

State of California
Department of Housing and Community Development
Division of Financial Assistance

Practitioner Fund

Program Guidelines

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Article 1. General

Section 100. Purpose and Scope

- (a) The purpose of these Guidelines is to implement and interpret Sections 50705, 50707 and 50708 of Chapter 8.5 of Part 2 of Division 31 of the Health and Safety Code, which establish the Practitioner Fund as one component of the Affordable Housing Revolving Development and Acquisition Program, referred to herein as the “Practitioner Fund”.
- (b) These Guidelines establish terms, conditions and procedures for the award and disbursement of funds allocated to the Practitioner Fund by the Housing and Emergency Shelter Trust Fund Act of 2006 and the passage of SB 586 (Dutton, Chapter 652 Statutes of 2007) pursuant to Section 53545.9(a)(2) of the Health and Safety Code.

Section 101. Fund Description – An Overview

In 2006, the voters of the State of California passed Proposition 1C, the Housing and Emergency Shelter Trust Fund Act of 2006, which authorized the issuance of bonds in the amount of \$2,850,000,000. A portion of these bond sale proceeds, \$100,000,000, are authorized for transfer to the Affordable Housing Innovation Fund (AHIF) established in the State Treasury. Of this amount, a total of \$25,000,000 is available for the Practitioner Fund, including state administrative costs.

“Practitioner Fund”

One of the major impediments to the development and preservation of affordable housing in California is the lack of ready access to capital by affordable housing developers for the acquisition of property. There is a need for accessible loan funds in amounts sufficient to purchase sites as they become available, with a speedy process from application to loan close.

The Practitioner Fund is intended to respond to this need.

Within the affordable housing development industry in California there is a group of non-profit housing developers with significant experience, organizational capacity and track records representing many years of successful affordable housing development. They have created both rental and homeownership housing opportunities for thousands of low- and moderate-income households. Their approach to solving the often complicated puzzle required to plan, finance, and develop affordable

housing projects is characterized by innovative financing, and collaborations with local government. This is the group that has been designated by SB 586 as “Practitioners.” From this seasoned group of non-profit developers, up to five will be selected for financing from the Practitioner Fund through the application selection process.

One of the significant selection requirements for “Practitioners” is a commitment to provide funds from resources that are “Nonstate Funds” to leverage the Practitioner Fund resources at three-to-one (3:1).

Once selected, the five “Practitioners” will have access to a line of credit of up to four million seven hundred fifty thousand dollars (\$4,750,000) to be used for acquisition of real property for the development or preservation of affordable housing for low- or moderate-income households.

These funds will be lent to the “Practitioner” at the rate of 2% per year. Draws on this line of credit will be repaid to the Department within five years.

Section 102. Definitions

In addition to the definitions found in Chapter 2 (commencing with Section 50050) of Part 1 of Division 31 of the Health and Safety Code, the following definitions shall apply to these Guidelines. References to sections refer to the sections of these Guidelines unless otherwise noted.

- (a) "Affordable Housing" means both for-sale homeowner units subject to enforceable restrictions that limit the incomes of at least the initial owner-occupants to Lower- or Low-Income Households or Moderate-Income Households, as defined in subsection (j) below, and residential rental developments subject to enforceable public agency restrictions that limit tenant income to no more than 60% of area median income, adjusted for household size, and the rents of these units to affordable rents, as defined pursuant to 25 CCR 7312 of the Multifamily Housing Program regulations.
- (b) “Availability of Funds” means the date of the execution of the Standard Agreement.
- (c) “Award Date” means the date of the letter sent by the Department to the Practitioner announcing its selection as a recipient of a Practitioner award.
- (d) "Department" means the Department of Housing and Community Development.

- (e) "Eligible Household" means either a Lower- or Low-Income Household" or a Moderate-Income Household.
- (d) "Homeownership" means fee simple title on real property or a leasehold interest on real property that enables the lessee to make improvements on and encumber the property and has a term sufficient to secure a permanent loan. Homeownership also includes ownership of manufactured housing or membership, ownership and occupancy in a limited-equity co-op development.
- (e) "Household" means one or more persons occupying the same housing unit.
- (f) "Leveraged Capital" means the Nonstate Funds property acquisition capital provided by the Practitioner to meet the 3:1 leverage requirement. This "Leveraged Capital" must be included in each Property Acquisition Transaction.
- (g) "Loan-to-Value Ratio" (LTV) means the ratio between the amount of all indebtedness liened, or to be liened, against a property and the appraised value of the real property, including improvements, securing the liens.
- (h) "Lower- or Low-Income Household" means the same as defined in Section 50079.5 of the Health and Safety Code.
- (i) "Manufactured Housing" means a structure, transportable in one or more sections as defined by Section 18007 of the Health and Safety Code.
- (j) "Moderate-Income Households" means persons and families who are not Lower- or Low-Income Households and whose gross incomes do not exceed 120 percent of the area median income adjusted for family size in accordance with adjustment factors adopted by the United States Department of Housing and Urban Development in establishing income limits for lower income families.
- (k) "Nonstate Funds" is acquisition capital derived from sources other than the State of California. Funds awarded through programs of the Department can not be counted as Nonstate Funds. Equity from the anticipated sale of either federal or state low-income housing tax credits shall not be considered Nonstate Funds. Nonstate Funds shall be committed for a term at least equal to the term of the Practitioner Loan.

- (l) "Practitioner Loan" means the loan from the Department to the Practitioner for the purpose of purchasing real property for the development or preservation of Affordable Housing as described in these Guidelines.
- (m) "Property Acquisition Transaction" means a purchase of real property made by the Practitioner, using a combination of the proceeds of the Practitioner Loan and Leveraged Capital.
- (n) "Rural Area" means the same as defined in Health and Safety Code, Section 50101. "Rural area" means any open country or any place, town, village, or city which by itself and taken together with any other places, towns, villages, or cities that it is part of or associated with: (a) has a population not exceeding 10,000; or (b) as a population not exceeding 20,000 and is contained within a nonmetropolitan area. "Rural area" additionally includes any open country, place, town, village, or city located within a Standard Metropolitan Statistical Area if the population thereof does not exceed 20,000 and the area is not part of, or associated with, an urban area and is rural in character. This definition may be changed by the Department to conform to changes in federal programs.
- (o) "Standard Agreement" means the contract entered into between the Department and a Practitioner pursuant to Section 123.

Article 2. Practitioner Requirements

Section 103. Practitioner Selection Summary

The Department will select up to five Practitioners to receive Practitioner Loans from the Practitioner Fund. The Practitioner selection will be through a competitive application process. The final selection of the Practitioners will be made by the Department based on the review and recommendation of the Department's Loan and Grant Committee. Practitioner eligibility requirements are detailed in Sections 103 – 105. The application and selection process is described in Sections 121 and 122.

Section 104. Practitioner Eligibility Requirements

To be eligible to be selected as a Practitioner, applicants must:

- (a) Be a nonprofit entity that qualifies under Section 501(c)(3) of the Internal Revenue Code;

- (b) Have experience in developing Affordable Housing in California;
- (c) Have a minimum of twenty-five employees involved in housing development activities;
- (d) Show availability of Leveraged Capital equal to or greater than three times the Practitioner Loan amount;
- (e) Have completed not less than 2,500 total housing units, with each housing development project having a majority of its units affordable to and restricted to occupancy by Low- and Moderate-Income Households. For purposes of this requirement, the applicant or an affiliate under its control shall be the developer of record with primary day-to-day management and financial responsibility for the development;
- (f) Demonstrate sufficient organizational stability and capacity to use the Practitioner Fund to achieve scale economies in the development and preservation of Affordable Housing. Capacity may be demonstrated by substantial successful experience in Affordable Housing development and management, including successful partnerships with local government entities;
- (g) Have assets worth at least two hundred million dollars (\$200,000,000). Assets that are under control of the applicant and that appear on a consolidated audit shall qualify for this requirement.

Section 105. Leveraged Capital Requirement

Each selected Practitioner must provide Leveraged Capital from resources other than the Practitioner Loan in an amount equal to at least three times the amount of each Practitioner Loan. The Leveraged Capital must be from Non-state Funds.

This Leveraged Capital must be included with Practitioner Loan proceeds in each Property Acquisition Transaction in a ratio of at least 3:1. That is the Practitioner must use Leveraged Capital in an amount equal to at least 3 times the amount of the Practitioner Loan proceeds in each Property Acquisition Transaction.

Article 3. Practitioner Loan

Section 106. Loan Amount

The Department will enter into a Standard Agreement, (see Section 123) with each selected Practitioner for a Practitioner Loan in the amount of approximately four million seven hundred fifty thousand dollars (\$4,750,000); but if fewer than five Practitioners are selected, then the amount of funds loaned to each from the Practitioner Fund will be proportioned equally.

Section 107. Interest Rate

The Practitioner Loan earns two percent (2%) simple interest per year. Interest is charged only on funds disbursed to the Practitioner.

Section 108. Loan Term

The term of each Practitioner Loan shall be a maximum of five years.

Section 109. Loan Repayment

- (a) Accrued interest is due and payable to the Department annually.
- (b) An amount equal to the principal that has been disbursed to the Practitioner and all unpaid accrued interest are due to the Department at the end of the loan term.

Section 110. Practitioner Loan Disbursements

Prior to receiving any of the proceeds of the Practitioner Loan, the Practitioner must provide evidence of a legally enforceable, binding commitment of Leveraged Capital in the amount stated in the Standard Agreement.

The Practitioner Loan will be disbursed by the Department to the Practitioner in increments as requested by the Practitioner under the following conditions:

- (a) Practitioner shall request funds by submitting a completed disbursement request on a form provided by the Department.
- (b) The first draw may be released to the Practitioner at their request upon execution of the Standard Agreement. The amount of the first draw may be up to one-half of the Practitioner Loan amount.

- (c) The second draw will be released to the Practitioner upon their request after the first draw has been used for qualified Property Acquisition transactions. The amount of the second draw may be any amount up to the remaining balance of the Practitioner Loan.
- (d) The third and subsequent draws if any, up to the remaining balance of the Practitioner Loan, will be released to the Practitioner for eligible uses upon their request after all previous draws have been expended for qualifying uses.

Section 111. Thirty-six Month Clock

Any Practitioner Loan funds not used by the Practitioner for a qualified Property Acquisition Transaction within thirty-six months after the Availability of Funds shall be disencumbered and transferred to the Golden State Acquisition Fund.

Section 112. One Hundred Eighty Day Deadline

Any Practitioner that can not meet the requirement to provide evidence of the commitment of the required Leveraged Capital within 180 days after the Award Date, shall repay any disbursed Practitioner Loan funds and accumulated interest to the Department.

Section 113. Practitioner Loan Account Requirements

Each Practitioner shall ensure that all Practitioner Loan proceeds received from the Department are deposited into accounts or funds as required by the Standard Agreement until those proceeds are used for a Property Acquisition Transaction.

Article 4. Practitioner Fund Project Parameters

Section 114. Eligible Uses of Practitioner Loan Funds

- (a) Practitioner Loan proceeds may be used for Acquisition of real property for development as Affordable Housing, including land to be used for new construction, land improved with buildings to be rehabilitated, and developments qualifying as “at-risk” under the regulations promulgated by the California Tax Credit Allocation Committee for the Low Income Housing Tax Credit Program.

Section 115. Eligible Projects

Eligible projects must be located In the State of California and may be:

- (a) Affordable Housing consisting of residential rental units, or;
- (b) Affordable Housing built for sale to Eligible Households as Homeownership units.
- (c) Mixed-use projects (commercial and residential occupancies on the same site) are eligible projects and may use the combination of Practitioner Loan funds and required Leveraged Capital to cover all acquisition costs if no less than 75% of the total square footage to be developed is either Homeownership units sold at an affordable housing cost, as defined by local or state public agency housing programs, or restricted to affordable rents as defined pursuant to 25 CCR 7312 of the Multifamily Housing Program regulations.
 - (1) If more than 25% of the proposed square footage is not either Homeownership units sold at an affordable housing cost, as defined by local or state public agency housing programs, or restricted to affordable rents as defined pursuant to 25 CCR 7312 of the Multifamily Housing Program regulations, the percentage of the acquisition cost eligible to be paid with the combination of Practitioner Loan proceeds and required Leveraged Capital shall be reduced to an amount equal to the percentage of the project that meets these requirements.
- (d) Mixed-income residential housing projects are eligible to include the combination of Practitioner Loan funds and required Leveraged Capital to covering the total acquisition cost if 75% or more of the number of proposed residential units is affordable to Low-Income Households.
 - (1) If more than 25% of the proposed residential units are not either units sold at an affordable housing cost, as defined by local or state public agency housing programs, or restricted to affordable rents as defined pursuant to 25 CCR 7312 of the Multifamily Housing regulations, the percentage of the acquisition cost eligible to be paid with the combination of Practitioner Loan proceeds and required Leveraged Capital is reduced to an amount equal to the percentage of the project that is affordable.

Section 116. Maximum Practitioner Loan Amount per Transaction

- (a) The maximum amount of Practitioner Loan state funds in any single project is limited to two million dollars (\$2,000,000). This does not include the Leveraged Capital required to be committed to each transaction.

Section 117. Transaction Documentation

Upon completion of each Property Acquisition Transaction, the Practitioner shall provide the Department with:

- (a) The description of each proposed project will include the following information:
 - (1) Status as a rental or Homeownership project.
 - (2) The number of units proposed in the project and the number of bedrooms per unit.
 - (3) Occupancy restrictions by targeted income.
 - (4) Status as a mixed-use or mixed-income project and a description of the unit mix and/or the unit mix.
 - (5) Project location in Northern or Southern California.
 - (6) Project location in a rural area.
- (b) Copies of the following:
 - (1) Grant Deed for the property acquired with the proceeds of the Practitioner Fund.
 - (2) Contract of purchase and sale or other agreement evidencing the terms of the acquisition.
 - (3) Title report showing Practitioner as owner of record.
 - (4) Vicinity and plats map of purchased parcel(s).
 - (5) Evidence of use of required Leveraged Capital and the amount of Practitioner Loan funds used.
 - (6) Documentation showing proposed use of the property, including:

- (A) Copies of architectural sketches including plot plan with distribution of proposed units.
- (B) Evidence of zoning and land use designations in the local general plan and documentation of the reasonable likelihood of proposed project as an allowed use.
- (C) Status of environmental clearances required by local, state and federal governments, with updates.

Article 5. Practitioner Fund Project Targets

Section 118. Project Mix Goals

- (a) The Practitioner Fund's proceeds can only be used to acquire properties that will be developed into Affordable Housing.
- (b) Within the mix of all projects, the following targets constitute the specific goals of the Program:
 - (1) Rental Housing:
 - (A) At least 65% of funds committed to property acquisitions go to rental projects.
 - (B) At least 50% of rental units developed shall be affordable to and occupied by households earning 50% of AMI or less.
 - (2) Homeownership Housing:
 - (A) At least 25% of Practitioner Fund funds committed to property acquisitions go to Homeownership projects.
 - (B) At least 70% of the Homeownership units shall be affordable to low-income households.
- (c) The Program also has goals related to the geographic location of projects and whether they are developed in urban or rural areas. The Department's specific goals are:
 - (1) Geographic distribution – a minimum of 45% of total Practitioner Fund funds loaned to projects in Southern California; a minimum of 30% of Practitioner Fund funds

loaned to projects in Northern California. For the purposes of the Practitioner Fund, all counties south of and including Kern County are defined as Southern California. All counties north of Kern County are defined as Northern California.

- (2) Rural target – 10% of Practitioner Fund funds committed to rural projects. Rural projects may be located in either Northern or Southern California. The rural project target is independent of the desired geographic distribution of projects. (See Section 102(n)).

Section 119. Realizing Project Mix Goals

- (a) In the Request for Proposal, the Department shall publish its fund-wide targets and goals for project type and number (see Section 118).
- (b) Program applicants will be required to describe the projects they propose to develop with Practitioner Funds and similar projects they have developed in the past.
- (c) The Department will compile the information in the appropriate categories from the applicants selected for Practitioner awards and compare the proposed project mix to the specific targets set forth in Section 118.
- (d) In order of importance, from the highest, the Program's project mix targets are:
 - (1) Geographic distribution target.
 - (2) Rural target.
 - (3) Practitioner Fund funds for Rental housing as a percentage of projects.
 - (4) Practitioner Fund for Homeownership projects.
- (e) If the list of proposed projects does not meet the Program's targets, the selected Practitioners will consult with each other and with Department staff and to modify the proposed use of funds to more closely achieve the Program goals.

Article 6. Additional Practitioner Loan Requirements

Section 120. Equity Recapture

- (a) For every project assisted with the proceeds of a Practitioner Loan, a regulatory agreement shall be recorded with the county recorder for the county in which the real property acquired with a Project Loan is located. This agreement shall be recorded in a position junior to the deed of trust securing the Practitioner Loan. The regulatory agreement shall provide that, if the property is sold or transferred for purposes other than Affordable Housing, any equity not originally contributed by the borrower is to be returned to the Department.
- (1) For homeownership projects: The term of this agreement shall remain in force on each unit through the transfer of title of the individual homeownership unit to a qualified low-income buyer. Upon this sale, the agreement shall be removed from the title. For mixed-income projects which qualify under Section 116(d), the agreement only applies to the lower-income targeted units.
- (2) For rental housing projects: The terms of this agreement shall remain in force until: A) long-term Affordable Housing occupancy is guaranteed by terms and conditions of other project financing, and B) completion of construction of the rental housing project. Upon close of this additional financing with occupancy guarantees, or the recordation of any other Affordable Housing regulatory agreement, and the completion of construction, the regulatory agreement may be terminated and removed from title.
- (b) Unless terminated sooner pursuant to subsection (a) the regulatory agreement shall run with the land and have a term of 55 years. The regulatory agreement shall designate the Department as a third party beneficiary thereof.

Article 7. Practitioner Selection Procedures

Section 121. Application Process and Contents

The Department shall accept applications for Practitioner through a Request for Proposal (RFP) process. The Department shall open the process by distributing and posting the RFP and the application.

The Department will accept applications until the close date which will be announced in the RFP.

Application shall be made on a form provided by the Department. The application form shall require the following information:

- (a) Applicant identification information including: Organization name, address, telephone number, email address and contact person.
- (b) Copies of documentation providing evidence that the applicant is a non-profit organization in good standing under the law of the State of California.
- (c) Evidence that the applicant is a nonprofit entity that qualifies under Section 501(c)(3) of the Internal Revenue Code.
- (d) Documentation in the form of a signed Board resolution, providing evidence that the submission of the Practitioner application has the approval of the applicant's governing body.
- (e) Evidence that the applicant has substantive Affordable Housing development experience in California.
- (f) Documentation providing evidence that the applicant meets all the requirements and criteria of Section 104.
- (g) Documentation of project type and location of likely affordable housing projects to be developed with Practitioner Funds.
- (h) Three years' audited financial statements.
- (i) A real estate schedule, identifying real properties owned, their approximate value and their cash flow.
- (j) Applicant financial projections, showing expectations of profit and loss for 12 months ahead.
- (k) Resumes for the applicant's management team and board members.
- (l) Information on the applicant's development staff and development pipeline.

- (m) Other data, information and documentation required by the Department to ensure compliance with the requirements of the Program or to score the application.

Section 122. Selection Criteria

- (a) Applications shall not be considered for funding unless the application is received by the deadline stated in the RFP and it demonstrates that the requirements set forth below have been fulfilled in addition to the requirements contained in the RFP.
- (b) Applicants must demonstrate that all of the following conditions exist:
 - (1) The application contains substantially all of the information required by Section 121 and contains sufficient information to allow the Department to apply the rating factors set forth in these Guidelines;
 - (2) The applicant meets the requirements of Sections 104 and 105;
 - (3) The applicant proposes an eligible use of the funds;
 - (4) The applicant does not have any unresolved audit findings for other Department projects or programs;
- (c) Applications which comply with subdivisions (a) and (b) of this Section will be scored based on the following criteria:

- (1) Evidence of organizational stability and development capacity.

The Department will assign a score based on a global assessment, considering the following factors, as more fully described in the RFP:

- (A) Trends in, and current levels of;
 - (i) Liquidity
 - (ii) Leverage
 - (iii) Net Worth
- (B) The number and financial health of real properties owned by the applicant and their affiliates.
- (C) The projected future financial health of the applicant.

- (D) Strength and experience of management team;
 - (E) Strength of the Board of Directors;
 - (F) Size and experience of development team vs. the project pipeline.
- (2) Evidence of the availability of Leveraged Capital in an amount equal to 3 times the amount of the Practitioner Loan. Availability of Leveraged Capital will be classified in the following manner, A-E. Points for Leveraged Capital will be given by multiplying the amounts of available Leveraged Capital in each category by a multiplier. The multipliers will be assigned in the following order from highest to lowest, A-E. Total points scored for Leveraged Capital will be the sum points scored in categories A-E.
- (A) Evidence of a line of credit or cash-on-hand, and statement of amount available;
 - (B) Evidence of a binding commitment of Leveraged Capital funds from bona fide sources;
 - (C) Evidence of liquid assets;
 - (D) Description of plan to acquire Leveraged Capital funds through letters of interest from financial institutions, or;
 - (E) Other acceptable forms of future commitment.

Applicants may utilize any one or a combination of the categories above to achieve the required Leveraged Capital amount.

- (3) Recent development experience in both number of affordable housing projects built and number of affordable units developed.
- (4) Evidence of successful partnerships with local government. Only projects completed in the previous five years will be considered. This section will quantify the dollar value of the assistance that has been provided by local jurisdictions, including:

- (A) Regulatory relief (including zoning and building permit relief);
 - (B) Land donation;
 - (C) Mortgage assistance to homeownership unit buyers provided by the local jurisdiction;
 - (D) Cash donation;
 - (E) Other forms of measurable assistance.
- (5) Applications will be scored in each of the preceding four categories. In each category the applications will be arranged based on their scores. The highest score will be given 100 points. The remaining applicants will be scored based on the percentage of the highest score their raw number in each category represents.
- (6) The scores received through the process described in Section 122(c)(5) will be multiplied by a value based on the following priority order:
- (A) Stability and Capacity, (paragraph (c)(1))
 - (B) Leveraged Capital, (paragraph (c)(2))
 - (C) Development Experience, (paragraph (c)(3))
 - (D) Partnerships with Local Government, (paragraph (c)(4)).
- (7) Valuations in each category assigned through the multipliers described in Section 122(c)(6) will be added together and will constitute the applicant's total score.
- (d) Additional information will be requested regarding:
- (1) Proposed efficiencies and economies of scale.
 - (2) Evidence of immediate need for acquisition funds.
 - (3) Bonus points will be awarded for these items as provided in the RFP.

- (e) The applicants that pass the threshold requirements of Sections 104 and 105, and receive the five highest scores based on a tally of the points awarded under the selection criteria (Section 122 (a) – (c) including the bonus points awarded in 122(d)) will be selected as Practitioner-designates.
- (f) The Practitioner-designates will be reviewed by the Department’s Loan and Grant Committee. The final selection of Practitioners by the Department will include consideration of the recommendations of the Loan and Grant Committee.

Article 8. Program Operations

Section 123. Legal Documents

- (a) Upon selection each Practitioner shall enter into a Standard Agreement with the Department constituting a conditional commitment of funds. The Standard Agreement shall require compliance with the requirements and provisions of these Guidelines. The Standard Agreement shall encumber State monies in an amount established in the RFP and consistent with the application. The Standard Agreement shall contain, but not be limited to, the following:
 - (1) A description of the approved award of Practitioner Fund funds and the Leveraged Capital committed to the Program by the Practitioner;
 - (2) Requirements for the execution and, where appropriate, the recordation of the agreements and documents required under the Practitioner Fund Program, including the Note described in subdivision (b) below;
 - (3) Manner, timing and conditions for disbursement of Practitioner Fund program funds to the Practitioner;
 - (4) Schedule for timely expenditure of Practitioner Loan funds;
 - (5) Terms and conditions for accrual and payment of interest and repayment of Loan principal;
 - (6) Provisions relating to the placement on or in the vicinity of each Practitioner Fund funded development project site, a sign indicating that the Department has provided financing

for the project. The Department may also arrange for publicity of the project in its sole discretion;

- (7) Remedies available to the Department in the event of a violation, breach or default of the Standard Agreement or the Note;
 - (8) Requirements that the Practitioner permit the Department or its designated agents and employees the right to inspect all books, records and documents maintained by the Practitioner in connection with the Practitioner Fund;
 - (9) Terms and conditions required by federal or state law; and
 - (10) Other provisions necessary to ensure compliance with the requirements of the Practitioner Fund program.
- (b) Each Practitioner shall enter into an unsecured promissory note (the "Note") in favor of the Department. The Note shall be in a form provided by the Department and shall evidence the amount and terms of the Practitioner Loan. The Note shall include provisions for the accrual of interest and repayment to the Department of interest and principal, as well as other provisions required to ensure compliance with the Standard Agreement and these Guidelines.

Section 124. Reporting Requirements

- (a) At any time during the term of the Standard Agreement, the Department may perform or cause to be performed an independent financial audit of any and all phases of the Practitioner's operation of the Practitioner Fund. At the Department's request, the Practitioner shall provide a financial audit prepared by a certified public accountant.
- (b) At intervals specified by the Department, the Practitioner shall provide to the Department periodic reports on use of Practitioner Loan and Project Loan funds, including descriptions of projects funded and loans in process.
- (c) The Practitioner shall collect all of the following data and include a summary of this information in an annual report submitted to the Department;
 - (1) A general description of activities undertaken pursuant to these Guidelines.

- (2) For each property acquired using funds from the Practitioner Loan,
 - (A) The acquisition price;
 - (B) The amount and terms of the non-state funds leveraged, and
 - (C) A statement as to whether the state acquisition funds were essential to the leveraging of these other acquisition funds;
 - (D) A description of the expiration date of the project's rent or sales restrictions;
 - (E) The number of assisted units created or preserved;
 - (F) The amount of state funds required for each assisted unit created or preserved; and
 - (G) The level of affordability maintained.
- (3) If any Practitioner sells any property acquired with assistance through these state funds, a description of the name and location of the purchaser, the purchase price, and the total transaction costs;
- (4) An overall assessment of the effectiveness of these funds as tools in creating and preserving Affordable Housing.

Section 125. Program Milestones

- (a) Funds not used by a Practitioner within 36 months after their availability to the Practitioner shall be disencumbered and transferred to the Golden State Acquisition Fund.
- (b) A Practitioner that is unable to meet the requirement to have a binding commitment of the required Leveraged Capital within 180 days of the Award Letter shall repay all funds disbursed and all interest owed.

Section 126. Defaults and Award Cancellations

- (a) Funding commitment of the Practitioner Loan may be canceled by the Department under any of the following conditions:
 - (1) The objectives and requirements of the Practitioner Fund cannot be met;
 - (2) Implementation of the Practitioner Fund cannot proceed in a timely fashion in accordance with the timeframes established in the Standard Agreement; or
 - (3) Funding conditions have not been or cannot be fulfilled within required time periods.
- (b) In the event of a breach or violation by the Practitioner of any of the provisions of the Standard Agreement or the Note, the Department may give written notice to the Practitioner to cure the breach or violation within a period of not less than thirty (30) days. If the breach or violation is not cured to the satisfaction of the Department within the specified time period, the Department, at its option, may declare a default under the relevant document and may seek legal remedies for the default including the following:
 - (1) The Department may seek, in a court of competent jurisdiction, an order for specific performance of the defaulted obligation; and
 - (2) Repayment of all Practitioner Loan proceeds advanced to or on behalf of the Practitioner; and
 - (3) Such other remedies as may be available under the Standard Agreement or law.
- (c) Upon receipt of a notice of intent to cancel the commitment from the Department, the Practitioner shall have the right to appeal to the Director.