

## Industrial Park Act

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Dear Reader:

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We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with municipal government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other MTAS website material.

Sincerely,

The University of Tennessee  
Municipal Technical Advisory Service  
1610 University Avenue  
Knoxville, TN 37921-6741  
865-974-0411 phone  
865-974-0423 fax  
[www.mtas.tennessee.edu](http://www.mtas.tennessee.edu)

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## Industrial Park Act

**Reference Number:** MTAS-280

The Industrial Park Act permits cities to build industrial parks and related economic development facilities through the issuance of bonds without the bond issuance being approved by a three-fourths majority vote in a referendum. Pledging the full faith and credit of the city requires a referendum. But with state approval, a city council may act on its own to issue bonds pledging fees, rents, tolls, and other charges connected with an industrial park. T.C.A. § 13-16-203(2).

The city still is required to obtain a certificate of public purpose and necessity, but the building finance committee's role is expanded. The committee has to determine that "the project is well conceived and has a reasonable prospect of success," "there is a good probability that the project will be self-sustaining," "the project will tend to provide proper economic development . . . and encourage industry to locate there" and the total indebtedness will not exceed 10 percent of the assessed value of the property in the community. In making the "self-sustaining" determination, the committee counts not only revenues from selling and leasing land in the park, but also utility revenues, increased ad valorem taxes, and other tax revenues resulting directly from the industrial park.

If the committee approves the project, then the city may secure its bonds with pledges of proceeds from sales of municipal property, any or all utility revenues, any or all tax revenues, and any other revenues from fees, rents, and charges. The committee has to approve both the amount of bonds issued and the security pledged.

The city may use eminent domain to acquire industrial park property, but only for a "public use" as the term is defined in T.C.A. § 29-17-102, and the must obtain a certificate of public purpose and necessity from the Department of Economic and Community Development, even if no money is borrowed for the purchase. It may develop and operate an industrial park itself or turn the responsibility over to an organization, such as an industrial development corporation. It may join with other local governments to develop and operate its industrial parks. T.C.A. §§ 13-16-201–207.

A municipality also may issue bonds for construction of a business park as long as the development is larger than five acres, the bonded indebtedness will not exceed 10 percent of the assessed value of the property in the community, and the project is well conceived, has a reasonable prospect of success, will provide economic development and employment will encourage businesses to locate there and will not become a burden to the taxpayers. The procedure for issuing such bonds is the same as that for an industrial park. T.C.A. § 9-21-105 (21)(B)(i), T.C.A. § 9-21-402(B).

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