

Montana Board of Housing (MBOH or the Board)
**TERMS AND CONDITIONS OF THE
MULTIFAMILY LOAN PROGRAMS**

1. Project Eligibility

- a. Projects that meet certain affordability guidelines, meaning the sponsor must set aside a minimum of 20% of the units at 50% of the HUD defined median income for the county, or 40% of the units at 60% of the HUD defined median income. The remaining units may be targeted above 50% or 60% of median income, but may not be targeted to tenants exceeding 100% of median income. **If the sponsor is also applying for Low Income Housing Tax Credits (LIHTCs), LIHTCs are only available for units restricted to 60% of median county income or below.**
- b. Maximum rents are based on 30% of the applicable income limit for the target populations (i.e., 30% of the 60% of county median income, 30% of 80% of county median income, etc.) including utilities. Rents must be a minimum of 10% below the established market rent for similar units if tax credits are combined with MBOH financing. The sponsor must provide information regarding local rents based on a telephone survey, at a minimum. In addition, setaside rents must be at or below the HUD established Fair Market Rent for the area, including utility allowances.
- c. Projects of 5 or more units, and not exceeding 36 units are eligible. The MBOH will not provide financing under the Risk Sharing program for projects exceeding 36 units. An exception may be granted by the Board if the project would provide a documented public purpose (ie: preservation of existing low income housing, meeting a community identified need etc). Projects can be scattered sites, but must have a common financing plan and be under common ownership, and each building must meet the applicable setaside of units.
- d. New construction and acquisition of existing buildings with rehabilitation expenditures which exceed 15% of the acquisition cost are eligible. Units may be detached, semi-detached, rowhouses, or multifamily structures.
- e. Projects can be family housing, special needs housing, elderly housing, board and care or assisted living (if licensed by the state as board and care or assisted living, not as a medical facility). Projects can also be Single Room Occupancy housing, but not weekly rental transient housing. The units must be complete living units, meaning each unit must contain separate and complete facilities for living, sleeping, eating, cooking, and sanitation. For definitions of these terms, see Appendix 1 , attached.
- f. Ineligible projects are those which are under construction, hotels, dormitories, transient housing, rooming houses, military impact areas as determined by HUD, retirement service centers with kitchen and dining facilities or luxury accommodations, nursing homes, intermediate care facilities (licensed as medical facilities) or trailer parks.

- g. Project design meets HUD Minimum Property Standards, as represented by HUD Handbook 4910.1 CHG 1 and Handbook 4460.1 REV-1, Architectural Analysis and Inspections for Project Mortgage Insurance. These manuals can be ordered from HUD by telephone at (800) 767-7468, or in writing to HUD, Printing Branch, Room B-100, 451 7th Street SW, Washington, DC 20410 or on the web at <http://www.hud.gov/> or through the MBOH. In addition the project meets all state and local building codes, zoning regulations, and address any design considerations recommended by MBOH architectural review.
- h. Market Analysis. Developments submitting an application with less than twelve (12) units must complete Exhibit B of the application

If the project is targeting special needs housing, the Board may waive the market study requirement on a case by case basis. However, the sponsor will still need to demonstrate need.

This analysis must establish a market for housing at the rent levels proposed, and the sponsor must be able to document the market needs and demand for the target group to the MBOH. If sponsors are also using Public Housing Authority (PHA) waiting lists to establish market needs, unit types and rents for the project must meet the needs of those tenants on the waiting lists. **Other housing provider waiting lists can also be used to substantiate need, if in fact the project addresses those specific needs.** The sponsor will be required to pay for any market analysis performed.

2. Loan-to-Replacement Cost/Value and Maximum Insurable Mortgage.

Total mortgage amounts are less than 75% of the total established replacement cost/value of the project. An appraisal must support that the MBOH is lending, and HUD is insuring, less than 75% of the appraised replacement cost/value of the property. Sponsors will be required to pay for appraisals. The MBOH will order the appraisals, in consultation with local lenders, to ensure only properly qualified appraisers are retained. Appraisal costs may be included as part of financing costs on the project costs schedule.

Maximum mortgage loan amounts by unit type will be determined by the BASIC Maximum Loan amount in Table 1 multiplied by the inflation Index in Table 2.

Table 1 BASIC Maximum Loan

| Number of | BASIC Maximum | Loan Amount By Units |
|-----------|---------------|----------------------|
| Bedrooms | Non-Elevator | Elevator |
| 0 | \$ 30,274 | \$ 32,701 |
| 1 | 34,363 | 37,487 |
| 2 | 41,536 | 45,583 |
| 3 | 52,135 | 58,968 |
| 4+ | 59,077 | 64,730 |

Table 2 Inflation Index

| | | | | |
|--------------|--------|----------|-------------|----------|
| City* | Helena | Billings | Great Falls | Missoula |
| Index | 1.57 | 1.61 | 1.58 | 1.57 |

* Use the index of the city closest to project.

An allowance of \$5,000 may be added to the Maximum Insurable Mortgage amount by unit type for handicapped units which provide significant handicapped facilities such as roll-in showers, lower cupboards and counter tops, wider doorways, grab-bars, and adequate ramps. **Handicapped accessibility will be the only exception to the Maximum Insurable Mortgage amounts.**

3. Debt Service Coverage/Proforma Cash Flow Analysis.

- . A debt service coverage ratio of a minimum of 1.15 to 1 will be required. A debt service coverage below 1.15 to 1 may be allowed at MBOH discretion for projects with significant monitoring where tenants are being assisted with payment of expenses or trained to pay expenses.
 - a. Proforma cash flow analysis is required on all projects. Proformas should project an interest rate of a minimum of 6.5% and a maximum of 8% (subject to change based on market conditions) and a term of 30 years for the Preliminary Feasibility Review to provide a conservative estimate of the maximum debt service required. **The actual interest rate will not be set until tax-exempt bonds are sold, and will be subject to market conditions at the time of sale.** Proformas should be calculated assuming a 5% vacancy factor, even if current vacancy rates are lower than 5%. If vacancy rates are actually higher a conservative actual rate should be used and a discussion of why there is a need for new units should be included.
 - b. The Program will regulate the establishment and use of a Reserve for Replacement Account, which is then included in all proforma analysis. Reserves will be set based on the requirements outlined in the Qualified Allocation Plan (QAP) for Low Income Housing Tax Credits. The specific requirements are listed below in the Development Cost Limitations section. Sponsors may request or MBOH may require an increase in the per unit amount, but a lower amount will not be considered. Reserves will be used to replace depreciable items over \$500, and all Reserve withdrawals will require MBOH approval.
 - c. Administrative (management) fees will be limited to 7% of gross revenues. The sponsor or MBOH may request an operating reserve to be set up from gross revenues up to 2% of the outstanding mortgage amount, provided all expenses are paid to date. Return on equity will be limited to 10% of sponsor contributions, and no distributions will be allowed unless the mortgage principal and interest, reserve and escrow accounts, as well as operating expenses are fully paid. Excess cashflow over and above the noted items and return on equity may be used to subsidize tenants who can not afford the required rent. Rents may be lowered

with MBOH approval for a percentage of tenants once operating reserves are fully funded, or the excess may be used to provide services approved by the MBOH. Excess cashflows will be monitored by the MBOH through the use of a Regulatory Agreement.

- d. It is essential that Proforma cash flows indicate the project will be economically viable without relying on any Section 8 vouchers or certificates, or any type of operating subsidy which is not project based and is guaranteed for the term of the mortgage.

4. Timing Issues/Other Housing Programs.

Sponsors may apply for funding under the Risk-Sharing Program, and for an allocation of LIHTC at the same time. If tax-exempt bonds are issued, the project would be eligible for tax credits at the lower rate of 4%. Sponsors will then be subject to subsidy layering review to ensure the project receives no more subsidy than is required through the two programs. The MBOH has notified HUD of its intent to perform the reviews. In cases where the two programs are combined, the sponsor will need to meet all requirements of both programs, and meet the percentage limits for areas HUD requires for monitoring under Subsidy Layering guidelines. Sponsors should state their intent up-front to apply for both programs, and consider calendar year timing issues related to the LIHTC Program. Sponsors will be required to estimate syndication proceeds from LIHTC and provide a copy of the portion of the Syndication Agreement detailing the payments to the sponsor. **If tax-exempt bonds which are subject to the Montana State Volume Cap are issued, LIHTCs may be awarded by MBOH without using the state's annual limit of tax credits. However, projects must still meet the requirements of the MBOH Qualified Allocation Plan, and LIHTCs must still be applied for using the MBOH Low Income Housing Tax Credit Application form.** Many of the exhibits for the LIHTC program will be similar to the Risk-Sharing application. The Risk-Sharing program will not provide bridge financing for syndication proceeds from LIHTCs.

Many sponsors, especially non-profit sponsors, will potentially be applying for grant funds to meet the 75% loan to replacement cost/value, and to allow for an affordable project which cashflows. Applications with lengthy timelines will be reviewed for Preliminary Feasibility and, subject to MBOH Board of Directors review and approval, may receive a Preliminary Feasibility Approval prior to applications for other sources of funds. **These applications will not be submitted to HUD for insurance endorsement or processed for loan commitment until all sources of funds are in place and project plans have been fully developed.** The sponsor should submit information regarding all changes from the Preliminary Feasibility approval stage. Significant changes may require Board action before commitment processing begins.

5. Development Cost Limitations.

The Board and HUD entered into a Memorandum of Understanding agreeing to set the development cost limitations for the subsidy layering review the same as the limitations for the Low Income Housing Tax Credit program. Therefore, the Risk-Sharing Program will follow the same Development Cost Limitations outlined in the Qualified Allocation Plan

(QAP) for the Low Income Housing Tax Credit program. The following are those requirements:

In an attempt to balance housing needs in Montana with appropriate use of the state's allocation of tax credit authority, the MBOH sets the following cost limitations for the purpose of calculating the tax credit.

- a. Per unit costs/cost per square foot. The MBOH will evaluate per unit costs and cost per square foot for all projects for reasonableness, taking into account the type of housing, other development costs as detailed below, unit sizes, and the intended target group of the housing. The MBOH will also consider the area of the state and the community where the project will be located in this review.
- b. Builder's overhead. Builder's overhead will be limited to a maximum of 2% of construction costs and improvements (i.e., site work, demolition, construction, construction contingencies, and other construction related costs including general requirements) in accordance with NCSHA standards.
- c. General requirements. General requirements will be limited to 6% of total construction costs as defined above, excluding general requirements, in accordance with NCSHA standards.
- d. Builder's profit and developer fees. The following fee limitations are in accordance with NCSHA standards.

For projects with identities of interest between the sponsor/developer and builder/contractor, the developer and builder fees will be limited to a maximum of 15% of total project costs (excluding the developer and builder fees, land costs, and costs of acquisition if a rehabilitation project). Consultant fees will be included as part of the developer fee. Architectural, engineering, and legal fees are considered to be professional services, not consultant fees. Fees for professional services will be examined for reasonableness. Identities of interest are defined as a financial, familial, or business relationship that permits less than arms length transactions. Includes, but is not limited to, existence of a reimbursement program or exchange, common financial interests, common officers, directors, or stockholders, or family relationships between officers, directors, or stockholders.

Developer fees will be limited to a maximum of 8% of costs of acquisition (excluding land costs) if a rehabilitation project.

For projects with arms length transactions between the sponsor/developer and builder/contractor, builder profit and developer fees will be considered separately.

Builder profit will be limited to 6% of construction costs as defined under the Builders Overhead Section above.

Developer fees will be limited to a maximum of 15% of total project costs (excluding the developer and builder fees, land costs, and costs of acquisition if a

rehabilitation project). Consultant fees will be included as part of the developer fee. Architectural, engineering, and legal fees are considered to be professional services, not consultant fees. Fees for professional services will be examined for reasonableness.

Developer fees will be limited to a maximum of 8% of costs of acquisition (excluding land costs) if it is a rehabilitation project.

Operating Expenses. The MBOH will evaluate operating expenses and vacancy rate projections for all projects for reasonableness, taking into account the type of housing, unit sizes, and the intended target group of the housing. The MBOH will also consider the area of the state and the community where the project will be located in this review.

Operating Reserves. Minimum operating reserves should equal four months of projected i) operating expenses; ii) debt service payments; iii) annual replacement reserve payments; using an acceptable third party source, this requirement can be met by the following methods i) cash ii) letter of credit from a financial institution iii) developer guarantee that a syndicator has accepted.

Replacement Reserves. Minimum replacement reserves should equal \$200 (\$150 for elderly projects) per unit annually for new construction and \$300 (\$250 for elderly projects) for rehabilitation developments. Exceptions may be made for certain special needs or supportive housing developments. Exceptions will need to be documented and will be reviewed on a case by case basis. In projecting replacement reserves (15 year pro-forma), developments should take into account a realistic rate of inflation foreseeable at the time of application.

. The applicant will be required to continue to comply with the development cost limitations established in this Qualified Allocation Plan, and will be required to provide the MBOH with a disclosure of fees as part of the Accountant's Certification discussed in this document.

Application and Loan Fee Schedule. Application and loan fees will be due and payable with the application, request for commitment processing, and upon origination of the loan.

6. **Preliminary Feasibility Review.** The fee for a Preliminary Feasibility Review will be 1/4 of 1% of the mortgage amount requested. This is a nonrefundable fee, payable whether or not the Board approves the proposal.

a. Proposals approved for Preliminary Feasibility and invited for Commitment Processing. The fee for Commitment Processing will be 1/4 of 1% of the mortgage amount requested. This is a nonrefundable fee, payable whether or not a commitment is made, and whether or not the mortgage is originated.

b. Origination Fee. The fee for mortgage loan origination is 1/2 of 1% of the final mortgage loan amount. The fee is due at the closing of the loan.

Total application and origination fees are 1% of the mortgage loan amount. The fees will be used to pay for staff review of applications, architectural reviews, ongoing project management, and staff support.

7. **Mortgage Insurance Premiums (MIP).** Total MIP will be .5% of the outstanding mortgage balance, assessed on an annual basis. The first MIP will be due at closing, and will be .5% of the face amount of the mortgage. Premium payment amounts will be included in escrow requirement calculations and will be paid to the MBOH each month along with the mortgage loan payment. The MIP is included in the interest rate projections under part 3.B., Proforma analysis.

If applying for a loan under the General obligation Program there will be no Mortgage Insurance Premiums.

8. Servicing Fee. The servicing fee will be 1/8 of 1% of the outstanding principal balance of the mortgage loan.

LOAN PROCESS REQUEST FOR PROPOSAL

Proposals will first be submitted for Preliminary Feasibility Approval, which will be required for all projects, and which will provide an evaluation of projects on a preliminary basis. Requests for Preliminary Feasibility Approval will be accepted on a first-come/first-serve basis by the MBOH on the 15th of each month, and will be presented to the board the following month. Under the HUD authorization plan, MBOH must have firm commitments to projects. Once the MBOH staff and Board approve the project through a Preliminary Feasibility Approval letter, the sponsor will be invited to submit the information required for Commitment processing.

PRELIMINARY FEASIBILITY REVIEW

The Uniform application and Loan Supplement will be required to be submitted for Preliminary Feasibility Review which includes the following:

The sponsor must list and provide resumes for any known principals or associates participating in the project, such as general contractor, developer (if other than the sponsoring organization), and architect. Sponsors will be required to complete HUD Form 2530, Previous Participation Certificate for the HUD portion of the review (Included in Appendix 2).

Preliminary site plan, including floor plans and elevations, and typical unit plans, and whether the project is new construction or acquisition and rehabilitation. Full scale architectural blueprints are

not required at this stage. The information submitted should include a preliminary outline of materials planned for major portions of the building (i.e., concrete slab foundation, steel siding). A site location map should also be included, which indicates the location of services such as schools, shopping, medical care, and transportation.

Evidence of site control. The sponsor must have control over the site at the time of preliminary feasibility application or the application will not be considered. An option, contract to purchase, deed, or other formal interest in the land will provide evidence of site control. The sponsor should disclose the last arm

A description of the project, the goal of the project, and how the project addresses the community's rental housing needs. This should include a description of the target population for the rental project, and the proposed setaside of either 20% of units at 50% of median income, or 40% of units at 60% of median income.

A discussion of the method of construction financing and the financial institution proposed to provide construction financing. This should include a financing letter from the proposed construction lender indicating the terms and conditions of the financing. The term of the permanent loan requested should be included in this section. The MBOH considers private sector lender participation a critical portion of the feasibility review.

The most recent audited financial statement of the sponsor, or personal financial statement and net worth statement if an individual, and any other known principals or associates involved in the project (see #1 page 1).

A brief management plan detailing who will manage the construction process, lease-up, and ongoing property management.

The MBOH will review the information presented in the Preliminary Feasibility Application in detail, including financial analysis. Applications determined feasible by staff will be presented to the MBOH Board of Directors for formal Preliminary Feasibility Approval.

COMMITMENT PROCESSING

Once a project has received a Preliminary Feasibility Approval from the MBOH, the sponsor will be invited to submit additional information to begin commitment processing. The information required for commitment processing will be dependent on the extent of information submitted at the preliminary stage. Only those projects for which sponsors receive an invitation to submit additional information, and are able to submit all required information, will be considered for a request for HUD insurance commitment and subsequent MBOH financing. The following list outlines the information required. Please note the sponsor will need to allow time for the MBOH to review the commitment processing information, send the applicable information to HUD for their review (HUD is allowed a minimum of 40 days), and MBOH must receive a Firm Approval Letter from HUD prior to making a firm commitment on a project.

This list is not intended to be all inclusive, its intent is to provide the sponsor with a general idea of the requirements after receipt of a Preliminary Feasibility Approval.

Updates to information submitted to and approved by the MBOH for Feasibility approval, including any changes.

Information needed for HUD review:

Updated previous participation information, if there are changes.

Site information sufficient to perform an environmental review, including any unusual site features such as poor drainage, cuts, erosion, retaining walls, fill, rock foundations, high water table. The information must also include the proposed structural system, floor system, type of foundation, number of stories, exterior finish, and offsite facilities (water, sewer, paving, gas, electricity).

Location map of site, legal description, evidence of zoning, and sketch plan.

MBOH completed subsidy layering review for LIHTC projects (if applicable).

Based on the location proposed, HUD will review to determine effect on existing HUD projects in the area, and determine whether the area is considered a "military impact" area.

Fair Housing Marketing Plan using HUD Form 935.2 for review by MBOH.

If the project is an acquisition and rehabilitation, MBOH will need to review for lead based paint using HUD guidelines.

Information/authorization sufficient for MBOH to order a credit report.

Schematic drawings sufficient for MBOH architectural review. The MBOH architect must also review and approve all final drawings and specifications. The MBOH will also review construction documents, working documents and trade specifications.

Certified site survey/surveyors certificate.

Once the above information is received, the MBOH will review the project with local government and solicit comments regarding the proposed project. If the sponsor is a for-profit, the MBOH will hold a public hearing pursuant to Section 90-6-109(2), MCA (See Appendix 3). The MBOH will order an appraisal, complete an architectural review, complete costs estimates, order a credit report, review the Fair Housing Plan, submit required information to HUD for HUD processing, determine the maximum insurable and supportable mortgage, and complete the subsidy layering review (if applicable). MBOH must have a firm approval letter from HUD prior to firm

commitment. MBOH must issue a firm commitment prior to the start of construction, and per HUD regulations must specify a timeline for completion.

LOAN CLOSING

Once MBOH issues a firm commitment, the sponsor can proceed with construction. The following is a list of items the MBOH will need in order to close on a permanent loan. This general list is not intended to be all inclusive, its intent is to provide the sponsor with an idea of the requirements to close a permanent loan.

Final plans, specifications, and development costs approved by the MBOH, operating projections meet underwriting criteria defined in the Terms and Conditions, appraisal supports cost and income data and establishes adequate replacement cost value as defined in the Terms and Conditions, and construction is completed in the timeline specified. MBOH may approve extensions of the timeline if justified.

1. The MBOH receives a certification from the sponsor's architect that the project was built in accordance with plans and specifications, zoning requirements, and building codes. The architect will also certify the project is in good and marketable condition. The MBOH will also request a copy of the Certificate of Occupancy.
2. The sponsor and contractor submit cost certifications completed by a Certified Public Accountant.
3. The sponsor provides to MBOH a letter of credit or cash security totaling 4% of the mortgage amount. This escrow is to ensure any latent defects can be remedied. The security may also be used in the case of mortgagor/sponsor non-compliance with the mortgage documents. The latent defects escrow will be held by MBOH for a minimum of one year.
4. The mortgage must be on real estate held in fee simple. A lease may also be allowed at MBOH discretion if the lease is executed by a governmental agency, or other lessor approved, that has a term at least 10 years beyond the end of the mortgage term.
5. Marketable title to the mortgaged property is vested in the mortgagor. The MBOH must receive an extended lenders title insurance policy that ensures marketable title is vested, that a survey has been performed, and that no existing impediments to title exist on the property.
6. The mortgagor must provide evidence of acceptable hazard insurance in at least the amount of the mortgage with the MBOH and HUD named as the loss payees.
7. The sponsor and mortgagor are the sponsor and mortgagor approved in the feasibility and commitment stages and firm approval letter from HUD. Substitution of mortgagors (or principal partners, etc. of mortgagor) will not be allowed unless the MBOH (and subsequently HUD) is able to perform due diligence and approve the change. Under HUD requirements,

the mortgagor must be a single asset mortgagor. Substitution of mortgagor or sponsor will be cause for delays in processing.

8. The mortgage is completely amortizing per its term
9. The mortgagor certifies that the property is free from all liens other than the lien of the insured mortgage, unless specifically approved by the MBOH. The MBOH must have first lien on the property.
10. The mortgagor certifies that all contractual obligations in connection with the mortgage transaction are paid, unless specifically approved by the MBOH and of lesser priority than the insured mortgage.

Appendix 1

DEFINITIONS

Affordable Housing. A project in which 20 percent or more of the units are both rent-restricted and occupied by families whose income is 50 percent or less of the county median income as determined by HUD, with adjustments for household size, or in which 40 percent or more of the units are both rent-restricted and occupied by families whose income is 60 percent or less of the area median income as determined by HUD, with adjustments for household size.

Board and Care/Assisted Living. A residential facility for independent living that is regulated by State or local government that provides continuous protective oversight and assistance with the activities of daily living to frail elderly persons or other persons needing such assistance. Continuous protective oversight may range from as little as awareness on the part of management staff of residents' whereabouts (and the ability to intervene in the event of a crisis) to a higher level of services and assistance. Assistance with the activities of daily living may include bathing, dressing, eating, getting in and out of bed or chairs, walking, going outdoors, using the toilet, laundry, home management, meal preparation, shopping, supervision of medication, and housework.

Bridge Financing. Financing intended to fund construction costs until LIHTC proceeds are paid in to the project.

Elderly Housing. Units are specifically designed for use and occupancy by elderly families. An elderly family means any household where the head or spouse is 62 years of age or older, and also any single person who is 62 years of age or older.

Family Housing. Units are specifically designed for occupancy by families, whether or not children are in the household.

Identities of Interest. A financial, familial, or business relationship that permits less than an arm

Proforma cash flow. An operating projection for cashflow of the project, which includes all projected revenue, as well as all projected expenses and debt service on loans.

Rent-restricted. A unit is rent-restricted if the gross rent with respect to such unit does not exceed 30 percent of the income limitation applicable to such unit, including utilities. Rents are calculated based on 1.5 persons per bedroom. For example, rent for a two-bedroom would be calculated using the income limit for a three person household.

Single Asset Mortgagor. A mortgagor with the sole purpose of owning and operating the project.

SRO (Single Room Occupancy) Housing. Units intended for occupancy by single individuals capable of independent living. Units are leased for 30 days or longer.

State Volume Cap. Federal tax law limits the amount of tax-exempt bonds a state may issue through a cap on the volume of bonds issued, which is based on the population of the state.

Syndication Proceeds. Proceeds generated from the sale of LIHTCs. Gross syndication proceeds is the total proceeds before the expenses of syndication, net syndication proceeds is the proceeds after expenses of syndication.

Appendix 2

90-6-109 - PROCEDURES PRIOR TO FINANCING OF HOUSING DEVELOPMENTS.

The Board may finance housing developments under this part only when the Board finds that:

1. there exists a shortage of decent, safe, and sanitary housing at rentals or prices which persons and families of lower income can afford within the general housing market area to be served by the proposed housing development;
2. private enterprise has not provided an adequate supply of decent, safe and sanitary housing in the housing market area at rentals or prices which person or families of lower income can afford or provided sufficient mortgage financing for housing developments for occupancy by persons or families of lower income;
3. the housing sponsor undertaking the proposed housing development in this state will supply well-planned, well-designed housing, and such sponsors are financially responsible;
4. the housing development to be assisted under this part will be of public use and will provide a public benefit, taking into account the existence of local

government comprehensive plans, housing and land use plans and regulations, area wide plans, and other public desires;

5. the housing development does not involve the construction of second homes (for purposes of this paragraph, "second home" means a home which would not qualify as the primary residence of the taxpayer for federal income tax purposes relating to capital gains on the sale or exchange of residential property); and
6. as to direct loans it is necessary to qualify for federal funds.

The findings required under subsection (1) must be made after a public hearing whenever the financing of housing relates to a development for rental units owned by a for-profit housing sponsor. The Board shall conduct the hearing unless it directs the governing body of the local government in which the proposed housing development is to be located to conduct the hearing.