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Emanuel unveils \$1 billion-plus infrastructure bank

March 01, 2012

With an assist from former **President Bill Clinton**, Mayor Rahm Emanuel on Thursday announced the formation of what amounts to a Chicago infrastructure bank to fund hundreds of millions of dollars' worth of energy-efficiency improvements, transportation and other projects.

Mr. Emanuel said he hopes to soon begin spending \$200 million to retrofit city buildings to make them more energy efficient — something that would save \$20 million a year and provide a revenue stream to repay investors and borrowers.

But that's a relatively small piece of what Mr. Emanuel, a former investment banker, hopes will be a much larger initiative — to be called the Chicago Infrastructure Trust — one that potentially could attract well over \$1 billion in investor cash, bank loans and funds from major foundations.

Details on some of this are a little vague. But the mayor's office produced letters of "preliminary nonbinding interest" and of "support" from top financial firms. Included are Citibank, which wrote that it is "highly interested" in a \$200 million commitment; J.P. Morgan Asset Management, which mentioned a \$250 million figure, and Macquarie Group, which handles tens of billions in infrastructure investments around the world — and paid \$1.8 billion to lease the Chicago Skyway.

"Nothing is more crucial to our long-term competitiveness and job creation than infrastructure," Mr. Emanuel said. "The Chicago Infrastructure Trust will bring additional resources . . . and ensure our residents have a world-class quality of life."

Mr. Clinton, for whom Mr. Emanuel worked as a White House aide, is not investing money in the Chicago plan through his foundation. But Mr. Clinton's foundation does work on energy-efficiency projects and termed the new initiative "an important step toward addressing that challenge and embracing those opportunities."

The announcement comes a day after Mr. Emanuel's economic team unveiled its proposed strategy to create more jobs in Chicago. Mayoral aides said this is the first key initiative to come from that plan. Indeed, it has some of the "big picture" potential that the jobs plan itself lacked.

Mr. Emanuel said the core idea is to fund not routine maintenance and upkeep but "transformative" projects that would remake the city, such as building bus rapid transit express bus lines. But he hinted that not everything would have to be extra special, because available resources for capital needs are extremely lacking.

"Our needs are greater than Springfield or Washington can provide," Mr. Emanuel said, describing the bank as "a breakout strategy" to meet those needs.

The idea of mixing private and public capital in an infrastructure bank that could issue tax-exempt debt has been a hot subject among government experts for years. But even though such banks are common in Europe, Asia and South America, the idea has foundered in Washington, Mr. Clinton noted.

What Chicago is doing is "a huge deal," Mr. Clinton said. And no other American city yet has acted, although some likely will follow Chicago's lead soon, he added.

City Chief Financial Officer Lois Scott said how much of the banks' money comes from equity investments and how much from borrowing will vary with each project. She declined to give a range.

Ms. Scott did say that potential revenue streams available to pay debt would include not only savings on things like energy but changes that would allow premium pricing, such as extra-fast bus service or speedy Internet connections via city broadband facilities.

Ullico Inc., a Washington-based insurer, expressed interest in perhaps injecting \$25 million in equity into the bank, according to one of the letters the city provided.

Ms. Scott confirmed that the city's full faith and credit could be on the line in some instances, although the city hopes to limit such exposure. Bank lenders and investors could make as little as 3 percent for a tax-exempt offering to perhaps 8 percent for equity partners.

Thursday's press conference, held at a Bridgeport carpenters union training center, featured a relatively rare re-pairing of Mr. Emanuel and his former boss.

In 1991, when Mr. Clinton was first running for the White House and was still governor of Arkansas, "my campaign was broke and (Mr. Emanuel) was a genius at attracting money, even though he was a young person without any himself," the ex-president recalled. And Mr. Emanuel was good "at taking a good idea and turning it into real change."

At that point, a beaming Mr. Emanuel asked if he could end the press conference right there. But he ended up taking a few more questions.

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