

BEFORE THE ILLINOIS COMMERCE COMMISSION

Docket No. _____

**Direct Testimony of David M. Swanson
On Behalf of AT&T Illinois**

AT&T Illinois Exhibit 1.0

May 8, 2006

1 **DIRECT TESTIMONY OF DAVID M. SWANSON**

2
3 **I. QUALIFICATIONS**

4
5 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

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

7
8 **Q. WHAT IS YOUR POSITION?**

9 A. I provide real estate asset and transaction management services under contract to
10 Illinois Bell Telephone Company (“AT&T Illinois” or “the Company”).

11
12 **Q. WHAT IS YOUR BUSINESS EXPERIENCE?**

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

18
19 **II. PURPOSE**

20

21 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

22 A. The purpose of my testimony is to describe the circumstances of the proposed sale of a
23 portion of the Parking Lot property described below and to demonstrate that the sale is in
24 the public interest.

25 **Q. PLEASE EXPLAIN WHY AT&T ILLINOIS MADE THIS FILING.**

26 A. AT&T Illinois has entered into an Agreement Of Purchase and Sale, dated April 07,
27 2006, with GROUND RULE DOUBLE, L. L. C. for the sale of certain real estate
28 located at 3540 North Sheffield Avenue, Chicago, Illinois 60657, a portion of the parking
29 lot adjacent to the Lakeview Central Office. The contracted sale price is \$3,400,000.00,
30 or approximately \$378 per square foot. A copy of the Agreement of Purchase and Sale is
31 attached as Schedule A. Since the sale is subject to the approval of this Commission,
32 AT&T Illinois is seeking approval of the transaction through this docket.

33

34 **III. DESCRIPTION OF REAL ESTATE**

35

36 **Q. PLEASE DESCRIBE THE REAL ESTATE WHICH AT&T ILLINOIS SEEKS TO**
37 **SELL.**

38 A. A copy of the survey is attached as Schedule B to this testimony. The three (3) lot parcel
39 portion, 70% of the north parking lot for the Central Office, is rectangular, measuring
40 approximately 125 feet by 71.94 feet (8,992.5 sq. ft.), or 0.206 acres of land. The legal
41 description of the Sale Parcel is:

42 Lots 20, 21, and Lot 22 in Weage and Hyde's Subdivision of Lot 1, in Assessor's
43 Division of the West Half of the Southeast Quarter of Section 20, Township 40 North,
44 Range 14 East of the Third Principal Meridian, in Cook County, Illinois.

45

46 The parcel is part of PIN # 14-20-403-061-0000.

47

48 **Q. PLEASE DESCRIBE ANY IMPROVEMENTS TO THIS REAL ESTATE.**

49 A. The sale parcel is improved as a paved parking lot with lighting and storm drainage.

50 Telephone, electric, and City services are available and serving adjacent properties.

51

52 **Q. FOR WHAT PURPOSE WAS THE REAL ESTATE USED?**

53 A. At the time AT&T Illinois purchased and improved this property, the adjacent Central

54 Office not only housed switching equipment but also was occupied by various operator

55 groups which required extensive parking facilities. These groups have since been

56 consolidated into other locations, thus greatly reducing the parking requirements.

57

58 **Q. WHAT ZONING CATEGORY APPLIES TO THE REAL ESTATE?**

59 A. The property classification is Commercial, B4 - 3 (Restricted Service District).

60

61 **Q. WHAT IS THE CURRENT AT&T ILLINOIS INVESTMENT IN THESE**
62 **FACILITIES?**

63 A. The 1968-69 purchase dates of the Sale Parcel reflect the 2111.20C (Operating Plant,

64 Land) investment as \$121,394.30 and the 2121.10C (Operating Plant, Buildings)

65 investment as \$429,170.70.

66

67 **Q. DO YOU FEEL THAT THIS TRANSACTION IS IN THE BEST INTEREST OF**
68 **THE PUBLIC?**

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

71

72 **IV. MARKET VALUE OF REAL ESTATE**

73

74 **Q. HOW WAS THE PROPERTY MARKETED TO THE PUBLIC?**

75 A. There were broadcast e-mails with an electronic copy of the brochure for the property
76 sent both to the Chicago land brokerage community and to a select group of Chicago and
77 Metropolitan developers. A copy of the brochure is attached as Schedule C.

78

79 **Q. WHAT KIND OF RESPONSE DID YOU RECEIVE FROM THIS MARKETING**
80 **EFFORT?**

81 A. We initially received four (4) offers:

82

- 83 1) REV Acquisitions a/k/a Lennar Communities ----- \$ 3.4 Million
84 2) GWR Properties ----- 3.0 Million
85 3) Preferred Equities ----- 3.3 Million
86 4) Sports & Entertainment Holdings, Inc. ----- 3.375 Million

87

88 REV was selected but, after several unsuccessful attempts to arrive at an agreeable
89 contract, all parties mutually agreed to withdrawal of the offer. Joseph S. Beale, one of
90 REV's original partners, formed Ground Rule Double, LLC, which then submitted an

91 offer of \$3.4 Million, and entered into the contact attached as Schedule A. Member
92 information for Ground Rule Double, LLC is attached as Schedule D.

93

94 **Q. DID AT&T ILLINOIS TAKE STEPS TO CONFIRM THAT THE BIDS**
95 **REFLECTED THE CURRENT MARKET VALUE OF THE REAL ESTATE?**

96 A. Yes. AT&T Illinois hired Adams Valuation Corporation, 2803 Butterfield Road, Suite
97 130, Oak Brook, Illinois 60523-1148, to provide an Appraisal Report reflecting its
98 professional estimate of the market value of the sale parcel. The report was prepared by
99 Kevin Vaught, Staff Appraiser, and Douglas X. Adams, MAI & President. The
100 appraisers' opinion of the market value for the entire North Parking lot is \$ 1,250,000.
101 Since AT&T Illinois is only selling approximately 70% of this lot, the market value of
102 the sale portion equates to \$875,000. A copy of the Appraisal Report is attached as
103 Schedule E.

104

105 **V. ACCOUNTING TREATMENT OF REAL ESTATE**

106

107 **Q. WILL THE SALE OF THIS REAL ESTATE IMPACT AT&T ILLINOIS' RATE**
108 **BASE?**

109 A. No. AT&T Illinois proposes to credit the Depreciation Reserve Account for Buildings,
110 Account 3100.10X for \$1.9 million. A copy of the proposed journal entry is attached as
111 Schedule F.

112

113 **Q. WILL AT&T ILLINOIS REALIZE A GAIN OR LOSS ON THIS**
114 **TRANSACTION?**

115 A. AT&T Illinois will realize an estimated net gain of \$541,000. This net gain will be
116 recognized in the determination of net income. (See Schedule F).

117

118 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

119 A. Yes, it does.

120

121 **I. SCHEDULES**

122 A. Agreement of Purchase and Sale

123

124 B. Plat of Survey

125

126 C. Sales Brochure

127

128 D. Member information for Ground Rule Double, LLC

129

130 E. Appraisal dated July 14, 2004

131

132 F. Proposed AT&T Illinois' "Journal Entry"