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**DECLARATION OF
COVENANTS, CONDITIONS, AND RESTRICTIONS**

STATE SUBDIVISION – LEISURE BAY

BONNER COUNTY, IDAHO

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THIS DECLARATION OF COVENANTS, CONDITIONS, AND RESTRICTIONS, is made on this 12th day of February, 2013, by the **STATE OF IDAHO, Board of Land Commissioners, by and through the Idaho Department of Lands,** with reference to the following facts:

A. The State Land Board is the owner of six (6) residential Lots located at Priest Lake, Bonner County, Idaho, known as "STATE SUBDIVISION – LEISURE BAY." The land encumbered by this Declaration is more particularly described as follows:

All land located within the Plat of "STATE SUBDIVISION – LEISURE BAY," according to the Plat filed 21st day of February, 2013, in Book "10" of Plats, Pages 161, as Instrument No. 840105, records of Bonner County, Idaho.

The State Land Board hereby declares that the Property shall be held, conveyed, mortgaged, encumbered, leased, rented, used, occupied, sold, and improved, subject to the following declarations, limitations, covenants, conditions, restrictions, and easements, all of which are for the purpose of enhancing and protecting the value and attractiveness of the Property, and every part thereof, in accordance with the plan for the subdivision and sale of the Property as a rural, lake front residential community. All of the limitations, covenants, conditions, restrictions, and easements shall constitute covenants and encumbrances which shall run with the land and shall be perpetually binding upon Owners, their successors-in-interest and assigns, and all parties having or acquiring any right, title, or interest in or to any part of the Property subject to the rights reserved by the State Land Board in the Addendum.

**ARTICLE 1.
DEFINITIONS**

Unless otherwise expressly provided, the following words and phrases, when used in this Declaration and in the Project Documents, shall have the following meanings:

1.1 "Addendum" shall mean the "Addendum to Declaration of Covenants, Conditions, and Restrictions" of equal date herewith or as may be amended from time to time, that provides additional definitions and covenants related to Cottage Site Leases between the State of Idaho, Board of Land Commissioners and its lessees.

1.2 Common Area (if any)"County" shall mean Bonner County, Idaho.

1.3 "County Code" shall mean the Bonner County Revised Code as amended, superseded or repealed.

1.4 "Declaration" shall mean this Declaration of Covenants, Conditions, and Restrictions, as it may be amended from time to time.

1.5 "Lot" shall mean a platted parcel of land which is part of the Plat.

1.6 "Mortgage" includes a recorded mortgage, deed of trust, real estate contract, or other instrument creating a voluntary security interest in any Lot.

1.7 "Mortgagee" includes a mortgagee, beneficiary or holder of a deed of trust, real estate contract vendor, or other holder of a voluntary security interest in any Lot.

1.8 "Owner" or "Owners" shall mean the record holder or holders of title to a Lot within the Property, except that the State Land Board shall not be considered an Owner for purposes of this Declaration. The term "Owner" or "Owners" shall include any person having a fee simple title to any Lot, but shall exclude Mortgagees or any other persons or entities having any interest merely as security for the performance of any obligation. Further, if a Lot is sold under a recorded contract of sale to a purchaser, the purchaser, rather than the fee owner, shall be considered the "Owner."

1.9 "Person" shall mean any natural person, corporation, partnership, association, trustee, or other legal entity, but shall not include the State Land Board.

1.10 "Plat" shall refer to the recorded plat for "STATE SUBDIVISION – LEISURE BAY" and any amendments thereto. The Plat identifies each Lot and shows its relative location and dimensions.

1.11 "Project Documents" shall mean the Plat, this Declaration, and the Addendum, as each shall be amended from time to time.

1.12 "Property" or "Project" shall mean the land described in Recital A of this Declaration, together with all buildings, improvements and structures thereon owned by the Owner of the fee interest in the land, and every easement or right appurtenant thereto.

1.13 "State Land Board" shall mean the State of Idaho, Board of Land Commissioners, acting by and through the Idaho Department of Lands, collectively.

ARTICLE 2.

CONSTRUCTION STANDARDS AND USE RESTRICTIONS

In addition to all of the covenants contained herein, the use of the Property and each Lot therein is subject to the following:

2.1 Single-Family Residential Use. No Lot shall be occupied and used except for single-family residential purposes by the Owner and its family, or by a single-family tenant, which fits within with the rustic character of the Idaho Panhandle National Forests. No more than one (1) single-family dwelling shall be allowed on any Lot.

2.2 Mobile Homes. Mobile homes shall not be placed on the Property.

2.3 Manufactured or Modular Homes. Manufactured or modular homes that comply with all applicable building codes, have a minimum 4:12 roof pitch, meet

applicable County snow load requirements for this area, and are installed on a permanent foundation shall be allowed.

2.4 Permits; Construction Standards. Each Owner shall comply with all applicable federal, state, and local laws, rules, and regulations and procure at its own expense all licenses and permits required by such laws, rules, and regulations related to the use of the Lots. Notwithstanding the foregoing, any nonconforming structures, uses of land and structures or characteristics of use that existed prior to the recording of this Declaration are permitted to continue; provided, however, nonconformities shall not be enlarged upon, expanded or extended. Construction standards and setbacks shall be in accordance with County Code.

- a. Setback Requirements. Structures shall be setback from the ordinary high water mark a minimum of forty feet (40'). The side setback shall be fifteen feet (15') from the side lot lines. The rear setback shall be twenty-five feet (25') from the rear lot line. Setbacks to be measured from outer edge of building eaves and decks.
- b. Building Height. The maximum height of any structure shall be thirty-five feet (35') above ground level on the waterfront or front side.

2.5 Environmental Protection. Lot development and uses shall conform to the County Land, Title 12, Chapter 7 Environmental Standards, as may be amended from time to time, unless otherwise noted herein.

2.6 Fire Hazards. Lots shall be maintained to reduce fire hazards by the elimination of fine fuels and dead material on the Lot to provide a natural but managed appearance.

2.7 Protection of Forest Resources. Other forest resources shall be protected, such as archeological resources, sensitive plant and animal species, water quality and fish habitat.

2.8 Fences. Fences on Lots to establish lot perimeter or to exclude accessibility onto or across the site are not be permitted.

2.9 Colors, Roofing and Siding. All structures shall be painted with earth tone colors. Examples of earth tone colors include natural weathered wood, varnished, painted, or stained siding using dark green, brown, gray or red tones that will blend into the natural surroundings. Natural stone-faced structures, which conform to County Code, are acceptable. Roofs may be metal. Roofs and siding must be non-reflective and painted with earth tone colors. Siding on all new and replacement structures must be metal, cementitious, wood, or masonry.

2.10 Wellhead Protection and Waterline Easement Reservation. Lot 2, Lot 3 and Lot 4 of Block 1, State Subdivision – Leisure Bay include delineated areas reserved for easements for wellhead protection and waterline easements. These utility easements will be issued at the time that each lot leaves State Endowment ownership. No construction of personal property is permitted within the reservation area.

ARTICLE 3.

RIGHTS OF MORTGAGEES

In order to induce various lenders and lending agencies to participate in the financing of any sale of Lots within the Property, this Article 3 is included in this Declaration. To the extent these added provisions pertaining to the rights of such lenders and lending agencies conflict with any other provisions of this Declaration or any other of the Project Documents EXCEPT THE ADDENDUM, these added restrictions shall control.

3.1 No Impairment. The following rights of a Mortgagee shall not be impaired:

(a) To foreclose or take title to a Lot pursuant to the remedies provided in the Mortgage;

(b) To accept a deed (or assignment) in lieu of foreclosure in the event of default by a mortgagor; or

(c) To sell or lease a Lot so acquired by the Mortgagee without interference.

3.2 Amendment of Declaration. No amendment to this Declaration shall affect the rights of the holder of any first Mortgage recorded prior to recordation of such amendment who does not join in the execution thereof.

3.3 Mortgagee Protection Clause. No breach of any covenants, conditions and restrictions in this Declaration shall defeat or render invalid the rights under any Mortgage on any Lot made in good faith and for value, but all of the covenants, conditions and restrictions shall be binding upon and effective against any Lot Owner whose title is derived through foreclosure or otherwise.

ARTICLE 4.

DURATION AND AMENDMENT

4.1 Duration. This Declaration shall continue in full force for a term of fifty (50) years from the date hereof, after which time the same shall be automatically extended for successive periods of ten (10) years, unless a Declaration of Termination is recorded, meeting the requirements of an amendment to this Declaration as set forth in Paragraph 4.2.

4.2 Amendment. Any amendment to this Declaration shall be adopted by the written consent of all Owners.

Notwithstanding the foregoing, the Director of the Department of Lands must provide its written consent to any amendment so long as the State owns a Lot. The written consent of the State must be separately recorded as evidence of its consent to any Amendment. If such written consent is not provided, the amendment shall fail.

ARTICLE 5.

GENERAL PROVISIONS

5.1 Invalidity of Any Provision. Should any provision of this Declaration be declared invalid or in conflict with any law of the jurisdiction where the Project is

situated, the validity of all other provisions shall remain unaffected and in full force and effect.

5.2 Conflict of Project Documents. If there is any conflict among or between the Project Documents, priority shall be given to Project Documents in the following order: the Plat, the Addendum, and then this Declaration.

5.3 Addendum. The State Land Board will record an Addendum to this Declaration that provides specific rights to Lessees of Lots under the Cottage Site Lease Program of the State Land Board by and through the Idaho Department of Lands. The Addendum shall terminate and have no further effect after the State no longer owns any Lot.

IN WITNESS WHEREOF, the State Board of Land Commissioners has caused these presents to be executed by its President, the Governor of the State of Idaho, and countersigned by the Secretary of State and the Director, Idaho Department of Lands.

THE STATE BOARD OF LAND
COMMISSIONERS



Governor of the State of Idaho and President
of the State Board of Land Commissioners

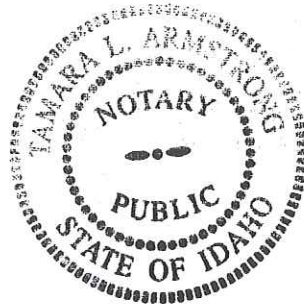
Countersigned:


Secretary of State
Director, Idaho Department of Lands

THE STATE OF IDAHO)
) ss.
COUNTY OF ADA)

On this 12th day of February, 2013, before me, a Notary Public in and for said the State, personally appeared **C.L. "BUTCH" OTTER**, known to me to be the Governor of the State of Idaho and President of the State Board of Land Commissioners; **BEN YSURSA**, known to me to be the Secretary of State for the State of Idaho; and **THOMAS M. SCHULTZ, JR.**, known to me to be the Director of Department of Lands of the State of Idaho, that executed the same instrument and acknowledged to me that such the State of Idaho and the State Board of Land Commissioners executed same.

IN WITNESS WHEREOF, I have hereunto set my hand and seal on the day and year written above.



Tamara L. Armstrong
NOTARY PUBLIC for Idaho
Residing at Boise,
Idaho
My Commission expires: 12/26/18