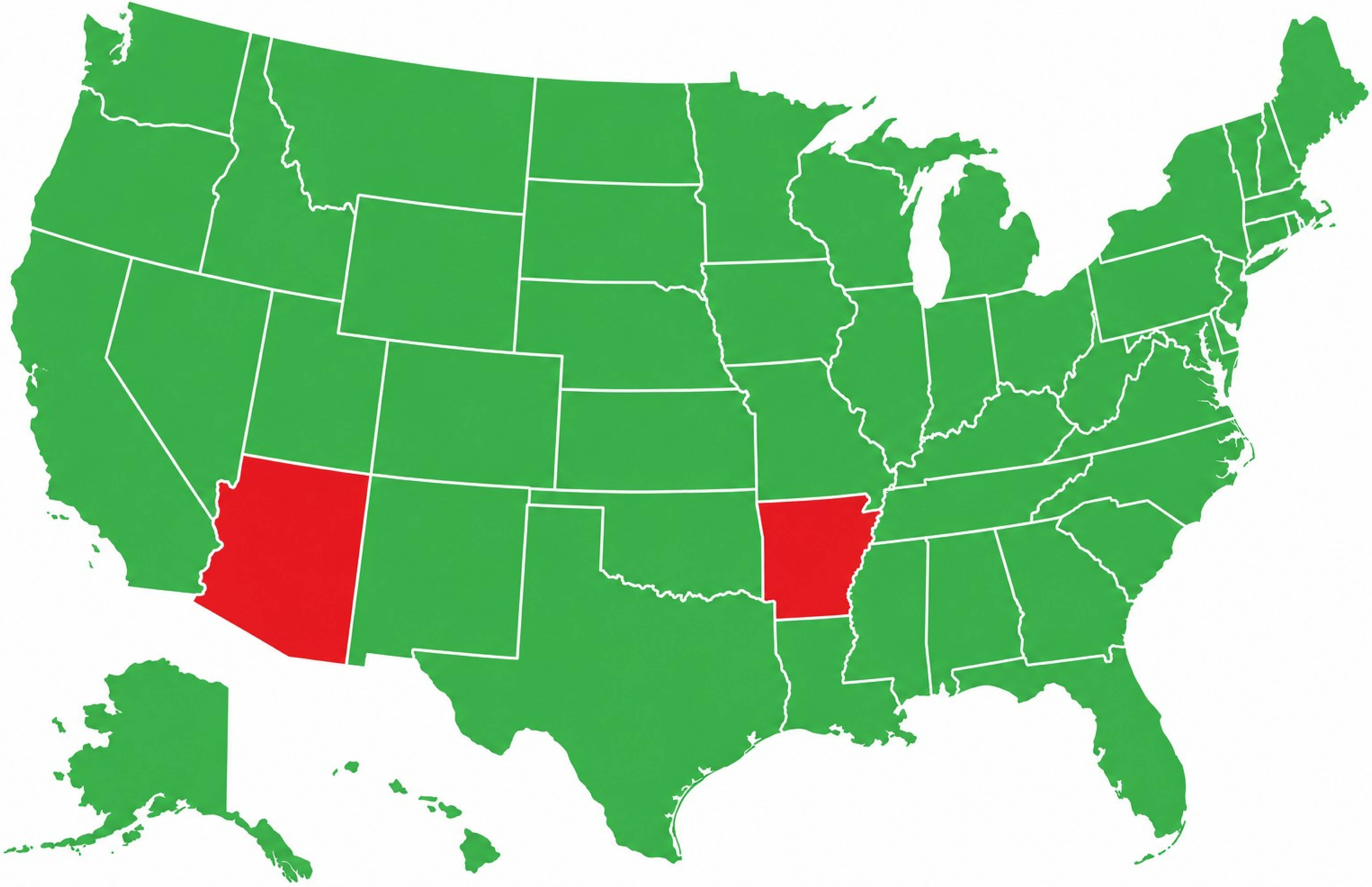
ISSUE 3

Allowing for the Creation of Economic Development Districts in Arkansas

May 2026

YES ON 3



Economic Development Tools today

WHAT'S THE BOTTOM LINE?

- Issue 3 **DOES NOT** raise taxes; **DOES NOT** impact existing revenues in communities.

- Issue 3 **GIVES LOCAL CONTROL** to communities to make their own decisions about incentivizing development they need.

- Issue 3 gives Arkansas the tools to put in our economic development toolbox. **48 STATES** are already using these tools today.

- Issue 3 **LEVELS** the playing field with all our surrounding states.

- These tools **ARE NOT ONE-SIZE-FITS-ALL** by design. Different tools may be leveraged in different areas to help meet a community's specific goals, whether it's town square revitalization, housing, food insecurity or infrastructure needs.

ARKANSAS IS BEHIND. ISSUE 3 MAKES US COMPETITIVE.

CURRENT ECONOMIC DEVELOPMENT LANDSCAPE IN ARKANSAS

Limited application of tax credit incentives

In Arkansas today, there are few widely used economic development tools used to incentivize new development.

INCOME TAX INCENTIVES

1

TAX CREDITS FOR INVESTMENT AND JOB CREATION

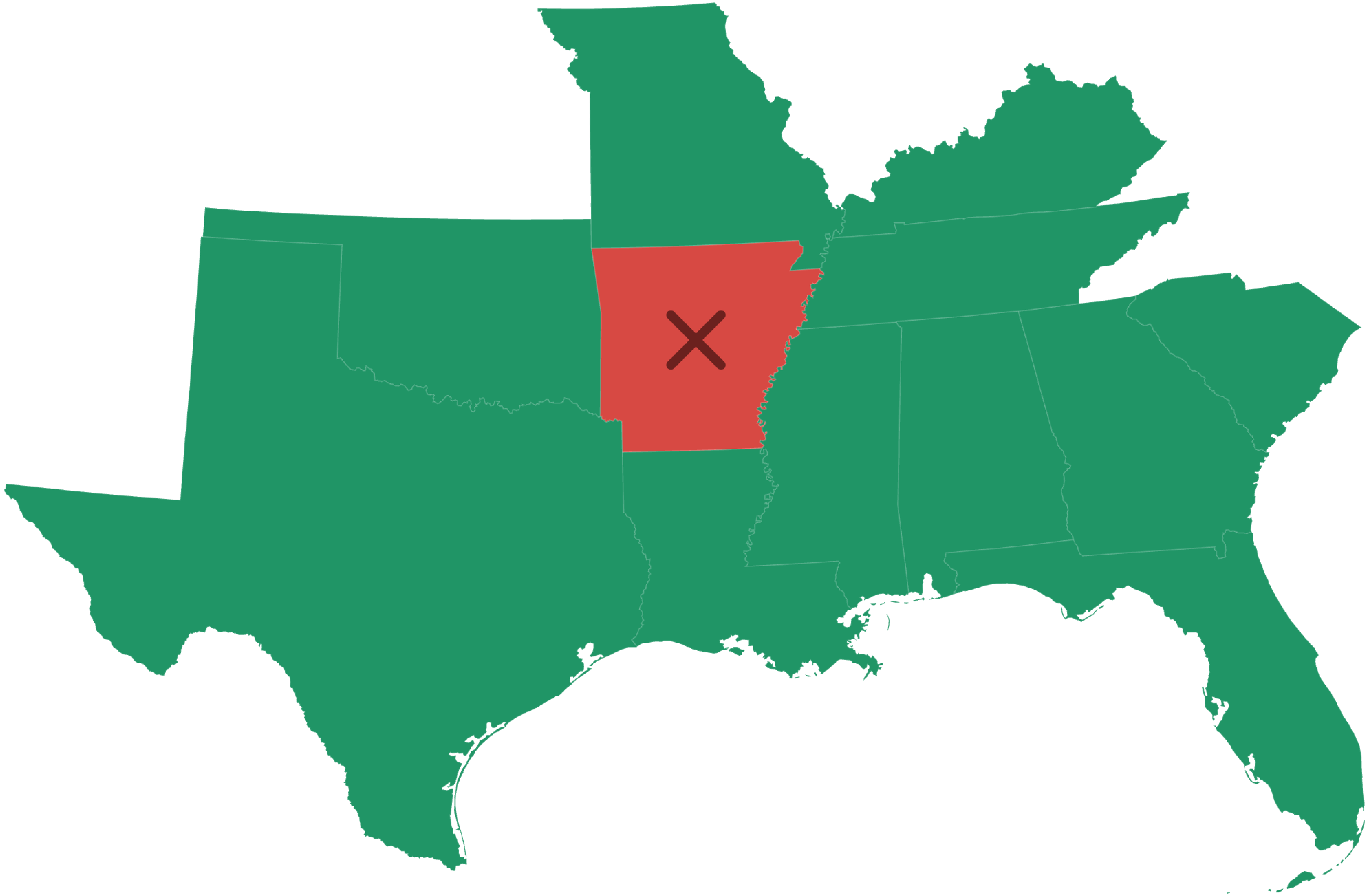
Various tax credits are available at the discretion of the Executive Director of the Arkansas Economic Development Commission **only for businesses in manufacturing, emerging technology or corporate headquarters.**

2

TAX CREDITS FOR HISTORIC PRESERVATION

The Arkansas Historic Tax Credit program incentivizes the rehabilitation of historic structures.

Source: AR Heritage, Arkansas Economic Development Commission, SB Friedman



Imagine a scenario where Arkansas decides not to participate in NIL, but every other SEC school does…

NEW ARKANSAS TOOLKIT

Property Tax (TIF)

- **Abate/rebate**
- **Bond against future new revenue generated by project**
  - **Bond held by developer/owner, not community.**

Sales Tax (STAR Bonds)

- **Abate/rebate**
- **Bond against future new revenue**
  - **Bond held by developer/owner, not community**

Texas Comptroller Website link

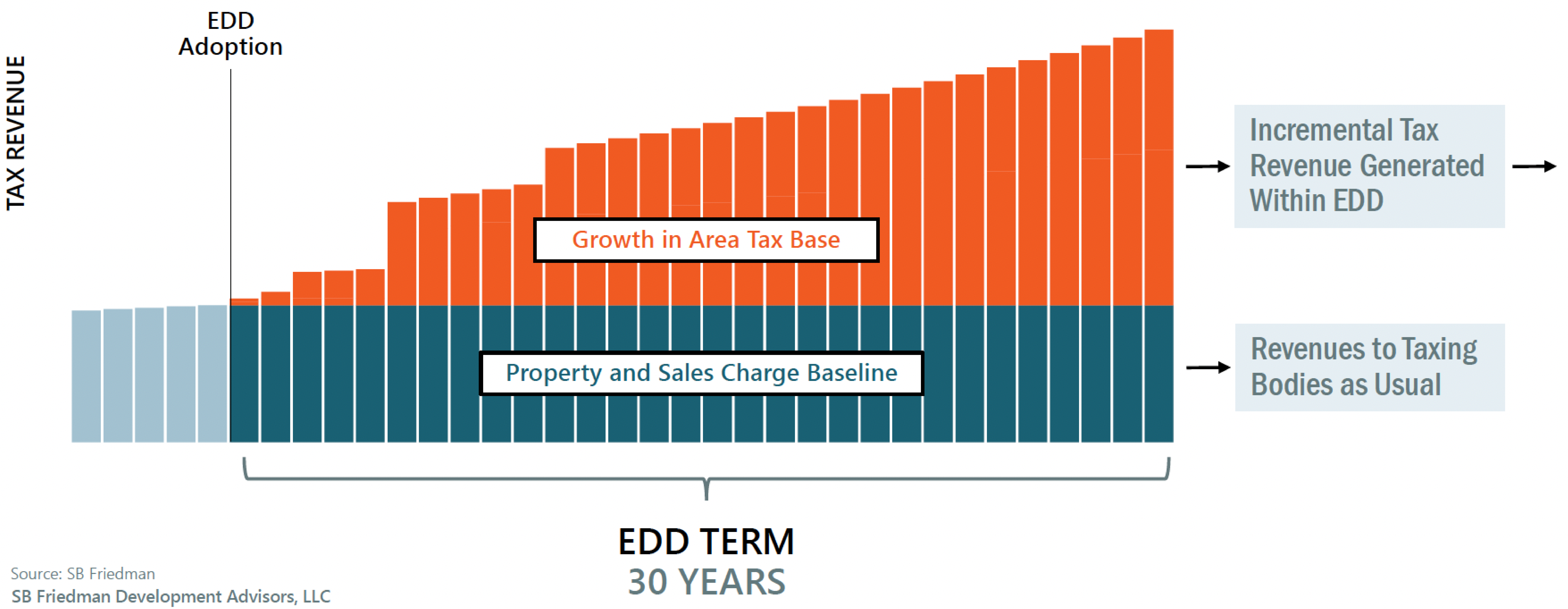
Texas 380 style Agreement

- **Works as a rebate. Zero risk to the community. Incentive only paid when new revenue generated**
- **Developer fronts the money**
- **Dollar amount negotiated on the front end. Once repaid, incentive is over**

THE TAX BASE WITHIN THE EDD GROWS

Incremental revenues fund EDD investments; baseline tax revenues continue to taxing bodies

The difference between tax base growth and the property and sales charge baseline is incremental tax revenue. These annual revenues fund EDD investments throughout the life of the district.



UP TO

100%

of city, county and state property tax increment + city and county sales tax increment available for reinvestment — remaining value retained by taxing bodies

Source: SB Friedman

SB Friedman Development Advisors, LLC

CREATING A DISTRICT

City or County (or both) Pass a Charter

- City Council AND/OR Quorum Court can create district
  - EDD Board Members appointed by Mayor/County Judge

- City Council OR Quorum Court Can create by themselves
  - Sales tax limited to the entity that creates it

- Multiple Cities/Counties *MAY* jointly create cooperative districts
- A city/county can have multiple districts
- Districts do not have to be contiguous

Anticipated types of Districts

- City led - City wants to target an area for development - i.e. Downtown, town square or industrial park
- Developer led - i.e. Bucee's, Academy Sports, Dollar General

SAFEGUARDS

- Optional, communities not required to establish EDD
- Subject to FOIA, open meetings and public disclosure
- Regular reporting required
- Eminent Domain is prohibited under Issue 3
- All decisions made locally. No requirement to get approval from state
- Local Community has the power to determine who receives incentive

IF ISSUE 3 PASSES IN NOVEMBER

Timeline

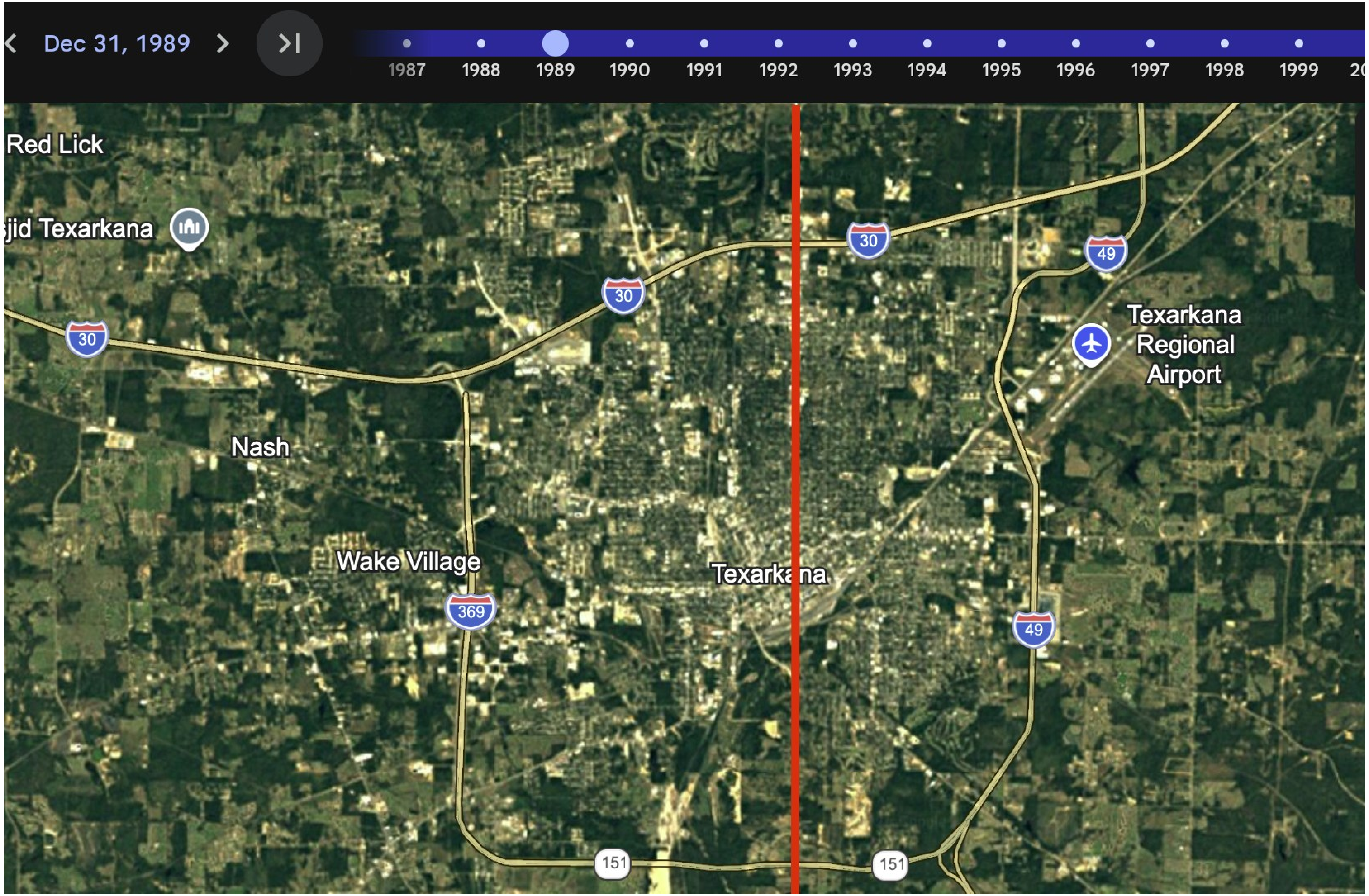
- Enabling legislation will have to be passed by General Assembly in January of 2027
  - Legislature will have to establish framework
- Once it goes into effect, EDD's could start being set up summer of 2027

Assistance for District Creation

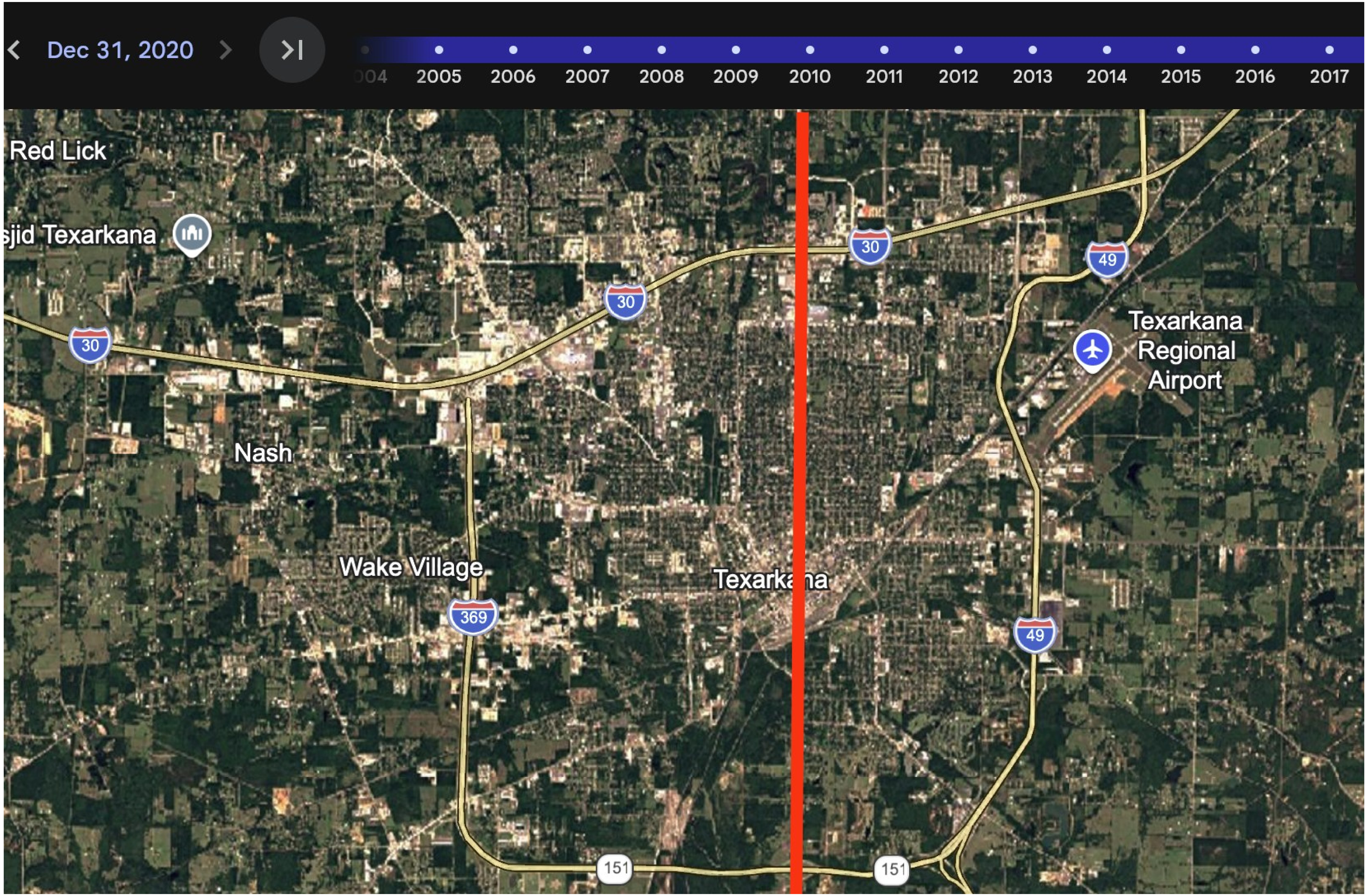
- 2% Turnback from each EDD to go to AEDC
- Arkansas Municipal League and Arkansas Association of Counties anticipating creating new divisions to provide help
- As seen in other states, law firms and consultants will be available to help local communities and developers

Issue 3 Ballot Amendment SJR 15

Enabling Legislation SB647



Texarkana-1989



Texarkana-2020

Public Contribution:

• 100% of the 1.5% City local sales and use tax collected on gross taxable sales exceeding $12,000,000 annually at the new restaurant up to $50,000 per year during Years 1-2 and $75,000 per year during Years 3-10 up to $600,000 total.

Developer Obligations:

• New restaurant constructed and operational within 12 months of Building Permit issuance.
• Must permanently close prior Abilene Chick-fil-A within 6 months of opening new site.

Recapture/ Default:

• Incentive payments triggered only if annual gross taxable sales exceed $12,000,000.
• Failure to construct or close prior location triggers repayment of incentive payments already received.

PILOT POINT, TEXAS | BRYSON RANCH

Master-planned residential development backed by future ad valorem tax increment

DATE: Apr. 10, 2025

LOCATION: Reinvestment Zone No. 5, Pilot Point, Texas

Project Overview: Large-scale master-planned residential development. The agreement uses a share of the City's future ad valorem tax increment to help support a phased build-out of major site infrastructure in a designated reinvestment zone.

PUBLIC CONTRIBUTION

- City may terminate the agreement if the developer is in default beyond applicable cure periods
- Rebate of 50% of the City's collected ad valorem tax increment
- Maximum public reimbursement of up to $200,000,000

DEVELOPER OBLIGATIONS

- Construct water, sewer, and roadway infrastructure on a phased basis
- Deliver approximately 3,100 single-family lots
- Deliver approximately 1,680 multi-family dwelling units

RECAPTURE / DEFAULT

- City may terminate the agreement if the developer is in default beyond applicable cure periods

H-E-B Buda, TX --How the Incentive Structure Works

1. Developer Invests $70M+ → 2. Project Creates Jobs & Tax Base → 3. City Collects New Taxes → 4. City Shares Portion Back

Maximum Incentive

- City Sales Tax: $9.8M
- ESD #8 Sales Tax: $4.0M
- Property Tax: $2.3M
- TOTAL: $16.1M

Key Safeguards

✓ Paid over 30 years after Certificate of Occupancy
✓ Cannot exceed 2/3 of remediation costs
✓ No upfront grant or subsidy
✓ Only new tax revenue is shared

Public Gets vs. Developer Gets

Public Gets

- $70M+ private investment
- New 100,000 SF grocery store
- 50 new full-time jobs
- Redevelopment of former H-E-B center*
- Increased property tax base
- Increased sales tax collections
- Public art & site improvements

Developer Gets

- Up to $16.1M in earned reimbursements
- 100% of incremental city property tax
- 60% of incremental city sales tax
- ESD #8 sales tax participation
- Payments only after taxes are generated
- 30-year reimbursement period

***Redevelop existing site**

Renovate former H-E-B center
Lease 60% within 18 months
50% of tenants generate sales tax

BOTTOM LINE: Public incentives are earned only after the developer creates investment, jobs, and new tax revenue.

CASE STUDY: MAGNOLIA

Addressing food deserts

11,000 residents

5,600 jobs

Source: American Community Survey (2023), United States Census Longitudinal Employer Household Dynamics (2022)

CATALYTIC COMMERCIAL OPPORTUNITY

Vacant 4.4-acre site on Main St could potentially support over 20,000 SF of new development

EXISTING SITE

4.4 Acres
Vacant, City-Owned

Assessed Value: $0
Annual Sales: $0

POTENTIAL DEVELOPMENT BY 2028

4,300 SF
Fast-Food Restaurant

Estimated Assessed Value[1]: $219K
Estimated Annual Sales: $5.2M

18,400 SF
Grocery Store

Estimated Assessed Value: $375K
Estimated Annual Sales: $12.1M

Millage Rate: 45
City Sales Tax Rate: 2.25%
County Sales Tax Rate: 1.5%

[1] All estimated assessed and sales values are in 2028 dollars; the year the Project is fully constructed and operational.
Source: City of Magnolia, Columbia County Assessor, CoStar, Google Earth, Placer.ai, SB Friedman

HYPOTHETICAL INCENTIVE STRUCTURE

EDD could generate sufficient revenues to support Project's financial gap within a 4-year period

The Project is estimated to cost nearly **$9 million** in total development costs (TDC). Without sufficient returns modeled in the Project's pro forma, the Project would not be financially feasible without public assistance.

The City of Magnolia, in partnership with Columbia County, could agree to fund **$2.25 million,** or 25% of TDC, to cover the Project's financial gap and pledge EDD revenues towards attracting a grocer and restaurant.

The EDD is projected to generate sufficient funds from the sales charge alone to support a 25% financial gap within a 4-year period after the year of establishment. The EDD could be structured to expire once sufficient revenues are generated and return tax revenue collections to underlying taxing districts. This would increase future revenues for taxing districts and result in new commercial amenities for residents.

$9M Estimated Total Development Costs (TDC)

$2.25M Potential Incentive is 25% of TDC[1]

GENERATION OF REVENUES FROM A NEW EDD AT THE SITE

YEAR	PROPERTY CHARGE REVENUE	SALES CHARGE REVENUE
2027	*EDD ESTABLISHMENT YEAR*	
2028	$0 [1]	$476,520
2029	$26,365	$651,625
2030	$27,030	$667,916
2031	$27,030	$684,614
TOTAL COLLECTIONS	**$80,426**	**$2,480,674**

[1] Estimate of incentive is for illustrative purposes only and could vary based on a full review of the Project's pro forma and changes in Project assumptions. All revenues are undiscounted and do not factor in debt service coverage.
Source: City of Magnolia, Columbia County Assessor, CoStar, Placer.ai, SB Friedman

REVENUE GENERATION TO SUPPORT DEVELOPMENT

Redevelopment generates up to $27.3 M in EDD revenues, 97% of which is from sales charges

Once the EDD is established, new development begins to generate property and sales charge revenues. A portion of these revenues can be used to provide gap financing for the developments themselves. This can occur as a reimbursement on a pay-as-you-go basis or can be repaid as a bond issued beforehand.

[1] Given that the property was previously exempt, the baseline property charge is $0.

Source: City of Magnolia, Columbia County Assessor, CoStar, Placer.ai, SB Friedman

SB Friedman Development Advisors, LLC

CASE STUDY: LESLIE

Addressing food deserts

375 residents

80 jobs

Source: City of Leslie, LEHD (2023), SB Friedman, US Census (2020)

ATTRACTING A GROCERY STORE

Vacant 7.3-acre site on US-65 could support a Dollar General Market

EXISTING SITE

7.3 Acres
Assessed Value: $270[1]
Annual Sales: $0

POTENTIAL DEVELOPMENT BY 2029

9,100 SF
Dollar General Market

Estimated Assessed Value[2]: $143K
Estimated Annual Sales: $2.1M

Millage Rate: 49.5
City Sales Tax Rate: 1.0%
County Sales Tax Rate: 1.5%

[1] 2024 Assessed Value of 7.3-acre site.
[2] All estimated assessed and sales values are in 2029 dollars; the year the Project is fully constructed and operational.
Source: City of Leslie, CoStar, Google Earth, Placer.ai, SB Friedman, Searcy County Assessor

CASE STUDY

HYPOTHETICAL INCENTIVE STRUCTURE

An EDD could generate $500K+ in 10 years and fund 35% of total development costs

The Dollar General Project is estimated to cost nearly **$1.3 million** in total development costs (TDC).

The EDD is projected to generate more than **$500,000** over 10 years from property and sales charges associated with the Dollar General. With these revenues, the City of Leslie, in partnership with Searcy County, could agree to fund over 35% of the Project's TDC. This could help incentivize the attraction of a grocery store in Leslie.

$1.3M Estimated Total Development Costs (TDC)

$500K Potential Incentive is 35% of TDC[1]

Revenues generated by the Project after year 10 could be used to incentivize additional investment on the 7.3-acre site. Revenues generated by additional development could support site-wide improvements or public infrastructure improvements on adjacent roadways like US-65.

GENERATION OF REVENUES FROM A NEW EDD AT THE SITE

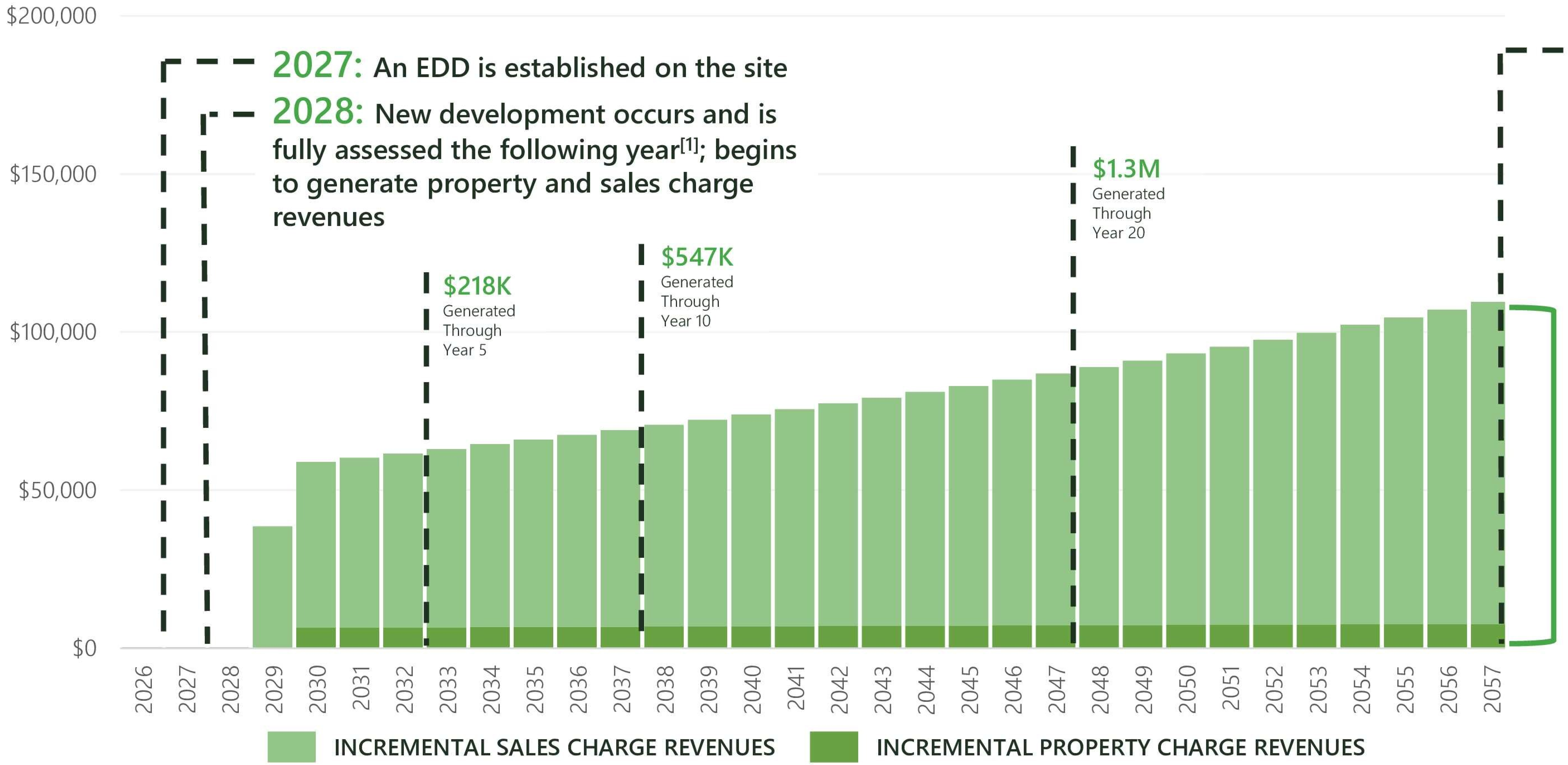
YEAR	PROPERTY CHARGE REVENUE	SALES CHARGE REVENUE
2027	*EDD ESTABLISHMENT YEAR*	
2028	$0 [1]	$0
2029	$0	$38,275
2030	$6,340	$52,339
2031	$6,340	$53,648
2032	$6,340	$54,989
2033	$6,340	$56,364
2034	$6,499	$57,773
2035	$6,499	$59,217
2036	$6,499	$60,698
2037	$6,499	$62,215
TOTAL COLLECTIONS	**$51,355**	**$495,517**

[1] Estimate of incentive is for illustrative purposes only and could vary based on a full review of the Project's pro forma and changes in Project assumptions. All revenues are undiscounted and do not factor in debt service coverage.
Source: City of Leslie, CoStar, Placer.ai, SB Friedman, Searcy County Assessor

REVENUE GENERATION TO SUPPORT DEVELOPMENT

Sufficient revenues generated through year 10, though EDD could generate $2.3M over 30 years

Once the EDD is established, new development begins to generate property and sales charge revenues. After 10 years, the EDD is projected to generate more than $500,000 in property and sales charges associated with the Dollar General. Over the full life of the EDD, however, up to $2.3M in revenues could be generated. These additional revenues could be used to incentivize additional development, which Could generate even more revenues over time, or fund improvements to the site or adjacent roadways.



$76,000

in average annual revenues over 30 years

[1] The base property charge is $270 and therefore not easily visible on the chart.

Source: City of Leslie, CoStar, Placer.ai, SB Friedman, Searcy County Assessor

SB Friedman Development Advisors, LLC

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JOIN THE EFFORT

Request a meeting: becky@campbellward.com

Sign up for email list: info@yeson3.vote

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