



**FINAL ADMINISTRATIVE DECISION
ILLINOIS PROPERTY TAX APPEAL BOARD**

APPELLANT: Marathon Petroleum, LLC
DOCKET NO.: 08-20434.001-I-3 through 08-20434.002-I-3
PARCEL NO.: See Below

The parties of record before the Property Tax Appeal Board are Marathon Petroleum, LLC, the appellant(s), by attorney Kevin P. Burke, of Smith Hemmesch Burke & Kaczynski in Chicago; the Cook County Board of Review; the Elk Grove C.C.S.D. 59, and TWP H.S.D. 214, intervenors, by attorney Ares G. Dalianis of Franczek Radelet P.C. in Chicago.

Based on the facts and exhibits presented, the Property Tax Appeal Board hereby finds a reduction in the assessment of the property as established by the Cook County Board of Review is warranted. The correct assessed valuation of the property is:

DOCKET NO	PARCEL NUMBER	LAND	IMPRVMT	TOTAL
08-20434.001-I-3	08-23-300-018-0000	339,318	20,185	\$359,503
08-20434.002-I-3	08-23-301-008-0000	486,348	27,148	\$513,496

Subject only to the State multiplier as applicable.

ANALYSIS

The subject property consists of two parcels of land totaling 766,042 square feet (17.58 acres). The property is a bulk oil storage terminal comprised of 8 storage tanks (350,835 barrel safe fill capacity) and a one-story, masonry and metal panel industrial office/garage building containing 1,295 square feet of building area. The appellant, through counsel, appeared before the Property Tax Appeal Board arguing that the fair market value of the subject is not accurately reflected in its assessed value.

In support of this argument, the appellant submitted a complete summary appraisal report. The appraisal has a valuation date of January 1, 2007. The appellant presented the testimony of the appraisal's author, Joseph M. Ryan of LaSalle Appraisal Group, Inc., Chicago. Mr. Ryan testified that he worked at the Cook County Assessor's office from 1980 to 1985, at two appraisal firms from 1985 to 1991, and then opened his own appraisal firm, LaSalle Appraisal Group, in 1991. He testified he is an Illinois

certified general real estate appraiser and holds the MAI designation from the Appraisal Institute. He stated he has been qualified as an expert witness previously in several courts and administrative agencies, including the Illinois Property Tax Appeal Board. Without objection, the PTAB accepted Mr. McCormick as an expert witness in appraisal theory and practice.

Ryan testified he has prepared approximately 30 appraisal reports of petroleum storage facilities. He opined that petroleum storage facilities trade in the market only between oil companies. He further testified that these facilities are all connected to different underground pipeline storage units where they receive and dispense product. He opined these properties are not special use properties, but are limited to oil companies. He testified they are an important cog in the production of oil from crude oil that is refined in different refineries and then pumped to these terminals with the end product put in a tanker truck for distribution to the service station. He opined that these properties tend to sell in bulk. Ryan opined that when these properties do sell, the IRS requires strict steps to be taken to ascertain only the real estate value of the terminal that trades.

Ryan testified he prepared an appraisal report on the subject property for the valuation years 2007, 2010, and 2013. He testified he inspected the subject for the 2007 report on May 17, 2007. He described the subject property and its environs. Ryan testified the subject is a flag-shaped site with very limited frontage on Busse Road and a private access road to the main site. He testified the bulk oil storage tanks were constructed in 1955 with an effective age of 40 years. Ryan testified that the subject is surrounded by bulk terminals owned by other oil companies. Ryan testified the subject is located in a flood zone A, special flood hazard area. He testified there is a creek that runs between the tanks and is susceptible to flooding. Ryan compared and contrasted the subject site to a typical industrial site. Ryan opined a highest and best use for the subject as improved was its continued use as a bulk oil storage terminal.

To estimate a total market value for the subject of \$2,425,000 as of January 1, 2007, Ryan employed two of the three approaches to value: the cost approach and the sales comparison approach to value. Ryan testified as to why the income approach was not an appropriate approach to estimate the subject's value.

Under the cost approach, Ryan testified he analyzed four land sales located in the subject's market area. Ryan testified the comparables range in size from 450,000 to 1,175,000 square feet. These properties sold from April 2004 to June 2006 for prices ranging from \$2.65 to \$9.82 per square foot. Ryan described each sale. He testified he made adjustment for pertinent factors to arrive at a land value for the subject of \$1.75 per square or \$1,340,000, rounded.

Using the Marshall and Swift Cost Manual, Ryan testified he estimated the replacement cost new for the storage tanks to be

\$4,959,600. Ryan testified that each tank had exceeded its economic life and that he estimated depreciation at 80% or \$3,967,680. This computed to a depreciated cost new of the storage tanks of \$991,920.

Ryan testified he also developed a depreciated cost for the building using the Marshall and Swift Cost Manual. He testified the cost new is estimated to be \$88,663 and he depreciated this building by 80% also to arrive at a depreciated value for the building of \$17,733. These three values were added together along with site improvement of \$375,000 for a total value under the cost approach of \$2,725,000, rounded.

To estimate a value for the subject through the sales comparison approach, Ryan testified that the unit of comparison used by the industry for bulk oil facilities is sale price per barrel capacity. Ryan testified that he used comparables that sold from December 1996 to December 2005 because there is a limited market for properties similar to the subject. He opined that there is not the same effect of appreciation or depreciation for time that would be found in the industrial or other retail markets. He compared the sale of several comparables to demonstrate that the price per barrel changed slightly over a five to seven year period of time.

Ryan testified he analyzed 19 sales of bulk storage tank facilities. He testified he verified the information with the buyers and the sellers. Ryan testified he made adjustments for market conditions, location, size, age, supply source, and land area. He testified that a typical supply sourced for a facility is a pipeline; the more pipelines the better. He testified there are some sales with a barge or rail supply source.

The properties are located in the Midwest with the exception of sale #3 located in Oregon. Ryan testified he was not concerned that these comparables were not all located in Illinois because they are all dealing with the same product. Ryan testified that sales #4 through #12 occurred as part of the same transaction. He further explained that in the industry, this type of bulk sale is common. He testified the terminals sell with the pipeline and that the IRS is very particular in examining the sale to ensure that only the real estate value is reported for the terminal sale.

The 19 sales occurred between December 1996 and December 2005 for prices ranging from \$2.75 to \$13.22 per barrel capacity. Ryan testified that removing the low sales and high sales would create a range from \$3.85 to \$9.16 per barrel capacity. Ryan testified to the adjustments made to the sales for the pertinent factors. He testified that, after all adjustments, he reconciled the subject at \$6.50 per barrel capacity which reflects an estimated market value for of \$2,425,000, rounded.

When reconciling the two approaches to value, Ryan testified he accorded more weight to the sales comparison approach to value as

this approach is what market participants consider to estimate a value for the subject property of \$2,425,000 as of January 1, 2007. Ryan testified there were no significant changes to the property between the 2007 valuation date and January 1, 2008 and January 1, 2009 that would significantly change the value.

Finally, Ryan opined that using vacant sales would not be appropriate to value the subject because that is not what the subject is. He testified the subject has tanks, a small office, and related facilities for the use and operation of a bulk oil storage terminal facility.

Under cross examination by the board of review, Ryan testified that all the bulk oil storage terminal appraisals he has prepared were for the taxpayer and all were for ad valorem tax purposes. He acknowledged the subject is located in close proximity to an interstate highway and an airport.

Ryan was questioned in regards to the land sales and their proximity to the subject. He acknowledged that two of the land sales were not vacant lots when they sold, but their buildings were demolished after the sale. He testified that his estimated land value was \$.90 below the lowest price per square foot of the comparables.

As to the sales comparison approach, Ryan reiterated that the sales of bulk oil storage terminal transfer between oil companies. He testified that his sources in the industry have confirmed with him that every one of these sales transfers gets audited by the IRS so that the real estate value applied to the terminal is just that, the real estate only. Ryan was unable to cite any rules or regulations that apply to this statement. Ryan testified that upward adjustments were made to sales #2, #13, #15, #18, and #19. He testified that no locational adjustments were necessary because the sales were all providing the same product. Ryan testified he did not know the price of gas in the sales locations at the time of sale.

Under cross examination by the intervenors, Ryan acknowledged that 11 of the sales comparables were part of bulk sales. Ryan opined that the subject does not benefit from its proximity to the interstate highway or airport. He acknowledged that there are other oil tank facilities surrounding the subject because of the pipelines in that area. He then opined it may be an advantage for the trucks transporting the fuel to have access to an interstate highway.

Ryan testified he is unaware of any IRS form that a seller or buyer would use to ensure that only the real estate value is reported in the sale. He testified he did not look at any specific form used by the IRS that states the value of the real estate only for each transaction. Ryan opined that the price per barrel would affect the cost of transportation, but would not affect the value of the property. He further opined that the

higher oil price would not increase the value of these facilities.

On redirect, Ryan testified he verified the sales comparables through public records and through discussions with the parties to the transactions. He testified that appraisers do use bulk transfers as sales comparables when the appraiser is able to verify the methods or steps taken in the transaction to ascertain that the value is at market and for the real estate. He opined that the price allocated to the real estate in the bulk transactions he used were not arbitrarily allocated among the individual assets.

The board of review submitted its "Board of Review Notes on Appeal" wherein the subject's total assessment of \$1,230,971 was disclosed. This assessment reflects a fair market value of \$3,419,364 or \$9.17 per barrel capacity, when the Cook County Real Property Assessment Classification Ordinance level of assessments of 36% for Class 5b industrial property is applied.

In support of this market value, the notes included raw sales information on nine land sales suggested as comparable to the subject. These properties range in land size from 11.75 to 70 acres. They sold between March 2002 and June 2008 for prices ranging from \$2,450,000 to \$18,500,000 or from \$93,330 to \$597,643 per acre. The board of review did not call any witnesses to testify and rested on this evidence previously submitted.

In support of the intervenor's position, the intervenors submitted a brief which includes a critique of the appellant's appraisal and raw sales data on three land sales suggested as comparable to the subject. These properties range in land size from 511,830 to 949,813 square feet. They sold from October 2002 to October 2003 for prices ranging from \$2,450,000 to \$6,700,000 or from \$4.67 to \$7.05 per square foot. The intervenors did not call any witnesses to testify and rested on this evidence previously submitted.

After hearing the testimony and considering the evidence, the Property Tax Appeal Board finds that it has jurisdiction over the parties and the subject matter of this appeal.

When overvaluation is claimed the appellant has the burden of proving the value of the property by a preponderance of the evidence. National City Bank of Michigan/Illinois v. Illinois Property Tax Appeal Board, 331 Ill.App.3d 1038 (3rd Dist. 2002); Winnebago County Board of Review v. Property Tax Appeal Board, 313 Ill.App.3d 179 (2nd Dist. 2000). Proof of market value may consist of an appraisal, a recent arm's length sale of the subject property, recent sales of comparable properties, or recent construction costs of the subject property. 86 Ill.Admin.Code 1910.65(c). Having considered the evidence presented, the PTAB concludes that the appellant has satisfied this burden and that a reduction is warranted.

Having considered the evidence presented, the Board finds that the best evidence of valuation was submitted by the appellant and demonstrates that a reduction in the assessment is warranted for the assessment year at issue. The Board accorded little weight to the board of review's and intervenors' evidence submissions, due to the failure to present the preparer for testimony and cross-examination concerning qualifications, the methodology used therein, and any conclusions related thereto. Moreover, the Board finds that the board of review's and intervenors' evidence consisted of raw sales data on vacant land without any adjustments.

The Board finds the appellant's appraisal with supporting testimony persuasive because the appraiser: has experience in appraising bulk oil storage terminals as is the subject; undertook an interior and exterior inspection of the subject property; developed two of the three traditional approaches to value; provided persuasive rationale for not undertaking the other approach to value; used bulk oil storage terminal sales from the market while undertaking appropriate adjustments; credibly testified as to the use of bulk sales; and verified sale details with a party to each transaction as well as market and official sources.

In addition, the courts have stated that where there is credible evidence of comparables sales, these sales are to be given significant weight as evidence of market value. In Chrysler Corporation v. Property Tax Appeal Board, 69 Ill.App. 3d 207 (2nd Dist. 1979). The Court further held that significant relevance should not be placed on the cost approach or the income approach especially when there is market data available. Id. Moreover, in Willow Hill Grain, Inc. v. Property Tax Appeal Board, 187 Ill.App.3d 9 (5th Dist. 1989), the Court held that of the three primary methods of evaluating property for purposes of real estate taxes, the preferred method is the sales comparison approach.

Based on this analysis, the Board finds that the subject's fair market value for tax year 2008 is \$2,425,000 and, therefore, a reduction is warranted.

This is a final administrative decision of the Property Tax Appeal Board which is subject to review in the Circuit Court or Appellate Court under the provisions of the Administrative Review Law (735 ILCS 5/3-101 et seq.) and section 16-195 of the Property Tax Code.



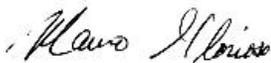
Chairman



Member



Member



Member



Member

DISSENTING: _____

C E R T I F I C A T I O N

As Clerk of the Illinois Property Tax Appeal Board and the keeper of the Records thereof, I do hereby certify that the foregoing is a true, full and complete Final Administrative Decision of the Illinois Property Tax Appeal Board issued this date in the above entitled appeal, now of record in this said office.

Date: October 18, 2013



Clerk of the Property Tax Appeal Board

IMPORTANT NOTICE

Section 16-185 of the Property Tax Code provides in part:

"If the Property Tax Appeal Board renders a decision lowering the assessment of a particular parcel after the deadline for filing

complaints with the Board of Review or after adjournment of the session of the Board of Review at which assessments for the subsequent year are being considered, the taxpayer may, within 30 days after the date of written notice of the Property Tax Appeal Board's decision, appeal the assessment for the subsequent year directly to the Property Tax Appeal Board."

In order to comply with the above provision, YOU MUST FILE A PETITION AND EVIDENCE WITH THE PROPERTY TAX APPEAL BOARD WITHIN 30 DAYS OF THE DATE OF THE ENCLOSED DECISION IN ORDER TO APPEAL THE ASSESSMENT OF THE PROPERTY FOR THE SUBSEQUENT YEAR.

Based upon the issuance of a lowered assessment by the Property Tax Appeal Board, the refund of paid property taxes is the responsibility of your County Treasurer. Please contact that office with any questions you may have regarding the refund of paid property taxes.