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The Trillion Dollar Question: Can Cities Safely Navigate the World of Private Investment?

In 2008, then-Chicago Mayor Richard M. Daley, famous for privatizing public infrastructure in order to secure short-term revenue sources, made the worst deal of his career. He leased 75 years of parking meter revenues to an investor group that included Morgan Stanley and the Abu Dhabi Investment Authority in exchange for a $1.15 billion upfront payment.

The Windy City spent that money in just three years as it sought to plug municipal budget holes during the throes of the Great Recession. However, under the terms of the deal, the city is on the hook for the "full value" of the parking revenue. If the parking authority doesn't increase street parking rates in line with inflation or if the city suspends meters for a Cubs victory parade, then the city owes the difference to that investor group.

By squandering so much long-term revenue and handcuffing the city to onerous contractual terms, Chicago's parking arrangement earned the dubious distinction of a "worst practice" from an Illinois government watchdog.

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NEXT CITY

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