Council Agenda Report

City Council Meeting
11-09-26
Item 7.B.

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

Prepared by: Christopher Smith, Assistant City Manager

Approved by: Joseph D. Irvin, City Manager

Date prepared: August 12, 2026 Meeting date: November 9, 2026

Subject: Malibu Disaster Recovery District

RECOMMENDED ACTION: Provide direction on the formation of a Malibu Disaster Recovery District, and if appropriate, adopt Resolution No. 26-38 declaring the City's intention to establish the Malibu Disaster Recovery District (MDRD) and establishing the MDRD governing Public Financing Authority (PFA).

FISCAL IMPACT: No additional appropriation is required for adoption of the Resolution of Intention or establishment of the MDRD governing Public Financing Authority.

If ultimately formed, the MDRD would create the opportunity to utilize property tax increment financing to fund targeted recovery, infrastructure, and resilience investments within the eastern portion of the City, potentially including allocation of property tax increment from the County of Los Angeles if the County elects to participate.

The Disaster Recovery District (DRD) would leverage future property tax revenues by dedicating a portion of those net new revenues (i.e., 50%) from within the district to fund the DRD. The proposal would be to partner with the County of Los Angeles, which would also agree to dedicate a portion of new property tax revenue to the district.

The MDRD would serve as a distinct Public Financing Authority with City and County representation with its own powers to program the district revenues, prioritize projects and issue bonds over its 50-year lifespan. Any financial decisions made by the district would not impact the City's future credit rating or ability to borrow for other matters. At this time, it is estimated that the MDRD could generate up to $112 million in property tax revenues should a partnership with the County to form the district be feasible, with approximately 50% of the tax revenue coming from the County and the remainder coming from the City.

Several factors will determine the true revenue generation for the district, including the exact partnership formula established for the district and the rate of recovery and rebuilding in the district. Factors that could also temper revenues would be if properties along the coastline within the district boundaries experienced substantial lose of value due to coastal erosion or other environmental factors or if the district should experience another disaster during the 50-year life of the district.

Should Council adopt the Resolution of Intent, further fiscal analysis will be prepared as part of an Infrastructure Financing Plan, including projected tax increment revenues, potential bonding capacity, administrative costs, grant and other funding opportunities, and the potential impact of allocating a portion of future City property tax increment to the MDRD rather than to the City's General Fund. The Infrastructure Financing Plan will be presented to the Public Financing Authority for future public review and consideration.

STRATEGIC PLAN IMPLEMENTATION: This item supports the City's 2025-2028 Plan Goal 3: Advance Infrastructure Resilience

Goal 3: Advance Infrastructure Resilience
Objective 3.1: Develop and fund a comprehensive Infrastructure Resilience Plan
Emergency Evacuation: Increase alert warning, and evacuation capabilities.
Strategy: The proposed MDRD would create a potential long-term financing mechanism to support eligible infrastructure and resilience projects in the disaster-impacted area, including projects related to coastal wastewater infrastructure, water storage and fire flow, coastal resilience, emergency power, telecommunications reliability, and other recovery-related infrastructure improvements.

DISCUSSION:

Summary
The City of Malibu has identified the need to improve the City's infrastructure resilience and support the community's disaster recovery following a series of destructive fires, culminating with the Palisades Fire in January 2025. To accomplish these goals, the City researched the creation of a Disaster Recovery District for the area effected by the Palisades Fire in Eastern Malibu.

The initial step in the formation of a Disaster Recovery District is the adoption of a Resolution of Intent, which must be done within two years of the declared Disaster.

The creation of a Disaster Recovery District provides one means to fund the necessary improvements identified by staff and the community. However, it comes with some regulatory considerations which could hinder its effectiveness for the City to achieve its strategic goals in the near term.

This report describes the City's proposed approach for the Malibu Disaster Recovery District, how the district would be funded and governed, and illustrates the considerations for Council as it contemplates the formation of such a district.

Disaster Recovery District

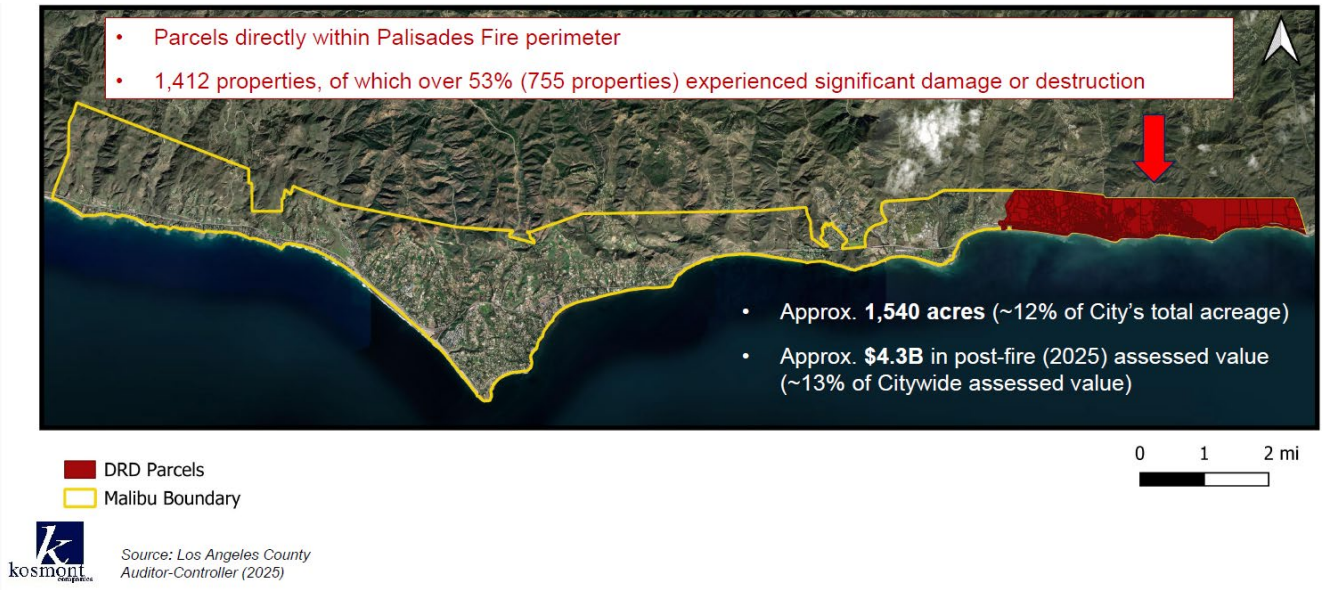
A DRD is a public financing district formed for the purpose of supporting recovery and rebuilding in an area substantially impacted by a declared disaster. The DRD does not itself rebuild private properties or replace the City's existing land use, permitting, public works, or emergency management responsibilities. Rather, it creates a dedicated financing structure and public sector operating entity (DRD Public Financing Authority) through which eligible revenues generated within the disaster-impacted area can be reinvested into projects that support recovery, restore or replace damaged improvements, strengthen infrastructure, and reduce the risk of future disasters.

The proposed MDRD would be focused on the eastern portion of the City within the Palisades Fire perimeter. This area experienced significant damage and will require continued rebuilding, infrastructure restoration, and long-term resilience investments. The revenues generated by the district are restricted to eligible disaster recovery purposes. Eligible project categories within a DRD may include infrastructure restoration, utility improvements, transportation and evacuation-related improvements, water quality protection, coastal resilience, emergency communications, and other public improvements. These projects support the safe and timely recovery of the affected area. Projects may physically located outside of the district provided there is sufficient benefit to the district, such as water infrastructure improvements that increase the reliability of water access within the district during a fire.

If formed, the MDRD would have a 50-year term and be governed by a Public Financing Authority comprised of City Council members and public members, consistent with applicable law. If the County consents to partnership with the City in the MDRD, a County Supervisor would also become part of the governing Public Financing Authority. The Public Financing Authority would be responsible for considering the Infrastructure Financing Plan, overseeing district revenues, approving eligible district expenditures, and carrying out the public financing functions of the district. The Infrastructure Financing Plan would serve as the primary planning and financing document for the MDRD and would identify the district boundary, eligible project categories, proposed revenue sources, projected revenues, and other required information.

The proposed DRD boundary includes parcels located within the Palisades Fire perimeter in the eastern portion of the City. Approximately 1,412 properties are located within the proposed boundary, of which more than 50% experienced significant damage or destruction of existing structures. The District represents approximately 12% of the City's acreage and 13.4% of the City's property tax revenue.

Based on data from the Los Angeles County Auditor-Controller, the assessed value within the proposed MDRD boundary declined from approximately $4.29 billion before the fire to approximately $3.31 billion after the fire, a reduction of approximately $990 million, or 23%. As rebuilding occurs and assessed values recover, the MDRD would allow a portion of that future revenue growth to be dedicated to public improvements and recovery projects within the disaster-impacted area.



Financing the Malibu Disaster Recovery District

By capturing future property tax increment revenue generated within the MDRD as rebuilding occurs, the MDRD could create a sustainable, ongoing revenue stream dedicated to eligible recovery, infrastructure, and resilience projects. This financing mechanism would not increase taxes for property owners within the MDRD boundaries. Instead, it would dedicate a portion of future property tax growth generated by rebuilding and reinvestment within the disaster-impacted area to be reinvested for qualifying projects and activities.

The aftermath of natural disasters such as the Palisades Fire creates a unique opportunity to leverage a Disaster Recovery District. This is because, post disaster, property values are reassessed down if they are destroyed, damaged, or otherwise impacted by the disaster. If the City opts to form a DRD, it would allow the district to capture the tax growth as those homes are reassessed as they are rebuilt and reoccupied. However, the vast majority of the district's revenue would come in the latter half of the district's 50-year term.

The MDRD would not receive all increased property tax revenues generated within the district. Rather, it would only receive the portion of incremental property tax revenue approved by the City; along with any other participating affected taxing entities (i.e., LA County). Without the establishment of the MDRD, these revenues would otherwise go to

the General Fund. In other words, the District does not increase the overall share of property tax it received. Only through a partnership with the County would additional property tax revenue be committed to the district to benefit the City's resiliency goals.

Based on initial discussions with the County of Los Angeles, a likely scenario could be that the City commits 50%, and the County commits an equivalent share of all new property tax revenues from the designated area to the Disaster Recovery District. Depending on the rate at which the district is able to rebuild will influence the total projected revenues and bonding capacity for the district.

Rebuild Scenario	10 Year Rebuild	20 Year Rebuild	30 Year Rebuild
Total Projected Revenue	$111,030,000	$114,269,000	$112,187,000
10 Year Revenue & Bond Capacity (2037)	$29,252,000	$21,852,000	$19,100,000

In addition to tax increment revenues, the MDRD would create a focus on the need for investment in the district and the District may apply for and receive grants, loans, contributions, and other funds from state, federal, local, philanthropic, and private sources. These funds may be used for eligible projects and, where allowed by the funding source, for related planning, administrative, or implementation expenses. Potential funding sources may include California Proposition 4 grants, State Water Board infrastructure funding programs, Caltrans transportation grants, federal infrastructure grants, and other public funding sources. In many instances the City would qualify for these same grant opportunities directly.

Potential Projects

Eligible MDRD projects may include improvements that repair, restore, rehabilitate, or replace facilities, structures, utilities, infrastructure, or other improvements damaged or affected by the disaster. Eligible projects may also include improvements that reduce the risk of future disasters, support emergency access and communications, improve water and energy reliability, harden or underground utilities, and support residential, commercial, and economic recovery.

Potential City identified projects could include:

- Wastewater Infrastructure
- Telecommunication Undergrounding
- Street and roadway restoration
- PCH Shoreline Protection and Coastal Resilience Project
- Water Storage Tank and Pipeline Project
- Flood control, stormwater, and debris-flow mitigation
- Fiber optic and emergency communications infrastructure
- Fire break and vegetation management improvements

- Emergency power and community resilience facilities
- Other eligible projects identified in the Infrastructure Financing Plan

The County may also identify projects it would like to see funded as part of the district and has identified four projects valued at $48 million:

- New Sweetwater Mesa Tank Improvements
- Sweetwater Mesa Waterline Improvements
- Sweetwater Canyon Water Main Improvements
- Point Dume Tank and Pump Station

At this stage, the City is not approving specific projects or committing funding to any individual improvement. Project priorities, cost estimates, funding sources, and implementation responsibilities would be evaluated as part of the Infrastructure Financing Plan and subsequent MDRD actions. Many projects may also require separate environmental review, permitting, interagency agreements, design approvals, construction contracts, and City Council or other agency approvals before implementation.

The Infrastructure Financing Plan and any subsequent MDRD formation actions would be considered at a future public meeting, providing an additional opportunity for public review and consideration of proposed project categories, revenue sources, and implementation priorities.

Considerations
While many communities have leveraged incremental tax districts to help with recovery, economic development and other community goals, there are unique considerations for Malibu that should be considered.

1. No, or Very Limited Growth in Housing Stock – While many communities following a disaster may see significant upzoning because of state housing laws, that does not apply in Malibu. Malibu has strictly incentivized a like-for-like rebuild of destroyed properties. There may be some modest additional housing stock from an increase in alternate dwelling units (ADUs), but there is no allowance to upzone any areas within the proposed district, limiting the potential for future property tax growth.

2. Rebuild Timeline May Be Lengthy – While the City is working hard with property owners and residents to rebuild their homes, several factors may extend the rebuild process. For example, eight years after the Woolsey Fire, approximately 70% of homes have been permitted for rebuild in that area. By Fiscal Year 2023-24, an estimated 34% of homes were rebuilt. The Palisades Fire area has additional complications because it is located on an active landslide with many of

the properties positioned between the Pacific Coast Highway (PCH) and the beach. These areas have unique technical challenges that must be addressed in order for homes to be rebuilt.

3. Risk of Future Disaster – Malibu has an elevated risk of future disasters during the district's lifespan which could impact the certainty of future property values and potential limit the overall revenue growth in the district. This year's impacts from coastal erosion and the threats of El Nino are examples of how environmentally fragile this area is.

4. Perceived Loss of Local Control – By forming a DRD with the County, the City would agree to establishing a governing board comprised of both City and County representatives. The governing board oversees the prioritization of the projects and financing strategies for the disaster district. However, the proposed Board includes two Council members and one Council appointed community member ensuring majority representation. And, the district would remain subject to the City's land use policies, and the City would still be able to authorize other work, such as capital improvement projects, within the district.

5. Resilience Needs are Citywide – While making improvements in the Palisades Fire area are critical, achieving meaningful community resilience will take a citywide effort to underground utilities, develop a power and water strategy, and harden homes and properties to deter the spread of future fires. While the district would commit funds to improvements that benefit the designated areas, it would divert future tax revenues from being used throughout the City.

6. Cost of Borrowing – A myriad of factors, but most importantly the growing national debt is driving up the cost of borrowing. This means that more of the property tax revenues will go to paying interest on debt rather than actual district improvements. It is difficult to estimate now the conditions for government financing in ten or 15 years.

Alternative Strategies

The formation of a Disaster Recovery District is only one strategy available to the City for funding resiliency and infrastructure improvements. Ideally, Malibu could prioritize these resiliency projects within its Capital Improvement Program. However, the scale of the projects is such that it would be difficult to meaningfully advance the City's resiliency goals given available resources. The City has had to expend considerable resources on the Palisades Fire and is working to still recover from that Disaster but has received only a small amount of the eligible reimbursements. This also comes at a time with there are several projects competing for limited resources, including the City's modernization

efforts and delivering priority amenities via the City's Community Lands. Therefore, the Council could consider other means for providing the needed funding, including:

- Special Assessment Districts – The City could support the formation of different special assessment districts across Malibu to cover the costs of improving infrastructure and safety. These districts would be formed by different neighborhoods who organize and vote to pay additional property taxes to fund improvements.

- Increasing sales tax by 0.5% - A sales tax increase of 0.5% would generate approximately $4 million per year starting almost immediately that could fund projects Citywide. Sales tax is paid by everyone, but a good portion of Malibu's sales tax is paid by visitors. The City could also explore other taxing options, including a tax on luxury properties.

- General Property Tax Levy – Voters could choose to levy a property tax dedicated to funding the implementation of necessary resiliency projects. This could generate considerably more revenue depending on the levy amount. Generally, this levy is distributed over a period of many years to help mitigate the impact to property owners.

- Bonding Against City Assets – As the City looks to pay down its current debt obligations, the City could examine opportunities to refinance existing debt and issue new debt leveraging City assets to fund critical infrastructure improvements. This would not require an increase in taxes but would likely not generate much new funding for several years.

- Partnership with the County – Similar to the City's MOU for the County Library, the City could explore entering into an MOU with the County to pledge a certain amount of funds to a joint district in lieu of the formation of the MDRD. This would have the benefit of dedicating greater revenues sooner to advance projects but would also have a more immediate impact on the City's General Fund.

It should be noted that staff have not evaluated the feasibility of any of these alternative funding models so staff are not recommending any one of these options at this time. The purpose of raising them here is to make Council aware of additional avenues through which to achieve its goals.

Next Steps

Should Council wish to proceed with the formation of the Malibu Disaster Recovery District, staff would ask to Council adopt a Resolution of Intention. This would initiate the

formation process but would not be the final approval or commitment to form the district. During this formation phase, staff would work with the County to formalize the district boundaries, identify eligible projects and activities, and establish a public finance authority that would likely include City and County representation, and hold public meetings and outreach about the District.

Administration and Finance Subcommittee Recommendation
This report was published prior to the November 3, 2026, Administration and Finance Subcommittee meeting. A verbal update will be provided on November 9, 2026, at the City Council Meeting.

ATTACHMENT(S)

1. Resolution No. 26-38

RESOLUTION NO. 26-38

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MALIBU DECLARING ITS INTENTION TO ESTABLISH THE MALIBU DISASTER RECOVERY DISTRICT; ESTABLISHING A PUBLIC FINANCING AUTHORITY; AND AUTHORIZING CERTAIN OTHER ACTIONS RELATED THERETO

The City Council of the City of Malibu does hereby find, order and resolve as follows:

SECTION 1. Recitals.

A. Pursuant to Chapter 2.99 of Part 1 of Division 2 of Title 5 of the California Government Code (commencing with Section 53398.50) (the "EIFD Law"), the City of Malibu ("City") is authorized to establish an Enhanced Infrastructure Financing District ("EIFD").

B. Pursuant to Division 6 of Title 6 of the California Government Code (commencing with Section 62300) (the "CRD Law"), the City is authorized to establish a Climate Resilience District ("CRD").

C. Recognizing the benefits of expeditiously adopting a type of CRD focused on assisting in rebuilding critical infrastructure after a disaster, such as the devastating wildfires in the County of Los Angeles in January 2025, Senate Bill 782 (Perez) ("SB 782") was approved by the Legislature and signed by the Governor on October 10, 2025, adding Section 62313 to the Government Code ("DRD Law"). SB 782 is an urgency statute which took immediate effect upon the Governor's signature.

D. In the event of a disaster for which the Governor has declared a state of emergency, SB 782 allows the City to form and dedicate revenue to a special form of CRD to finance disaster recovery efforts, including repairing or replacing buildings, facilities, structures, or other improvements within the CRD that have been damaged or destroyed by the disaster, mitigating the risk of a future disaster, or supporting economic recovery from a disaster.

E. The Governor of California declared a state of emergency in response to the January 2025 wildfires, including portions of the City known as the "Palisades Wildfire," on January 7, 2025.

F. This Resolution, consistent with the EIFD Law and CRD Law, as amended by SB 782, creates the Malibu Disaster Recovery District ("MDRD").

G. The proposed boundaries of the MDRD are focused entirely within the Palisades Fire perimeter area in the eastern portion of the City as identified on a map entitled "Proposed Malibu Disaster Recovery District (DRD) Boundaries," a copy of which is attached to this Resolution as Exhibit A.

H. The proposed MDRD will be used to finance the repair and replacement of certain needed public facilities and other projects related to the rebuild within the proposed boundaries of the Malibu DRD that were damaged or destroyed in the wildfires and will promote economic development both within and outside the MDRD project area, thereby promoting public safety, commerce, revenues and the public health, safety and welfare of the City.

I. Pursuant to the DRD Law and CRD Law, the City Council is required to establish a Public Financing Authority ("PFA") to serve as the governing body of the proposed Malibu DRD and which will also be responsible for implementing the Infrastructure Financing Plan ("IFP") required under EIFD Law.

J. The proposed MDRD PFA shall be a legal, public entity separate from the City of Malibu, and shall establish bylaws and rules of procedure to govern its meetings.

K. This action is exempt from the California Environmental Quality Act ("CEQA") as an action solely related to financing and is not in-and-of itself a "project" pursuant to CEQA Guidelines Section 15378, since it does not result in a physical change in the environment because the City has not committed itself to fund any specific projects through the MDRD. Future actions, such as the funding and/or approval of infrastructure improvements using funding from the MDRD, will be subject to environmental review in accordance with CEQA.

SECTION 2. The City Council hereby declares its intention to establish the Malibu Disaster Recovery District, establishes the MDRD Public Financing Authority, and authorizes the following actions:

A. The above recitals are true and correct and incorporated into this Resolution by this reference.

B. The name proposed for the DRD is the "Malibu Disaster Recovery District (MDRD)."

C. The City Council finds that the Palisades Fire disaster caused damage to the area within the boundaries of the MDRD so prevalent and so substantial that the physical and economic burden created by the Palisades Fire cannot reasonably be expected to be reversed or alleviated by private enterprise or government action, or both, without the establishment of the MDRD to assist redevelopment and recovery. The Governor declared a State of Emergency on January 7, 2025. The Palisades Fire profoundly disrupted life in the community and resulted in the destruction of many structures, including homes, businesses, and critical infrastructure. Families who lost their homes continue to be displaced, and critical infrastructure, including roads, water, sewer, storm drains, utilities, and other facilities, needs to be repaired or replaced to allow for the rebuild of homes and businesses.

D. The MDRD is proposed to be established under the terms of Division 6 of Title 6 of the California Government Code, as amended by SB 782, and the proposed map of the MDRD is attached as Exhibit A.

E. Public facilities and projects included in the MDRD may include acquiring, demolishing, removing, relocating, repairing, restoring, rehabilitating, or replacing buildings, low- and moderate-income housing, facilities, structures, or other improvements, in accordance with applicable laws, which are within the district, and which have been damaged or destroyed by the disaster, which are unsafe to occupy, or which are required to be acquired, demolished, altered, or removed because of the disaster. In addition, projects may include those that mitigate the risk of future disaster, including water and energy resource access during emergencies and undergrounding of utilities, and projects that support economic

recovery from a disaster, as described in Section 62313(f)(3) of the California Government Code.

F. Given the level of destruction created by the Palisades Fire, the need for the MDRD is significant, and the primary goal of the MDRD is to fund infrastructure projects that will allow for the rebuilding of the community.

G. Pursuant to Section 53398.68 of the California Government Code, incremental property tax revenue from the City of Malibu and potentially the County of Los Angeles, subject to approval by the County Board of Supervisors, may be used to finance the activities described in this Resolution. The City's commitment and contribution to the MDRD shall be up to seventy-five percent (75%) of the City's portion of the ad valorem property tax increment and the City's available portion of property tax in lieu of the motor vehicle license fees from within the boundaries of the MDRD for the life of the MDRD, subject to limits on tax increment contributions and time provided by law and this Resolution.

H. The City does not intend to include tax revenues derived from local sales and use taxes in its contribution to the MDRD. Any consideration of the use of Bradley-Burns or other sales and use taxes would require future City Council and PFA approval.

I. The public meeting of the governing board to consider adoption of the IFP for the MDRD shall take place on or about September 14, 2026. The place of the public meeting is the City Hall City Council Chambers, 23825 Stuart Ranch Road, Malibu, CA 90265. Notice of the exact time and place of the meeting will be posted in advance.

J. The City Council hereby establishes the MDRD Public Financing Authority (PFA) to act as the governing board of the proposed DRD. The PFA shall be initially comprised of three members of the City Council and two members of the public appointed by the City Council. If another taxing entity, such as the County of Los Angeles, ultimately elects to partner with the City in the MDRD, then the PFA shall be revised in accordance with Government Code Section 53398.51.1, for example, to include two members of the City Council, one member of that taxing entity's legislative body, such as a County Supervisor or her designee, one member of the public appointed by the City Council, and one member of the public appointed by the legislative body of that taxing entity, such as the County Board of Supervisors.

K. The City did not have a former Redevelopment Agency and is thus not subject to Successor Agency prerequisites as it pertains to EIFD Law.

L. Staff will prepare the IFP in accordance with applicable EIFD Law, CRD Law, and DRD Law.

M. The IFP will be presented to the MDRD PFA on or about September 14, 2026 for approval, and will be consistent with Section 53398.63, which requires a map and legal description of the area, a description of the public infrastructure projects to be financed, and a financing section describing the amount and division of future property tax increment and project time and dollar limits.

N. By approving this Resolution, consistent with DRD Law, the City Council provides its approval for the future contribution of the City General Fund share of property tax increment and property tax in lieu of motor vehicle license fees to the MDRD, consistent with the IFP approved by the MDRD PFA.

O. The governing body (PFA) of the MDRD shall post notice of its meeting at least 10 days prior to the meeting and make available the IFP 30 days prior to its meeting.

P. The governing body (PFA) of the MDRD will hold a public meeting for the establishment of the proposed MDRD and approval of the IFP.

Q. This Resolution obligates the City of Malibu to contribute incremental tax revenue to the MDRD to be used consistent with the IFP approved by the governing body (PFA) of the MDRD, which may be amended as provided by law.

R. This Resolution provides the City Council's approval to establish the proposed MDRD. The approval of the IFP is contingent upon the approval by the governing body (PFA) of the MDRD.

S. The City Manager, Assistant City Manager(s), or their designees may access and review the MDRD's records upon request for any purpose.

T. If any section, subsection, phrase, or clause of this Resolution is for any reason found to be invalid, such section, subsection, phrase, or clause shall be severed from, and shall not affect the validity of, all remaining portions of this Resolution that can be given effect without the severed portion.

U. The City Clerk and all other officers and agents of the City are hereby authorized and directed to take all actions necessary or advisable to give effect to the transactions contemplated by this Resolution.

SECTION 3. This Resolution shall become effective immediately upon its passage and adoption.

SECTION 4. The City Clerk shall certify to the passage and adoption of this Resolution and enter it into the book of original resolutions.

PASSED, APPROVED, and ADOPTED this XX day of XX 2026.

BRUCE SILVERSTEIN, Mayor

ATTEST:

KELSEY PETTIJOHN, City Clerk
(seal)

APPROVED AS TO FORM:
THIS DOCUMENT HAS BEEN REVIEWED
BY THE CITY ATTORNEY'S OFFICE

TREVOR RUSIN, Interim City Attorney

EXHIBIT A

PROPOSED MALIBU DISASTER RECOVERY DISTRICT (DRD) BOUNDARIES



The Malibu DRD boundary is initially proposed as the area within maroon boundaries above, encompassing approximately 1,540 acres.