

**BEFORE THE ILLINOIS COMMERCE COMMISSION**

**Docket No. 06-\_\_\_\_\_**

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

**AT&T Illinois Exhibit 1.0**

**September 8, 2006**

**DIRECT TESTIMONY OF DAVID M. SWANSON**

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**I. 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 Illinois Bell Telephone Company (“AT&T Illinois” or “the Company”).

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

A. I was a real estate manager for Illinois Bell Telephone Company 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.

**II. 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 a portion of the Parking Lot property described below and to demonstrate that the sale is in the public interest.

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

25 A. AT&T Illinois has entered into an Agreement Of Purchase and Sale, dated April 07,  
26 2006, with ERIE CANAL, L. L. C., for the sale of certain real estate located at 5-9 West  
27 Erie Street, Chicago, Illinois 60610, a portion of the parking lot adjacent to the Superior  
28 Central Office. The contracted sale price is \$2,000,000.00, or approximately \$170 per  
29 square foot. Copies of the Agreement of Purchase and Sale, and an amendment to that  
30 Agreement, are attached as Schedule A. Since the sale is subject to the approval of this  
31 Commission, AT&T Illinois is seeking approval of the transaction through this docket.

32

33 **III. DESCRIPTION OF REAL ESTATE**

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

36 A. A copy of the survey is attached as Schedule B to this testimony. The five (5) lot sale  
37 parcel is “L”-shaped and covers approximately 80% of the easterly parking lot for the  
38 Superior Central Office, measuring approximately 11,748 sq. ft., or 0.24 acres of land.  
39 The legal description of the Sale Parcel is indicated on the survey, Schedule B.

40

41 The Real Estate Tax Parcel Index Numbers (PIN # s) for the sale parcel are:

42 17-09-227-008-000

43 17-09-227-007-000

44 17-09-227-017-000

45 17-09-227-018-000

46 17-09-227-019-000

47

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

49 A. The sale parcel is improved as a paved parking lot with fencing, lighting and storm  
50 drainage. Telephone, electric, and City services are available and serving adjacent  
51 properties.

52

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 dissolved or consolidated into other locations, thus greatly reducing the parking  
58 requirements.

59

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

61 A. The property classifications are B7-6 (DX7) General Central Business District-4,  
62 Restricted Service District, and B7-5 (DX5 ) General Business District, with Residential  
63 Business Planned District (RBPD) No. 735 as a zoning overlay.

64

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

67 A. The 1973-74 purchase dates of the Sale Parcel reflect the 2111.20C (Operating Plant,  
68 Land) investment as \$63,064.44 and the 2121.10C (Operating Plant, Buildings)  
69 investment as \$14,000.00. (The investment in the “Buildings” category takes into  
70 account the improvements described above.)

71

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

74 A. Yes. AT&T Illinois does not need this land for its operations and desires to reduce its  
75 maintenance cost and real estate tax burden, which is in the public's interest. To the  
76 extent that AT&T Illinois may still need parking for company vehicles in the area, it has  
77 made arrangements to lease a limited number of parking spaces from Erie Canal, LLC.

78

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

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

81 A. There were broadcast e-mails with an electronic copy of the brochure for the property  
82 sent both to the Chicago land brokerage community and to a select group of Chicago and  
83 metropolitan area developers. A copy of the brochure is attached as Schedule C.

84

85 **Q. WHAT KIND OF RESPONSE DID YOU RECEIVE FROM THIS MARKETING**  
86 **EFFORT?**

87 A. We initially received five (5) offers, with the highest bidder being REV Acquisitions.  
88 AT&T Illinois and REV were unable to arrive at an agreeable contract because of  
89 potential environmental issues and problems in rezoning the site. AT&T Illinois allowed  
90 REV to withdraw its offer. The remaining four bidders also concluded they were no  
91 longer interested in the property because its suitability for high-rise development was  
92 limited by the size of the parcel and by the uses of adjacent property. Joseph S. Beale,  
93 one of REV's original partners, formed Erie Canal, LLC, which then submitted an offer  
94 of \$2.0 Million, and entered into the contract attached as Schedule A. Member  
95 information for Erie Canal, LLC is attached as Schedule D.

96

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

99 A. Yes. AT&T Illinois hired Tobin Real Estate Advisors, 70 West Madison St., Suite 1400,  
100 Chicago, Illinois 60602-4270 to provide an Appraisal Report reflecting its professional  
101 estimate of the market value of the sale parcel. The January 31, 2006, Appraisal was  
102 prepared by Patrick L. Tobin, MAI, Principal. The appraisers' opinion of the market  
103 value for the sale parcel is \$ 2,000,000. A copy of the Appraisal Report is attached as  
104 Schedule E.

105

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

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

109 A. Yes. The impact, however, is not material, given that AT&T Illinois' total company rate  
110 base exceeds \$3.3 billion. AT&T Illinois proposes to credit the Depreciation Reserve  
111 Account for Buildings, Account 3100.10X for \$328,000. A copy of the proposed journal  
112 entry is attached as Schedule F.

113

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

116 A. AT&T Illinois will realize an estimated net gain of \$1.479 million. This net gain will be  
117 recognized in the determination of net income. (See Schedule F).

118

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

120 A. Yes, it does.

121

122 **I. SCHEDULES**

123 A. Agreement of Purchase and Sale (and Amendment)

124 B. Plat of Survey

125 C. Sales Brochure

126 D. Member information for Erie Canal, LLC

127 E. Appraisal dated January 31, 2006

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