



Board Report

File #: 2020-0298, File Type: Resolution

Agenda Number: 2.

Crenshaw Project Corporation



One Gateway Plaza
Los Angeles, CA 90012

CRENSHAW PROJECT CORPORATION BOARD MEETING
MAY 28, 2020

SUBJECT: TRANSPORTATION INFRASTRUCTURE FINANCE AND INNOVATION ACT (TIFIA) LOAN

ACTION: APPROVE RECOMMENDATIONS

RECOMMENDATION

ADOPT a Resolution, Attachment A, that authorizes the prepayment of the TIFIA Loan between the Crenshaw Project Corporation and the United States Department of Transportation and the termination of the TIFIA Loan Agreement and related documents (the "TIFIA Loan Documents").

ISSUE

Long-term interest rates provide the opportunity to refinance the \$545.9 million TIFIA Loan borrowed from the USDOT to partially finance the Crenshaw/LAX Transit Corridor Project (the "Project"). The TIFIA loan is secured by Measure R sales tax revenues allocated to the Project. Issuing tax-exempt bonds secured by Measure R sales tax revenue to refinance the Project's TIFIA loan is estimated to lower debt expense by \$10 million. The TIFIA Loan Agreement includes the option to repay the TIFIA loan without penalty or premium.

BACKGROUND

The CPC was formed in March 2012 to act as the TIFIA Loan conduit borrower and the Transportation Investment Generating Economic Recovery (TIGER) II TIFIA Payment grant sub-recipient for the Project. USDOT has disbursed the total \$545.9 million TIFIA loan amount. All loan disbursements were advanced to Metro for the purpose of reimbursing the agency for eligible Project expenses.

DISCUSSION

The Project realized the primary benefits of the TIFIA Loan during the early construction phase. The early phase benefits included:

- Loan draws based on our actual cash flow needs over time

- Interest did not accrue until the initial draw on the loan
- No prepayment penalty

The low interest rates available in the current market environment present the opportunity to replace the Project's TIFIA Loan, and three other TIFIA Loans secured for Metro transit projects, with lower cost debt. On a combined basis, the tax-exempt bonds that will replace the loans are estimated to provide net present value savings of \$77 million, and exceed the minimum 3% of refunded par amount set forth in the LACMTA Debt Policy criteria for evaluating refunding opportunities.

The Resolution (Attachment A) authorizes the prepayment of the Project TIFIA Loan, the termination of the TIFIA Loan Agreement, the termination of agreements ancillary to the TIFIA Loan Agreement and the amendment, modification, waiver or termination of any agreements relating to the prepayment of other TIFIA loans of the LACMTA (collectively, the "Transaction").

DETERMINATION OF SAFETY IMPACT

Approval of this item will not impact the safety of Metro's patrons or employees.

FINANCIAL IMPACT

The costs of issuance for the bonds will be paid from proceeds of the financing and will be budget neutral.

NEXT STEPS

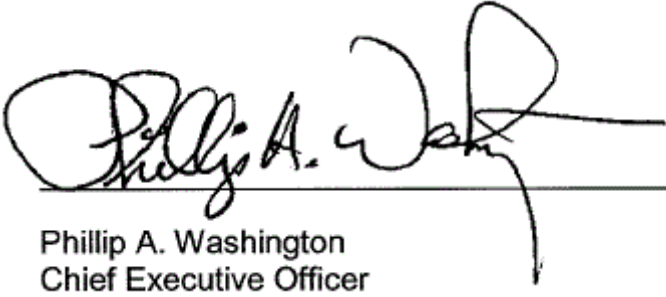
- Complete legal documentation and distribute the preliminary official statement to potential investors, initiate the pre-marketing effort
- Negotiate the sale of the bonds with the underwriters

ATTACHMENTS

Attachment A - Authorizing Resolution

Prepared by: Michael Kim, Debt Manager, Treasury (213) 922-4026
Rodney Johnson, Senior Director, Treasury (213) 922-3417
Donna Mills, Treasurer (213) 922-4047

Reviewed by: Nalini Ahuja, Chief Financial Officer (213) 922-3088



Phillip A. Washington
Chief Executive Officer

RESOLUTION NO. _____

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
CRENSHAW PROJECT CORPORATION AUTHORIZING THE
PREPAYMENT OF A TIFIA LOAN AND ALL ACTIONS
NECESSARY OR DESIRABLE IN CONNECTION THEREWITH**

WHEREAS, the Crenshaw Project Corporation (the “Corporation”) was formed on March 23, 2012 to participate in the financing of public purpose projects for the Los Angeles County Metropolitan Transportation Authority (the “LACMTA”);

WHEREAS, the Corporation has heretofore entered into a TIFIA Loan Agreement, dated as of September 28, 2012 (as amended, the “TIFIA Loan Agreement”), with the U.S. Department of Transportation acting by and through the Federal Highway Administrator (the “TIFIA Lender”), for the Crenshaw/LAX Transit Corridor Project;

WHEREAS, the TIFIA Lender has heretofore disbursed to the Corporation the entire amount available to be borrowed under the TIFIA Loan Agreement, being the sum of \$545,900,000 (the “TIFIA Loan”);

WHEREAS, the TIFIA Loan Agreement provides for prepayment of the TIFIA Loan, in part or in full, at the option of the Corporation; and

WHEREAS, the Corporation desires to prepay the TIFIA Loan in full and terminate the TIFIA Loan Agreement using proceeds from the sale of Measure R Junior Subordinate Sales Tax Revenue Refunding Bonds to be issued by the LACMTA;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Corporation (the “Board”) as follows:

Section 1. Findings. The Board finds and determines that the foregoing recitals are true and correct.

Section 2. Authorization to Prepay TIFIA Loan and Terminate TIFIA Loan Agreement; Designated Officers. The Board hereby authorizes each and every officer of the Corporation, and any such officer serving in an acting or interim capacity, and any written designee of any of them (each, a “Designated Officer”), acting in accordance with this Resolution, to determine whether all or any portion, and which portion, of the TIFIA Loan shall be prepaid and retired, and to take any and all actions deemed necessary or desirable to carry out the prepayment of the TIFIA Loan, the termination of the TIFIA Loan Agreement, the termination of agreements ancillary to the TIFIA Loan Agreement and the amendment, modification, waiver or termination of any agreements relating to the prepayment of other TIFIA loans of the LACMTA (collectively, the “Transaction”).

Section 3. Additional Authorizations. All actions heretofore taken by the officers, employees and agents of the Corporation with respect to the Transaction are hereby ratified, confirmed and approved. The officers, employees and agents of the Corporation are hereby authorized and directed, jointly and severally, for and in the name and on behalf of the Corporation, to do any and all things and to take any and all actions and to execute and deliver any and all agreements, certificates and documents, including, without limitation, any termination agreements, any escrow agreements, any amendments to existing agreements relating to obligations payable from the Measure R Sales Tax, any other documents with respect to the termination of the TIFIA Loan Agreement or related agreements and any approvals, consents, directions, notices, orders, instructions and requests, which they, or any of them, may deem necessary or advisable in order to consummate the Transaction, to manage the Transaction and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution.

All approvals, consents, directions, notices, orders, instructions, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the date of adoption of this Resolution, may be given or taken by any Designated Officer without further authorization or direction by the Corporation, and each Designated Officer is hereby authorized and directed to give any such approval, consent, direction, notice, order, instruction, request or other action and to execute such documents and take any such action which such Designated Officer may deem necessary or desirable to further the purposes of this Resolution.

Section 4. Effectiveness. This Resolution shall take effect immediately upon its adoption.

The foregoing resolution was introduced and adopted at a regular meeting of the Board of Directors of CRENSHAW PROJECT CORPORATION held on May 28, 2020, by the following vote, to wit:

AYES: _____

NOES: _____

ABSENT: _____

CERTIFICATION

The undersigned, duly qualified and acting as Secretary of the Crenshaw Project Corporation, certifies that the foregoing is a true and correct copy of the Resolution adopted at a legally convened meeting of the Board of Directors of the Crenshaw Project Corporation held on May 28, 2020.

CRENSHAW PROJECT CORPORATION

By _____
Michele Jackson, Secretary

**Board Report**

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