

EXHIBIT 2 LOCAL HOUSING NEED REQUIREMENTS

All Applicants for the Housing Infrastructure Financing Program must submit documentation evidencing the need for the proposed housing project via a market study. SDHDA strongly encourages Applicants to obtain a third-party market study but will allow Applicants to complete the market analysis themselves so long as the self-documented market analysis requirements listed below are satisfied by the Applicant.

Available research information will vary based on the community. The market study preparer may utilize, but is not limited to, demographic and community information from the U.S. Census, U.S. Department of Housing and Urban Development, USDA Rural Development, city officials, private employers, and landlords.

Applicants submitting a market study greater than three (3) years old at the time of application must submit additional documentation to address housing and economic changes in the community since the study was completed.

Housing Needs Market Study Requirements

Housing Needs Market Studies must include the following data elements at a minimum:

1. Population trends
 - What are the expectations with respect to population change in the community in the next 2 to 5 years, the next 10 years, and the next 15 years?
2. Housing Market Components
 - Housing market turnover/sales data
 - Building permit history (community's experience with new construction in last 3 years)
 - Infrastructure capacity/challenges
 - Price range for homes on the market
 - The names and the number of units contained in newly completed infrastructure projects in the last three years
 - The names of and the number of units contained in pending infrastructure projects
 - Anticipated number in demand for homes in various price ranges (\$0 to \$100,000; \$100,001 to \$200,000; \$200,001 to \$300,000; \$300,001 to \$400,000; etc.)
3. Economics
 - Economic base – by industry and key employer (highlight any significant change)
 - Anticipated employment trends
 - Commuting patterns – employment and services (for example - education, retail, healthcare, etc.)

Executive Summary Requirements

All market studies and housing analyses must include an Executive Summary with a precise statement of the conclusions reached by the analyst. The statement must include the analyst's findings of:

- (i) market feasibility (demand); and
- (ii) the need for market rate housing and/or the need for housing targeted to lower income households.