



Council Agenda Report

To: Mayor Uhring and the Honorable Members of the City Council

Prepared by: Rob Houston, Interim Deputy City Manager

Approved by: Steve McClary, City Manager

Date prepared: October 10, 2023 Meeting date: October 23, 2023

Subject: Community Development Block Grant – Disaster Recovery MHP Program Funding

RECOMMENDED ACTION: Receive an update on the Community Development Block Grant – Disaster Recovery (CDBG-DR) Multifamily Housing Project (MHP) program funding and consent to termination of the Master Standard Agreement between the City and the Department of Housing and Community Development (HCD).

FISCAL IMPACT: No net impact as the City had not allocated these funds. Program funding received in February 2021 would be released back to the California Department of Housing and Community Development (HCD), the issuing agency, for reprogramming in the immediate region.

STRATEGIC PRIORITY: This item is not included in the new Strategic Project Plan list.

DISCUSSION:

The City of Malibu received funding from HCD in February of 2021. This funding allocation of \$18.6 million dollars was intended to assist in the recovery from the Woosley fire event through providing funding that could be used for multi-family affordable housing projects in the Malibu community. Additional funding, with the same guidelines, was distributed to surrounding communities such as Agoura Hills and Calabasas. The City received the funds with the intent to investigate the viability of projects within the City while continuing communication with HCD to determine the best path for affordable unit development in the Region.

After receiving the funding, the City conducted a request for interest and received two proposals for multi-family projects in the City. Both projects required extensive due

diligence to assess financial viability, zoning, building compatibility with surrounding properties, and Coastal Development Permitting issues. The City learned that the assigned funding would require that the City be the lead agency for any project under development and which means the City would need to take on the costs and time to review and approve all associated agreements, applications, consultant oversight, and financial assessment. These costs would be significant as any large-scale proposed development in the Malibu Coastal zone would take many years to process. The funds to conduct this oversight and management can initially be taken from the \$18.6 million dollar allocation, but in the event the project does not end up being completed the City would be “at-risk” and would have to refund any amounts received.

HCD is eager to get affordable housing units developed in the near future. They understand the barriers and challenges the City has encountered in its efforts to find a viable project. The City of Malibu is challenged due to extremely high land costs and the subsidy limits that cap how much of the overall CDBG-DR funds can be used per unit. For example, the maximum total subsidy allocation for a 2-bedroom apartment is \$241,176. This amount is not enough in the Malibu market to achieve an affordable rent and other funding sources would need to be found. Current high interest rates and limited tax-credit financing availability make successful funding of a viable local project hard to see occurring in the near future. Lengthy timelines for development review and approvals through the Coastal Zone development process also add to the inability for a project to be completed in the near term. In addition, the City of Malibu is hard pressed to staff the project oversight role for any potential project due to current staffing shortages in the planning department. Several other communities in the region received CDBG DR-MHP allocations at the same time as Malibu, and like the City of Malibu, have not been able to deploy these funds within their communities. As such, the Cities of Agoura Hills and Calabasas have either declined to accept the allocation or have since voluntarily consented to cancel their Master Standard Agreement (MSA).

HCD would like to take the approximate \$7 million allocated to those communities and combine it with the City's allocation to be able to create a geographical regional set aside of a combined \$26 million in funding, which would be restricted to affordable housing projects located within one of the three jurisdictions. HCD believes that the combined funds would be enough to support one or more projects within the region, and having the flexibility to award a project outside the Coastal Zone which would likely lead to greater interest in developers putting forth a viable application. This proposal to combine the area funding would provide an opportunity to have developers propose affordable housing projects that could either be located within the Malibu City limits or could be located nearby to provide affordable housing for local nearby communities.

HCD is in need of action at this time as they are in the process of putting together a Notice of Funding Availability (NOFA) for the 2020 disaster recovery efforts. Unlike the 2018 Disaster Recovery program, the 2020 program will be directly administered by HCD, and

will be providing loans directly to Developers for affordable housing projects. The Department is slated to release this NOFA in December of this year and would like to include the region's 2018 funds in this funding notice.

To publish the NOFA so that applications are awarded with enough time to apply for the second round of low-income housing tax credits with the California Tax Credit Allocation Commission, HCD is requesting the City of Malibu provide Council approval to voluntarily consent to terminate the contract and return the funds to HCD for reprogramming by Oct 31, 2023. This would enable the Department to use the funds to help the region address the affordable housing crisis that is plaguing the state in the most effective and efficient way possible.

The City Council can choose to voluntarily consent to terminate the contract, or direct staff to instead take on the leadership role for identifying a local project and manage the search, administration, development, and completion of a viable affordable project using these funds in the near future. If the return of funding is directed, staff will work with HCD to complete that process, and notify the two developers that originally submitted interest in projects in Malibu to be on the watch for the NOFA that HCD would be issuing in December. If the City does not voluntarily consent to the return of this funding HCD has indicated that it will seek involuntary termination. Consenting to the return of this funding will also help to foster and build good will between the City and HCD to work cooperatively on housing issues in the City and region.

ATTACHMENTS: None.