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HEEDING ADVICE

Chicago story of selling assets

Selling the Chicago Skyway and the downtown parking system was a bold move but it is proving to be a smart one, the city's former CFO **Dana Levenson** told a group of Toronto city staff, academics and local professionals at the Munk Centre for International Studies at the **University of Toronto** earlier this week.

"Both properties are being better managed than they were when they were owned by the **City of Chicago**," Levenson said. "In return the city has a lot more cash for capital projects, higher debt ratings and I posit that in fact, these assets are still under the control of the city."

Although the skyway was put up for bids in October 2004 and successfully bought and paid for within three months for $1.83 billion, Levenson said the agreement was carefully crafted to protect workers, drivers and the city itself. He said the 99-year lease agreement includes clauses spelling out that each employee had to be interviewed by the new owner; tolls could not be raised above a certain amount for the first decade of ownership and no more than inflation rate after.

Likewise with the parking lots, which were put up for bid in October 2006 and sold within three months for $563 million, Levenson said the city has successfully "pioneered" the public, private partnership that saw the "leasing of infrastructure to finance more and better infrastructure."

Levenson was invited to share his expertise on the topic, which has stirred up debate recently in Toronto since both the regional transportation authority, **Metrolinx**, and the mayor's fiscal review panel have suggested it may be in the city's best interest to begin road tolling and "unlocking capital" by selling parts of assets like **Toronto Hydro**.

Invited to a panel discussion with Levenson, was **CB Richard Ellis Ltd**. president and CEO **Blake Hutcheson**, who recently announced that he is leaving the company to pursue a venture with a friend, and **Residential and Civil Construction Alliance of Ontario** executive director **Andy Manahan**.

"One of the recommendations we came up with in our panel was that there's about a $50-million revenue stream from the parking authority in Toronto…it probably, if monetized, could garner about $500 million for the city to put against tax-supported debt or other things," Hutcheson said while giving the group a reminder of the mayor's fiscal review panel's recommendations.

"If you were to toll the 400-series highways…and you were to assign that revenue stream to infrastructure…we could have the best transportation system in the world."

Manahan recognized that although there is resistance to road tolling in Toronto, the city "needs to embrace alternative financing and procurement" methods. Levenson advised the group that both of the Chicago examples felt resistance—until, he said, the public learned where the money would go and how it would affect their lives.

In Chicago, a percentage of the money was put toward social service programs, $500 million still sits in a permanent reserve fund, $350 million is in a medium-term reserve fund and the rest went to pay off long and short-term debt directly associated with the skyway.

Still, Levenson admitted, "it takes a great deal of political conviction to go through with it."

The event was the second of a three-part series promoting a dialogue around Toronto's fiscal future organized by the **Toronto Community Foundation** and the **Institute on Municipal Finance and Governance**.