

**FULL FAITH AND CREDIT  
GENERAL OBLIGATION LEASE CONTRACT**

**between**

**THE CITY OF BUCHANAN BUILDING AUTHORITY**

**and**

**THE CITY OF BUCHANAN**

**for**

**CITY DPW FACILITIES**

Dated: \_\_\_\_\_, 2022

**FULL FAITH AND CREDIT  
GENERAL OBLIGATION LEASE CONTRACT**

City DPW Facilities

This Full Faith and Credit General Obligation Lease Contract is made as of \_\_\_\_\_, 2022 (the “Lease Contract”), between the City of Buchanan Building Authority, a public corporation organized and existing under the authority of Act 31, Public Acts of Michigan, 1948 (First Extra Session), as amended, (the “Authority”) and the City of Buchanan, Berrien County, Michigan, a Michigan municipal corporation organized and existing under the Constitution and laws of the State of Michigan, (the “City”):

RECITALS

1. The Authority has been incorporated by the City under and pursuant to the provisions of Act 31 of the Public Acts of Michigan, 1948 (First Extra Session), as amended (the “Act”), for the purpose of providing, acquiring, furnishing, equipping, owning, improving, enlarging, operating and/or maintaining a building or buildings, automobile parking lots or structures, recreational facilities, stadiums, and the necessary site or sites therefor, together with the appurtenant properties and facilities necessary or convenient for the effective use thereof, for any legitimate public purpose of the City, and as otherwise authorized by the Act.

2. The City desires to design, acquire, and construct new department of public works facilities and purchase and install furnishings and equipment, together with parking, site improvements, detention ponds for water management and flood plain mitigation, and appurtenant properties and facilities necessary or convenient for the effective use thereof (which buildings, furnishings, equipment, its site and other properties are together the “Facilities”), and the Authority is willing to provide, acquire, improve and equip the Facilities and lease the same to the City.

3. If this Lease Contract were not executed between these parties, the City would need to acquire the Facilities in the foreseeable future from other sources in order to provide necessary facilities for public services, at a cost to the City more than the annual rental required to be paid under this Lease Contract.

4. The Site for the Facilities (the “Site”) is a parcel of land in the City described in the attached Exhibit A, and the Authority will erect improvements, remodel, expand, furnish and equip the Facilities on the Site.

5. The total cost of the Facilities and improvements to the Facilities is estimated not to exceed \$5,570,000, which sum will include the architects' fees and financing fees and costs, the cost of acquisition of the Facilities and contingencies.

6. The estimated period of usefulness of the Facilities is determined to be in excess of 30 years.

7. The cost of the Facilities is to be provided by the Authority by authorizing the issuance of its Building Authority Bonds in the principal amount of not to exceed \$5,570,000 (the "Building Authority Bonds") pursuant to the provisions of the Act.

8. As a prerequisite to the authorization and issuance of the Building Authority Bonds, it is necessary for the parties to enter into a lease contract whereby the Authority will lease to the City and the City will lease from the Authority the Facilities for a period extending beyond the last maturity date of the Building Authority Bonds.

### TERMS AND CONDITIONS

NOW, THEREFORE, in exchange for the consideration in and referred to by this Lease Contract, the parties agree as follows:

1. FACILITIES: The Authority, as soon as practicable after the execution and delivery of this Lease Contract, shall cause plans and specifications to be prepared for the Facilities acceptable to the City Commission of the City. Following the preparation of the plans and specifications, the Authority shall cause to be prepared contracts for the construction and renovation of the Facilities which are acceptable to the City Commission of the City. After the City Commission's approval of the plans and specifications of the Facilities and after issuance of the Building Authority Bonds, the Authority shall be cause the Facilities to be constructed and completed in accordance with the plans and specifications.

2. LEASE TERM: In consideration of the rentals and other terms and conditions herein specified, the Authority leases to the City, and the City leases from the Authority the Facilities to be acquired, TO HAVE AND TO HOLD for a term commencing on the effective date of this Lease Contract and ending on the date that the principal of and interest on all Building Authority Bonds have been paid in full.

3. LEASE PAYMENTS: The City shall pay semiannual cash rental payments to the Authority in an amount sufficient to pay, when due, both the principal of and the interest on the Building Authority Bonds. The cash rental payments shall be paid by the City to the Authority on \_\_\_\_\_ 1 and \_\_\_\_\_ 1 of each year in an amount sufficient to pay the annual principal payments on the Building Authority Bonds in the total authorized principal sum of not to exceed \$5,570,000 amortized over a period not exceeding 30 years, plus semiannual interest at a maximum net interest rate of 6% per annum. If the amount of principal or interest on the Building Authority Bonds when sold is less than that stated above, this paragraph shall be deemed amended to require payment of principal and actual interest necessary for the debt service requirements of the Building Authority Bonds.

If an increase in the semiannual cash rental payments is necessary in order to provide adequate funds for the Authority to meet its debt service requirements on the Building Authority Bonds issued and outstanding, the City covenants and agrees to pay the increased annual rental. The City agrees that the cash rental provided in this Lease Contract does not to exceed fair and reasonable compensation for the Facilities.

The City may, in its sole discretion, in any semiannual period, pay in advance any portion of its rental in excess of the semiannual requirement, in which event the Authority shall

credit the City with advance payment of the next succeeding annual requirements to the extent of such excess payments.

The City, in connection with a redemption or defeasance of the Building Authority Bonds, may pay in advance its obligations required to be paid by this Lease Contract, in which event the Authority shall credit the City with advance payment on future-due payments to the extent of such advance payment. The City at the time of any such payment also shall specify by written request that the cash rentals paid in advance of the requirements set out in this Section be used to redeem Building Authority Bonds prior to maturity, either currently or at some future date, to the extent the provision for prior redemption is made in the Building Authority Bonds, in which event the Authority shall be obligated to apply and use the advance payments for such purpose to the fullest extent possible and the officers of the Authority shall be authorized to call such bonds for redemption and take all steps to redeem such bonds without further approval. If such payments are made by the City for redemption of Building Authority Bonds at some future date, the City shall make such payments on the date of such redemption or, if the Building Authority Bonds are being defeased in advance of redemption, the date upon which funds are required to be deposited with an escrow agent or other fiduciary and irrevocably pledge to the payment of the principal of, interest on, and redemption premium on the Building Authority Bonds.

Notwithstanding any other provisions of this Lease Contract, if the lease payments required by this section are inadequate for payment of both the principal of and the interest on the Building Authority Bonds when due, the City shall provide additional funds to make up the shortfall.

4. PLEDGE OF FULL FAITH AND CREDIT: The City, pursuant to the Act, establishes the obligations in this Lease Contract as general obligations of the City, and further by a majority vote of the elected members of the City Commission, pledges its limited tax, full faith and credit, contractual general obligation, as limited in this Lease Contract, to the payment of all sums, rates, fees, costs and the annual cash rental payments due under this Lease Contract.

The City shall include in its budget for the year commencing July 1, 2022, and for each year thereafter, an amount which, when added to the money received for such purpose shall be sufficient to make the cash rental payments to the Authority and shall levy each year such ad valorem taxes in an amount which, together with other funds available for such purpose, shall be sufficient for the payment of such annual cash rental payments in anticipation of which the Building Authority Bonds are issued, but not in an amount or at a rate exceeding that necessary to pay such contractual obligation, provided however that if the City has other funds on hand, at the time prescribed by law for the making of any tax levy, which have been set aside and earmarked for payment of its obligations for which a tax levy would otherwise have to be made, then the tax levy shall be reduced by the amount of the other funds. Any such tax levy is limited as to rate and amount by applicable constitutional, charter, and statutory limitations on the taxing power of the City.

5. SITE: The Authority covenants and agrees that it will, before or upon the issuance of the Building Authority Bonds, acquire good and marketable title to the Site for the Facilities or a leasehold interest in the Site for the Facilities.

6. OPERATION AND MAINTENANCE: The City, at its own expense during the term of this Lease Contract, shall cause the Facilities to be operated and maintained in good repair, and the expenses in connection therewith shall be borne and paid, or caused to be paid, by the City, in addition to all other rentals herein required. Operation and maintenance shall be deemed to include, but not to the exclusion of any other items not herein specified, lighting, heating, snow and debris removal, painting and such other repair and maintenance items as are necessary to provide for efficient operation of the Facilities and to keep the same in good repair and working order, and securing proper insurance coverage.

7. BUDGET: The City shall include in its budget for the year commencing July 1, 2022, and shall include in its budget for each year thereafter, an amount which shall be sufficient to pay the operation and maintenance costs of the Facilities as herein specified for the next ensuing fiscal year. On or before June 15 of each and every fiscal year, the City shall prepare a statement of the moneys to be included in the next ensuing fiscal budget for the operation and maintenance costs of the Facilities. A copy of the budget shall be given to the Authority. The Authority shall have the right and privilege to communicate directly with the City Commission regarding any disputed items in that budget, and in any event the budget shall be reasonably adequate to cover the obligations of the City in this Lease Contract. In no event shall the amounts to be included by the City in its annual budget for the maintenance, operation and rental expenses in connection with this Lease Contract be less than the amount required to reasonably maintain the Facilities, and to pay promptly and fully all obligations maturing under this Lease Contract, and in no event shall the City's obligation in any such annual budget be less than the amount required by law.

8. ADDITIONAL EQUIPMENT: The City may install in the Facilities such equipment, furnishings or fixtures, in addition to those provided by the Authority, as it may desire, but shall not make any permanent alterations to the Facilities that will in any way affect either the security of the Building Authority Bonds or the prompt payment of principal or interest on the Building Authority Bonds.

9. PROHIBIT IMPROPER USE: The City covenants and agrees that it will not permit the use of the Facilities in any manner that will substantially increase the rate of insurance thereon, or for any purpose which will result in a violation of local, state or federal laws, rules or regulations, in effect now or in the future, and shall during the term of this Lease Contract hold the Authority harmless from and indemnify the Authority for any loss, cost, damage or expense by any accident, loss, casualty or damage resulting to any person or property through any use, misuse, or non-use of the Facilities, or by reason of any act or thing done or not done on, in, or about the Facilities or in relation to the Facilities. The City further covenants and agrees that it will promptly and at its own expense, make and pay, or cause payment to be made, for any and all changes and alterations in or about the Facilities, which, during the terms of this Lease Contract, may be required to be made any time by reason of local, state or federal laws, and to save the Authority harmless and free from all cost to do so.

10. AUTHORITY ACTION: To carry out the acquisition and construction of the Facilities and the financing thereof in accordance with the provisions of the Act, the following actions shall be taken by the Authority:

The Authority shall, upon the execution of this Lease Contract, adopt the necessary resolution and proceed to authorize the issuance of the Building Authority Bonds in one or more series in the aggregate principal sum of not to exceed \$5,570,000, pursuant to and in accordance with the provisions of the Act, being the amount estimated to defray the cost of the acquisition and construction of the Facilities, together with architects' fees, legal and financing expenses and contingencies, amortized over a period not exceeding 30 years. The Authority shall offer for sale, and take such other legal procedure as may be necessary to sell the Building Authority Bonds.

The Authority shall, by resolution, pledge the receipt from the cash rentals herein agreed to be paid by the City, for the payment of principal of and interest on the Building Authority Bonds.

The Authority shall enter into and execute contracts for the acquisition and construction of the Facilities in accordance with the plans and specifications approved by the Authority and the City Commission, and no changes in the plans and specifications shall be made without the approval of the City Commission. The contracts shall be in a form approved by the City Commission and no changes in the contracts shall be made without the approval of the City Commission. The construction of the Facilities shall be supervised by the City's staff.

The Authority shall require and secure from any contractor undertaking the construction of the Facilities, necessary and proper bonds to guarantee the performance of said contract in such amount and in such form as may be approved by the City Commission, and such labor and material bonds as are required by law.

The Authority shall, immediately upon receipt of the proceeds of the sale of the Building Authority Bonds, comply with all requirements provided for in the resolution relative to the disposition and use of such proceeds.

11. ADDITIONAL FUNDS: If for any reason there are not sufficient funds to complete the acquisition and construction of the Facilities, and additional funds are needed, the parties agree that, at the option of the City Commission, either of the following methods for providing said additional funds shall be used:

The City may pay the necessary funds as additional advance rentals, and obtain credit or repayment therefor out of future rentals due under the terms of this Lease Contract after all outstanding Building Authority Bonds are paid; or

The City may increase the amount of the annual cash rental payments it pays to an amount fully sufficient to amortize any additional building authority bonds issued by the Authority.

12. POSSESSION: The Authority shall deliver possession of the Site for the Facilities to the City on the effective date of this Lease Contract, and possession of each portion of the Facilities on the date that construction of that portion of the Facilities is completed. The obligation of the City for the payment of the annual cash rental payments shall in any event remain in full force and effect and shall be paid by the City at all times and in the amounts above

specified in order to provide for the payment of principal of and interest on the Building Authority Bonds.

13. NO ABATEMENT OF RENT: There shall be no abatement of the annual cash rental payments required to be made by the City for any reason whatsoever. If, in the case of damage or destruction of the Facilities or other portions of the Site therefor, the funds received from any insurance policies or other sources, are, in the judgment of the Authority, insufficient to make the Facilities usable or tenantable, then the Authority shall hold and/or invest the funds paid to it as a result of such loss for the benefit of the holders of outstanding Building Authority Bonds. When such funds in addition to rentals paid by the City are sufficient to pay the principal of and interest on all outstanding Building Authority Bonds the Authority shall deposit and hold the total of such funds and the rental payments in trust for the benefit of the bondholders and use them to pay the principal, interest and call premiums, if any, on the Building Authority Bonds as they mature or as they become callable. Such funds so held may be invested in bonds, notes, bills and certificates of the United States of America.

14. INSURANCE: The City shall provide or cause to be provided liability insurance in an adequate amount protecting the Authority and the City against loss on account of damage or injury or death to persons or property resulting from ownership of the Facilities, or resulting from any act or omission, on the part of the Authority, or the City, or either of their agents, officers and employees, in connection with the acquisition and construction, operation, maintenance or repair of the Facilities, or the furnishing of any service to the City. The Authority shall require a sufficient fidelity bond from any person handling the Authority's funds.

15. ASSIGNMENT: The rights, duties and obligations of the City under this Lease Contract may not be assigned in whole or in part during the term of this Lease Contract or while any of the Building Authority Bonds are outstanding and unpaid.

16. RIGHT OF ENTRY: The Authority, its agents, servants, or employees, shall have the right to enter the Facilities at all reasonable times for the purpose of inspecting the same and determining whether the City is complying with all of the terms, agreements, covenants and conditions in this Lease Contract.

17. COVENANT TO PAY RENT: The City covenants and agrees that it will continue to pay to the Authority, in accordance with the terms of this Lease Contract, the annual cash rental payments required by this Lease Contract and pay all costs for the operation and maintenance of the Facilities, without abatement for any reason, until the principal of and interest on all Building Authority Bonds are paid in full.

18. REMEDIES: The City covenants and agrees that if, before all the principal and interest on the Building Authority Bonds has been paid in full, the City fails to make the annual cash rental payments or pay the operation and maintenance as required by this Lease Contract, the Authority may use all the remedies provided by law or in equity to correct said default, including those specifically provided in the Act.

In addition to the other remedies provided by law, the parties recognize the rights and remedies which bondholders have by virtue of the provisions of a bond resolution to be

adopted by the Authority providing for the issuance of bonds under the provisions of the Act. The City and the Authority agree that all holders of Building Authority Bonds may compel performance of the duties and obligations of each of the parties to this Lease Contract.

19. PARTIAL RELEASE. The City shall have, and is hereby granted, the right to require the Authority to release from the terms and restrictions hereof any part of the Site, or any interest therein, at any time and from time to time while the City is not in default hereunder, without cost to the City, provided that the City furnishes the Authority with:

A notice, in writing, containing an adequate legal description of that portion of the Site with respect to which such right is to be exercised, together with a survey thereof; and

A certificate signed by an engineer or architect stating (i) that no part of the Facilities (other than sewer, water, gas, electric, and communication lines and other utilities, and the like, which shall be specified in such certificate) is located on the portion of the Site with respect to which such right is exercised, and (ii) that the severance of such portion of the Site will not impair the operating utility or materially alter the character of the Project or the balance of the Site.

From and after the consummation of any release effected by the City pursuant to the provisions of this Section, any reference herein to the Site shall be deemed to refer to the real property described therein, and the buildings and improvements thereon, less and except any portion or interest therein released to the City under this Section and any part theretofore released to the City under this Section. No release effected by the City under the provisions of this Section shall entitle the City to any abatement or diminution of the cash rentals or other obligations payable hereunder.

20. REFUNDING BONDS. In the event that, after issuance of the Building Authority Bonds, it becomes possible to accomplish a net savings of debt service costs and consequently the payments payable by the City for lease of the Facility through the issuance of refunding bonds, the Authority shall be authorized, on its own motion, to issue such refunding bonds, and the aggregate cash rental to be paid by the City hereunder shall automatically be decreased to equal an amount sufficient to pay all principal of and interest on the Building Authority Bonds and such refunding bonds when due. In the event any refunding bonds are issued, the duties and obligations of the Authority and the City as expressed and set forth in this Lease Contract shall be applicable to such refunding bonds as well as the Building Authority Bonds, it being at all times fully recognized and agreed that the cash rentals to be paid by the City, as specified in Section 3 above, shall be based upon the total amount of bonds issued to finance or refinance the costs of the Facility. Any such refunding bonds shall mature on such dates as may be provided by the resolutions authorizing issuance and sale of the refunding bonds, and the cash rentals shall be adjusted as necessary to pay the principal of such refunding bonds plus the interest thereon. All of the provisions of this Lease Contract shall be applicable to the adjusted amounts. Immediately upon the issuance of such refunding bonds, the Authority shall furnish and supply to the City documentation specifying the new schedule of Building Authority Bond payments and cash rentals, increased as herein authorized, which shall be substituted and take the place of schedules herein specified. In the event refunding bonds are issued, all

references herein to the Building Authority Bonds shall be deemed to include the refunding bonds.

21. RIGHTS OF BONDHOLDERS: The Authority and the City each recognize that the holders of the Building Authority Bonds will have contractual rights in this Lease Contract, and it is therefore, covenanted and agreed that so long as any of the Building Authority Bonds shall remain outstanding and unpaid, the provisions of this Lease Contract shall not be subject to any alteration or revision which would in any manner unfavorably affect either the security of the Building Authority Bonds or the prompt payment of principal of or interest thereon. The Authority and the City further covenant and agree that they will each comply with their respective duties and obligations under the terms of this Lease Contract promptly at the times and in the manner required by this Contract, and will not suffer any act which would in any way impair the Building Authority Bonds, the security therefor, or the prompt payment of principal of and interest thereon.

22. FIRST LIEN: The City and the Authority covenant and agree that the proceeds of any sale or other liquidation of any interest of the City in the Facilities, the Site or any other portion of the Facilities, are hereby impressed with a first lien in favor of the holders of the Building Authority Bonds for the payment of any outstanding Building Authority Bonds.

23. NOTICE: Any notice necessary or proper to be given to either of the parties hereto may be served in the following manner:

If to the Authority, by delivering the same to any member of its Board.

If to the City, by delivering the same to the City Clerk or the Mayor.

24. TERM: This Lease Contract shall remain in full force and effect for a term commencing on the effective date of this Lease Contract and continuing until such time as the Building Authority Bonds are paid in full. At the end of such period, this Lease Contract and title to the Facilities shall both be conveyed to the City in a manner contemplated by the Act.

25. QUIET ENJOYMENT: The Authority covenants that the City, upon compliance with the terms of this Lease Contract, shall peacefully and quietly have and hold and enjoy the leased premises for the term of this Lease Contract.

26. BINDING EFFECT: This Lease Contract shall inure to the benefit of and be binding upon the respective parties and their permitted successors and assigns.

27. NULL AND VOID IF NO BONDS ISSUED: If for any reason the Building Authority Bonds are not issued or cannot be lawfully sold, this Lease Contract shall be null and void. However, in no event shall this Lease Contract become null and void if the Building Authority Bonds are sold and delivered.

28. CHANGE IN ORGANIZATION; TERRITORY; CORPORATE STATUS: In the event changes occur in the constitution or laws of the State of Michigan which shall affect the organization, territory, powers or corporate status of the City, the terms and provisions of this Lease Contract shall not be affected by that change and the rights, duties and obligations of the parties shall not be altered or affected by that change insofar as ownership and rights of possession and requirement of payment on the outstanding bonds are concerned.

IN WITNESS WHEREOF, the Authority, by a resolution of its Board of Commissioners, and the City, by a resolution of its City Commission, have each caused this Lease Contract to be signed on their behalf as of the date first written above.

This Lease Contract has been executed in quadruplicate.

Witnessed by:

**CITY OF BUCHANAN BUILDING  
AUTHORITY**

\_\_\_\_\_

By: \_\_\_\_\_

Its: Chairperson, Board of Commissioners

\_\_\_\_\_

And: \_\_\_\_\_

Its: Secretary, Board of Commissioners

In the presence of:

**CITY OF BUCHANAN**

\_\_\_\_\_

By: \_\_\_\_\_

Sean Denison

Its: Mayor

\_\_\_\_\_

And: \_\_\_\_\_

Kalla Langston

Its: Clerk



**LEGAL DESCRIPTION**

Land located in City of Buchanan, County of Berrien, State of Michigan, described as:

**Legal Descriptions**