

July 24, 2003



RK
 Metropolitan
 Transportation
 Authority

One Gateway Plaza
 Los Angeles, CA
 90012-2952

TO: BOARD OF DIRECTORS

THROUGH: ROGER SNOBLE *[Signature]*
CHIEF EXECUTIVE OFFICER

FROM: TERRY MATSUMOTO *[Signature]*
EXECUTIVE OFFICER, FINANCE & TREASURER

SUBJECT: CONSTRUCTION ENHANCEMENT LOAN PROGRAM

ISSUE

This report provides the annual status of the Construction Enhancement Loan Program (CELP) as of June 30, 2003.

As of June 30, 2003, \$2,238,953 in outstanding loan principal remained under the CELP Program. (Attachment). This is a reduction of \$811,788 from last year due to loan principal payments and loan payoffs. On July 11, 2003 a loan with a balance of \$838,053 was paid off, bringing the outstanding loan principal remaining under the CELP program to \$1,400,900.

BACKGROUND

In November 1992 the MTA Board adopted Resolution 134 that authorized the creation of the CELP Loan Fund. Until February 17, 1998, the CELP Loan Fund provided up to a program maximum of \$25,000,000 for collateral to support loans to businesses and property owners along the MTA's construction right-of-ways.

On February 17, 1998, the CELP program was suspended consistent with the MTA focusing on its core business. The Treasury Department notified the CELP partner banks that LACMTA would no longer provide collateral on new loans.

Three types of loans were provided under the CELP:

- Program I: Commercial Loans up to \$50,000
- Program II: Commercial Loans from \$50,001 to \$300,000
- Program III: Property Secured Loans to \$1 Million

The program's funding was derived from Proposition A and C sales tax revenue.

Five local financial institutions were selected to administer and underwrite the program on behalf of the MTA. MTA personnel had no role in determining credit worthiness.

The five institutions involved in the program were:

- Broadway Federal Savings Bank
- East-West Bank
- Family Savings Bank
- Founders National Bank
- Republic Bank

As of June 30, 2002, One United Bank, formerly Founders National Bank, was the only financial institution with outstanding CELP loans.

The criteria for awarding loans varied depending upon the type of loan and the financial institution. Listed below are the minimum requirements:

1. Property must be located within the Metro Rail construction area.
2. Business must be within Metro Rail construction area for at least one (1) year prior to construction in the impacted area.
3. A minimum of two (2) years of financial statements must be presented in a form satisfactory to the reviewing financial institution.
4. For Program I & II loans, a first priority lien must be obtained on inventories, accounts receivable, etc. A personal guarantee is required.
5. For Program III loans, a first or second lien on real property. A personal guarantee is required.
6. For Program III loans, the loan to value ratio may not exceed 80% (based on the aggregate of all encumbrances to appraised value).

NEXT STEPS

Status on the Construction Enhancement Loan Program will be updated as of June 30, 2004.

Prepared by: Mary E. Morgan, Financial Analyst Supervisor

ATTACHMENT

Construction Enhancement Loan Program Status Report as of June 30, 2003

**ATTACHMENT
CONSTRUCTION ENHANCEMENT LOAN PROGRAM
STATUS REPORT AS OF JUNE 30, 2003**

**OUTSTANDING CURRENT LOANS
(As of June 30, 2003)**

Institution	Borrower	Original Loan Amount	Outstanding Balanc As of 6/30/03
Founders National Bank			
• Program I (Commercial) Loans up to \$50,000	G. B. Harb & Sons	\$ 50,000	\$ 14,333
• Program III (Property) Loans Up to \$1,000,000	1836 New Hampshire Ptnrs R & H Investments Spiegel Family Trust	\$1,000,000 \$800,000 \$628,000	\$838,053 \$759,210 \$576,591
TOTAL		\$2,478,000	\$2,188,187

OUTSTANDING DELINQUENT LOANS

Due to borrowers delinquency at the originating institution, the following loan has been returned to MTA for collection:

Institution/ Month Transferred to MTA	Borrower	Original Loan Amount	Principal Balanc Outstanding As of 6/30/03
Founders National Bank 9/96	W. S. Yang	\$ 50,000	\$ 50,766

Note: A collection against the borrower was pursued in 2001 and the borrower was remitting \$500 per month to MTA. Collection process has been reopened due to 5 months delinquency.

Total outstanding loans as of June 30, 2003 **\$2,528,000 \$2,238,953**