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12/13/2010 03:50:44 PM

Fee: \$87.00

After Recording Return to:
Housing and Community Services
Attn: Multifamily Housing Section
725 Summer Street, Suite B
Salem, OR 97301-1266

SPACE ABOVE FOR RECORDERS USE

HOUSING AND COMMUNITY SERVICES DEPARTMENT
STATE OF OREGON

LOW INCOME WEATHERIZATION PROGRAM
GRANT AGREEMENT, DECLARATION OF RESTRICTIVE COVENANTS
AND EQUITABLE SERVITUDES

THIS LOW INCOME WEATHERIZATION PROGRAM GRANT AGREEMENT, DECLARATION OF RESTRICTIVE COVENANTS AND EQUITABLE SERVITUDES (this "Agreement") is made and entered into this 9th day of December, 2010, by and between Klamath Housing Authority, an Oregon an Oregon Public Body Corporate and Politic (the "Recipient") and the State of Oregon, acting by and through its Housing and Community Services Department, together with its successors and assigns (the "Department").

RECITALS

- A. The Recipient has requested and the Department desires to make available to the Recipient a conditional Low Income Weatherization Program ("LIWX") grant in the amount of One Hundred Thousand Dollars (\$100,000.00) (the "Grant") to partially finance the costs incurred by Recipient in its acquisition and construction of a low-income residential housing development known as Iris Glen Townhomes, located at 135 Old Fort Hill Road in Klamath Falls, Oregon (the "Project").
- B. The legal property description of said Project is set forth in Exhibit A, which also is attached hereto.
- C. The parties desire that the Project be weatherized and operated in accordance with this Agreement and that the restrictive covenants and equitable servitudes described herein shall run with the Project land be binding and a burden upon the Project, and all portions thereof, and upon any purchaser, grant recipient, owner or lessee of any portion of the Project and any other person or entity having any right, title or interest therein and upon the respective heirs, executors, administrators, devisees, successors and assigns of any purchaser, grant recipient, owner or lessee of any portion of the Project and any other person or entity having any right, title or interest therein, for the length of time that this Agreement shall be in effect.
- D. The Recipient is willing to receive the Grant, to satisfy the conditions thereof, and to execute and record this Agreement for the purpose, in part, of creating restrictive covenants and equitable servitudes that shall run with the Project land and bind any and all subsequent owners of the Project for the term of this Agreement.

AGREEMENT

For good and sufficient consideration, including the terms and conditions hereof, the parties hereto agree as follows

SECTION 1. INCORPORATION; DEFINITIONS.

- (a) The foregoing Recitals, Exhibit A, any application made by Recipient to the Department for the Grant (the "Application"), and any award letter from the Department to the Recipient approving or modifying the Application (the "Award") are incorporated herein by reference.
- (b) Capitalized terms in this Agreement shall have the meanings ascribed to them herein unless the context clearly requires otherwise.

SECTION 2. GRANT ISSUANCE.

- (a) Subject to the availability of LIWX funds, the Department's authority to disburse same, and conditioned upon the terms and conditions of this Agreement, the Department will make the Grant to Recipient up to the maximum principal amount of One Hundred Thousand Dollars (\$100,000.00).
- (b) The Department will disburse the Grant to Recipient after satisfaction of Award conditions at its sole discretion and after execution and recording of this Agreement and delivery to the Department of information satisfactory to it that Project work will commence. The Department may disburse the Grant prior to recording of this Agreement, at its sole discretion, upon placement of the Agreement in escrow with binding instructions to record this Agreement upon notice to the escrow officer by the Department or upon Recipient's establishment of fee title ownership to the Project.
- (c) The Department may review all receipts and other evidence, as well as require and obtain such other information as it determines appropriate, concerning the appropriateness and amount of Recipient weatherization activities and costs prior to disbursing Grant moneys to Recipient under this Agreement. The Department's determination as to the appropriateness and amount of such weatherization activities and costs shall be at the Department's sole discretion.
- (d) The Department's Award commitment will expire six (6) months from the date of this Agreement if the Borrower fails to timely satisfy the foregoing conditions and commences acquisition and construction of the Project satisfactorily to the Department unless the Grant is sooner terminated by the Department. Approval of any extension, and the length of any approved extension, is at the Department's sole discretion.

SECTION 3. REPRESENTATIONS, COVENANTS AND WARRANTIES OF THE RECIPIENT CONCERNING USE OF THE FUNDS AND MAINTENANCE OF THE PROJECT AS HOUSING FOR LOW AND VERY LOW INCOME HOUSEHOLDS.

Recipient hereby represents, covenants, warrants and agrees that:

- (a) Recipient assumes full responsibility for the ownership and construction of the Project and acknowledges that the Department has no direct or contractual responsibility for the construction of the Project.

- (b) Recipient shall expend Grant moneys only for reimbursement of its actual and reasonable costs of eligible weatherization activities as identified in Exhibit B or Department rules and directives. Exhibit B is attached hereto and incorporated herein by reference.
- (c) Recipient, upon request by the Department, or together with any request by Recipient to the Department for reimbursement of actual and reasonable costs of appropriate weatherization activities, shall provide receipts or other evidence acceptable to the Department that verify such costs and the status of the weatherization activities.
- (d) Recipient, for a period of not less than Forty (40) years from the date of Project Completion or until October 1, 2051, whichever is later (the "Compliance Period"), shall continuously rent at least 50% of the units in the Project to households whose incomes are at or below 60% of the area median income, adjusted by family size, as determined by the Department based upon information from the U. S. Department of Housing and Urban Development. The Project has a total of Thirty-Six (36) units, plus one managers' residential unit, 50% of which, or Eighteen (18) units, are subject to this affordable rent obligation. As part of this affordable rent obligation stated above, Recipient has agreed to restrict rents as follows:
 - 18 units to households whose income is at or below 60% of median
 - units to households whose income is at or below 50% of median
 - units to households whose income is at or below 40% of median
 - units to households whose income is at or below 30% of median
- (e) Upon Project Completion, Recipient also shall obtain an energy inspection acceptable to the Department ascertaining the efficacy of the weatherization activities. Such inspection must be performed by an independent third party acceptable to the Department and provided promptly to the Department.
- (f) Recipient shall comply, and shall cause its agents, employees, contractors, subgrantees and assigns, if any, to comply with the terms and conditions of this Agreement and all otherwise applicable laws (including, without limitation, all applicable federal, state and local statutes, rules, regulations, ordinances and orders affecting the Project or activities related thereto).

SECTION 4. COVENANTS TO RUN WITH THE LAND; EQUITABLE SERVITUDE.

The Recipient represents, covenants, warrants and agrees that:

- (a) The Department is making the Grant to the Recipient as an inducement to the Recipient to develop and operate the Project in accordance with the terms of this Agreement. In consideration of the receipt of the Grant, the Recipient has entered into this Agreement with the Department and has agreed to restrict the use of the Project during the Compliance Period as set forth in Section 3 of this Agreement.
- (b) The covenants, restrictions, and charges set forth herein with respect to the Project shall be deemed restrictive covenants running with the Project land and also shall be deemed an equitable servitude running with the Project land. These restrictive covenants and equitable servitude shall pass to and be binding upon the Recipient's successors in title including any purchaser, grant recipient or lessee of any portion of the Project, shall pass to and be binding upon the respective heirs, executors, administrators, devisees, successors and assigns of the Recipient or any purchaser, grant recipient or lessee of any portion of the Project and shall pass to and be binding upon any other person or entity having any right, title or interest in the Project.. Each and every contract, deed or other instrument hereafter executed covering or conveying the Project or any portion thereof or interest therein shall contain an express provision making

such conveyance subject to the covenants, restrictions, and charges contained herein; provided, however, that any such contract, deed or instrument shall conclusively be held to have been executed, delivered and accepted subject to such covenants, restrictions and charges regardless of whether or not such covenants, restrictions and charges are set forth or incorporated by reference in such contract, deed or instrument.

SECTION 5. BURDEN AND BENEFIT.

The burdens of the covenants, restrictions, and charges set forth herein touch and concern the Project land and that the Recipient's legal interest in the Project is rendered less valuable thereby. The benefits of such covenants, restrictions, and charges touch and concern the Project land by enhancing and increasing the enjoyment and use of the Designated Units in the Project by low and very low income households, the intended beneficiaries of such covenants, restrictions, and charges and by furthering the public purposes for which the Grant is made.

SECTION 6. COMPLIANCE REPORTING.

Recipient will provide an annual certification, in a format and on a schedule approved by the Department in its sole discretion, that the Recipient is fulfilling its obligations under this Agreement. The Department may inspect the Project, and any part thereof, and may inspect and copy all records of the Project, upon reasonable notice to the Recipient. The Recipient, its agents, employees, and subcontractors will cooperate fully with the Department in any requested inspection or compliance monitoring.

SECTION 7. SUBORDINATION.

This Agreement and the restrictive covenants and equitable servitude created hereunder may be subordinated only to the lien of Recipient's primary financing loan from a private lender in a principal amount not to exceed \$2,337,500.00. The Department, at its sole discretion, may subordinate this Agreement to other financing on the Project.

SECTION 8. TERM OF AGREEMENT.

This Agreement and the restrictive covenants and equitable servitude created hereunder shall become effective upon execution and recording of this Agreement and shall remain in full force and effect for the Compliance Period or Forty (40) years, whichever is longer. Notwithstanding any other provision of this Agreement, this Agreement shall terminate and be of no further force and effect in the event of a completed foreclosure by the primary financing lender or by a lender to whom the Department has subordinated this Agreement, or their successors or assigns, or in the event of a delivery by the Recipient of a deed for the Project to the primary financing lender in lieu of foreclosure, or to a lender to whom the Department has subordinated this Agreement, or their successors or assigns.

SECTION 9. TERMINATION.

The Department may terminate this Agreement, without further liability, immediately upon notice to the Recipient:

- (a) If the Recipient fails to perform or breaches any of the terms of this Agreement; or
- (b) If the Recipient is unable or fails to commence the Project within six (6) months from the date of this Agreement;

- (c) If the Department loses the authority to administer the Program or Grant, is determined by its counsel or otherwise as lacking the authority to administer the Program or Grant, or fails to receive or loses necessary funding, appropriations, limitations or other expenditure or position authority sufficient to carry out the terms of this Agreement; or
- (d) If federal or state laws, regulations or guidelines are modified or interpreted in such a way that the Project cannot be funded with federally taxable moneys, or the Grant or expense reimbursement payments to be made hereunder are invalidated or otherwise prohibited.

SECTION 10. REMEDIES.

If the Recipient defaults in the performance or observance of any covenant, agreement, or obligation set forth in this Agreement and if such default remains uncured for a period of 30 days (or such shorter period as the Department may indicate in its notice) after the notice thereof shall have been given by the Department to the Recipient, then the Department, at its option, may take any one or more of the following steps:

- (a) By mandamus or other suit, action or proceeding at law or in equity, specifically require the Recipient to perform its covenants, agreements and obligations hereunder or enjoin any acts or things that may be unlawful or in violation of the rights of the Department hereunder;
- (b) Have access to and inspect, examine and make copies of all of the books and records of the Recipient pertaining to the Project;
- (c) Demand repayment of the full amount of the Grant in which event the amount thereof shall be immediately due and payable by the Recipient or its successors or assigns to the Department;
- (d) Terminate this Agreement without prejudice to its recovery rights and other remedies hereunder, at law or otherwise.
- (e) Take such other action under this Agreement, at law or in equity as may appear necessary or desirable to the Department to enforce the covenants, agreements, warranties, and obligations of the Recipient hereunder.

SECTION 11. RECORDING AND FILING.

The Recipient shall cause this Agreement and all amendments and supplements hereto to be recorded and filed in the real property records of the county in which the Project is located and in such other places as the Department may reasonably request. The Recipient shall pay all fees and charges incurred in connection with any such recording.

SECTION 12. GOVERNING LAW; VENUE.

This Agreement and all matters arising under or relating hereto shall be governed by and construed and interpreted in accordance with the laws of the State of Oregon without regard to principles of conflicts of laws except, where applicable, it shall be governed by and construed and interpreted in accordance with the laws of the United States of America. The parties hereby agree that the courts of the State of Oregon or, where necessary, the U.S. District Court for the District of Oregon, shall have exclusive jurisdiction over any action brought by or against the Department or the State of Oregon under this Agreement or in any way relating to the transactions contemplated hereby. In no event shall this provision be construed as a waiver by the State of Oregon of any form of defense or immunity, whether it is sovereign immunity, governmental immunity, immunity based on the

Eleventh Amendment to the Constitution of the United States or otherwise, from any Claim or from the jurisdiction of any court. RECIPIENT, BY EXECUTION OF THIS AGREEMENT, HEREBY CONSENTS TO THE IN PERSONAM JURISDICTION OF SAID COURTS.

SECTION 13. AUTHORITY.

Recipient hereby represents, warrants and certifies that:

- (a) It possesses legal authority to apply for and accept the terms and conditions of the Grant and to carry out the proposed Project;
- (b) Its governing body, if any, has duly authorized the filing of the application, including all understandings and assurances contained therein;
- (c) The person identified as the official representative of the Recipient in the application is duly authorized to act in connection therewith and to provide such additional information as may be required. The Recipient's official representative has sufficient authority to make all certifications on its behalf;
- (d) This Agreement does not and will not violate any provision of any applicable law, rule, regulation or order of any court, regulatory commission, board or administrative Department applicable to the Recipient or any provision of the Recipient's organic laws or documents;
- (e) This Agreement has been duly executed by an official representative of Recipient, delivered by Recipient, and will constitute the legal, valid and binding obligations of the Recipient, enforceable in accordance with their terms.

SECTION 14. INDEPENDENT CONTRACTOR.

Recipient acknowledges and agrees that it is acting in its own independent capacity under this Agreement and not as an agent or subcontractor for the Department. Recipient assumes full responsibility for its own actions and shall provide for its own insurance and other compliance responsibilities, including providing for its own workers' compensation and other insurance coverage, as needed.

SECTION 15. AMENDMENTS.

This Agreement may be amended only by a written instrument executed by the parties hereto or by their successors and duly recorded in the real property records of the County.

SECTION 16. NO THIRD-PARTY BENEFICIARIES.

Department and Recipient are the only parties to this Agreement and are the only parties entitled to rely on and enforce the terms of this Agreement. Nothing in this Agreement gives, is intended to give, or shall be construed to give or provide any benefit or right not held by or made generally available to the public, whether directly indirectly or otherwise, to third persons unless such third persons are individually identified by name in this Agreement and expressly described as intended beneficiaries of the terms of this Agreement.

SECTION 17. ASSIGNMENT; SUCCESSORS AND ASSIGNS.

Recipient shall not assign or transfer any interest in this Agreement or in the Project (other than leases for the residential units in the Project) without the prior express written consent of Department. Any attempted

assignment or transfer in violation of this provision shall be null and void. The provisions of this Agreement shall be binding upon and shall run to the benefit of the parties to this Agreement and their respective successors and permitted assigns.

SECTION 18. NOTICES.

Any notice required to be given hereunder shall be made in writing and shall be given by personal delivery or first class mail, postage prepaid, at the addresses specified below, or at such other addresses as may be specified in writing by the Department or the Recipient:

To the Department: Oregon Housing and Community Services Department
725 Summer St NE, Suite B
Salem, Oregon 97301-1266
Attention: Multifamily Housing Section Manager

To the Recipient: Klamath Housing Authority
1445 Avalon Street
Klamath Falls, Oregon 97603
Attn: Diana Otero

SECTION 19. ASSIGNMENT.

Recipient shall not assign or otherwise transfer any interest in this Agreement or in the Grant or Project without the written consent of the Department.

SECTION 20. SEVERABILITY.

The invalidity of any clause, part or provision of this Agreement shall not affect the validity of the remaining portions thereof.

SECTION 21. WAIVER.

No delay in enforcing the provisions hereof as to any breach or violation shall impair, damage or waive the right of any person entitled to enforce the same to obtain relief against or recover for the continuation or repetition of such breach or violation or any similar breach or violation thereof at any later time or times. No waiver shall be construed against the Department unless it is expressly so stated in a signed writing by the Department. No waiver shall be construed against the Department on a continuing basis unless it is expressly so stated in a signed writing by the Department.

SECTION 22. ATTORNEYS FEES; COSTS.

The substantially prevailing party with respect to any dispute concerning this Agreement shall be entitled to its reasonable attorney fees, costs and expenses, including prior, during or after trial (including on appeal, in bankruptcy, in mediation or arbitration, or in any other legal proceeding). Reasonable attorney fees shall not exceed the rate charged to the Department by its attorneys.

SECTION 23. TIME OF THE ESSENCE.

Time is of the essence in the performance by Recipient of the terms of this Agreement.

SECTION 24 CONSTRUCTION.

The parties to this Agreement acknowledge that each party and its counsel have participated in the drafting and revision of this Agreement. Accordingly, the parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply in the interpretation of this Agreement or any amendment, modification, supplementation or restatement of the foregoing or of any exhibit to this Agreement.

SECTION 25. NO IMPAIRMENT OF GOVERNMENTAL POWERS.

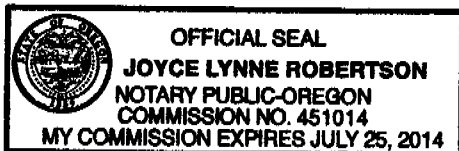
Nothing in this Agreement is intended, nor shall it be construed, to in any way limit the actions of the Department or State of Oregon in the exercise of their governmental powers. It is the express intention of the parties hereto that the Department and State of Oregon shall retain the full right and ability to exercise their governmental powers with respect to the Recipient, the Project, and the transactions contemplated by this Agreement to the same extent as if the Department were not a party to this Agreement or the transactions contemplated thereby, and in no event shall the Department or the State of Oregon have any liability in contract arising under this Agreement by virtue of any exercise of their governmental powers.

SECTION 26. MERGER.

This Agreement and its incorporated documents and exhibits constitute the entire agreement between the parties. No other agreements, written or oral shall be deemed to merge with this Agreement.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed by their duly authorized representatives as of the day and year first above written.

DEPARTMENT:




STATE OF OREGON, acting by and through its
Housing and Community Services Department

By: _____

David W. Summers, Manager
Multifamily Housing Section

STATE OF OREGON)
 : ss
County of Marion)

The foregoing instrument was acknowledged before me this 7th day of December, 2010, by David W. Summers, who is the Manager of the Multifamily Housing Section, Housing and Community Services Department, on behalf of the Department.


NOTARY PUBLIC FOR OREGON
My Commission Expires: July 25, 2010

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RECIPIENT:

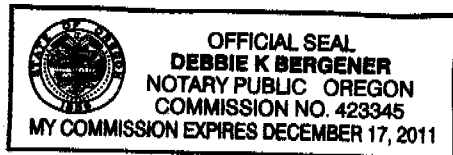
**Klamath Housing Authority,
an Oregon an Oregon Public Body Corporate and Politic
TIN No.: 93-0637235**

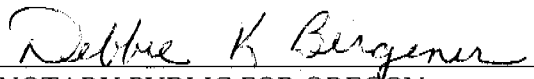
By: 
Diana A. Otero, Executive Director

STATE OF OREGON)

County of Klamath : ss

The foregoing instrument was acknowledged before me this 9th day of December, 2010, by
Diana A. Otero, Executive Director of Klamath Housing Authority, who executed the foregoing instrument for on
behalf of the Owner.




NOTARY PUBLIC FOR OREGON
My Commission Expires: 12-17-2011

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EXHIBIT A

Real property in the County of Klamath, State of Oregon, described as follows:

PARCEL I

A PORTION OF LOTS 4, 5, 6, BLOCK 11, DIXON ADDITION TO THE CITY OF KLAMATH FALLS, IN THE COUNTY OF KLAMATH, STATE OF OREGON, MORE PARTICULARLY DESCRIBED AS FOLLOWS: BEGINNING ON THE EAST SIDE OF HILLSIDE AVENUE AT A POINT 36 FEET SOUTH OF THE NORTHWEST CORNER OF LOT 6, BLOCK 11, DIXON ADDITION TO THE CITY OF KLAMATH FALLS, OREGON; RUNNING THENCE SOUTH ALONG THE EAST SIDE OF SAID HILLSIDE AVENUE A DISTANCE OF 37 FEET; THENCE EAST AND PARALLEL WITH THE NORTH LINE OF SAID LOT 6 TO THE NORTHWESTERLY LINE OF FORT KLAMATH ROAD TO A POINT WHERE SAID LINE INTERSECTS WITH A LINE DRAWN EAST FROM SAID POINT OF BEGINNING AND PARALLEL WITH THE NORTH LINE OF SAID LOT 6; THENCE WEST TO THE POINT OF BEGINNING, BEING A TRACT OF LAND FRONTING 37 FEET ON SAID HILLSIDE AVENUE AND EXTENDING ACROSS LOTS 6, 5 AND 4 OF SAID BLOCK 11 TO FORT KLAMATH ROAD, SITUATE IN SOUTHWEST QUARTER OF SOUTHEAST QUARTER OF SECTION 28, TOWNSHIP 38 SOUTH, RANGE 9 EAST OF THE WILLAMETTE MERIDIAN, TOGETHER WITH AN EASEMENT FOR A DRIVEWAY ACROSS THE SOUTHERLY AND EASTERLY SIDE OF SAID LOT 4, BLOCK 11, CONVENIENTLY WIDE FOR A DRIVE FROM THE ALLEY IN THE REAR OF SAID LOT 4.

PARCEL II

LOT 3 BLOCK 11, DIXON ADDITION TO KLAMATH FALLS, OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON.

PARCEL III

LOTS 4, 6 AND 7 IN BLOCK 12 OF DIXON ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON.

PARCEL IV

LOTS 8 AND 9 IN BLOCK 12 OF DIXON ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE OFFICE OF THE COUNTY CLERK OF KLAMATH COUNTY, OREGON. EXCEPTING THEREFROM PORTIONS CONVEYED TO STATE OF OREGON BY AND THROUGH ITS STATE HIGHWAY COMMISSION; PORTION LOT 8 BY DEED RECORDED SEPTEMBER 22, 1944 IN VOLUME 169, PAGE 194; AND PORTION OF LOT 9 BY DEED RECORDED OCTOBER 04, 1944 IN VOLUME 169, PAGE 458, DEED RECORDS OF KLAMATH COUNTY, OREGON.

PARCEL V

LOTS 10 AND 11 IN BLOCK 12 OF DIXON ADDITION TO THE CITY OF KLAMATH FALLS, OREGON, ACCORDING TO THE OFFICIAL PLAT THEREOF ON FILE IN THE RECORDS OF KLAMATH COUNTY, OREGON.

NOTE: This legal description was created prior to January 1, 2008.

APN: R375356 and R375338 and R375436 and R375463 and R375472 and R375481 and R375490 and R375506 and R375515

EXHIBIT B

WEATHERIZATION ITEMS TO BE COMPLETED WITH GRANT RESOURCES

<u>Conservation Measure</u>	<u>Kilowatts Saved</u>
Refrigerators	3,996
Dishwashers	2,772
Lighting	29,169
Geothermal HVAC envelope	255,280