

BEFORE THE  
ILLINOIS COMMERCE COMMISSION

Docket No. 05-\_\_\_\_\_

Direct Testimony of David M. Swanson  
On Behalf of SBC Illinois

SBC Illinois Exhibit 1.0

July 21, 2005

**DIRECT TESTIMONY OF DAVID M. SWANSON  
ON BEHALF OF  
ILLINOIS BELL TELEPHONE COMPANY (“SBC ILLINOIS”)**

**QUALIFICATIONS**

**Q. Please state your name and business address.**

A. David M. Swanson, 912 Country Club Drive, LaGrange, Illinois 60525.

**Q. What is your position?**

A. I provide real estate asset and transaction management services under contract to SBC and SBC Illinois.

**Q. What is your business experience?**

A. I was a real estate manager for Illinois Bell Telephone Company, now SBC Illinois, for 23 years. I handled purchases, zoning, sales, leases and administrative functions related to the Company’s real estate operations. Since July of 1994, I have been providing services on a contract basis, as D.M. Swan Enterprises, Inc. I am also a licensed real estate broker in the State of Illinois.

**PURPOSE**

**Q. What is the purpose of your testimony?**

A. The purpose of my testimony is to describe the circumstances of the proposed sale of the property described below and to demonstrate that the sale is in the public interest.

**Q. Please explain why SBC Illinois made this filing.**

A. SBC Illinois has entered into an Agreement Of Purchase and Sale, dated July 19, 2005, with First Presbyterian Church of Arlington Heights, for the sale of certain real estate, located between St. James Street, Dunton Avenue, and Eastman Street in Arlington Heights, Cook County, Illinois (PIN #s: 03-29-318-002-0000, 03-29-318-003-0000, 03-29-318-004-0000, 03-29-318-007-0000, 03-29-318-008-0000) for the sum of \$2,250,000, or approximately \$64 per square foot. A copy of the Agreement of Purchase and Sale is attached as Schedule A. The sale is subject to the approval of this Commission, and SBC Illinois is seeking approval of the transaction.

**DESCRIPTION OF REAL ESTATE**

**Q. Please describe the real estate which SBC Illinois seeks to sell.**

A. A copy of the survey is attached as Schedule B to this testimony. The four (4) lot parcel is a rectangular corner parking lot, measuring approximately 132 feet by 265 feet, or 0.807 acres of land.

**Q. Please describe any improvements to this real estate.**

A. The sale parcel is improved as a parking lot with lighting and storm drainage. Telephone, electric, and Village Services are available and serving adjacent properties.

**Q. For what purpose was the real estate used?**

A. The Arlington Heights Central Office is located approximately one block west of the sale property. At the time SBC Illinois purchased and improved this property, this Central Office not only housed switching equipment but also was occupied by engineering and operator groups which required extensive parking facilities. These groups have since been consolidated into other locations, thus greatly reducing the parking requirements.

**Q. What zoning category applies to the real estate?**

A. The Village of Arlington Heights has zoned three of the lots R-7, Multiple-Family, while the fourth lot is zoned B-2, General Business.

**Q. What is the current SBC Illinois investment in these facilities?**

A. As of June 2, 2005, the 2111.20C (operating Plant, Land) investment is \$151,402.48. The 2121.10C (operating Plant, Buildings) net investment is \$346,690.27.

**Q. Do you feel that this transaction is in the best interest of the public?**

A. Yes. SBC Illinois does not need this land for its operations and desires to reduce its maintenance cost and real estate tax burden, which is in the public's interest.

**CURRENT VALUE OF REAL ESTATE**

**Q. What is the current market value of the real estate?**

A. SBC Illinois hired Adams Valuation Corporation, 2803 Butterfield Road, Suite 130, Oak Brook, Illinois 60523-1148 to provide an Appraisal Report reflecting its professional estimate of the market value of the sale parcel. The report was prepared by Michael C. Smith, Staff Appraiser, and Douglas X. Adams, MAI & President. Their opinion of the market value is \$1,760,000. A copy of the Appraisal Report is attached as Schedule C.

**Q. How was the property marketed to the public?**

A. A commercial “For Sale” sign was placed on the property. There were three (3) broadcast e-mails with an electronic copy of the brochure for the property sent to the Chicago land brokerage community and also to a select group of Chicago and Metropolitan developers. A copy of the brochure is attached as Schedule D.

**Q. What kind of response did you receive from this marketing effort?**

A. We received five (5) offers:

- |   |    |              |
|---|----|--------------|
| 1) The Village of Arlington Heights -----           | \$ | 1.3 Million  |
| 2) Brownstone Development -----                     |    | 1.8 Million  |
| 3) Mark Anderson -----                              |    | 1.76 Million |
| 4) Mark Anderson – Zoning Contingency 60 Units ---- |    | 2.2 Million  |
| 5) Presbyterian Church -----                        |    | 2.25 Million |

**ACCOUNTING TREATMENT OF REAL ESTATE**

**Q. Will the sale of this real estate impact SBC Illinois' rate base?**

A. Yes. SBC Illinois proposes to credit the Depreciation Reserve Account for Buildings, Account 3100.10X for \$1,144,217.92. A copy of the proposed journal entry is attached as Schedule E.

**Q. Will SBC Illinois realize a gain or loss on this transaction?**

A. SBC Illinois will realize an estimated net gain of \$499,689.33. This net gain will be recognized in the determination of net income. (See Schedule E.)

**Q. Does this conclude your testimony?**

A. Yes, it does.

## **Schedules**

- A. Agreement of Purchase and Sale**
- B. Plat of Survey**
- C. Appraisal dated August 12, 2004**
- D. Sales Brochure**
- E. Proposed SBC Illinois' "Journal Entry"**