

**IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT COURT OF NEW MEXICO**

GUADALUPE CHAVEZ, et al.,
Plaintiffs,

vs.

BROOKE ROLLINS, Secretary of the
Department of Agriculture, et al.,
Defendants.

CASE NO: 1:24-CV-00572 JB/KK

SETTLEMENT AGREEMENT

Recitals

1. Introduction. This Agreement settles claims made by Plaintiffs challenging certain alleged actions taken by Defendant United States Department of Agriculture-Rural Housing Service (RD) and Villas de Avenida Canada Apartments (Villas). Plaintiffs allege that RD allowed the La Vista Del Rio Apartment (LVDR) Complex in Espanola, New Mexico to exit RD's Section 515 housing program, thereby ending Section 521 Rental Assistance. Plaintiffs allege that Villas failed to comply with a recorded restrictive use covenant requiring, among other things, affordable rents and other tenant protections. The Plaintiffs also brought claims against Bosley Management Inc. (BMI), the former owner of the complex. The claims against Defendant BMI were settled in a separate agreement.

2. Nature of the Lawsuit. On June 6, 2024, five individuals who resided at LVDR filed a lawsuit in the United States District Court for the District of New Mexico on behalf of themselves and a proposed class of low-income individuals who are current or former tenants at LVDR, a 49-Unit rental housing complex in Espanola, New Mexico, which until September 15, 2023 was deeply subsidized affordable housing under RD's Section 515 housing program and its Section 521 Rental Assistance program, which lawsuit was assigned case number 1:24-cv-00572. Plaintiffs claimed that Defendant RD violated the Emergency Low Income Housing Preservation Act (ELIHPA) and its own Handbook, in allegedly approving the prepayment of Defendant BMI's Section 515 loan, thereby terminating Section 521 Rental Assistance necessary to keep rents deeply subsidized and other key protections that directly harmed Plaintiffs and the putative class. Plaintiffs also alleged that Defendant RD was required to make certain threshold determinations under loan acceleration regulations and violated class members' statutory and due process rights to appeal the loan acceleration and prepayment decisions. Plaintiffs further alleged that RD operated its Rural Development Voucher Program, intended to help tenants of prepaid Section 515 properties deal with the economic hardship of prepayment, in a manner inconsistent with rules and

the restrictive use covenant that was recorded against LVDR post-prepayment. RD denies these allegations.

Plaintiffs brought claims against the prior landlord, BMI for failing to maintain the property and unlawfully threatening residents with eviction, in violation of the New Mexico Owner-Resident Relations Act. Plaintiffs' claims against the current landlord, Villas, were based on allegations that Villas threatened to cause Plaintiffs' portion of rent to rise above 30% of household income in violation of the existing restrictive use covenant, Plaintiffs' leases and the New Mexico Owner-Resident Relations Act.

On July 22, 2024, Plaintiffs filed a Motion for Class Certification and a Motion for Preliminary Injunction. The parties agreed to vacate the original hearing date on these motions to pursue mediation led by United States Magistrate Judge Kirtan Khalsa. Following successful mediation of all claims, Plaintiffs withdrew their pending motions, and they were dismissed without prejudice. This Agreement resolves all claims brought by Plaintiffs against Defendants RD and Villas de Avenida Canada Apartments. Claims brought by Plaintiffs against Defendant BMI were settled through a separate agreement.

3. No Admission of Fault. This Agreement is the result of the Parties compromising and settling disputed claims. Neither this Agreement nor any representations made by any Party while negotiating this Agreement shall constitute or be construed as any admission of liability or wrongdoing by any Party, or by their officers, employees, agents, successors, assigns, or representatives, related to any claims or defenses that were raised (or could have been raised) with regard to the Lawsuit. Further neither this Agreement nor any statements made or documents exchanged solely for settlement of the Litigation, nor any documents filed or exchanged by the Parties in connection with this Agreement shall be admissible, offered into evidence, or used for any purpose in this Litigation or any other action for any purpose whatsoever other than for this Settlement Agreement or as agreed upon in writing by the Parties.

Definitions

The following definitions apply for purposes of this Agreement only.

4. **“Class,” “Class Members,” or “Settlement Class”** means all tenants who resided at La Vista Del Rio Apartments in Espanola, NM between March 1, 2023, and October 3, 2023, who met the eligibility requirements under the United States Department of Agriculture-Rural Development's Sections 515 housing program..
5. **“Class Counsel”** means attorneys with the National Housing Law Project (Natalie Maxwell and Marcos Segura) and New Mexico Center on Law and Poverty (Maria Griego and Sovereign Hager).
6. **“Class Representatives”** means Guadalupe Chavez, Lorenza Romero, Alice Sanchez, Susie Trujillo, and Petra Velarde.

7. **“Court”** means the court in which this Lawsuit is pending.
8. **“Defendants”** means the United States Department of Agriculture-Rural Housing Service (Defendant RD) and Villas de Avenida Canada Apartments (Defendant Villas). The individual defendant, Secretary of Agriculture, is sued solely in her official capacity, as Secretary of Agriculture.
9. **“Lawsuit”** means the lawsuit filed in the United States District Court for the District of New Mexico and assigned case number 1:24-cv-00572.
10. **“Parties”** means Plaintiffs and Defendants RD and Villas.
11. Unless otherwise specified, **“Plaintiffs”** means the named plaintiffs in this Lawsuit and all Class Members.
12. **The “Property”** means the La Vista Del Rio Apartments, located at 1911 Avenida Canada, Española, NM 87532.
13. **Restrictive Use Covenant (RUC)** means the land use covenant imposed by Defendant RD and recorded on October 3, 2023, that requires the Property owner, including Defendant Villas and any other successor in interest to manage and operate the Property “. . . in compliance with 42 U.S.C. §1484 or §1485, whichever is applicable, and implementing regulations under 7 CFR part 3560, and any other applicable regulations and amendments, for the purpose of housing program eligible very low-, low-, or moderate-income tenants.” The RUC is attached as Exhibit A to this Agreement.
14. **Rural Development Voucher Program Guide** means the guide published by Defendant RD on September 10, 2010 for the administration of its Rural Development Voucher Program authorized under Section 542 of the Housing Act of 1949, as amended, 42 U.S.C. 1490r.
15. **RD Voucher** means the Multifamily Tenant Voucher Program, established pursuant to 42 U.S.C. § 1490r and annual appropriations acts, and administered by Defendant RD that provides vouchers to help eligible tenants in USDA RD Multifamily Housing Direct Loan-Financed properties who may be subject to economic hardship when a final loan payment has been made on the property.
16. **Voucher HAP Contract** means the housing payment assistance contract between Defendant RD and the owner (or an owner’s authorized agent) establishing the monthly rental assistance payment Defendant RD will pay to the owner (or its authorized agent) on behalf of a tenant holding an RD Voucher, and setting out the ongoing terms and conditions for said payment.
17. **Section 8 Voucher** means a Section 8 Housing Choice Voucher issued pursuant 42 U.S.C. § 1437f and 24 C.F.R. § 982.1 et seq.
18. **“Settlement Agreement”** and **“this Agreement”** means this document.
19. **“Shall,” “must,” and “will,”** are mandatory terms and mean a duty, obligation, and requirement bargained for and intended by the Parties.

Terms of the Settlement

20. Class Definition: For the purpose of settlement, the parties agree that the Class is defined as:

all tenants who resided at La Vista Del Rio Apartments in Espanola, NM between March 1, 2023, and October 3, 2023, who met the eligibility requirements under the United States Department of Agriculture-Rural Development's Sections 515 housing.

21. Preliminary Approval. Within 30 days of executing this agreement, Plaintiffs will file a Joint Motion for Preliminary Approval of the Class Certification and Settlement Agreement (Joint Motion). If the Court grants the Joint Motion to certify the Class and preliminarily approve this Settlement Agreement, Class Members shall have the opportunity to object to this Settlement Agreement by attending the final approval hearing and presenting any objections to the Court. Class Members who wish to attend the final approval hearing to present objections must notify Class Counsel in writing no later than three days prior to the hearing, stating their full name, address, telephone number, intention to appear, and a brief explanation of the basis for the Class Member's objection.

22. Class Notice. Within fourteen days of the Court's granting of the Joint Motion to certify the Class and preliminarily approve this Settlement Agreement, the Court's approved Class Notice with the date of the final approval hearing shall be provided to the Settlement Class informing Class Members of this Settlement Agreement and their right to object. Plaintiffs' Counsel will send the Court's approved notice to each Class Member by U.S. Mail. The Court's approved notice shall be made available to Class Members in English and Spanish. Defendant Villas shall reimburse Plaintiffs' Counsel for the costs associated with mailing the class notice up to a cap of \$2,000.

Relief

23. Reopening the RD Voucher Application Process: Within 10 days of executing this Settlement Agreement, Defendant RD shall re-open the RD Voucher application process to Class Members that resided at the Property on September 22, 2023. Within 1 business day of final approval, RD will reopen the RD Voucher application process for all other Class Members. Defendant RD will keep the RD Voucher application process open for all Class Members until 90 days after final approval of the Settlement.

24. Last known address of Class Members: As soon as practicable, Plaintiffs' Counsel shall provide RD with the last known address of Class Members for the purpose of mailing Voucher applications. RD is not required to mail Voucher applications to any Class Members for whom Plaintiffs' counsel has not provided last known addresses.

25. Class Members Covered by the RUC: Class members who resided at the Property as of September 22, 2023 are entitled to the protections as described in the RUC.

26. Conflicts Between the RUC and Voucher HAP Contract: For class members covered by the RUC, to the extent the terms of the Voucher HAP contract conflict with the terms of the RUC, the RUC controls.

27. Voucher Program Participation by Defendant Villas: Defendant Villas will participate in the RD Voucher Program and the Section 8 Voucher Program. Defendant Villas shall not deny admission, terminate a tenancy, or otherwise take adverse action against any Class Member because of their status as an RD Voucher or Section 8 Voucher participant but may screen applicants to meet the owners' tenant eligibility requirements.

28. Debts Allegedly Owed by Class Members Residing at the Property: Upon execution of this Agreement, Defendant Villas agrees to write off debts allegedly owed by Class Members residing at the Property.

29. Tenant Rent Contributions: Class Members' contribution towards rent at the Property shall not exceed 30 percent of total household income.

30. Defendant Villa Will Rehabilitate Class Member Units: Defendant Villas will make necessary repairs to Class Members' units to meet RD Voucher habitability requirements and Defendant RD will confirm compliance by inspecting all apartments pursuant to the Rural Development Voucher Program Guide.

31. No Retaliation: Defendant Villas shall not retaliate against Class Members for their participation in this Litigation, including, without limitation, by giving Class Members disparate housing conditions and amenities as compared to other tenants, increasing rent, decreasing services, causing Class Members to move involuntarily, bring an action to recover possession, or threaten to do any of those acts.

32. Release: This agreement is in full and complete satisfaction of any claim that Plaintiffs raised (or could have raised) in the Litigation.

Plaintiffs hereby release and forever discharge Defendant-RD and its successors, the United States of America, any department, agency, or establishment of the United States, and any past or present officers, employees, agents, successors, assigns, or representatives of the United States or any of its departments, agencies, or establishments, from any and all claims, whether presently known or unknown, that have been raised (or could have been raised) in the Lawsuit. Plaintiffs hereby release and forever discharge Defendant Villas and their successors and any past or present officers, directors, members, managers, employees, agents, successors, assigns, or representatives, from any and all claims, whether presently known or unknown, that have been raised (or could have been raised) in the Litigation.

Defendant Villas, on behalf of themselves and their successors, any past or present officers, directors, members, managers, employees, agents, successors, assigns, or representatives, hereby release and forever discharge Defendant-RD and its successors, the United States of America, any department, agency, or establishment of the United States, and any past or present officers, employees, agents, successors, assigns, or representatives

of the United States or any of its departments, agencies, or establishments, from any and all claims, whether presently known or unknown, that have been raised (or could have been raised) in the Lawsuit. Plaintiffs hereby release and forever discharge Defendant Villas and their successors and any past or present officers, directors, members, managers, employees, agents, successors, assigns, or representatives, from any and all claims, whether presently known or unknown, that have been raised (or could have been raised) in the Litigation.

Defendant RD hereby releases and forever discharges Defendant Villas and its successors, and any past or present officers, directors, members, managers, employees, agents, successors, assigns, or representatives, from any and all claims for civil money damages, whether presently known or unknown, that have been raised (or could have been raised) in the Litigation. This release and discharge does not release any liability arising under Title 26, U.S. Code (Internal Revenue Code), any criminal liability, any administrative liability or enforcement right of RD or any other Federal agency, including Defendant RD's right to enforce the RUC, or any of Defendant Villas' obligations under the Rural Development Housing Voucher Program.

33. Complete and Final Agreement. This Settlement Agreement represents the complete and final agreement between Plaintiffs on the one hand and Defendant-RD and Defendant Villas on the other hand on the issues in this Lawsuit. No modifications to this Settlement Agreement may be made without the written consent of the Parties, except by Court order. If the Court should for any reason fail to approve this Agreement in the form substantially agreed to by the Parties, decline to approve the Class Certification and Settlement or impose any condition to approval of the settlement to which the Parties do not consent, then (a) this Agreement shall be considered null and void, (b) neither this Agreement nor any of the related negotiations shall be of any force or effect, and (c) all Parties to this Agreement shall stand in the same position, without prejudice, as if the Agreement had been neither entered into nor filed with the Court. Invalidity of any material portion of this Agreement shall invalidate this Agreement in its entirety unless the Parties agree in writing that the remaining provisions shall remain in full force and effect. If this Agreement terminates or is nullified under this Paragraph 31, the provisional class certification shall be vacated by its terms, and the Action shall revert to the status that existed before the initial date of settlement between the Parties. Upon nullification of this Agreement, Plaintiffs shall be free to pursue any claims available to them, and Defendants shall be free to assert any defenses available to them. Nothing in this Agreement shall be argued or deemed to estop any Party from the assertion of such claims or defenses. In the event the Court should for any reason fail to approve this Agreement in the form agreed to by the Parties, decline to approve the Class Certification and Settlement, or impose any condition to approval of the settlement to which the Parties do not consent, the Parties will negotiate in good faith to address the issues raised by said events, including via mediation.

34. Execution in Counterparts. The Parties agree that this Settlement Agreement may be executed in counterparts. Furthermore, signatures delivered via PDF shall have the same force and effect as originals thereof.

35. **Continuing Jurisdiction.** The Court shall retain exclusive and continuing jurisdiction over this Agreement and over all Parties and Settlement Class Members until the dismissal required by paragraph 36, below, is entered by the Court.

36. Within 3 business days of the Court's final approval of the Class Certification and Settlement, Plaintiffs shall dismiss the Litigation, including all claims brought therein, with prejudice, via a motion and order in the form of the attached Exhibits B and C.

Signed:

[Redacted Signature]

Guadalupe Chavez, Plaintiff

[Redacted Signature]

Lorenza Romero, Plaintiff

[Redacted Signature]

Alice Sanchez, Plaintiff

[Redacted Signature]

Susie Truillo, Plaintiff

[Redacted Signature]

Petra Velarde, Plaintiff

7/18/2025

Date

7/18/2025

Date

7-19-2025

Date

7-18-2025

Date

7-18-25

Date

Counsel for Plaintiffs:

[Redacted Signature]

Sovereign Dager

Maria Griego

New Mexico Center On Law and Poverty

Natalie N. Maxwell

Marcos Segura

National Housing Law Project

7/19/2025

Date

Counsel for Brooke Rollins, Secretary of the United States Department of Agriculture

By: _____

Jesse Hale

Assistant United States Attorney

District of New Mexico

Date

Exhibit A

35. Continuing Jurisdiction. The Court shall retain exclusive and continuing jurisdiction over this Agreement and over all Parties and Settlement Class Members until the dismissal required by paragraph 36, below, is entered by the Court.

36. Within 3 business days of the Court's final approval of the Class Certification and Settlement, Plaintiffs shall dismiss the Litigation, including all claims brought therein, with prejudice, via a motion and order in the form of the attached Exhibits B and C.

Signed:

Guadalupe Chavez, Plaintiff

Date

Lorenza Romero, Plaintiff

Date

Alice Sanchez, Plaintiff

Date

Susie Trujillo, Plaintiff

Date

Petra Velarde, Plaintiff

Date

Counsel for Plaintiffs:

Maria Griego
Sovereign Hagar
New Mexico Center On Law and Poverty
Natalie N. Maxwell
Marcos Segura
National Housing Law Project

Date

Counsel for Brooke Rollins, Secretary of the United States Department of Agriculture

Jesse Hale
Assistant United States Attorney
District of New Mexico

Date

Exhibit A

a [REDACTED] l:
[REDACTED]

Defendant Villas de Avenida Canada

[REDACTED]

Jennings, Traug, Keleher, Mcleod, Waterfall LLP

8/11/25
Date

8/11/25
Date

Exhibit A