

# The Leasing of the Chicago Skyway Toll Bridge

Presented to  
IMPACTS 2005 by:

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City of Chicago

Department of Transportation



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# The Chicago Skyway

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First privatization of an existing toll road in the U.S.

7.8 Mile Tollbridge

3.4 Miles on Bridge Structure

4.4 Miles on Embankment



# The Chicago Skyway



Built in 1958 for \$101 Million

Connects Chicago to  
Indiana and the East



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# Look Before You Leap

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## Is a Lease Arrangement Appropriate

- Money is Great but Other Factors are Critical

## Public Needs

- Make Sure Private Interests are Able and Willing to Meet Public Needs

## Process is Critical

- Decision to Lease Needs Buy In From Many Parties
- More Bidders = More Money but Right Bidder = Success

## What To Do With the Money??

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# Why Lease the Skyway?

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## **Able to Leverage Asset into a Great Deal of money**

- Hoped to Realize up to \$900 Million

## **Higher Level of Service for Skyway Users**

- Operating a Toll Road is not one of the City's Core Concerns
- A Professional Toll Operator Could Provide Improved Service

## **Favorable time for sale**

- \$250 Million Reconstruction Recently Completed
- Value of Skyway Never higher

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# Private Sector Interest

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**Lack of Competing Direct Route**

**Strong Toll Revenue Growth Rates**

**45 Year Operating History**

**Limited Capital Expenditure**

**Potential for Modernization**

**For Lease**

Vintage Skyway, only 1 owner, great view.

Ready for immediate occupancy. For More Info contact R. Daley

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# Minimum Requirements

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- **Detailed Operating Standards**
- **Minority and Woman owned Business Requirements**
- **City Living Wage Ordinance**
- **City Residential Preference Requirements**
- **State Prevailing Wage Laws**
- **Reimbursement for City-Provided Police Protection**

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# Criteria for a Skyway Operator

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## Technically qualified to operate the Skyway

- Operations
- Maintenance
- Customer service
- Safety standards

## Financially qualified to purchase and maintain the Skyway

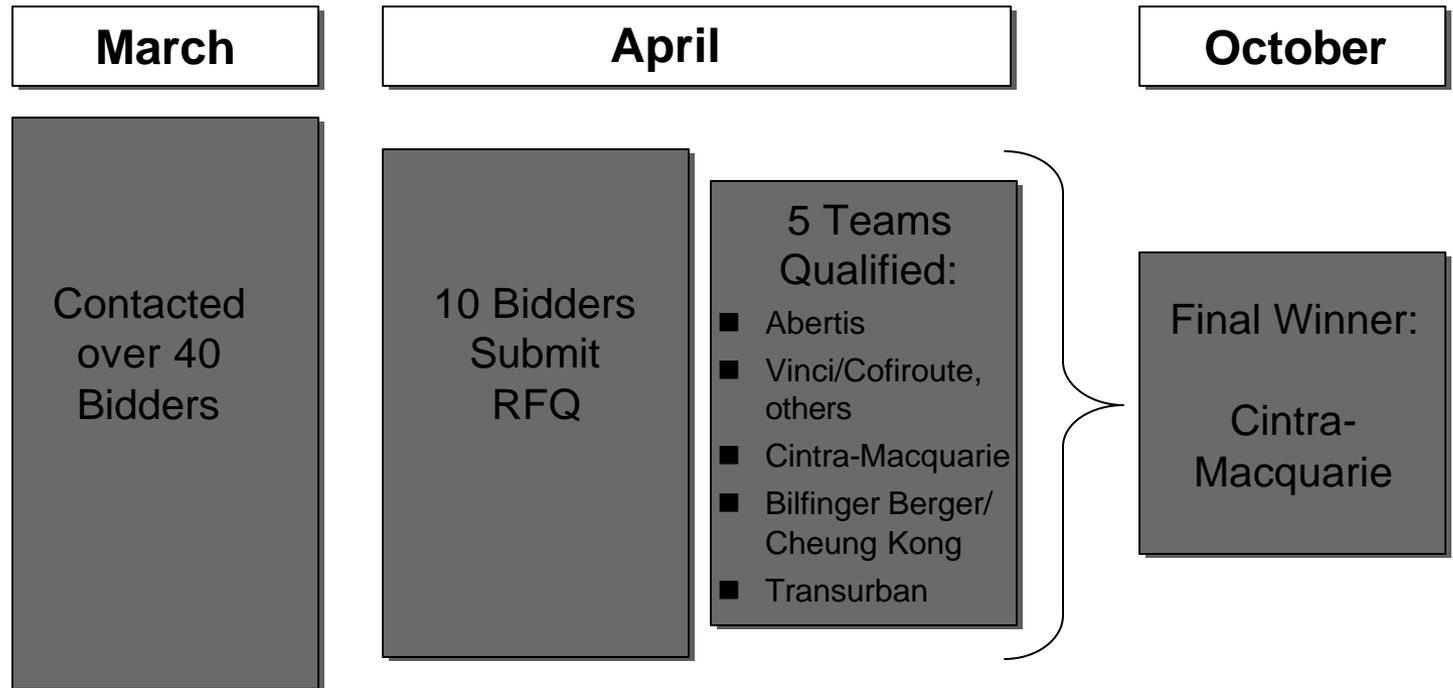
- Raise financing to pay the purchase price
- Raise financing needed to maintain the Skyway to the city's standards

*Once teams were deemed financially and technically qualified, the only deciding factor was . . . **Bid Amount***

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# Going Once. . . Going Twice. . .

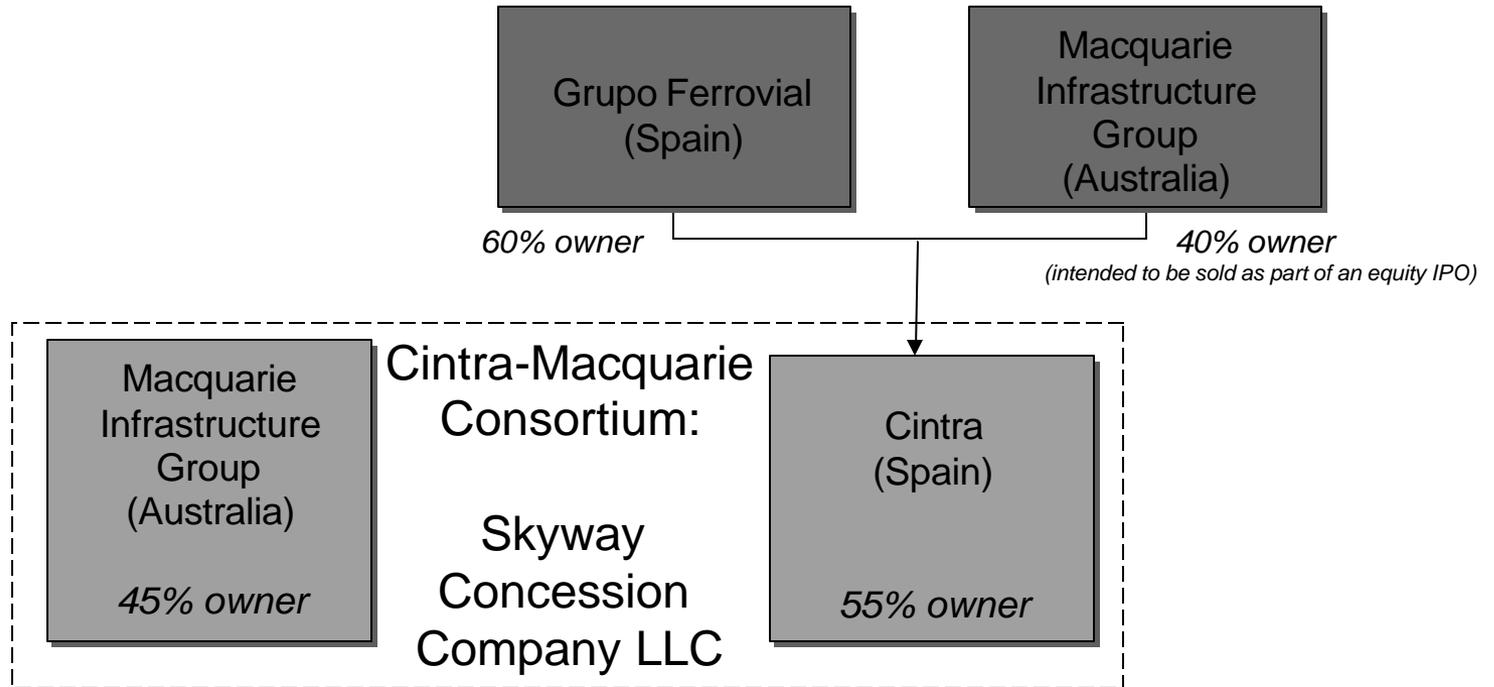
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➤ **Process included:**

1. Site visits/tours for qualified potential bidders;
2. “Due Diligence Day” with city officials, traffic consultants and lawyers;
3. Password encrypted electronic virtual data room;
4. Mechanisms to answer hundreds of questions; and
5. Well designed information memorandum, etc.

# SOLD!



- Widely respected as a premier international toll road operator with 35 years of demonstrated experience
- Operates more than 30 toll road concessions spanning over 1,000 miles:
  - Highway 407 Toll Road in Toronto (99-year concession for a 60-mile toll road)
  - Involved in last three private U.S. toll road financings
- Has raised over \$10 billion in both debt and equity for the financing of toll roads

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# \$1,830,000,000

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- Transparency — Huge information data base available regarding the Skyway asset
- Lack of Transparency — No information regarding bidder activity, level of interest, etc., to create “bidder tension” and achieve stretch bids
- Negotiation — By having interaction on the concession terms and value drivers, we designed an agreement to maximize value within the City’s policy goals
- Result — \$1.83 billion in proceeds to the City

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# Where the Money Goes

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- Retire Skyway Debt \$463 Million
- Pay Down City Long-Term Debt \$134 Million
- Eliminate Short-Term Debt Obligations \$258 Million
- Establish First Ever Long-Term Reserve \$500 Million
- Establish Mid-Term Reserve \$375 Million
- Establish People, Neighborhood, and Business Investment Fund \$100 Million
  - Safety net programs
  - Affordable housing and homeowner programs
  - Creating jobs/job training
  - Facilities and programs for children
  - Facilities and programs for seniors

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# Improved Financial Rating

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- Standard & Poor's: outlook revised from “stable” to “positive”
- Fitch: outlook revised from “stable” to “positive”
- Moody's: outlook revised from “negative” to “stable”

*All three agencies cited the prudent use of Skyway funds, particularly the establishment of a \$500 million long-term reserve fund, as one of the main drivers to revise the city's outlook.*

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# At Last, Some Good Press

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● Alderman Ed Burke  
*Chairman of Finance  
Committee*

→ *“...the greatest single financial coup in the history of Chicago”*

*“...not since the sale of Manhattan to the Dutch, for 60 Guilders the price of a good bottle of wine, has there been anything close to this windfall.”*

● Chicago Tribune

→ *“It was a brilliant political move. And no, I’m not on medication. It provides much-needed cash for his (Mayor Daley’s) government while allowing him to fend off growing taxpayer anger in his core base of Northwest and Southwest Side voters.”*

● Chicago Sun-Times

→ *“The Chicago Skyway, a financial albatross for the late Mayor Richard J. Daley when he built it more than four decades ago, has become a golden goose for his son the mayor.”*

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# Everyone is Happy

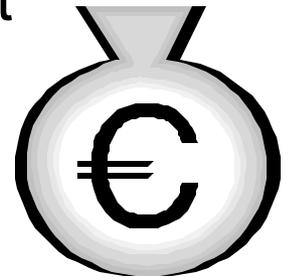
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## Public Side

- Right Reasons
- Attractive Facility
- Clear Standards

## Private Partner

- Experience
- Knowledge
- Available Asset



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Presented to  
IMFACTS 2005 by:

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City of Chicago  
Department of Transportation

