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**FINANCE & BUDGET COMMITTEE
MARCH 14, 2007**

SUBJECT: GRAND CENTRAL SQUARE MULTIFAMILY HOUSING BONDS

ACTION: AUTHORIZE ISSUANCE OF REFUNDING BONDS

RECOMMENDATION

Adopt the resolution, Attachment A, authorizing Metro to participate with the Community Redevelopment Agency of the City of Los Angeles (the "CRA") to issue refunding bonds to refund the outstanding 1993 Grand Central Square multifamily housing bonds and approve related documents that are on file with the Board Secretary.

RATIONALE

Due to generally low interest rates, the CRA and Metro have the opportunity to refund about \$20 million of the 1993 Grand Central Square multifamily housing bonds and lock in combined present value savings of as much as \$1.8 million. Metro's savings may be as much as \$780,000 on a present value basis, or \$1.4 million on a cash basis.

The original and refunding bonds are classified as "private activity" bonds. Under the U.S. tax code the refunding bonds may not increase the par amount and may not have an average life longer than the bonds being refunded. The Debt Policy specifies that the amortization of principal should be structured to achieve level debt service. However, the CRA needs to defer its principal payments to accelerate receipt of its cash savings prior to expiration of the redevelopment plan for the Bunker Hill redevelopment area on January 1, 2012. Therefore, we will accelerate our principal payments to maintain the average life of the bonds and overall level debt service although ours will be slightly front-ended. Our present value savings over the life of the bonds will be the same as if a level amortization was used.

Background

In 1993, Metro entered into agreements with the CRA and the project developer to finance the rehabilitation of the Grand Central Market and the Lyon Building for commercial use and the rehabilitation of the Homer Laughlin Building and the Million Dollar Building for multifamily rental housing, and construction of a portion of the related parking complex. The market and other parts of the projects are in the proximity of the north portal of the Pershing Square Metro Red Line station and are designated as a joint development project.

Metro committed to pay 42.33% of the debt service on \$22.3 million of multifamily housing bonds and 100% of the debt service on the \$21.7 million of qualified redevelopment bonds. The multifamily housing bonds were issued by the CRA in 1993 to fund the portion of the

project costs not paid for by the qualified redevelopment bonds. The qualified redevelopment bonds were issued simultaneously with the multifamily housing bonds in 1993 and subsequently refunded in 2002. These housing bonds were not refunded at that time due to technical considerations that prevented CRA from participating.

The bonds are planned to be sold on a negotiated basis in May 2007 by Stone & Youngberg LLC and Sutter Securities Incorporated. The underwriters were selected by the CRA because the bonds will be issued by CRA. The par amount of Metro's obligation shall not exceed \$8,889,000.

The CRA Board and Los Angeles City Council will consider the authorization of the refunding bonds at their meetings in March 2007.

FINANCIAL IMPACT

Metro's portion of the costs of issuance for the bonds, approximately \$250,000, will be advanced at the bond delivery date and will be recovered in the form of debt service reductions in FY08, subsequent to the refunding. The advance is necessary because "private activity" bonds may not increase their par amount as a result of a refunding.

The costs of bond refundings are not budgeted since the transactions are only undertaken when we can achieve overall net savings. Over the life of the bonds, the advance of costs of issuance will be recovered and we will net approximately \$780,000 of present value savings.

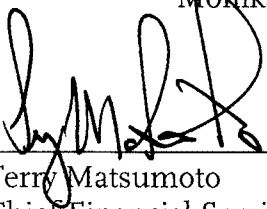
ALTERNATIVES CONSIDERED

Issuance of the multifamily housing refunding bonds could be delayed. However a delayed issuance would subject Metro to the risk that interest rates increase further prior to completing the financing. At the time of this writing, long-term tax-exempt interest rates remain attractive relative to rates over the past 10 years. However, during the past months interest rates have increased and the general consensus is that interest rates will continue to rise.

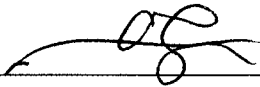
ATTACHMENTS

A. Authorizing Resolution

Prepared by: Michael J. Smith, Assistant Treasurer
Monika Suarez, Principal Financial Analyst



Terry Matsumoto
Chief Financial Services Officer and Treasurer



Roger Snoble
Chief Executive Officer

Attachment A – Authorizing Resolution

RESOLUTION OF THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF A TWENTY-EIGHTH SUPPLEMENTAL TRUST AGREEMENT, A LETTER OF REPRESENTATIONS ATTACHED TO A BOND PURCHASE AGREEMENT AND A PLEDGE AGREEMENT AND AUTHORIZATION TO INCLUDE INFORMATION RELATING TO THE METROPOLITAN TRANSPORTATION AUTHORITY IN AN OFFICIAL STATEMENT TO BE DISTRIBUTED, ALL IN CONNECTION WITH THE ISSUANCE BY THE COMMUNITY REDEVELOPMENT AGENCY OF THE CITY OF LOS ANGELES, CALIFORNIA OF ITS \$21,000,000 GRAND CENTRAL SQUARE PROJECT, MULTIFAMILY HOUSING BONDS, 2007 REFUNDING SERIES A, AND APPROVING OTHER RELATED MATTERS

WHEREAS, the Los Angeles County Metropolitan Transportation Authority (the “MTA”), as successor to the Los Angeles County Transportation Commission (the “Commission”), is authorized under Chapter 5 of Division 12 of the California Public Utilities Code (the “Act”), to finance and refinance the acquisition, construction or rehabilitation of facilities to be used as part of a Countywide transit system; and

WHEREAS, pursuant to the provisions of Section 130350 of the Act, the Commission was authorized to adopt a retail transactions and use tax ordinance applicable in the incorporated and unincorporated territory of the County of Los Angeles, California (the “County”), subject to the approval by the voters of the County; and

WHEREAS, the Commission, by Ordinance No. 16 adopted on August 20, 1980 (“Ordinance No. 16”), proposed a ½% retail transactions and use tax upon retail sales of tangible personal property in the County, a portion of the proceeds of the tax to be used for public transit purposes (the “Proposition A Tax”), and such tax was approved by the electors of the County on November 4, 1980; and

WHEREAS, a portion of the revenues received by the MTA from the imposition of the Proposition A is, by statute, directed to be used for public transit purposes, which purposes are authorized by statute to be carried out through various methods including joint development; and

WHEREAS, under Public Utilities Code Section 130000 *et seq.* the MTA is empowered to improve the transit systems in Southern California and to “make contracts and enter into stipulations of any nature whatsoever . . . to do all acts necessary and convenient for the full exercise of [such] powers.” (Pub. Util. Code § 130220); and under Public Utilities Code Section 130500 *et seq.*, the MTA is authorized “to . . . jointly develop . . . any property, right or interest in the manner that is necessary or desirable to carry out [the MTA’s] objects and purposes” (Pub. Util. Code § 130521), the purposes of which include finding “alternate

methods . . . to finance the cost of acquiring, constructing and developing facilities for transit systems. . . .” (Pub. Util. Code § 130501); and

WHEREAS, in addition, the MTA is empowered to “. . . jointly develop . . . facilities and structures physically or functionally related to rapid transit services. . . .” (Pub. Util. Code § 30633); and

WHEREAS, in addition, the MTA’s joint development statutes authorize the MTA to enter into “agreements with any person, firm, corporation . . . or other entity, public or private, to develop or to engage in the planning, financing, or construction of . . . development projects adjacent, or physically or functionally related, to [MTA] facilities.” (Pub. Util. Code § 30634(b)); and

WHEREAS, on October 6, 1993, the Community Redevelopment Agency of the City of Los Angeles (the “Agency”) issued its Grand Central Square Multifamily Housing Bonds, 1993 Series A in the original aggregate principal amount of \$22,335,000 (the “Agency Bonds”) pursuant to Resolution No. 5392 adopted by the Agency on May 17, 1993 (“Resolution No. 5392”); and

WHEREAS, on October 6, 1993, the Community Redevelopment Financing Authority of The Community Redevelopment Agency of the City of Los Angeles, California (the “Authority”) issued its Grand Central Square Multifamily Housing Bonds, 1993 Series A in the original aggregate principal amount of \$22,335,000 (the “Authority Bonds”) pursuant to an Indenture of Trust (the “Original Indenture”) dated as of September 1, 1993, by and among the Authority, the Agency and Bank of America National Trust and Savings Association, N.A., as trustee under which the Authority purchased the Agency Bonds; and

WHEREAS, the Agency desires to issue its Grand Central Square Multifamily Housing Bonds, 2007 Refunding Series A (the “Bonds”), and use the proceeds of the Bonds to redeem the Agency Bonds and thereby current refund and redeem the Authority Bonds; and

WHEREAS, the Agency has requested that the MTA pledge certain amounts of the Proposition A Tax to secure payment of a portion of the Bonds up to the MTA Secured Amount (as described herein), which Bonds may be issued either in one series of which the MTA Secured Amount will secure a portion such Bonds or in two series, one of which will be secured in full in an amount up to the MTA Secured Amount; and

WHEREAS, payment of the Bonds in an amount up to the MTA Secured Amount will be secured under and in accordance with the Pledge Agreement dated as of April 1, 2007 by and between the MTA and U.S. Bank National Association as bond trustee (the “Pledge Agreement”); and

WHEREAS, the pledge of Proposition A Sales Tax Revenues is subject to the Trust Agreement dated as of July 1, 1986 (the “Trust Agreement”) between the MTA and The Bank of New York Trust Company, N.A., as successor trustee (the “Senior Lien Trustee”), as amended and supplemented, including by that certain Twenty-Eighth Supplemental Trust Agreement dated as of April 1, 2007, by and between the MTA and the Senior Lien Trustee; and

WHEREAS, there have been presented to the MTA forms of the following documents (collectively, the “MTA Documents”):

- (1) The Pledge Agreement;
- (2) The Bond Purchase Agreement (the “Bond Purchase Agreement”), with a Letter of Representations from the MTA to the Underwriters by and between the Agency and the Underwriters named therein; and
- (3) The Twenty-Eighth Supplemental Trust Agreement between the MTA and the Senior Lien Trustee; and

WHEREAS, the MTA has been advised by its counsel that such documents are in appropriate form, and the MTA has determined that it is in the best interests of the public transportation needs of the County to assist in the issuance and sale of the Bonds; and

WHEREAS, the Agency will undertake the preparation of a preliminary Official Statement (the “Preliminary Official Statement”) that will describe the Bonds, the Agency and the MTA; and

NOW, THEREFORE, BE IT RESOLVED BY THE LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY, AS FOLLOWS:

1. Redemption of Agency Bonds and Authority Bonds. The MTA hereby determines that the Agency Bonds and the Authority Bonds shall be redeemed in accordance with their terms.

2. Approval of Issuance and Terms of Bonds and Pledge Agreement. The MTA hereby acknowledges and consents to the issuance of the Bonds by the Agency on the general terms summarized in the accompanying staff report and the pledge of a portion of Proposition A Tax (the “MTA Pledged Revenues”) to secure payment of a portion of the Bonds up to the MTA Secured Amount (as defined in the Pledge Agreement), either as security for a portion such Bonds or as security for payment in full of a series of Bonds issued in a principal amount up to the MTA Secured Amount, as determined by the MTA, all as provided for in the Pledge Agreement, provided that the total aggregate principal amount of the Bonds shall not exceed the par amount of the outstanding Prior Agency Bonds and no Bonds shall bear interest at a rate in excess of 6.0% per annum.

3. Approval of Documents; Authorization for Execution. The form, terms and provisions of the MTA Documents set forth in this Resolution are in all respects approved, and the Chair of the MTA, any Vice Chair of the MTA, the Chief Executive Officer (“CEO”) of the MTA, any Deputy CEO of the MTA, the Chief Financial Services Officer (the “CFSO”), the Treasurer or Assistant Treasurer, or any such officer serving in an acting or interim capacity, and any written designee of any of them (each, a “Designated Officer”), or any one or more thereof, are hereby authorized, empowered and directed (a) to negotiate, execute, acknowledge and deliver, and consent to or accept, as the case may be, the MTA Documents and all other documents and instruments necessary or desirable to effect the transactions contemplated by this resolution; and (b) to make such changes in the form of the MTA Documents now before this meeting and hereby approved as shall be approved by the Designated Officer executing, consenting to or accepting the same and recommended for approval by County Counsel and special counsel to the MTA. The execution, consent to or acceptance thereof, as applicable, shall constitute conclusive evidence of the MTA’s approval of any and all changes or revisions therein

from the form of the MTA Documents now before this meeting; and from and after the execution and delivery of, consent to or acceptance of, as applicable, the MTA Documents the officers, agents and employees of the MTA are hereby authorized, empowered and directed to do all such acts, and things and to execute all such documents as may be necessary to carry out and comply with the provisions of the MTA Documents and to assist in the execution and delivery of the Pledge Agreement, including the execution of such closing certificates as may be required.

4. Preliminary Official Statement. The Designated Officers are hereby instructed to provide a draft of the Preliminary Official Statement to the members of the MTA, which draft is in a form that is proposed to be “deemed final” for purposes of Rule 15c2-12 (the “Rule”) promulgated under the Securities Exchange Act of 1934, for purposes of such members’ review, and the Designated Officers are hereby authorized thereafter to make such additions and changes as any Authorized Officer, upon the advice of special counsel to the MTA, deems necessary, and to deem such Preliminary Official Statement final as its date, as evidenced by a certificate to such effect, except for the omission of certain information as provided in and pursuant to the Rule.

5. Additional Authorization. The Chair, Vice Chair and the Designated Officers and all officers, agents and employees of the MTA, for and on behalf of the MTA, be and they hereby are authorized and directed to do any and all things necessary to effect the execution and delivery of the MTA, to carry out the terms thereof and to exercise and enforce the remedies provided to the MTA thereunder and at law. The Chair, the Vice Chair, the Designated Officers and all other officers, agents and employees of the MTA are further authorized and directed, for and on behalf of the MTA, to execute, consent to and accept, as applicable, all papers, documents, certificates and other instruments that may be required in order to carry out the authority conferred by and purposes set forth in this Resolution and the MTA Documents.

6. Severability. The provisions of this Resolution are hereby declared to be severable, and, if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions hereof.

7. Effective Date. This Resolution shall be effective upon adoption.

PRESENTED, PASSED AND ADOPTED by the LOS ANGELES COUNTY METROPOLITAN TRANSPORTATION AUTHORITY this _____ day of _____, 2007, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

LOS ANGELES COUNTY METROPOLITAN
TRANSPORTATION AUTHORITY

By: _____
Chief Executive Officer