

Prepared by:

Brittany Griffin Smith
Attorney
Lexington-Fayette Urban County Government
Department of Law
200 East Main Street, 11th Floor
Lexington, Kentucky 40507

DECLARATION OF RESTRICTIVE COVENANTS

This **DECLARATION OF COVENANTS AND RESTRICTIONS** ("Declaration") is made this _____, 2023, by and between **NEW BEGINNINGS, BLUEGRASS, INC** a Kentucky non-profit corporation pursuant to KRS Chapter 273, 1353 West Main Street, Suite 100, Lexington, Kentucky 40508 ("Declarant"), owner of certain real property in Lexington, Fayette County and the **LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT**, an urban county government of the Commonwealth of Kentucky pursuant to Chapter 67A of the Kentucky Revised Statutes, 200 East Main Street, Lexington, Fayette County, Kentucky 40507 ("Government").

WITNESSETH:

WHEREAS, the Declarant is the owner of certain real property known and designated as 1662, 1666, and 1670 Alexandria Drive, Lexington, Fayette County Kentucky 40504 and more particularly described in Exhibit A which is attached hereto and incorporated herein by reference ("Site"); and

WHEREAS, the Government, through its HOME-ARP Program, works to increase the supply of affordable, standard residential rental units to low and very low income households by providing loans to property owners; and

WHEREAS, said Government, through its HOME-ARP Program, has loaned funds in the amount of \$1,457,822.00 to Borrower for the rehabilitation of eight (8) apartment units for very low-income households;

WHEREAS, Declarant has agreed that eight (8) units are HOME-ARP-assisted and that only these eight (8) units are subject to the herein described affordability restrictions;

WHEREAS, said Government program is being conducted pursuant to the HOME Investment Partnerships Program of the United States Department of Housing and Urban Development ("HUD") which requires, as a condition of receipt of funds thereunder, that Restrictive Covenants, running with the land in conformance with the eligibility and affordability provisions of the program, be declared and filed of record as to each property developed with program funds; and

WHEREAS, the Declarant has borrowed the sum of \$1,457,822.00 pursuant to the Government's HOME-ARP Program and HUD's HOME Investment Partnerships Program for the construction of 8 affordable rental units on the herein described Site, and in consideration of such loan, Owner intends to establish covenants, conditions and restrictions running with the land to comply with the requirements of the HOME-ARP program;

WHEREAS, the Government holds a mortgage lien interest in the site and is required by HUD regulations relating to the HOME Investment Partnerships Program to require the establishment of covenants, conditions and restrictions running with the land and to enforce such covenants, conditions and restrictions;

NOW, THEREFORE, the Declarant, for its assigns, subsequent purchasers, lessees and successors in interest hereby declares that the Site is and shall be held transferred, sold, conveyed and occupied, subject to the conditions, restrictions and reservations hereinafter set out, which are hereby established and declared to be covenants running with the land:

1. RESTRICTED USES:

(a) The site shall be maintained solely as residential property. Declarant and its assigns, subsequent purchasers, lessees and successors in interest agree that the eight (8) HOME-ARP-assisted units shall be rented to low income and very low households. Low income households are those households with gross incomes at or below sixty percent (60%) of the median income for the community. Very low income households are those households with adjusted gross incomes at or below fifty percent (50%) of the median income for the community. During the duration of these covenants, there is no minimum of the number of the HOME-assisted units that shall be rented to very low income households except as provided elsewhere herein.

(b) Declarant and its assigns, subsequent purchasers, lessees and successors in interest shall charge HOME rents in HOME-ARP units as established from time to time by HUD pursuant to any regulations promulgated by HUD or the Government. The rents so charged must include utility costs. The maximum allowable HOME rent must be reduced by a utility allowance approved by Government if tenant is required to pay separately for utilities. Utility allowances approved by Government may vary as periodic adjustments are made. Should HUD revise these or other rent guidelines set out herein so as to permit Declarant and its assigns, subsequent purchasers, lessees and successors in interest to adjust the rent charged, Declarant and its assigns, subsequent purchasers, lessees and successors in interest must obtain the prior approval of the Government and provide tenants with no less than thirty (30) days written notice before adjustments are implemented.

(c) The family size and the gross income for all tenants must be determined at the time of initial occupancy and annually for the duration of these covenants. Declarant and its assigns, subsequent purchasers, lessees and successors in interest shall obtain and verify income and family size information from each tenant upon initial rent up and annually during the duration of these covenants. Declarant and its assigns, subsequent purchasers, lessees and successors in interest shall provide information on family size, gross income and rent charged for all tenants to the Government within sixty (60) days after the initial rent up and the annual review date. Declarant and its assigns, subsequent purchasers, lessees and successors in interest shall obtain any necessary releases from tenant to allow Government to independently verify the information provided.

(d) The Declarant and its assigns, subsequent purchasers, lessees and successors in interest shall, on an annual basis, for the duration of these covenants, review the income, family size and exclusions of all tenants and determine if any are over-income. An over-income tenant is a household with a gross income exceeding eighty percent (80%) of the median for the community. Declarant and its assigns, subsequent purchasers, lessees and successors in interest shall not evict over-income tenants based on income. Declarant and its assigns, subsequent purchasers, lessees and successors in interest shall increase the rent of the site to not less than thirty percent (30%) of the households adjusted gross income, except tenants of HOME-assisted units that have been allocated low-income housing tax credits by a housing credit agency pursuant to Section 42 of the Internal Revenue Code of 1986 (26 U.S.C. 42) must pay rent governed by Section 42. Units vacated by an over-income tenant must be rented to an income-eligible tenant for the duration of these covenants.

(e) Should the adjusted gross income of a very low income tenant renting a unit at the low HOME rate increase to greater than fifty percent (50%) of the median for the community but less than eighty percent (80%) of the median for the community during the term of the tenancy and for the duration of these covenants, the Declarant and its assigns, subsequent purchasers, lessees and successors in interest may increase the rent for such tenant up to the high HOME rate for the duration of the tenancy. Declarant and its assigns, subsequent purchasers, lessees and successors in interest shall not evict such a tenant on the basis of the increase of the adjusted gross income. The next vacancy shall be rented to a very low income tenant whose income is at or below fifty percent (50%) of the area median income at a rent no higher than the established low HOME rent.

(f) No sale of the site shall be completed without giving notice to the Government in writing at least ten (10) days prior to the closing.

2. DURATION

The covenants and restrictions herein established shall be a covenant running with the land and shall be effective from the date of project completion, established as the date the HUD's Integrated Disbursement and Information System (IDIS) accepts and records the Completion report showing that ten units assisted by this loan have been rented to low-income and very low-income households, for a period of fifteen (15) years and shall be binding upon the Declarant, its assigns, subsequent purchasers, lessees and successors in interest and all parties and persons claiming under them during the term hereof.

It is intended and agreed that the Government and its successors and assigns and the United States of America shall be deemed a beneficiary of the covenant provided, both for and in their or its own right and also for the purpose of protecting the interest of the community and other parties, public or private, in whose favor or for whose benefits such agreements or covenants have been provided. Said covenant shall run in favor of the Government and the United States for the duration of these

