

When Recorded Return to:

CITY OF FLAGSTAFF
211 W. Aspen Avenue
Flagstaff, Arizona 86001
Attn: Legal Department

DECLARATION OF RESTRICTIVE COVENANTS

This Declaration of Restrictive Covenants (the “Declaration”) made this ___ day of _____, 2025 by FLAGSTAFF SHELTER SERVICES, INC., an Arizona nonprofit corporation (hereinafter referred to as “Project Owner”), is in favor of the CITY OF FLAGSTAFF, Arizona, a municipal corporation of the State of Arizona (hereinafter referred to as the “City”). Project Owner and the City are sometimes collectively referred to as the “Parties” and singularly referred to as “Party.”

RECITALS

WHEREAS, the Project Owner is the owner of the property legally described in Exhibit A, attached hereto and incorporated here (“Property”); and

WHEREAS, the Project Owner hereby agrees and covenants that the Project Owner’s Property shall be subject to the provisions, covenants, and restrictions contained herein; and

WHEREAS, this Declaration is made for the express benefit of the City, and it shall remain in full force and effect until released by the City; and

WHEREAS, the City is making a loan in the original principal amount of One Million One Hundred Thousand Dollars (\$1,100,000.00) of funds from the Adaptive Reuse Bond Program (the “Program”) to Project Owner (“Loan”) in connection with the construction of the Project, as more particularly described below; and

WHEREAS, the Project Owner is developing a project that will, among other things, increase the supply of rental housing units in the community, to be known as The Lantern (hereinafter referred to as the "Project"), which consists of the one hundred three (103) units located at 2440 East Lucky Lane, Flagstaff, Arizona 86004; and

WHEREAS, the City’s allocation of funds for the Project is subject to that certain Funding Agreement (“Loan Agreement”), Promissory Note (“Note”), and Deed of Trust entered into on or about this date between the City and the Project Owner (collectively the “Loan Documents”); and

WHEREAS, Project Owner desires to make a binding commitment to assure that the Project is maintained and operated in accordance with the provisions of the Loan Documents and this Declaration; and

WHEREAS, Project Owner, as a condition for receiving the Loan funds, is required to record in the Public Records of Coconino County, Arizona, this Covenant obligating the Project Owner, its successors, and assigns to maintain and operate the Project in accordance with the Loan Documents; and

WHEREAS, the Project Owner hereby declares that this Covenant shall be and is a covenant running with the Project Owner's Property and, unless released by the City, is binding on the Project Owner's Property for the entire Affordability Period, and is not merely a personal covenant of the Project Owner; and

NOW THEREFORE, Project Owner voluntarily covenants and agrees that the Project shall be subject to the following restrictions that are intended and shall be deemed to be covenants running with the Project Owner's Property and binding upon Project Owner, and its heirs, transferees, successors and assigns as follows:

TERMS:

Section 1. Recitals: The recitals and findings set forth in the preamble of this Covenant are hereby adopted by reference thereto and incorporated herein as if fully set forth in this Section.

Section 2. Use of Property: The Units in the Project shall be rented to households whose annual income does not exceed eighty percent (80%) of the area median income for Flagstaff, Arizona, adjusted for family size, as determined annually by the U.S. Department of Housing and Urban Development, and in compliance with any extended low-income housing (as such term is defined in Section 42(h)(6)(B) of the Internal Revenue Code) or similar agreement entered into by Project Owner in connection with the Project.

Section 3. Term of Declaration: This Declaration is a covenant running with the land and shall remain in full force and effect and shall be binding upon the Project Owner, its successors, transferees, and assigns from the Effective Date until the expiration of the Affordability Period. The Affordability Period of this Project will be thirty (30) years commencing on the date the Project receives its certificate of occupancy (the "Affordability Period"). Upon the expiration of the Affordability Period, this Declaration shall immediately lapse and be of no further force and effect without the necessity of any other written document or instrument. Notwithstanding the foregoing, upon the expiration of the Affordability Period, upon request of the Project Owner, the City shall record an instrument evidencing the expiration of and other termination of this Declaration in the Official Records of Coconino County, Arizona.

Section 4. Prohibited Conveyances: Except as provided in the Loan Agreement, the Project Owner covenants and agrees not to encumber or convey its interest in the Project, interest in the Property, or any portion thereof, without City's prior written consent in accordance with the terms of the Loan Agreement.

Section 5. Repayment Upon Default: The Project Owner covenants and agrees that in the event (i) of a default as described in the Loan Documents, subject to the terms and any notice and cure rights as provided therein, (ii) of the sale or conveyance of any interest in the Project and/or the Project Owner's interest in the Property without City's prior written consent as required by the Loan Documents (except as otherwise provided in the Loan Documents), or (iii) that the Project

Owner ceases to exist as an organization, the Project Owner shall subject to the subordination in the Note and Deed of Trust, immediately make payment to the City in an amount equal to the full amount of Loan funds disbursed and outstanding, with interest thereon as provided in the Note, all Program Income (as defined in 2 CFR Part 200.307(e)(2)) derived from or in connection with the Project, if applicable, the Project Owner's interest in the Property and/or the Loans, and all unpaid fees, charges and other obligations of the Project Owner due under any of the Loan Documents.

Section 6. Inspection and Enforcement: It is understood and agreed that any official inspector of the City shall have the right any time during normal working hours to enter and investigate the use of the Property to determine whether the conditions of this Declaration are in compliance, subject to the rights of residential tenants under their leases.

Section 7. Amendment and Modification: This Declaration may be modified, amended, or released in whole or in part by a written instrument executed on behalf of the City and the Project Owner, or their respective successors-in-interest. Should this instrument be modified, amended or released, an written instrument executed by the City and Project Owner will be recorded in the Official Records of Coconino County, Arizona, effectuating and acknowledging such modification, amendment, or release.

Section 8. Definitions: All capitalized terms not defined herein shall have the meanings provided in the Loan Agreement.

Section 9. Severability: Invalidation of one or more of the provisions of this Declaration by judgment of court shall not affect any of the other provisions of the Declaration, which shall remain in full force and effect.

Section 10. Recordation: This Declaration shall be recorded in the Official Records of Coconino County, Arizona, at the sole cost and expense of the Project Owner.

Section 11. Covenant Running with the Land: Any and all requirements of the laws of the State of Arizona that must be satisfied in order for the provisions of this Covenant to constitute a restriction and covenant running with the Project Owner's interest in the Property shall be satisfied in full, and any requirements or privileges of estate are intended to be satisfied, or in the alternate, an equitable servitude has been created to insure that these restrictions run with the Project Owner's interest in the Property. For the term of this Covenant, each and every contract, deed, or other instrument hereafter executed conveying the Project Owner's interest in the Property or portion thereof shall expressly provide that such conveyance is subject to this Covenant, provided, however, that the covenants contained herein shall survive and be effective regardless of whether such contract, deed, or other instrument hereafter executed conveying the Project Owner's interest in the Property or portion thereof provides that such conveyance is subject to this Covenant.

Section 12. Governing Law and Venue: This Declaration shall be construed and enforced pursuant to the laws of the State of Arizona, excluding all principles of choice of laws, conflict of laws and comity. Any action pursuant to a dispute under this Declaration must be brought in Coconino County and no other venue. All meetings to resolve said dispute, including voluntary arbitration, mediation, or other alternative dispute resolution mechanism, will

take place in this venue. The Parties both waive any defense that venue in Coconino County is not convenient.

Section 13. RESERVED.

Section 14. Costs, Including Attorneys' Fees: If any legal services by an attorney are required to enforce the requirements of this Declaration or any of the Loan Documents, the prevailing party will be reimbursed by the other party for all costs and expenses of such action, including reasonable attorneys' fees, and if in legal action costs and expense of such action, including reasonable attorneys' fees as may be fixed by the court.

[Signature Pages Follow]

IN WITNESS WHEREOF, the Project Owner has caused this Declaration to be executed by its duly authorized officers and the corporate seal to be affixed hereto on the day and year first above-written.

PROJECT OWNER:

**FLAGSTAFF SHELTER SERVICES, INC.
AN ARIZONA NONPROFIT
COROPRATION**

BY: _____

ITS: _____

AKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____)

This Declaration was signed and acknowledged before me this _____ day of _____, 2025, by _____, as _____ of Flagstaff Shelter Services, Inc., on behalf of the company(ies) and pursuant to authority given to him by said company(ies). He is personally known to me or has produced _____ as identification.

In witness whereof I hereunto set my hand and official seal.

NOTARY PUBLIC

Print Name: _____

My Commission Expires: _____

CITY:

**CITY OF FLAGSTAFF, ARIZONA, A
MUNICIPAL CORPORATION OF THE
STATE OF ARIZONA**

ATTESTED:

Print Name: _____
Title: _____

By: _____
Print Name: _____
Title: _____

ACKNOWLEDGMENT

STATE OF _____)
COUNTY OF _____)

This Declaration was signed and acknowledged before me this _____ day of _____, 2025, by _____, as _____ of the City of Flagstaff on behalf of the City. She/He is personally known to me or has produced _____ as identification.

In witness whereof I hereunto set my hand and official seal.

NOTARY PUBLIC

Print Name: _____

My Commission Expires: _____

Exhibit A
Legal Description Of The Property

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF COCONINO,
STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS: