



Industrial Building Bond Act

Dear Reader:

The following document was created from the MTAS website ([mtas.tennessee.edu](https://www.mtas.tennessee.edu)). This website is maintained daily by MTAS staff and seeks to represent the most current information regarding issues relative to Tennessee municipal government.

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,

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Industrial Building Bond Act

Reference Number: MTAS-277

The Industrial Building Bond Act is highly restrictive. Cities may issue bonds and construct industrial buildings under this Act, but the bonds must be approved by a three-fourths affirmative vote in a referendum. T.C.A. § 7-55-107.

The building may be up to 10 miles from the city limits. The bonds may be secured only by rentals from the building, or the city may additionally pledge its full faith and credit.

To proceed with the project, the city must get a certificate of public purpose and necessity from the building finance committee in the Industrial Development Division of the Department of Economic and Community Development. The committee is empowered not only to issue the certificate but also to determine:

- the amount of bonds to be issued;
- the property to be acquired and acquisition terms;
- the expenditures that may be made in constructing and equipping the building; and
- the method of lease, rental and operation of the building.

As a condition of the certificate being issued, the committee must require the maximum economically feasible use of solar heating systems and solar water heaters and that the lessee of the building agree to make payments in lieu of taxes in amounts equivalent to the ad valorem property taxes that would have been levied on the building if it were owned by the lessee and subject to property taxation. If the city's governing body refuses to follow all the committee's requirements, then any member of the governing body voting for the refusal is personally liable for any loss the city sustains. T.C.A. §§ 7-55-105–106.

DISCLAIMER: The letters and publications written by the MTAS consultants were written based upon the law at the time and/or a specific sets of facts. The laws referenced in the letters and publications may have changed and/or the technical advice provided may not be applicable to your city or circumstances. Always consult with your city attorney or an MTAS consultant before taking any action based on information contained in this website.

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