

BEFORE THE ILLINOIS COMMERCE COMMISSION

Docket No. 06-0369

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

AT&T Illinois Exhibit 1.0

May 9, 2006

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

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

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

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35 **III. DESCRIPTION OF REAL ESTATE**

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

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

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

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

48

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

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

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

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

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

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

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

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

58

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

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

61

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

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

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

66 investment as \$429,170.70. (The investment in the “Buildings” category takes into
67 account the improvements described above.)

68

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

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

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

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

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

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81 **Q. WHAT KIND OF RESPONSE DID YOU RECEIVE FROM THIS MARKETING**
82 **EFFORT?**

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

84

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

89

90 REV was selected but, after several unsuccessful attempts to arrive at an agreeable
91 contract, all parties mutually agreed to withdrawal of the offer. Joseph S. Beale, one of
92 REV's original partners, formed Ground Rule Double, LLC, which then submitted an
93 offer of \$3.4 Million, and entered into the contract attached as Schedule A. Member
94 information for Ground Rule Double, LLC is attached as Schedule D.

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

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

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

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

111 A. Yes. The impact, however, is not material, given that AT&T Illinois' total company rate
112 base exceeds \$3.3 billion. AT&T Illinois proposes to credit the Depreciation Reserve

113 Account for Buildings, Account 3100.10X for \$1.9 million. A copy of the proposed
114 journal entry is attached as Schedule F.

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

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

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

122 A. Yes, it does.

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124 **I. SCHEDULES**

125 A. Agreement of Purchase and Sale

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127 B. Plat of Survey

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129 C. Sales Brochure

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131 D. Member information for Ground Rule Double, LLC

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133 E. Appraisal dated July 14, 2004

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