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Creek at 2645 Apartments Project: Conduct a Tax Equity and Fiscal Responsibility Act (TEFRA) Hearing for Bonds Issued by the Housing Authority of the City of Sacramento [Published 04/14/2026]

File ID: 2026-00678

Location: 2645 Stonecreek Drive, District 3

Recommendation: Conduct a public hearing and upon conclusion, adopt a **City Council Resolution** acknowledging that the Tax Equity and Fiscal Responsibility (TEFRA) public hearing has been conducted related to the acquisition and rehabilitation of the Creek at 2645 Apartments Project (Project).

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Presenter: Christine Weichert, Director, (916) 440-1353, cweichert@shra.org, Sacramento Housing and Redevelopment Agency

Attachments:

- 1-Description/Analysis
- 2-City Council Resolution
- 3-Vincity Map
- 4-Project Photo

Description/Analysis

Issue Detail: The actions recommended in this report serve as the required TEFRA hearing for proposed 501(c)(3) tax-exempt bonds to be issued by the Housing Authority of the City of Sacramento in an amount not to exceed \$100 million for the acquisition of the Creek at 2645 Apartments Project (Project).

Background: In January 2026, ArtHaus Partners (Project Administrator) approached the Sacramento Housing and Redevelopment Agency (SHRA) to discuss the issuance 501(c)(3) bond in an amount not to exceed \$100 million to fund the acquisition of the Project, a 368-unit multifamily

development.

SHRA has historically brought forth transactions involving the issuance of Tax-Exempt Mortgage Revenue Bonds that are subject to the State’s volume cap, administered by the California Debt Limit Allocation Committee (CDLAC). Under that typical scenario, the City Council holds the TEFRA hearing and the City, acting as the Housing Authority of the City of Sacramento approves the bond inducement and bond documents simultaneously. This practice is not required but is typical due to the i) highly competitive nature of the CDLAC approval process and ii) the associated 18 month plus lead times needed to bring forward these types of affordable housing developments.

The City Council and Housing Authority adopted SHRA’s Multifamily Lending and Mortgage Revenue Bond Policies (Policies) in 2019. These policies provide for the issuance of both Mortgage Revenue and Tax-Exempt 501(c)(3) bonds. Both varieties of bonds are subject to the same Policies, excepting variations related specifically to the relevant bond program. SHRA has not issued 501(c)(3) bonds in several decades, but as the competition for Mortgage Revenue Bonds and paired low-income housing tax credits has become more difficult, affordable housing developers are turning to other financing mechanisms.

The table below includes a comparison of Mortgage Revenue and 501(c)(3) bonds.

	Mortgage Revenue Bonds	501 (c) (3) Bonds
Borrower Type	Individuals or Developers	Nonprofit entities only
Subject to Volume Cap?	Yes	No
Bond authority from the California Debt Limit Allocation Committee (CDLAC)	Required	Not required
Tax Exempt and Fiscal Responsibility (TEFRA) public hearing	Required	Required
Housing Authority approval of Bonds	Required	Required
Income Limits	Minimum 20% at 50% AMI or 40% at 60% AMI	Minimum 20% at 50% AMI or 40% at 60% AMI
Rehabilitation Project Requirements	Minimum \$15,000 in hard construction per unit	“Substantial Rehabilitation” ~\$5,000 in hard construction per unit

In this case, the Project Administrator is requesting the issuance of 501(c)(3) bonds because the structure does not require an allocation of the State’s limited volume cap. By utilizing this structure, the Project preserves scarce volume cap for other affordable housing developments that cannot proceed without it. 501(c)(3) bonds cannot be used with the Low-Income Housing Tax Credit

Program, but a TEFRA public hearing is still required. SHRA agreed to fast track this report as an accommodation to the Project Administrator due to the upfront requirement in the purchase and sale agreement to meet certain deadlines and to provide a substantial deposit.

The Project Administrator desires to fast track the project and has requested that the TEFRA hearing be held prior to due diligence being completed. SHRA has begun its preliminary review including a site visit, review of third-party reports (Physical Condition Report, Environmental Site Assessment, Seismic Risk Assessment, Preliminary Title Report, etc.) and review of draft property management and resident services plan. However, due to the request to expedite, full due diligence review outlined in the Policies could not be completed in advance of the City’s deadline for delivery of the staff report for the TEFRA hearing. SHRA anticipates receipt of all required due diligence information and the completion of our review by the end of April 2026. SHRA staff are comfortable moving forward with the TEFRA public hearing at this time based on the documents received and the initial due diligence performed.

The City Council action recommended in this report fulfills the required TEFRA hearing for the 501(c) (3) bonds. A second report to City Council will be scheduled for May 2026 which will incorporate SHRA’s full due diligence review and request the Housing Authority’s approval of the bond documents. A vicinity map and project photo are included as Attachments 3 and 4.

Project Description

The Project Administrator is proposing to utilize the 501(c)(3) bond funds to acquire and rehabilitate the Creek at 2645 Apartments and restrict 314 of the units as affordable to households’ earning 60-80 percent of Area Median Income (AMI). The remaining 54 units will continue to be rented at market rate.

The Creek at 2645 Development, located at 2645 Stonecreek Drive in Sacramento, was originally constructed in 1986, and includes 368 units on combined 17.4 acre parcels. The development consists of 72 one-bedroom, 224 two-bedroom, and 72 three-bedroom apartments. The proposed rents at the Project are all less than the maximum regulated 80 percent AMI rents (One-bedroom: \$2,058, Two-bedroom: \$2,326, Three Bedroom \$2,572).

Unit Size	Number of units	Area Media Income (AMI) Target	Proposed Monthly Rent Amount
1-Bedroom/1-Bath	28	60% AMI	\$1544
2-Bedroom/2-Bath	89	60% AMI	\$1737
3 Bedroom/2-Bath	31	60% AMI	\$1929
1-Bedroom/1-Bath	35	80% AMI	\$1657
2-Bedroom/2-Bath	98	80% AMI	\$1890

3 Bedroom/2-Bath	33	80% AMI	\$2198
1-Bedroom/1-Bath	9	Market Rate	\$1669
2-Bedroom/2-Bath	37	Market Rate	\$1923
3 Bedroom/2-Bath	8	Market Rate	\$2241
Total	368		

Property Rehabilitation Plan

The Project Administrator anticipates completion of the exterior and common area capital improvements within the first 12 months of ownership. For interior unit renovations, units will be renovated as they turn over, minimizing tenant disruption. Consistent with the bond financing structure, all bond-funded capital improvements will be completed within the 36-month period following bond issuance. A portion of the interior renovation scope is being funded upfront with bond proceeds, with the balance expected to be completed over time through property operations and reinvestment of cash flow.

Project Administrator

ArtHaus Partners is a Bay Area-based multifamily developer, owner, and operator that focuses on addressing the changing housing needs of the California workforce. ArtHaus has 4,000 units under management and development across 60 buildings, with \$800 million in total real estate assets. ArtHaus has experience with public-private partnerships and a range of middle-income executions. ArtHaus Partners' ongoing role in the project will be as Project Administrator/Asset Manager, with responsibility for organizing and executing the acquisition financing and the long-term operational oversight of the property. In that role, ArtHaus will remain actively involved for the first ten years of operations of the Project, including capital planning, rehabilitation, asset management, and operational performance. As part of the financing structure, ArtHaus and its investors will provide funding for the most subordinate bond tranche (\$7 million of capital invested), which is repaid only after all senior and subordinate bonds have been satisfied. This will be ArtHaus' first participation in a 501(c)(3) bond transaction.

Non-Profit Partner/ Owner

Integrity Housing (Integrity) is a 501(c)(3) non-profit affordable housing development company established in 2010. Integrity's current portfolio consists of 71 properties and 8,308 units, created using Low-Income Housing Tax Credits, 501(c)(3) bonds and conventional financing. To date, Integrity has completed 10 projects using a 501(c)(3) bond financing structure similar to the proposed financing for Creek at 2645. Integrity will serve as the borrower and property ownership entity for the Project. Integrity has offices in both Texas and in Irvine, California. Integrity has one affordable project in Sacramento, Creekside Village Senior Apartments.

Property Management

The Project Administrator is currently interviewing qualified affordable housing property management

firms and plans to engage a property management firm that meets SHRA’s guidelines.

Resident Services

The Project Administrator has committed to providing 20 hours of resident services weekly as required by SHRA’s Policies. The current service provider at the site is Project Access and the development team plans to execute a contract with them for a continuation of these services at the Project. Project Access is headquartered in Orange California and partners with owners of affordable housing communities to provide services that help create strong communities, positive changes, and hopeful futures for our families and seniors. Project Access has been providing resident services to communities throughout California for over 20 years. The Project Administrator is also open to working with a local provider in the future.

Affordability Restrictions

The 501(c)(3) Bonds require at least 20 percent of the units are rented to households earning 50 percent of AMI or below or 40 percent of units are for households with incomes 60 percent of AMI or below. Proposed affordability restrictions on the property are outlined below.

Affordability Restrictions (55 years)	Units	% of Units
Low-Income (60% AMI)	148	40
Low-Income (80% AMI)	166	45
Market Rate	52	15
Manager’s Unit	2	
Total	368	

Project Financing

The table below outlines the proposed sources and uses of the bond funds.

Tax Exempt Bond Project Uses	Budgeted Amount
Acquisition	\$76,500,000
Capital Expense Fund	\$ 2,246,425
Cost of Issuance	\$ 2,691,333
Subordinate Class A Bonds DSRF	\$ 917,720
Working Capital	\$ 250,000
Project Administrator Bond Allocation	\$ 4,000,000
Project Administrator Upfront Fee	\$ 1,750,000
Operating Reserve	\$ 889,688

Property Tax Reserve	\$ 1,272,140
Insurance Escrow	\$ 629,296
Total Uses	\$91,137,602
Tax Exempt Bond Project Sources	Budgeted Amount
Senior Tax-Exempt - Class IB	\$61,200,000
Senior Taxable Class IA	\$1,250,000
Subordinate Class IIA	\$17,356,415
Subordinate Class IIB	\$11,331,188
Total Sources	\$91,137,602

Policy Considerations: The actions are consistent with the 2021-2029 City of Sacramento Housing Element Policy H-2.3 “Assist in the Development of Affordable Housing.” The Project will require waivers of specific sections of the City Council/Housing Authority adopted SHRA Multifamily Loan and Mortgage Revenue Bond policies. These sections include:

- Section 9.1.10 related to fees
- Section 4.12 related to minimum construction standards

Economic Impacts: None.

Environmental Considerations:

California Environmental Quality Act (CEQA): Pursuant to Cal. Code Regs., tit. 14., section 15061 (b)(3), the recommended action is exempt as it does not have the potential to have a significant effect on the environment. National Environmental Policy Act (NEPA): There is no federal funding involved in this action and NEPA does not apply.

Sustainability: Not applicable.

Commission/Committee Action:

Sacramento Housing and Redevelopment Commission: At its April 15, 2026, meeting, the Sacramento Housing and Redevelopment Commission reviewed the item and recommended approval of the actions described in this report. The votes were as follows:

AYES: Ramos, Janzen, Burgos, Duncan, Jefferson, Nunley, Ross, Wong, Woo

NOES: None

ABSENT: None

Rationale for Recommendation: The actions recommended in this report support SHRA’s ability to fulfill its mission of providing a range of affordable housing opportunities in the City of Sacramento.

Financial Considerations: SHRA will receive a one-time issuance fee which will be a deviation from the adopted Multifamily Guideline standard of 25 basis points on the bond issuance amount. The Fee is 18.75 basis points on the first \$20 million, or \$37,500, plus 5 basis points on amounts over \$20 million. In addition, per the Policies, SHRA will receive an annual administrative fee equal to 5 basis points (0.05%) of the outstanding bond amount as compensation for the monitoring of regulatory restrictions and the administration of outstanding bonds. The annual amount shall not be less than \$15,000.

Local Business Enterprise (LBE): The items discussed in this report have no M/WBE or Section 3 impact; therefore, M/WBE and Section 3 considerations do not apply.

RESOLUTION NO. 2026-_____

Adopted by the Sacramento City Council

On date of

The Creek at 2645: Approval of the Issuance of Obligations by the Housing Authority of the City of Sacramento on Behalf of Integrity Housing or Related Entity

BACKGROUND

- A. The Housing Authority of the City of Sacramento, a housing authority organized and existing under the laws of the State of California (the "Authority"), proposes a plan of financing providing for the issuance of qualified 501(c)(3) bonds as defined in Section 145 of the Internal Revenue Code of 1986 (the "Code") in one or more series issued from time to time, including bonds issued to refund such qualified 501(c)(3) bonds in one or more series from time to time, and at no time to exceed \$10 million (the "Obligations") and to lend the proceeds thereof to Integrity Housing or related entity (the "Borrower"), which is an organization described in Section 501(c)(3) of the Code, to be used to provide funds to finance or refinance the acquisition, rehabilitation and development of a multifamily housing residential facility located at 2645 Stonecreek Drive, in the City of Sacramento, California, to be owned and operated by the Borrower.
- B. Section 147(f) of the Code requires the execution and delivery of the Obligations to be approved by the City Council of the City (the "City Council"), as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, after a public hearing has been held following reasonable and proper notice.
- C. A public hearing was held by the City Council on April 28, 2026, following duly published notice thereof, and all persons desiring to be heard have been heard.
- D. It is in the public interest and for the public benefit that the City Council, as the elected representative of the City of Sacramento and the host jurisdiction of the subject multifamily housing residential facility, approve the execution and delivery by the Authority of the Obligations.
- E. Pursuant to Cal. Code Regs., Tit. 14, section 15061(b)(3), the recommended action is exempt as it does not have the potential for a significant impact on the environment.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

SECTION 1.

All evidence presented having been duly considered, the findings, including environmental findings regarding this action, as stated above, are found to be true and accurate and are hereby approved.

SECTION 2.

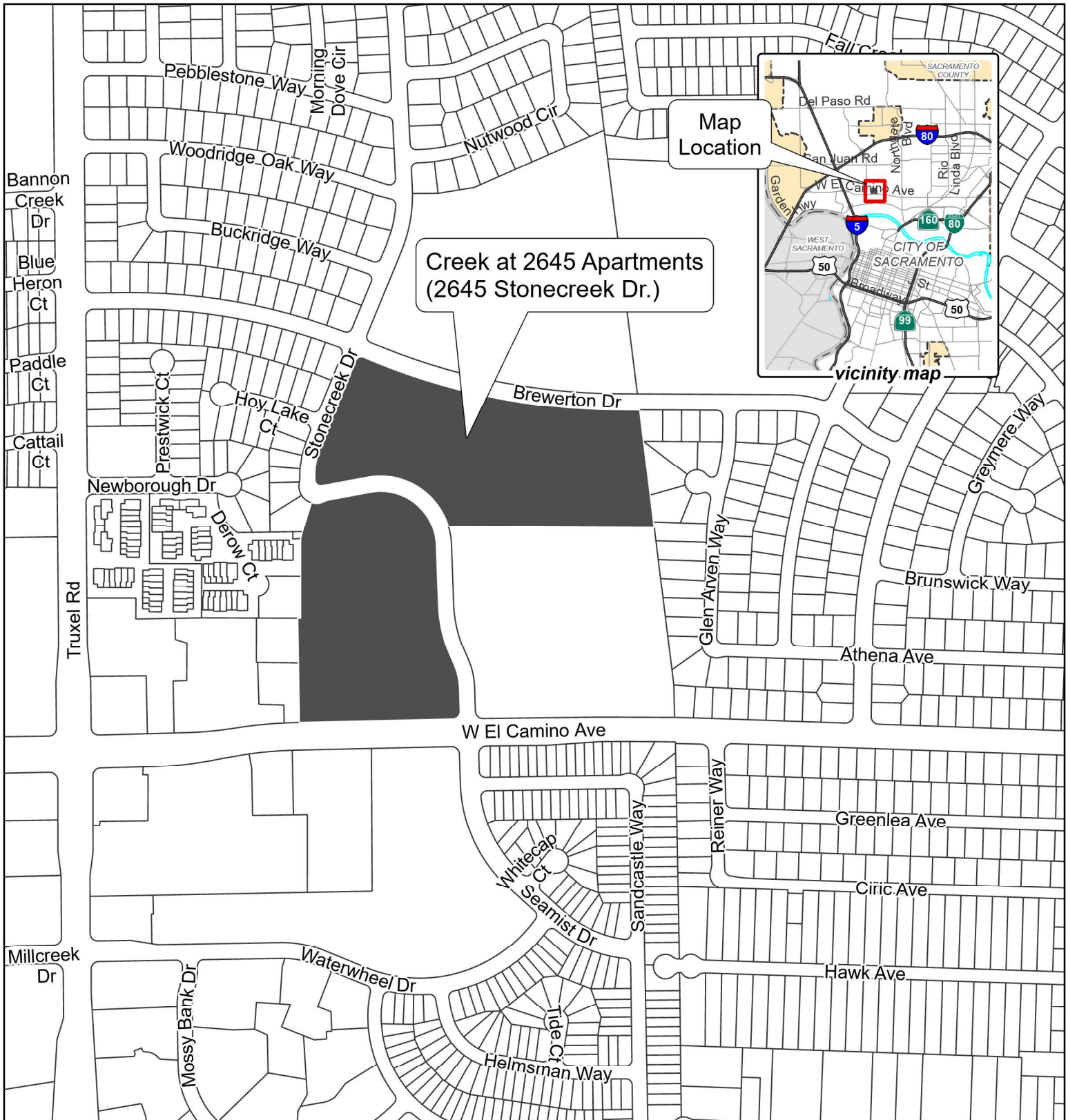
The City Council of the City of Sacramento hereby finds, determines and declares that issuance by the Authority of the Obligations in the maximum principal amount of \$100 million for the purposes described above is hereby approved.

SECTION 3.

This resolution shall take effect immediately upon its adoption.



Creek at 2645 Apartments



Creek at 2645 Apartments
(2645 Stonecreek Dr.)

APNs: 225-0960-004-0000
225-0960-006-0000



SHRA GIS
April 8, 2026

Attachment 4

