

CITY OF SANTA ROSA  
CITY COUNCIL

TO: MAYOR AND CITY  
COUNCIL  
FROM: JILL SCOTT, REAL ESTATE MANAGER  
MEGAN BASINGER, HOUSING AND COMMUNITY SERVICES  
MANAGER  
SUBJECT: APPROVAL OF THE SALE OF 1289 MARTHA WAY, SANTA  
ROSA, APN 014-552-029, TO GROSSMAN APARTMENTS, LP,  
RESERVATION OF A PUBLIC UTILITY EASEMENT AND  
AUTHORIZATION FOR THE CITY MANAGER TO EXECUTE ALL  
DOCUMENTS NECESSARY TO COMPLETE THE SALE

AGENDA ACTION: RESOLUTION

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RECOMMENDATION

It is recommended by Real Estate Services and the Department of Housing and Community Services that the Council, by resolution, approve the sale of 1289 Martha Way, Santa Rosa, APN 014-552-029 to Grossman Apartments, L.P., reserve a Public Utility Easement in favor of the City and authorize the City Manager to execute all documents necessary to complete the sale.

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EXECUTIVE SUMMARY

On April 7, 2020 in Closed Session, City Council gave the City's Real Property Negotiator direction on price and terms for the proposed sale of, and reservation of a Public Utility Easement (PUE) on City owned property located at 1289 Martha Way, Santa Rosa APN 014-552-029 ("Property") to Grossman Apartments, L.P. Staff has secured a purchase and sale agreement in line with the price and term parameters discussed with Council in Closed Session, and is now seeking approval of the final sale.

BACKGROUND

In 1990, Council pursuant to Council Resolution No. 19827, declared the Property surplus.

In 1992, Council entered into a 55-year ground lease with Burbank Housing Development Corporation (BHDC). The ground lease requires annual payments to the City, currently at \$14,328. Shortly after, the Housing Authority of the City of Santa Rosa

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(Housing Authority) provided BHDC with a loan in the amount of \$75,215 associated with the construction of a 13 unit, very-low income apartment complex for the physically disabled on the Property.

On January 27, 2020 Burbank Housing and Development Corporation requested that the Property be appraised by Ward Levy Associates to assess the current market value of the leased fee interest of the underlying land of the Property.

On February 24, 2020 the City received an offer to purchase the Property from BHDC, on behalf of Grossman Apartments, L.P.

On April 7, 2020 Council, in Closed Session, gave direction to the Real Property Negotiator on price and terms for the potential sale of the Property, and reservation of a PUE in favor of the City, to Grossman Apartments, L.P.

Currently, Staff has negotiated a purchase and sale agreement with Grossman Apartments, L.P., the current Lessee of the Property, within the approved price (\$350,000) and terms discussed with Council in closed session and is now seeking approval of the Council for the sale of the Property, reservation of a PUE, and authorization for the City Manager to execute all documents necessary to complete the acquisition.

#### PRIOR CITY COUNCIL REVIEW

In 1990, Council pursuant to Council Resolution No. 19827, declared the Property surplus.

In 1992, Council entered into a 55-year ground lease with Burbank Housing and Development Corporation (BHDC) on the Property.

On April 7, 2020, the City Council met with the City's real property negotiator in closed session and gave direction on price and terms for the potential sale of 1289 Martha Way, Santa Rosa ("Property").

#### ANALYSIS

In 1990 the City Council declared the Property surplus pursuant to Council Resolution No. 19827, then in 1992 entered into a 55-year ground lease with BHDC on the Property. Shortly after, the Housing Authority provided a loan in the amount of \$75, 215 to BHDC who then constructed a 13 unit, very-low income apartment complex for the physically disabled on the Property.

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In late 2019, the Housing Authority extended the term of the loan and affordability Regulatory period to January 2049 to accommodate the refinancing of the first mortgage on the project improvements and ground lease.

Earlier this year, BHDC, on behalf of Grossman Apartments, L.P., contacted the City about a potential purchase of the Property from the City. Refinancing several properties in their portfolio and purchasing this Property would save the project the expense of annual lease payments to the City.

In January 2020, Real Estate Services staff and BHDC agreed on Ward Levy Associates as the appraiser that would provide a report for review of the current market value of the leased fee interest in the underlying Property.

BHDC made an offer to the City on January 24, 2020 for the Purchase of the Property. The City's Real Property Negotiator presented the offer to Council in closed session on April 7, 2020 and received direction from Council on the price and term parameters for negotiation of the potential sale of the Property. Additionally, Council gave direction to reserve a PUE in favor of the City for utilities which are currently located on the Property. The value of the PUE was to be negotiated from the market value. The City and BHDC agreed on a \$350,000 purchase price.

BHDC has informed the Real Property Negotiator that in order to secure refinancing for the project, the sale of the Property must close on or before the 20<sup>th</sup> of April, 2020, and because of the COVID-19 emergency, this item was not able to be on an earlier City Council agenda.

#### FISCAL IMPACT

Approval of this action (sale) will provide proceeds to the general fund in the amount of \$350,000 (the approved purchase price).

#### ENVIRONMENTAL IMPACT

Acquisition of the Property is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline Section 15378.

#### BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

In 1991, Housing Authority Resolution No. 621 approved a loan in the amount of \$75,215 for the project.

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In 2019, Housing Authority Resolution No. 1672 approved an extension of the loan and regulatory restrictions to January 2049 and subordination to a new first mortgage on the project.

#### NOTIFICATION

Not applicable

#### ATTACHMENTS

- Resolution

#### CONTACT

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