

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY OF DILLINGHAM, ALASKA, AMENDING CHAPTER 5.30 OF THE DILLINGHAM MUNICIPAL CODE RELATING TO DISPOSAL OF REAL PROPERTY

WHEREAS, the City of Dillingham faces a critical housing shortage that impacts economic development and quality of life for residents; and

WHEREAS, land acquisition costs represent the primary barrier to residential development in Dillingham due to extensive native allotments and ANCSA lands; and

WHEREAS, streamlining lease procedures for city-owned buildings will reduce administrative burden and improve efficiency; and

WHEREAS, current restrictions on disposal of foreclosed property create unnecessary delays and complications.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF DILLINGHAM DOES HEREBY ORDAIN AS FOLLOWS:

Section 1. Amendment of Section 5.30.020 - Procedures

Section 5.30.020 of the Dillingham Municipal Code is hereby amended as follows:

§ 5.30.020 Procedures.

A. All disposals **shall** be by ordinance**, except as provided in Section 5.30.025 for administrative leases**. The ordinance **shall** include:

1. Finding. A finding that the property is no longer needed for municipal purposes. If the property is being disposed at less than the appraised value, the reasons **shall** be included in the finding.
2. Statement of Facts. A statement of facts which supports the finding.
3. Property Description. A legal description of the property.
4. Purpose or Type of Disposal. A description of the type of disposal (for example public, economic development**, commercial development, or housing development**).

5. Method of Disposal. A description of the method of disposal (for example, auction, lottery, negotiated sale or donation).
6. Property Value. A description of the appraised property value and how it is determined (for example, appraisal or a letter of opinion).
7. Public Notice. A description of the time, place and specific steps which **shall** be followed to conduct the disposal.

B. The city council **shall** describe the appraised value of property in the ordinance for the disposal. The value of the property **shall** be appraised value as determined by an appraisal or a letter of opinion prepared by a qualified appraiser or assessor. The appraisal **shall** have been made within one hundred eighty days prior to council action.

Section 2. New Section 5.30.025 - Administrative Leases

The following new section is hereby added to Chapter 5.30:

§ 5.30.025 Administrative Leases.

A. The city manager may approve leases of city-owned real property, including land, buildings, or structures, without ordinance if all of the following conditions are met:

- 1. The lease term does not exceed three (3) years, including any renewal options;**
- 2. The total annual lease value does not exceed twenty-five thousand dollars (\$25,000);**
- 3. The lease is at or above fair market rental value as determined by the city manager based on comparable properties or appraisal, except as provided in subsection F for below-market leases serving a public purpose;**
- 4. The property is not needed for immediate municipal purposes;**
- 5. The lease includes standard city lease provisions including insurance requirements, maintenance obligations, and termination clauses.**

B. The city manager shall notify the city council in writing of all administrative leases within thirty (30) days of execution. The notification shall include:

- 1. Property description and address;**
- 2. Lessee name;**
- 3. Lease term and rental amount;**
- 4. Intended use of the property.**

C. Leases exceeding the thresholds in subsection A, or leases below fair market value exceeding the subsidy limit in subsection F, require city council approval by ordinance in accordance with Section 5.30.020.

D. The city manager may develop standard lease forms and procedures to implement this section.

E. [Reserved]

F. Below-Market Leases for Public Benefit. The city manager may approve leases below fair market rental value without ordinance if:

1. The lease meets all other requirements of subsection A (term, dollar threshold, standard provisions);

2. The below-market lease serves a documented public purpose, including but not limited to:

- Housing for essential city employees or contractors providing services to the city (e.g., senior center staff, seasonal workers, healthcare providers);**
- Affordable housing for low- and moderate-income residents;**
- Nonprofit organizations providing community services;**
- Economic development or business retention beneficial to the community;**

3. The city manager documents in writing the public purpose and the basis for the reduced rent;

4. The lease specifies that the reduced rate is contingent on the stated public purpose (e.g., "Rent is \$500/month while tenant is employed as senior center cook; if employment ends, rent adjusts to fair market rate or lease terminates within 60 days");

5. The total annual rental subsidy (difference between fair market rental value and actual rent charged) does not exceed ten thousand dollars (\$10,000) per lease.

G. The city manager shall notify the city council of all below-market leases approved under subsection F within thirty (30) days of execution. The notification shall include:

1. Property description and fair market rental value;

2. Lessee name;

3. Actual rent charged and annual subsidy amount;

4. Public purpose justification;

5. Terms linking reduced rent to public purpose.

H. Below-market leases with annual rental subsidies exceeding ten thousand dollars (\$10,000) require city council approval by ordinance in accordance with Section 5.30.020.

Section 3. Amendment of Section 5.30.080(B) - Economic and Commercial Development

Section 5.30.080(B) of the Dillingham Municipal Code is hereby amended as follows:

§ 5.30.080 Types of disposals.

The disposals described in this section can be authorized by the city council for less than the appraised value of the real property and may be exempted by the city council from the disposal methods described in Section 5.30.040 A through C. The ordinance which authorizes the disposal must comply with all other sections of this title.

[Subsection A remains unchanged]

B. Disposal for Economic **and Commercial** Development. The city council may dispose of real property or an interest in real property to any person or entity to promote local trade**, industry, or commercial enterprise**. The following requirements must be included in the ordinance:

1. A finding that the property or interest in property being disposed of will be used to further local trade**, industry, or commercial enterprise**; and
2. A condition that title will revert to the municipality in the event that the property is no longer used for the local trade**, industry, or commercial enterprise** justifying the disposal.

[Subsections C and D remain unchanged]

Section 4. New Section 5.30.080(E) - Disposal for Housing Development

Section 5.30.080 of the Dillingham Municipal Code is hereby amended by adding the following new subsection:

§ 5.30.080 Types of disposals. [continued]

E. Disposal for Housing Development. The city council may dispose of real property to promote housing development under the following conditions:

1. A finding that the property will be developed for residential housing within a specified timeframe and that the disposal serves a compelling public purpose in addressing the city's housing needs;

2. Requirements for the minimum number of housing units to be constructed, which may vary based on property size and development capacity;

3. A development timeline with specific milestones for:

- **Obtaining building permits;**
- **Commencing construction;**
- **Completing construction; and**
- **Obtaining certificates of occupancy.**

4. A condition that title will revert to the municipality if development milestones are not met, absent extension for good cause as determined by the city council;

5. Performance security in the form of a bond, letter of credit, or cash escrow in an amount determined by the city council, typically equal to twenty percent (20%) to forty percent (40%) of the total estimated project cost including land and construction;

6. For individual homebuilders constructing a single-family dwelling as their primary residence:

- **Performance security may be satisfied through earnest money deposit equal to twenty percent (20%) of the purchase price or construction escrow account;**
- **Simplified timeline: obtain building permit within 12 months, commence construction within 18 months, complete and occupy within 36 months;**
- **Owner-occupancy requirement for minimum of two (2) years;**
- **Professional engineering plans not required; basic site plan acceptable;**
- **Preference given to Dillingham residents, essential workers (teachers, healthcare, public safety, municipal employees), and income-qualified purchasers;**
- **Maximum one (1) lot per person at a time through individual homebuilder program.**

7. The city council may reduce the purchase price below appraised value based on:

- **The number and type of housing units to be developed;**
- **Infrastructure costs to be borne by the purchaser or developer;**
- **Inclusion of affordable housing units (defined as housing affordable to households at or below 80% of Area Median Income);**
- **Expected economic benefit to the community;**
- **For individual homebuilders, local residency, employment in essential services, and income qualification.**

8. Price reductions may not exceed:

- Fifty percent (50%) of appraised value without specific additional findings by the city council documenting exceptional public benefit;
- Seventy-five percent (75%) of appraised value under any circumstances.

9. The reversionary clause shall include specific development milestones and completion deadlines. Upon reversion for failure to develop:

- The purchaser or developer receives refund of purchase price paid (minus any earnest money or deposits forfeited);
- The purchaser or developer may receive reimbursement for infrastructure improvements completed to city standards and beneficial to the city, as determined by independent appraisal, less any costs incurred by the city;
- No reimbursement for planning costs, permit fees, or incomplete construction.

10. The city council may grant extensions of milestone deadlines for good cause shown, including:

- Force majeure events (natural disasters, pandemics, extreme weather);
- Regulatory delays beyond the developer's control;
- Documented material shortages;
- Utility provider delays.

11. Good cause does not include developer financial difficulties, failure to secure contractors due to inadequate effort, or general market conditions foreseeable at time of purchase.

12. For individual homebuilder disposals, if the purchaser sells or ceases to occupy as primary residence within the required occupancy period, the city has right of first refusal to repurchase at original sale price plus documented construction costs, or the purchaser must pay the city the difference between the discounted price and full appraised value.

Section 5. Amendment of Section 5.30.110(A) - Disposal of Foreclosed Property

Section 5.30.110(A) of the Dillingham Municipal Code is hereby amended as follows:

§ 5.30.110 Disposal of foreclosed property.

A. Property obtained by clerk's deed, foreclosure, or judicial order or decree is exempt from Sections 5.30.020 and 5.30.030 and subject to disposal according to the provisions of this section

[Subsections B through G remain unchanged]

Section 6. Amendment of Section 5.30.100 - Easements and Rights-of-Way

Section 5.30.100 of the Dillingham Municipal Code is hereby amended as follows:

§ 5.30.100 Leases, easements and rights-of-way.

A. Disposal of interest by lease, grant of easement, or right-of-way shall follow the requirements of this title, except as provided in Sections 5.30.025 and 5.30.100(B) for administrative leases and easements. The terms and conditions of leases, easements and rights-of-way shall be established by the city council for each disposal.

B. Administrative Easements and Rights-of-Way. The city manager may grant easements or rights-of-way without ordinance if all of the following conditions are met:

1. The easement or right-of-way is temporary, with a term not exceeding ten (10) years, including any renewal options;

2. The total annual value or compensation does not exceed twenty-five thousand dollars (\$25,000);

3. The easement or right-of-way is non-exclusive and does not prevent other reasonable uses of the property by the city;

4. The grant serves a public purpose or provides fair market value compensation to the city;

5. The easement or right-of-way includes standard provisions addressing:

- Term and termination conditions;**
- Permitted uses and restrictions;**
- Maintenance and repair obligations;**
- Insurance and indemnification requirements;**
- Restoration requirements upon expiration.**

C. The city manager shall notify the city council in writing of all administrative easements and rights-of-way within thirty (30) days of execution. The notification shall include:

1. Property description and location;

2. Grantee name;

3. Purpose of the easement or right-of-way;

4. Term and compensation, if any;

5. Key terms and conditions.

D. Easements or rights-of-way exceeding the thresholds in subsection B require city council approval by ordinance in accordance with Section 5.30.020. City council approval is required for:

1. Permanent easements or rights-of-way;

2. Easements or rights-of-way with annual value exceeding twenty-five thousand dollars (\$25,000);

3. Exclusive easements that prevent other reasonable uses of the property;

4. Easements or rights-of-way below fair market value for non-public purposes.

E. The city manager may develop standard easement and right-of-way forms and procedures to implement this section.

Section 7. Severability

If any provision of this ordinance or any application thereof to any person or circumstance is held invalid by a court of competent jurisdiction, the remainder of this ordinance and the application of such provision to other persons or circumstances shall not be affected thereby and shall remain in full force and effect.

Section 8. Effective Date

This ordinance shall become effective immediately upon passage by the City Council and publication as required by law.

PASSED AND ADOPTED by the City Council of the City of Dillingham, Alaska, on this _____ day of _____, **20**.

CITY OF DILLINGHAM, ALASKA

By: _____
Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM: