

# Buchanan Economic Incentive Program



## Background

Economic incentives provided by local governments are powerful tools for fostering growth and development in a community. When private investors are drawn to a community through these incentives, they often spark further investment, creating a multiplier effect that can benefit surrounding neighborhoods and businesses.

Beyond attracting investment, economic incentives encourage the growth of diverse industries and the expansion of existing businesses. Incentives can be tailored to meet the unique needs of various sectors, whether they are manufacturing, technology, retail, or service industries. By nurturing diverse business activity, the City of Buchanan can strengthen the economic resilience of a community, reducing its reliance on a single industry and providing a buffer against economic downturns. This diversity also supports job creation, as businesses in different sectors hire local workers, raising the standard of living for residents and enhancing economic stability.

The role of incentives is crucial in community revitalization and sustainability efforts. By encouraging the redevelopment of buildings, vacant lots, or underutilized spaces, Buchanan can revitalize neighborhoods, preserve historical structures, and improve overall quality of life. Economic incentives can act as a catalyst for a broader transformation, fostering better public services, improved infrastructure, and enhanced amenities such as parks, roads, and public transportation. This, in turn, attracts more residents, businesses, and visitors, creating a vibrant and thriving community. Finally, economic incentives help foster partnerships between the public and private sectors. This collaboration can leverage the strengths of both entities - governments bringing in policy expertise, funding, and planning, and businesses providing capital, innovation, and job creation. When executed effectively, these partnerships can be a driving force in shaping a community's future, ensuring long-term sustainability and prosperity.

## Program Goals

- To enhance the physical appeal and functionality of businesses, contributing to the revitalization of the local economy through the creation of jobs and additional tax base.
- To encourage investment in areas at risk of flooding, ensuring businesses are better equipped to handle potential flood events.

- To support business growth and sustainability by helping businesses overcome the financial burden of property improvements and risk management.

By offering financial assistance and incentivizing businesses to invest in their properties, the City Assistance and Incentivization Program aims to strengthen the local economy, improve the business landscape, and foster resilience against environmental challenges. This program provides a unique opportunity for local businesses to thrive while contributing to the overall development and revitalization of the community.

### Program Overview

The Buchanan Economic Incentive Program is designed to foster economic growth, improve the aesthetics of the community, and help businesses build resilience against environmental risks. This program provides up to \$20,000 in funding to eligible businesses and property owners for a variety of improvements, including facade enhancements, business equipment and space buildout, and flood insurance assistance. The goal is to enhance the overall appearance and functionality of commercial properties, support local businesses in their growth, and ensure businesses are adequately prepared for flood-related risks. The City Commission may vote to lift this cap and make investments over the \$20,000 cap for catalyst projects which are a priority for the community. The three focus areas for the Buchanan Economic Incentive program are as follows:

1. **Facade Improvements:** Financial support to enhance the exterior of commercial buildings, including but not limited to signage, windows, doors, paint, lighting, and landscaping. The goal is to improve the visual appeal of businesses and contribute to the overall aesthetic of the area. The priority use for this element of the program is intended to be the front facades of buildings; however, rear facades will be considered if the entry serves as public entryway from a public space or it being done as temporary access during significant construction projects that bar front access to the property.
2. **Business Equipment and Space Buildout:** Assistance for businesses looking to upgrade or install new equipment, as well as improvements to interior space, such as renovations, layout modifications, and necessary upgrades to meet business needs. This element of the program can be used for both current and new businesses.
3. **Flood Insurance Assistance:** Funding to support the purchase of flood insurance policies for eligible businesses located in designated flood zones. This provides

financial protection and ensures that businesses can remain resilient in the face of flooding risks.

### Program Eligibility Criteria

- **Business Location:** The program's primary focus is on properties within the community's central businesses district targeting commercial or mixed-use properties. The program can be expanded beyond the central business district for projects that are deemed to support a specific policy initiative of the City.
- **Project Types:** Eligible projects include facade improvements, business equipment and space buildout, and flood insurance assistance. Projects that combine more than one category of assistance are welcome, provided the total investment aligns with program guidelines.
- **Matching Funds Requirement:** Applicants must demonstrate at least 50% of total grant award in matching funds for each investment. The match can come from private sources such as business loans, personal funds, or other private sector investments. The city's contribution will be a maximum of \$20,000, and applicants must provide proof of the matching funds before the disbursement of the grant.
- **Limit on Funding Per Project/Property:** A single project/address may receive funding only twice within a 10-year period. This ensures that a broad range of businesses in the city can benefit from the program over time.
- **Flood Insurance Eligibility:** Businesses requesting flood insurance assistance must be located in designated flood zones or areas identified by the city as having a high flood risk. The program is only open to new businesses locating in the community and must be approved prior to the subject property being occupied by the applicant. Properties will only be considered eligible for the flood insurance portion of the program if the subject flood insurance is a required condition of financial institution investing in the project. The purpose of this element of the program is to assist with the leveraging of new funding into the community's buildings and businesses.

### Program Application Process

- **Pre-Application Consultation:** Interested businesses must first schedule a consultation with City staff to discuss eligibility, project goals, and required documentation.
- **Application Submission:** Applicants must complete an application form detailing the scope of the proposed project, the amount of funding requested, and the

proposed matching funds. Additionally, applicants will need to submit quotes, plans, or other documents supporting the project's costs.

- **Project Review and Approval:** Once the application is submitted, the city commission will review the project proposal, ensuring that it meets program guidelines and requirements. The city may request additional information or adjustments to the project before approval.
- **Agreement and Fund Distribution:** Upon approval, a formal agreement will be established outlining the terms of the funding, including milestones and deliverables. The city will provide the grant in phases, contingent upon the completion of specific project milestones. Final reimbursement will occur once the project is completed, and all required receipts and documentation are provided.

### Program Funding Limitations

- **Maximum Award:** The maximum grant award available is \$20,000 per project. For projects involving multiple types of assistance (e.g., facade improvement and business space buildout), the total combined city contribution cannot exceed \$20,000.
- **Investment Cap:** An address may receive funding only for two separate projects at a single address within a 10-year period. Once the single project/address has reached this limit, no additional funding will be available until after the 10-year period has passed. An address is not guaranteed funding for two projects within this window but are eligible for up to two investments at a single address during the referenced 10-year period. If a business is operating from two separate adjoining addresses that are interconnected serving as one business, the two properties shall be viewed as one property for the Business Equipment and Space Buildout and Flood Insurance Assistance components of the Buchanan Economic Incentive Program. However, the two addresses can apply and will be viewed separately for the Façade Improvements portion of the program if both addresses have separate functioning ingress and egress points on each building that are available for public use.

### Program Terms and Conditions

- **Eligible Expenses:** The funds must be used exclusively for the improvement of the business property as outlined in the approved project proposal. Ineligible expenses include routine maintenance, operating costs, and non-project related expenditures.

- **Completion Requirements:** Projects must be completed within 12 months of receiving the grant. Extensions may be requested in cases of unforeseen delays, but approval is at the discretion of the city.
- **Monitoring and Reporting:** The city reserves the right to conduct periodic inspections of the project to ensure that the work is progressing as planned and in compliance with city regulations. Grantees must submit progress reports and final documentation showing completion of the project.
- **Compliance with Regulations:** All projects funded by the program must comply with local building codes, zoning laws, and any other relevant city ordinances or regulations.
- **Funding Availability:** Funding shall be made available on a first-come, first-serve basis. Once the budget for the fiscal year has been utilized, new funding will not be available until allocated by the Buchanan City Commission for the subsequent fiscal year.
- **Repayment:** The funding made available under the program is made as a 0% interest forgivable loan with 1/3 of the investment forgiven each year over a three-year period. The City will require a lien to be in place on the building assisted or equipment purchased with the funding until the four year compliance period is met. The grantee of the forgivable loan will be responsible for the costs to file the required lien with a title company approved by the City. The City lien will be secondary to any traditional commercial financing in the property or business.

### Other Incentive Programs

- **Obsolete Property Rehabilitation Act**  
The Obsolete Property Rehabilitation Act (OPRA), PA 146 of 2000, as amended, provides property tax exemptions for commercial and commercial housing properties that are rehabilitated and meet the requirements of the Act. Properties must meet eligibility requirements including a statement of obsolescence by the local assessor. The property must be located in an established Obsolete Property Rehabilitation District. Exemptions are approved for a term of 1-12 years as determined by the local unit of government. The property taxes for the rehabilitated property are based on the previous year's (prior to rehabilitation) taxable value. The taxable value is frozen for the duration of the exemption. Additionally, the State Treasurer may approve reductions of half of the school operating and state education taxes for a period not to exceed 6 years for 25 applications annually. Applications are filed, reviewed and approved by the local unit of government, but

are also subject to review at the State level by the Property Services Division. The State Tax Commission (STC) is responsible for final approval and issuance of OPRA certificates. Exemptions are not effective until approved by the STC. Additional information on the program can be found at:

[www.michigan.gov/taxes/property/exemptions/obsolete/obsolete-property-rehabilitation-act-opra](http://www.michigan.gov/taxes/property/exemptions/obsolete/obsolete-property-rehabilitation-act-opra)

- **Redevelopment Liquor Licenses**

The City of Buchanan has established itself as a supporter of Redevelopment Liquor Licenses. Through the provisions of Public Act 16 of 2022, the Liquor Control Commission (LCC) may issue new public on-premises liquor licenses to local units of government. In order to allow cities, villages, and townships to enhance the quality of life for their residents and visitors to their communities, the LCC may issue public on-premises licenses in addition to those quota licenses allowed in cities, villages, and townships under Section 531(l) of the Michigan Liquor Control Code, Public Act 58 of 1998 as amended. Additional information on the Redevelopment Liquor License program can be found at:

[www.michiganbusiness.org/4a09c0/globalassets/documents/reports/fact-sheets/redevelopment-liquor-licenses-pa-16.pdf](http://www.michiganbusiness.org/4a09c0/globalassets/documents/reports/fact-sheets/redevelopment-liquor-licenses-pa-16.pdf)

- **Brownfield Redevelopment Financing Act**

The City of Buchanan is receptive to establish a Brownfield to assist with the funding of a project. The cost of establishing a Brownfield for a project would be expected to be paid by the developer. Tax increment financing (TIF) is a powerful funding tool that can help cover the additional costs associated with redeveloping a brownfield property. When a brownfield redevelopment generates new tax revenue, those new taxes can be captured by a local brownfield redevelopment authority (BRA) and given back to the developer to reimburse them for the eligible costs associated with redeveloping the property. Additional information on the brownfield financing tool can be found at:

[www.michigan.gov/egle/about/organization/Remediation-and-Redevelopment/](http://www.michigan.gov/egle/about/organization/Remediation-and-Redevelopment/)

- **Housing Tax Increment Financing Program**

The Michigan State Housing Development Authority has been given the authority to support housing development projects through the Brownfield Redevelopment Financing Act. On July 19, 2003, Public Act 90 of 2023 ("PA 90") became effective

and amended the Brownfield Act to include certain housing development activities as eligible activities. Prior to PA 90, TIF was only available to property owners who coordinated with local BRAs and (a) the Department of Environment, Great Lakes, and Energy ("EGLE") for certain environmental cleanup activities, and (b) the Michigan Strategic Fund ("MSF") for certain business development and community development activities. Pursuant to PA 90, brownfield work plans and combined brownfield plans that involve the use of taxes levied for school operating purposes and that request reimbursement for housing development activities for affordable and/or subsidized housing must be reviewed by the Michigan State Housing Development Authority ("MSHDA"). Additional information on the program can be found at:

[www.michigan.gov/mshda/developers/tax-increment-financing-tif](http://www.michigan.gov/mshda/developers/tax-increment-financing-tif)

- **Michigan Economic Development Corporation**

The Michigan Economic Development Corporation (MEDC) manages several programs to directly help local businesses and developers. Additional information on MEDC programs can be found at:

[www.miplace.org/developers/](http://www.miplace.org/developers/) and [www.michiganbusiness.org/services/business-assistance/](http://www.michiganbusiness.org/services/business-assistance/)

**BUCHANAN ECONOMIC INCENTIVE PROGRAM AGREEMENT**

**Application Form**

**1. Applicant Information**

Name: \_\_\_\_\_

Address of property to be improved:

\_\_\_\_\_

Name of business: \_\_\_\_\_

Home address: \_\_\_\_\_

Business phone: \_\_\_\_\_ Mobile phone: \_\_\_\_\_

Email: \_\_\_\_\_

**2. Project information**

Building location: \_\_\_\_\_

Business(es) located in building:

\_\_\_\_\_

Building age: \_\_\_\_\_

Building located in central business district? \_\_\_\_\_

Owner of record: \_\_\_\_\_

If leased: Lease Expires \_\_\_\_\_ Renewal Term \_\_\_\_\_

**3. Project Description**

Describe in detail the proposed scope of work including design firm and/or contractor(s) selected. Use separate sheet(s) if necessary.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Anticipated Construction

Start Date: \_\_\_\_\_ Completion Date: \_\_\_\_\_ Total Project Cost: \_\_\_\_\_



**4. Other Required Documentation**

- a. Proof that all property taxes are paid and current
- b. Project budget
- c. Photographs of proposed project site
- d. Rendering and/or site plan of proposed project improvements

**5. Required Lien Documentation**

Tenant and/or Project Property Owner Applicant agree that upon receipt of grant award the City of Buchanan may record a lien for the grant amount against the project property to be forgiven 33 1/3% per year up to 100% after three (3) years.

Tenant Applicant Signature \_\_\_\_\_

Project Property Owner Signature \_\_\_\_\_

**6. Approval of Final Grant Award**

After initial approval of the grant application and project scope by the City Commission, the tenant and/or Project Property Owner shall provide paid invoices to the Community Development Department upon completion of the project in order to be reimbursed by the final grant award. The final grant award will be placed on the agenda of the next available City Commission meeting and upon approval by the City Commission, the check for grant award will be cut the day following the meeting.

I/We certify that all information set forth in this application is a true representation of the facts pertaining to the subject property for the purpose of obtaining funding under the Economic Improvement Program. I understand and acknowledge that any willful misrepresentation of the information contained in this application could result in disqualification from the program, requiring any funds already disbursed to be repaid in full to the Buchanan Community Development Department.

## Buchanan Economic Incentive Program

The applicant further certifies that he/she has read and understands the Economic Improvement Program Guidelines. If a determination is made by the Commission that program funds have not been used for eligible program activities, the Applicant agrees that the proceeds shall be returned, in full, to the Buchanan Community Development Department and acknowledges that, with respect to such proceeds so returned, he/she shall have no further interest, right, or claim. It is understood that all Economic Improvement Program funding commitments are contingent upon the availability of program funds.

Signed this \_\_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_\_

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

### Buchanan Economic Incentive Program

THIS AGREEMENT, entered into this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_, between the Buchanan City Commission (hereinafter referred to as “COMMISSION”) and the following designated OWNER/LESSEE, to wit:

Owner/Lessee’s Name: \_\_\_\_\_

Name of Business: \_\_\_\_\_

Address of Property to be Improved:

\_\_\_\_\_  
\_\_\_\_\_

Parcel Number: \_\_\_\_\_

### WITNESSETH:

**WHEREAS**, the COMMISSION has established an Economic Incentive Program for application within the Buchanan Downtown Economic Incentive Program Area (“Program Area”); and

**WHEREAS**, said Economic Incentive Program is administered by the COMMISSION with the advice of the Community Development Department and COMMISSION has agreed to participate, subject to its sole discretion, 1) in compensating Owners/Lessees for the cost

of eligible improvements related to restaurant operation in commercial establishments within the Program Area up to a maximum grant award of \$20,000 lifetime award per building with applicant providing proof of a 50% match of final approved grant amount.

**WHEREAS**, the OWNER/LESSEE's property is located within the Economic Incentive Program Area, and the OWNER/LESSEE desires to participate in the Economic Incentive Program pursuant to the terms and provisions of this agreement.

**NOW, THEREFORE**, in consideration of the mutual covenants and agreements obtained herein, the COMMISSION and the OWNER/LESSEE do hereby agree as follows:

### **SECTION 1:**

With respect to eligible restaurant improvements , the COMMISSION shall reimburse OWNER/LESSEE for the cost of improvements to the OWNER/LESSEE'S property up to a maximum amount of \$20,000 lifetime award.

The improvement costs that are eligible for Commission reimbursement include all labor, materials, equipment, and other contract items necessary for the proper execution and completion of the work as shown on the plans, design drawings, specifications and estimates approved by the City. Such plans, design drawings, specifications and estimates are attached hereto as Exhibit I. The reimbursement shall be in the form of a forgivable loan. The loan is forgiven over a period of thirty-six (36) months by the Owner/Lessee's compliance with the covenants contained in the Promissory Note.

### **SECTION 2:**

No improvement work shall be undertaken until its design has been submitted to and approved by the Community Development Department. Following approval, the OWNER/LESSEE shall contract for the work and shall commence and complete all such work and submit all requests for reimbursement to the Community Development within six months from the date of such approval by the Community Development Department. The OWNER/LESSEE may seek an extension of the deadline, not to exceed 12 months, for completing the work and submitting its request for reimbursement from the Community Development, however, such request must be made in writing and submitted to the Community Development prior to the expiration of the initial deadline to complete the work and submit the requests for reimbursement. In the event that the OWNER/LESSEE fails to

comply with these requirements the COMMISSION may terminate this Agreement and its obligation to reimburse the applicant.

### **SECTION 3:**

The Community Development shall periodically review the progress of the contractor's work on the restaurant improvement pursuant to this Agreement. Such inspections shall not replace any required permit inspection by the Building Department/Inspectors. All work which is not in conformance with the approved plans, design drawings and specifications shall be immediately remedied by the OWNER/LESSEE and deficient or improper work shall be replaced and made to comply with the approved plans, design drawings and specifications and the terms of this Agreement.

### **SECTION 4:**

Upon completion of the improvements and upon their final inspection and approval by the Community Development Director, the OWNER/LESSEE shall submit to the COMMISSION a properly executed and notarized contractor statement showing the full cost of the work as well as each separate component amount due to the contractor and each and every subcontractor involved in furnishing labor, materials, or equipment in the work. The OWNER/LESSEE shall also submit to the COMMISSION a copy of the architect's statement of fees for professional services for preparation of plans and specifications. The COMMISSION shall, within thirty (30) days of receipt of the contractor's statement, proof of payment and lien waivers, and the architect's statement, issue a check to the OWNER/LESSEE as reimbursement for work completed as per the restaurant incentive program agreement, subject to the limitations set forth in Section 1 hereof.

In the alternative, at its sole discretion, COMMISSION may reimburse the OWNER/LESSEE in one or two payments. The first payment may be made only 1) upon completion of work representing 50% or more of the maximum reimbursement specified in Section 1 hereof and 2) upon receipt by COMMISSION of the architect's invoices, contractor's statements, invoices, and 3) upon a determination by the Community Development that the remainder of the work is expected to be delayed for thirty days or more following completion of the initial work due to weather, availability of materials, or other circumstances beyond the control of the OWNER/LESSEE. The second, final payment shall be made by COMMISSION only upon submittal of all necessary documents as described herein.

### **SECTION 5:**

If the OWNER/LESSEE or his contractor fails to complete the improvement work provided for herein in conformity with the approved plans, design drawings and specifications and the terms of this Agreement, then upon written notice being given by the Community Development Director to the OWNER/LESSEE, by certified mail to the address listed above, this Agreement shall terminate and the financial obligation on the part of the COMMISSION shall cease and become null and void.

### **SECTION 6:**

Upon completion of the improvement work pursuant to this Agreement and for a period of three (3) years thereafter, the OWNER/LESSEE shall be responsible for properly maintaining such improvements in finished form and without change or alteration thereto, as provided in this Agreement, and for the said period of three (3) years following completion of the construction thereof, the OWNER/LESSEE shall not enter into any Agreement or contract or take any other steps to alter, change or remove such improvements, or the approved design thereof, nor shall OWNER/LESSEE undertake any other changes, by contract or otherwise, to the improvements provided for in this Agreement unless such changes are first submitted to the Community Director, and any additional review body designated by the Director, for approval. Such approval shall not be unreasonably withheld if the proposed changes do not substantially alter the original design concept of the improvements as specified in the plans, design drawings and specifications approved pursuant to this Agreement

OWNER/LESSEE further acknowledges in the event any unapproved changes, alterations, or demolition are effected upon the herein described improvements during the aforereferenced three-year (3) time period, the OWNER/LESSEE, or their successor or assignee, shall be financially liable to the COMMISSION in a pro rata amount as calculated by the number of months remaining in said three-year (3) time period. (By way of example: in the event of the modification or demolition of a rest improvement valued at \$10,000 two (2) years after completion, the OWNER/LESSEE or their successor in interest would be responsible for the sum of \$10,000 in repayment to the COMMISSION.  $\$10,000 \div 36 \text{ months} = \$277.78/\text{month} \times 12 \text{ months} = \$10,000$ .)

### **SECTION 7:**

The OWNER/LESSEE releases the COMMISSION from, and covenants and agrees that the COMMISSION shall not be liable for, and covenants and agrees to indemnify and hold harmless the COMMISSION and its officials, officers, employees and agents from and

against, any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever arising out of, resulting from or in any way connected with directly or indirectly with the restaurant operation related improvements(s), including but not limited to actions arising from Michigan law. The OWNER/LESSEE further covenants and agrees to pay for the COMMISSION and its officials, officers, employees, and agents for any and all costs, reasonable attorneys' fees, liabilities, or expenses incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, or causes of action. The COMMISSION shall have the right to select legal counsel and to approve any settlement in connection with such losses, claims, damages, liabilities, or causes of action. The provisions of this section shall survive the completion of said improvement(s).

**SECTION 8:**

Nothing herein is intended to limit, restrict, or prohibit the OWNER/LESSEE from undertaking any other work in or about the subject premises which is unrelated to the restaurant operation related improvements provided for in this Agreement.

**SECTION 9:**

This Agreement shall be binding upon the COMMISSION and upon the OWNER/LESSEE and its successors, to said property for a period of three (3) years from and after the date of completion and approval of restaurant operation related improvements provided for herein by the Community Development Department. It shall be the responsibility of the OWNER/LESSEE to inform subsequent OWNER(s)/LESSEE(s) of the provisions of this Agreement.

IN WITNESS THEREOF, the parties hereto have executed this Agreement on the date first appearing above.

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**Owner Lessee**

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**City Representative**