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May 15, 2026

Low-Income Housing Tax Credit Program
South Carolina State Housing Finance and Development Authority
300-C Outlet Pointe Blvd.
Columbia, South Carolina 29210

Re: *Ridgecrest Commons Apartments, Conway, SC*
Need for South Carolina State Tax Credit Narrative

Ladies and Gentlemen:

Summary This narrative is submitted to demonstrate the critical need for South Carolina State Housing Tax Credits to ensure the financial viability of our proposed affordable housing development. Despite the infusion of Emergency Capital Investment Program (ECIP) funds and federal tax credits, the project faces a significant funding gap driven by unprecedented macroeconomic pressures, coastal geographic challenges, lower equity pricing, and a commitment to serving low-income households. Without the requested state credits, the project is not currently feasible.

1. Macroeconomic and Debt Constraints The project's capital stack has been severely impacted by the current interest rate environment. High interest rates on conventional debt have drastically reduced our debt-carrying capacity. While ECIP funds provide a vital low-interest component, they are insufficient to offset the sheer volume of the financing gap created by the broader market's volatility.

2. Geographic Costs and Coastal Construction Premiums Developing in Conway, near the South Carolina coast, presents unique fiscal hurdles that inland projects do not face:

- **Elevated Construction Costs:** Specialized engineering, wind-rated materials, and flood-mitigation requirements have driven hard costs beyond standard benchmarks.
- **Escalated Insurance Premiums:** Due to the proximity to the coast, property and casualty insurance quotes are at historic highs, placing a heavy burden on the project's operating expenses.
- **Local Fiscal Impact:** Higher-than-average local impact fees and property taxes in this municipality further squeeze the budget.

3. Equity Market Challenges We are navigating a period of lower equity pricing for federal tax credits. Investors have lowered their federal and state pricing in response to market uncertainty, effectively reducing the amount of private capital we can raise for the same amount of federal credits.

4. Deep Affordability (Low AMI Targeting) Our commitment to serving the community's most vulnerable members remains a priority. By targeting low Area Median Income (AMI) units ranging from 20% to 70%, the project's potential Gross Effective Income is inherently capped. This "ceiling" on rental income, combined with the "floor" of rising operating costs, leaves a negligible margin of safety.

Deferred Developer Fee The development team has already taken aggressive steps to bridge the gap internally. We have deferred a significant portion of the developer fee, essentially reinvesting our own compensation back into the project.

Conclusion Despite maximizing every available resource—including ECIP funds and a significant fee deferral—a substantial funding shortfall remains. The South Carolina State Housing Tax Credit is the final piece of financing required to make this project a reality. Approval of this request will allow us to deliver high-quality, resilient, and deeply affordable housing to a coastal region that is currently facing a critical supply shortage.

Sincerely,



W. David Morrow
Sole Member