

Willowcreek at Wateree State Tax Credit Benefits

Due to the significant rise in construction costs, interest rates, and extended construction timelines, most affordable housing developments can no longer rely solely on federal tax credit funding. This challenge also affects Willowcreek at Wateree, as construction hard costs exceed \$200,000 per unit, and interest rates continue to add considerable pressure to construction budgets. While the ten-year treasury rate has moderated, other funding benchmarks, such as the 30-Day CME SOFR, remain elevated despite a recent 50 basis point rate cut by the Federal Reserve.

As outlined below, our general contractor, Weaver Cooke, has forecasted construction costs for the project at \$26,091,401 translating to \$232,959 per unit. These costs align with both local and regional trends, as well as our ongoing experience in the Carolinas.

State LIHTC is essential: While the development has maximized federal tax credits according to the pricing guidelines outlined in the QAP, there remains a funding gap. Securing state tax credits would greatly enhance the project, enabling a more robust offering that significantly reduces rents for tenants compared to market rates and ensures a safe, high-quality standard of living for families in the Columbia, SC community. With state tax credits, this development will achieve a 34% rent advantage over the market. Without them, the project will face underfunding. Even with the maximum allowable 50% deferred developer fee, the project will still be short by \$5.2 million, despite having 100% Project-Based Vouchers and Section 8 RAD units. However, with state tax credits, the sources and uses of funds will align more closely.

Local Support from Columbia Housing

- Columbia Housing Authority based in Richland County, SC supports our efforts and has provided a Housing Assistance Payment (HAP) commitment for 100% of this project.
- Columbia Housing Authority has been a long-standing local authority with more than 80 years of service to the residents of Columbia, SC.

Benefits

State tax credits from SC Housing coupled with federal credits are essential to delivering a financially feasible project that provides the following benefits in addition to lower rents as previously discussed.

- **Increased Affordable Housing Stock:** By providing tax credits, governments encourage developers to fund affordable rents for low-income individuals and families. This helps in addressing the housing needs of vulnerable populations, ensuring they have access to safe and affordable housing.
- **Diverse Housing Options:** LIHTC properties provide a range of housing options, including but not limited to apartments, townhomes, garden apartments, and scattered sites. This diversity helps create a mixed-income community promoting economic diversity and reducing the concentration of poverty in specific areas.
- **Community Integration:** Integrating affordable housing into various neighborhoods, LIHTC helps reduce social and economic segregation. This promotes a more inclusive community where people from different income levels live side by side.
- **Support of Local Services:** An increase in population due to affordable housing developments can contribute to the sustainability of local businesses and services. This may include local schools, healthcare facilities, and retail establishments that benefit a large customer base.
- **Enhances Property Value:** Contrary to common misconception, studies have shown that the presence of well-managed LIHTC properties can have a positive impact on surrounding property values. This is because these developments contribute to neighborhood stability and revitalization.
- **Improves Quality of Life:** Affordable housing is a crucial component of a community infrastructure. It helps individuals and families maintain stable living conditions, which can have positive effects on education, employment, and overall quality of life.
- **Community Stabilization:** Contributes to community stabilization. LIHTC properties often have long-term affordability restrictions, ensuring that the housing remains affordable for an extended period. This stability benefits both residents and the community.
- **Public-Private Partnership:** LIHTC facilitates public-private partnerships, encouraging collaboration between government entities and private developers. This collaboration results in a more effective and sustainable affordable housing solution.