

FROM OBSTACLE TO OPPORTUNITY:
AN EVALUATION OF THE
MULTIFAMILY TAX REACTIVATION PROGRAM

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The Woodstock Institute, a not-for-profit corporation organized in 1973, is dedicated to the revitalization of urban neighborhoods. The Institute focuses on promoting the reinvestment of private capital and credit in mature neighborhoods by banks, savings and loan associations, insurance companies and pension funds. Throughout its efforts, the Institute endeavors to insure that low- and moderate-income residents benefit from reinvestment initiatives.

Institute staff provides a variety of services to community-based organizations, financial institutions and government agencies, including financial institution regulatory agencies. Services provided include research, policy analysis, consultation and program design and evaluation.

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EXECUTIVE SUMMARY

Nonpayment of property taxes is often the first step when landlords decide to squeeze the greatest possible profit out of multifamily buildings. In a few short years, the substantial amounts of delinquent taxes accumulated become an insurmountable obstacle to acquisition and rehabilitation by new owners of multifamily buildings in low- and moderate-income neighborhoods. This problem represents a significant loss of revenue for Cook County and encourages the kind of neighborhood disinvestment that leads to abandonment and demolition.

In June, 1983, the Cook County Board initiated a new program designed to address the problem of serious property tax delinquency in multifamily buildings. Under the terms of the Multifamily Tax Reactivation Program, Cook County secures properties auctioned at the Scavenger Sale, clears all liens from the titles and transfers ownership to qualified not-for-profit developers who provide affordable housing to families of modest-incomes. Future property tax revenues are assured through prepayment of taxes by the new owners.

This report presents the findings of an evaluation done by Woodstock Institute that examined how the program worked and what it accomplished. The conclusion drawn from the evaluation is that the program is cost efficient, effective, and a useful tool for both Cook County and low- and moderate-income neighborhoods. Specifically, the study found that:

- The program achieved the objective of returning seriously tax delinquent parcels to productive tax paying status.
- The Multifamily Tax Reactivation Program was extremely successful in generating savings totaling over \$4 million to developers attempting to provide quality, affordable housing for low- and moderate-income people.

- The program was an excellent investment of public funds. Cook County realized a net gain of \$622,191, a 601% return on its investment.
- The program was extremely effective in allowing Cook County to utilize ownership transfer as a penalty for nonpayment of property taxes. For example, in West Chicago Township, the program ownership transfer rate was 44%, as compared to an overall rate of 4.1%.
- The program was 89% effective as a penalty for nonpayment of property taxes, since owners of 89% of the program parcels either lost title to their property or paid their delinquent taxes.

The effectiveness and efficiency of the program can be improved by changes in three areas: the administration process, the legal process, and the distribution of costs of the program. Two primary modifications are recommended: the establishment of clearly defined responsibilities for all parties to eliminate confusion and to facilitate communication; and improvements in the process of securing a tax deed to ensure that no undue delays occur during the redemption period.

CHAPTER I. INTRODUCTION

In June of 1983, the Cook County Board quietly passed a resolution authorizing implementation of the Multifamily Tax Reactivation Program. The goal of the program was to "increase the availability of quality, affordable housing for low- and moderate-income people while returning seriously delinquent multifamily buildings to productive tax paying status." Unlike many housing programs, the Multifamily Tax Reactivation Program does not involve a direct transfer of dollars from the public sector to developers or users of housing. Unlike most tax collection programs, increased public sector revenues are not realized through direct collection of taxes. Instead, the program facilitates transfer of ownership of tax delinquent properties to developers of low-income housing who are committed to continuing tax payment.

The Multifamily Tax Reactivation Program is based on a little-used technique in the Illinois Revenue Code that enables Cook County to secure ownership of seriously delinquent parcels and transfer ownership to a third party. It was developed by a coalition of Chicago not-for-profit developers interested in finding a way to remove the obstacle to acquisition and rehabilitation of multifamily buildings presented by accumulated tax liens. Under the terms of the program, the Cook County Board enters a non-cash bid at tax sales to acquire pre-selected multifamily buildings, remove accumulated property tax debt, and then transfer ownership to certified not-for-profit developers. This method of acquisition provides developers with buildings unencumbered by past debt and back taxes and Cook County with property owners committed to continued property tax payment.

The pilot phase of the program was small and not well known. At the 1983 Scavenger Sale, the County entered non-cash bids on 20 buildings for seven certified developers. However, its proponents claim that the impact of the program has been felt in a substantial way in five Chicago neighborhoods and in a small but significant way on Cook County tax revenues.

Program Evaluation

In 1984, Woodstock Institute was funded by the First National Bank of Chicago to evaluate the effectiveness of the Multifamily Tax Reactivation Program and to do a cost/benefit analysis of the the pilot phase. The purpose of the evaluation was to determine if the Multifamily Tax Reactivation Program: 1) enhanced the cost effectiveness of rehabilitation of multifamily buildings in low- and moderate-income neighborhoods; 2) resulted in increased revenues for Cook County; and 3) increased the impact of the Scavenger Sale as an enforcement mechanism for collection of past due taxes.

For the last eleven years, Woodstock Institute, a not-for-profit research and technical assistance organization, has worked to increase reinvestment in mature urban neighborhoods. Through applied research, program design and evaluation, the Institute strives to develop community development models that work for neighborhoods.

Woodstock Institute was uniquely qualified to conduct an assessment of the Multifamily Tax Reactivation Program. The Institute provided program design assistance to the working group of not-for-profit organizations and County Board Commissioners that developed the program. This enabled Institute staff to have firsthand knowledge of the intended goals of the program and an interest in its long-term success. Subsequent to the approval of the program, the Institute served as a member of the first screening committee. This work provided familiarity with the early implementation of the program, its problems and successes.

Final evaluation of the Multifamily Tax Reactivation Program must wait until the buildings have been rehabilitated and are occupied by low-income residents. But the Cook County Board's decision to extend the program through the 1985 Scavenger Sale makes this a particularly opportune time to examine the pilot phase of the program and to use that examination to improve the program design and administration.

Design and Methods of Research

Because the Multifamily Tax Reactivation Program is new and untested, specific criteria to measure success are not available. Instead, this research explores the questions of how the program worked and what it accomplished. Experience with the pilot phase was studied for ways to improve both the design and administration of the program as well as the effectiveness and efficiency of the non-cash bid technique.

Information on the results of the pilot phase of the program was gathered from three sources: interviews with key participants, surveys of participating developers regarding program buildings, and research of Cook County tax records. The information gathered was used to quantify and compare the costs and benefits of the program and to measure the impact of the program on both neighborhoods and Cook County revenues.

Open-ended, in-person interviews were conducted with 1) the four attorneys that worked with the State's Attorney's office to secure tax deeds for program parcels; 2) the director and staff of the Chicago Rehab Network, which was responsible for the prescreening of developers and parcels for the County; 3) and the director of the Lawyers' Committee for Better Housing, which served as a legal liaison between the State's Attorney's office and the certified developers during the redemption period. In each interview, administration of the program was reviewed, an itemization of costs was requested, frank discussion of problems was encouraged and recommendations for improvement of the program were solicited.

To analyze the impact of the program on neighborhoods, information on the 20 buildings requested by developers under the terms of the program was assembled. The tax records of each of the 20 buildings were thoroughly examined to determine the pattern of tax payments and delinquency. A written survey of six developers was done to secure details on the history

of the developer, the size and condition of each building requested, rehabilitation costs, future rent levels and savings realized through use of the program. All of the developers cooperated in completing the questionnaires. Where necessary, the written information was supplemented with phone interviews.

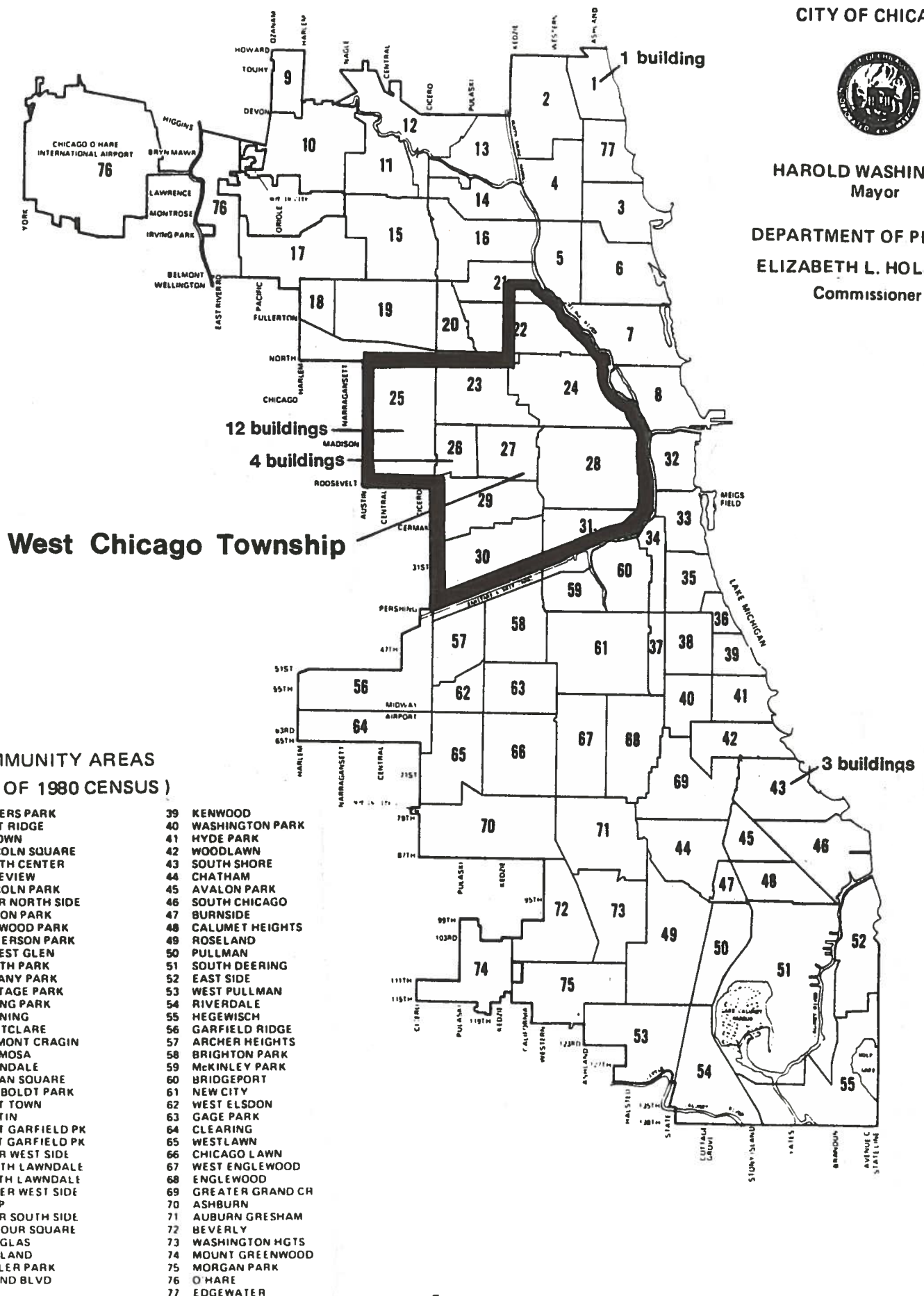
In order to determine the effect, if any, of the program on collection of Cook County property taxes, the Scavenger Sale records for all parcels in West Chicago Township were examined (see map, page 5). West Chicago Township parcels were selected for study for two reasons: a disproportionate number of tax delinquent parcels were offered for sale from West Chicago Township at both the 1980 and 1983 Scavenger Sales (31% of the total amount of delinquencies at the 1983 Sale were from West Chicago Township) and the largest number of parcels requested under the program came from West Chicago Township.

Information for each parcel was systematically collected on the amount of tax delinquency, the percentage of ownership transfer due to the sale, and the amount of revenues generated through owner redemptions. Key statistics from the 1978, 1979, and 1980 Scavenger Sales were calculated for comparison. Computerized tax records are not publicly available, so the data were manually collected.



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CHAPTER II. WHY, HOW AND WHAT OF THE PROGRAM

The majority of the multifamily buildings in Cook County are located in Chicago. In fact, 41% of the housing stock in Chicago is in buildings with five or more units. These buildings are the cornerstone of neighborhoods. They are home for the nearly two-thirds of Chicago residents who are tenants and in many low- and moderate-income neighborhoods, provide the primary source of housing. The majority of the multifamily buildings in Chicago were built before 1940. All are well constructed, many are architecturally interesting, most are in need of repair.

Among the many obstacles to acquisition and rehabilitation of multifamily buildings in low- and moderate-income neighborhoods, the most difficult to work around has been the amount of back taxes owed by the former owner. Because the penalties for nonpayment of property taxes usually apply only to the property and not to the taxpayer, nonpayment of property taxes is often the first step for owners interested in squeezing additional dollars out of the cash flow of a building. In fact, nonpayment of taxes is frequently the first sign of the deterioration of a building. Over time, property tax delinquencies can add up to hundreds of thousands of dollars, making acquisition and rehabilitation of the building financially infeasible. This problem encourages further disinvestment which often leads to abandonment and demolition.

The multifamily buildings offered for sale at the Scavenger Sale are some of the worst buildings in neighborhoods. Milked for years by slumlords, these buildings have suffered from a lack of maintenance to the point where many of them present serious safety problems to the remaining tenants. An owner's willingness to let the County auction the building at the Scavenger Sale often indicates satisfaction with the return received on investment and an unwillingness to make the kind of improvements necessary to make the building attractive to another investor. In fact, by the time

these parcels reach the Scavenger Sale, the buildings have sometimes received so little maintenance that all that remains is an empty shell.

History of the Program

The non-cash bid technique was first identified as a useful tool to salvage seriously tax delinquent multifamily buildings by John J. Lawlor. In an article published in the DePaul Law Review in 1976, Lawlor outlined how the accumulation of tax liens by unscrupulous owners discouraged acquisition and rehabilitation of buildings. Although the property tax law at the time presented obstacles to the timely transfer of ownership of tax delinquent parcels, Lawlor recommended that Cook County begin to use the non-cash bid technique to facilitate ownership by responsible developers.

In 1978, TRUST, INC. issued a report entitled **An Action Report on the Impact of Tax Assessment and Tax Delinquency Policies** that took up where Lawlor left off. The report presented a comprehensive examination of the obstacles to maintenance and rehabilitation of the housing stock presented by the existing property tax laws. Among the many suggestions for improvement was the recommendation that Cook County initiate non-cash bids on parcels containing multifamily buildings at the Scavenger Sale and resell the properties to bona fide developers for rehabilitation. Although the TRUST report resulted in many positive changes in the Illinois Revenue Code, Cook County did not pursue the non-cash bid technique.

The final impetus for successful implementation of a program that utilized the non-cash bid technique came from not-for-profit housing developers, in particular Bethel New Life, Inc. Foreseeing the difficulty in continuing to rehabilitate affordable housing for low-income people without federal subsidies, Bethel asked Woodstock Institute to investigate new or unused techniques to reduce the cost of housing development. The Institute suggested developing a program utilizing the non-cash bid technique at the Scavenger Sale.

Bethel enthusiastically endorsed the idea. An ad hoc working group of five not-for-profit developers and the Lawyers' Committee for Better Housing was formed to assist Institute staff in designing a program that addressed the need for a practical, efficient way to utilize the non-cash bid technique to acquire multifamily buildings without the burden of accumulated tax liens.

In December, 1982, the working group presented the concept of the program to various County Commissioners. The Commissioners responded favorably to the idea, but expressed several concerns which were addressed in the final program design.

The Tax Delinquency Committee of the County Board introduced a resolution authorizing the program in May, 1983. The County Board approved the program in early June and the first non-cash bids were entered almost immediately following the approval.

Description of the Program

The Multifamily Tax Reactivation Program has two program goals: 1) to increase the availability of quality, affordable housing for low- and moderate-income residents, and 2) to return seriously tax-delinquent multifamily buildings to productive tax-paying status. To meet the first goal, the program design utilizes the non-cash bid technique to remove the burden of substantial tax delinquency as an obstacle to low cost rehabilitation. To meet the second goal, \$2,000 must be deposited in an escrow account by participating developers for each parcel selected. This account is maintained by the County and applied to the first tax bill for the parcel after ownership is transferred.

The program applies only to Class III parcels in Cook County offered for sale at the Scavenger Sale. (Class III parcels are defined as those that contain an existing residential building with more than six units.)

In the pilot phase of the program, only not-for-profit, tax-exempt developers with prior housing development experience were eligible.

To determine developer eligibility, the County Board contracted with the Chicago Rehab Network for prescreening services. The contract between Cook County and the Rehab Network specified that the Rehab Network would set up and administer a fair and objective prescreening process to certify developer eligibility and submit a written report to the County Board. The County agreed to enter non-cash bids only for developers certified as eligible by the Rehab Network.

After certification, eligible developers requesting non-cash bids are required to sign a contract with the County declaring their intent to accept ownership of the parcel with a seven-year covenant restricting use of the property to the substantial benefit of low- and moderate-income residents. At the time the County enters a successful non-cash bid, developers are required to place \$2,000 in an escrow account maintained by the County. The escrow account fund is designed to be credited to the first property taxes due after ownership transfer. If the parcel is redeemed, the escrow is refunded.

Once Cook County has entered the non-cash bid requested, the State's Attorney's office assumes responsibility for securing a tax deed on each parcel and defending the County against lawsuits attacking the validity of the Scavenger Sale and individual owner's complaints about the sale of specific parcels. Immediately after each tax deed is issued, ownership is transferred to the certified developer that requested the parcel.

Legal Basis of the Program

The real estate tax system of the State of Illinois includes enforcement methods that guarantee that if the obligation to pay property taxes is not satisfied by the property owner, it will be satisfied by the State's seizure of the property itself and/or other assets of the property

owner. The 1943 Scavenger Act created one of the methods by which the state exercises its right to acquire and sell a seriously tax delinquent parcel in payment or partial payment of unpaid property taxes. Under this law, counties which are responsible for collection and disbursement of property tax revenue are allowed to auction seriously tax delinquent parcels to the public at periodic Scavenger Sales. To be eligible for sale at the Scavenger Sale, a parcel must be one on which "all or a part of the general taxes for each of five or more years are delinquent ..." (Illinois Revised Statutes, ch. 120 §716a).

Bidder eligibility at the Scavenger Sale is limited to those who have no responsibility for payment of the delinquent taxes, including the State of Illinois and other taxing districts. Section 697d of the Illinois Revised Statute allows a county to enter a "non-cash" bid equal to the amount of the delinquent taxes, penalties and interest on the parcel. This technique allows the county to use the Scavenger Sale to acquire property for itself or for other parties. To eliminate opportunities for abuse of the non-cash bid technique, Cook County requires a County Board resolution publicly stating the County's intention to enter a non-cash bid unless the County is bidding on behalf of a municipality or another taxing district.

The Illinois Revenue Code and the State Constitution allow owners of property sold at the Scavenger Sale a redemption period following the sale during which they can stop the seizure of the property. Since 1980, the Scavenger Sale has had a six-month redemption period for residential properties over six units. At any point during this redemption period, the owner of the delinquent parcel can prevent the seizure of the property through complete payment of the delinquent taxes, interest, and penalties plus payment of the amount of the cash bid. (When the County enters a non-cash bid on a parcel, the bid is not added to the amount required to redeem the parcel.)

To secure a tax deed, the successful bidder (and potential new owner) must follow a step by step procedure outlined by the Illinois Revenue Code. This process is designed to ensure that the owner, occupants and

interested parties of the buildings are notified that the property is being sold for nonpayment of taxes and that all liens against the property will subsequently be released. For example, most tax delinquent buildings have mechanics liens filed by contractors and some have mortgages outstanding. Following the expiration of the redemption period and completion of the notification procedures, the successful bidder must present proof to the Circuit Court that all provisions of the property tax law have been met. The Circuit Court then orders the County Clerk to issue a tax deed to the bidder. The tax deed is considered a new and independent title free from all past titles and liens, including past property tax delinquencies.

CHAPTER III. PILOT PHASE RESULTS

During the pilot phase of the Multifamily Tax Reactivation Program, the Cook County Board entered successful non-cash bids on 23 parcels containing 20 multifamily buildings (some buildings cover more than one tax parcel). Tax delinquencies on the 23 parcels totaled \$2,527,960. Ownership of sixteen of the parcels has or will transfer to not-for-profit developers who project that 510 units of rehabbed housing will result.

The first tax deeds on program parcels were issued in March, 1984. Two parcels were still waiting an order for issuance of a tax deed as of March, 1985. Four parcels were redeemed by their owners. A tax deed was not pursued for two parcels, one because fire damage during the redemption period was so serious that rehabilitation became financially infeasible and the other because of a misunderstanding between the developer, the State's Attorney's office and the Rehab Network. The court refused to order a tax deed on one parcel because the initial notification was not done within the legally prescribed time limit.

The parcels were geographically concentrated on Chicago's West Side. Eighteen of the requested parcels were in West Chicago Township, four parcels were located in Hyde Park Township and one parcel was located in Rogers Park. The buildings were selected by the not-for-profit developers because rehabilitation was still feasible. However, at the time of the sale, all were in need of substantial repair. Three of the buildings were vacant and two of the buildings were less than 50% occupied.

Prescreening Process

The Chicago Rehab Network was designated the prescreening agent by the Cook County Board for the pilot phase of the Multifamily Tax Reactivation Program. Established in 1977, the Rehab Network is a Chicago-based not-for-profit organization which provides technical assistance to

neighborhood-based housing developers. The goal of the organization is to foster the production of decent, affordable housing for low-income people.

The terms of the contract with the Cook County Board require the prescreening agent to design and administer a fair and objective prescreening process to determine developer and building eligibility; recommend eligible parcels selected by certified developers for non-cash bids; and submit a written report of its activities to the Cook County Board. The contract does not include reimbursement for the work of the prescreening agent.

To administer the prescreening process, the Rehab Network utilized a volunteer screening committee assisted by one Rehab Network staff person to review applications and certify developer and parcel eligibility. The committee based its decisions on specific written guidelines (see Appendix A, page 51). An appeals process for applicants rejected by the committee was not established prior to the initiation of the program. However, following a protest by a developer whose application for certification was rejected by the prescreening committee, the Rehab Network decided to refer all appeals to its Board of Directors for a final decision.

According to the report submitted to the Cook County Board on August 7, 1983 by Chicago Rehab Network, three mailings were sent to 80 organizations in Cook County to inform developers about the program. Twenty-three inquiries about the program resulted.

The Network received eight applications for certification under the terms of the program. All of the applicants were Chicago-based developers working in low-income Chicago neighborhoods. Seven of the eight applicants were certified eligible and one was rejected. Two reasons were given for the one rejection: the application was received two weeks after the deadline and the developer had no previous background or experience in housing development.

Developer Characteristics

There were seven not-for-profit developers certified under the pilot phase of the Multifamily Tax Reactivation Program. They were Bethel New Life, Inc., Circle Christian Community Center, Neighborhood Housing Services in Central Austin, Peoples Housing, P.R.I.D.E., South Austin Housing Corporation (SAHCOR), and The Neighborhood Institute. Five of the developers are based in West Chicago Township neighborhoods. Four months after the 1983 Scavenger Sale, SAHCOR went out of business. The six remaining participants are neighborhood-based housing developers with three to six years experience.

The fifteen buildings acquired under the program will significantly expand the number of buildings developed and managed by the six developers. To date the six developers have completed rehabilitation on almost 700 units of housing and collectively they manage over 800 units of housing in 43 buildings. The smallest developer has completed rehabilitation and now manages two buildings containing 32 units. The largest developer has completed rehabilitation on 200 units of housing and currently manages ten buildings containing 125 units. One of the developers has completed rehabilitation on only 86 units but is currently managing 16 buildings containing 287 units.

All of the developers plan to own and manage the buildings after rehabilitation is complete. Each of the developers currently owns and manages other buildings in their respective neighborhood and has a track record of responsible, effective housing management. There are plans to convert six buildings to low-cost cooperatives after rehabilitation is complete to provide ownership opportunities for neighborhood residents.

Description of the Buildings

The 20 buildings selected under the terms of the Multifamily Tax Reactivation Program are located in four Chicago neighborhoods: Austin, West Garfield Park, Rogers Park and South Shore (see map, page 5). All are located in areas targeted for revitalization by the certified developer. In most cases, rehabilitation of other buildings in the area had been done or is in process. Most of the buildings are large, containing between 25 and 50 units. One building is exceptionally large with 159 residential units and eight storefronts. Ownership of fifteen of the twenty buildings requested under the terms of the program has or will transfer to the six neighborhood-based developers.

The delinquent tax bill through 1980 for the 23 parcels selected under the program was \$2,527,960. Fourteen (61%) of the parcels had been offered for sale at one or more previous Scavenger Sales. No change in ownership and no tax or penalty payment had resulted from those sales. A short profile of each building showing the history of property tax delinquency is contained in Appendix C (page 57).

Number and Size of Apartments

According to developer estimates, there were over 700 housing units in the 20 buildings at the time of the 1983 Scavenger Sale. Only eight of the buildings were more than 85% leased. Approximately 65% of the units were occupied and four of the buildings were totally vacant. All are in need of substantial repair.

In all of the neighborhoods impacted by the program, developers reported a shortage of decent, affordable housing. The shortage is particularly acute for families with children. Rehabilitation of the program buildings will produce approximately 510 units of housing. Many of those units will have been converted from small studios and one bedroom apartments to two, three and four bedroom units available to families (see Table 1, page 17).

Table 1. Number of Units Before and After Rehabilitation by Size of Unit

<u>Type of Unit</u>	<u>Number before Rehab</u>	<u>Number after Rehab</u>
Studio	97	37
One Bedroom	390	241
Two Bedroom	82	186
Three Bedroom	12	40
Four Bedroom	0	6

Building Economics

The cost of renting an apartment is determined by the cost of acquisition, development expenses, financing and building operation. Reducing any one of those costs will result in lower cost per unit. The Multifamily Tax Reactivation Program eliminated acquisition costs and reduced development expenses through forgiveness of the back tax debt.

Estimates of the market value of the program buildings at the time of the 1983 Scavenger Sale range from \$2,000 to \$5,000 per unit. To secure financing for the acquisition, payment of the back taxes on the buildings would also have been necessary. In half of the buildings requested, the delinquent tax bill exceeded the estimated purchase price of the building. The elimination of these costs produced substantial savings. As shown in Table 2 (page 18), the savings per unit ranged between \$5,000 and \$10,000.

As evident in their low market values, the buildings were in poor condition at the time of the 1983 Scavenger Sale. During the six-month redemption period, due to the former owners' uncertainty about continued ownership, none of the buildings received any investment in maintenance

**Table 2. Development Savings Realized
through the Multifamily Tax Reactivation Program**

<u>Estimated Market Value</u>	<u>Delinquent Tax Bill</u>	<u># of Units After Rehab</u>	<u>Savings per Rehabbed Unit</u>
\$477,000	\$551,116	114	\$9,018.56
\$35,000	\$180,631	43	\$5,014.67
\$105,000	\$131,083	26	\$9,080.12
\$240,000	\$140,948	43	\$8,859.26
\$68,000	\$118,676	27	\$6,913.93
\$250,000	\$215,516	58	\$8,026.14
\$112,000	\$72,364	27	\$6,828.30
\$76,000	\$124,687	26	\$7,718.73
\$141,000	\$244,491	47	\$8,201.94
\$39,000	\$35,808	13	\$5,754.46
\$78,000	\$96,910	26	\$6,727.31
\$100,000	\$83,390	18	\$10,188.33

and most deteriorated faster than similar buildings not in the program. Nine of the buildings acquired by not-for-profit developers suffered damage during the redemption period. Two buildings were abandoned by the owners after the Scavenger Sale and suffered fire damage and vandalism. Others had doors, radiators, and plumbing removed and two had damage to the heating system from gas shutoffs.

The level of rehabilitation planned by the participating developers is intended to change dismal, unsafe apartments without dependable heat, plumbing or electricity to clean, safe, decent housing. The not-for-profit developers interviewed have spent considerable time developing creative ways to lower the costs of rehabilitation. The average cost per unit of rehabilitation for program buildings is estimated at \$21,000. Developer estimates of rehabilitation costs for specific buildings range between \$6,000 and \$33,000 per unit. Ten of the buildings will require major rehabilitation including replacement of at least two of the buildings' systems (see Table 3 below). All of the buildings require cosmetic improvements to the units and common spaces.

Table 3. Type of Rehabilitation Projected in the 15 Program Buildings

<u>System</u>	<u>To Be Replaced</u>	<u>To Be Repaired</u>	<u>No Change</u>
Heating	10	3	2
Electrical	9	5	1
Plumbing	8	5	2
Windows	10	3	2
Porches	4	2	9
Roof	3	0	12
Floors	0	4	11
Elevator*	1	0	1

* Only two buildings have elevator systems.

The savings realized through the Tax Reactivation Program and low rehabilitation costs will be passed on to the tenants in lower rent levels. As shown in Table 4, projected rent levels are very reasonable for well-managed, rehabilitated apartments.

Table 4. Projected Change in Rent Before and After Rehabilitation

<u>Type of Unit</u>	<u>Rent Before Rehabilitation</u>	<u>Rent After Rehabilitation*</u>
Studio	\$150-200	\$200-225
One Bedroom	\$175-350	\$245-360
Two Bedroom	\$275-350	\$300-465
Three Bedroom	\$345-450	\$325-550
Four Bedroom	N/A	\$550

* In all but one of the buildings heat is included in the rent.

CHAPTER IV. IMPACT

Property assessments on multifamily buildings over six units account for more than 22% of total residential assessments in Cook County. A substantial portion of taxes based on these assessments are never collected. The existing tax collection system allows tax delinquencies and penalties for nonpayment to accrue for at least five years before the County can take more serious efforts to collect the taxes through the Scavenger Sale. By that time, the overdue bill is substantial. Specifically, total tax delinquencies on all properties auctioned at the 1983 Scavenger Sale were \$96,538,509.

Seizure of tax delinquent property for auction at the Scavenger Sale is the ultimate penalty the State has to enforce payment of delinquent property taxes. Auction of non-single-family property forces the owner to pay the overdue taxes or lose his property. In addition, the sale of properties generates some income for the State in place of the lost tax revenues. However, in recent years the Scavenger Sale has been neither an effective enforcement mechanism for tax delinquencies nor a significant source of revenue.

Scavenger Sale Effectiveness in West Chicago Township

A significant problem with the Scavenger Sale as an enforcement mechanism for tax collection is the number of parcels which are not sold at the sale. At the last four Scavenger Sales, 12,980 parcels in West Chicago Township were offered for sale. The County received bids on only 71% of those parcels. As shown in Table 5 (page 22), the percentage of parcels sold declined significantly over time. In 1978, the County received bids on 98% of the parcels, but in 1980 bids were received on only 58% of the

parcels and in 1983 only 61%. When no bids are received, the property taxes remain delinquent, ownership does not change and the County continues to lose revenue.

**Table 5. Probability of West Chicago Township Parcels
Receiving Bids at the Scavenger Sale**

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1983</u>	<u>Total</u>
Number of West Chicago Township Parcels for Sale*	939	6,320	3,176	2,545	12,980
Number of Parcels Receiving Bids	920	4,994	1,795	1,540	9,249
Number of Parcels With no Bids	19	1,326	1,381	1,005	3,731
% of Parcels Sold	98%	79%	57%	61%	71%
% of Parcels Not Sold	2%	21%	43%	39%	29%

* These figures include a small number of parcels which were sold in error or where sales were later canceled.

Research of Cook County tax records for West Chicago Township shows that the Scavenger Sale bids have almost no effect on ownership of tax delinquent parcels in that township. At the last four Scavenger Sales, tax deeds were issued on only 302 parcels. As shown in Table 6 (page 23), this represents only 2.3% of the number of parcels offered for sale.

**Table 6. Probability of Ownership Transfer
in West Chicago Township Due to the Scavenger Sale**

	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1983</u>	<u>Total</u>
Parcels for Sale	939	6,320	3,176	2,545	12,980
Number of Deeds Issued	26	64	107	105	302
% of Ownership Transfer	2.8%	1.0%	3.4%	4.1%	2.3%

Despite the small number of parcels selected for the pilot phase of the Multifamily Tax Reactivation Program, the program had a significant effect on parcel ownership. Ownership of 12 of the 18 West Chicago Township parcels selected under the terms of the program has been or will be transferred to the certified not-for-profit developers (see Table 7 below). **The contrast between the overall ownership transfer rate of 4.1% and the program ownership transfer rate of 44% indicates that the Multifamily Tax Reactivation Program is extremely effective in allowing Cook County to utilize ownership transfer as a penalty for nonpayment of property taxes.**

**Table 7. Probability of Ownership Transfer
for Program Parcels in West Chicago Township**

	<u>Program Parcels</u>	<u>West Chicago Parcels</u>
Number of Parcels	18	2,545
Number of Deeds Issued	8*	105
Percent of Ownership Transfer	44%	4.1%

* In addition, two deeds have been ordered but not issued and two other parcels are pending.

Revenue Generated by the Scavenger Sale in West Chicago Township

The County generates revenue from the Scavenger Sale from two sources: cash bids and the payment of tax delinquencies by owners exercising their right to redeem. Data from research on West Chicago Township shows the 1983 Scavenger Sale did not generate a significant amount of revenue from either source. However, the Multifamily Tax Reactivation Program had a significant impact on the amount of redemptions.

Owners of 133 West Chicago Township parcels sold at the 1983 Scavenger Sale paid the County \$1,333,542 in back taxes to redeem their right to ownership of their property. However, this amount represents only 4.5% of the unpaid tax bill of \$29,803,457 for the West Chicago Township Scavenger Sale parcels. The four redemptions of West Chicago Township parcels selected under the Multifamily Tax Reactivation Program totaled \$268,006. As shown in Table 8 below, **although program parcels represented only 3% of the number of parcels redeemed, they accounted for 20% of the total amount of redemptions.**

Table 8. Number and Amount of Redemptions in West Chicago Township

	<u>Number of Parcels</u>	<u>Delinquency Amount</u>	<u>Number of Redemptions</u>	<u>Amount of Redemptions</u>
West Chicago Parcels	2,545	\$29,803,457	133	\$1,333,542
Program Parcels	18	\$1,940,774	4	\$268,006
% of total	.7%	6.5%	3%	20%

The Multifamily Tax Reactivation Program had an even more significant effect on redemptions of Class III parcels (which contain residential buildings with over six units, i.e., multifamily buildings). Multifamily buildings represented 10% of the 1983 Scavenger Sale parcels in West Chicago Township. Owners of these parcels paid the county \$764,577 in redemptions after the 1983 Scavenger Sale. This represented 57% of the total redemptions in that township. The \$268,006 generated by the four redemptions of program parcels, all of which are Class III, represents 35% of the redemptions by multifamily building owners (see Table 9 below).

Table 9. Number and Amount of Redemptions of Multifamily Buildings at the 1983 Scavenger Sale in West Chicago Township

	<u>Parcels</u>	<u>Redemptions</u>	<u>Amount</u>
Total Class III	251	25	\$764,577
Program	18	4	\$268,006
% of Total	7%	16%	35%

In addition to the revenue received from redemptions, the County receives cash from bidders at the Scavenger Sale. To determine what bidders who pursued ownership of tax delinquent parcels in West Chicago Township were willing to pay, the cash bids on the 97 West Chicago Township parcels for which tax deeds have been issued to parties other than Cook County were examined. The bids were found to be low and not a significant source of revenue.

The new owners of Scavenger Sale parcels in West Chicago Township paid the County only \$152,691. Bids ranged from \$1.00 to \$50,100. As expected,

the amount of the bids reflected the value of the property. Vacant land, which accounted for 57 of the 97 parcels, generated an average bid of only \$262. The 21 parcels containing multifamily buildings (Class III) generated higher bids; the average bid was \$5,440. However, the highest bid on a multifamily building was only \$50,100 and only four bids were greater than \$5,000. The median bid for Class III parcels was only \$900.

It can be concluded that the unrealized revenue from cash bids on program properties is insignificant when contrasted with the effectiveness of the program. All but two of the 18 parcels selected in West Chicago Township under the terms of the Multifamily Tax Reactivation Program either will transfer to a certified developer or have brought the County revenue through owner redemption payment. **This means that the program was 89% effective as a penalty for nonpayment of property taxes.**

Cost/Benefit Analysis

There were a variety of financial costs and benefits for both Cook County and users of the program. In order to measure the impact of the Multifamily Tax Reactivation Program in terms of its cost, the expenses of the pilot phase were quantified and compared with the amount of income realized by Cook County and the amount of savings realized by the developers. The intangible benefits of the program, such as its deterrent effect on property tax delinquencies, are discussed below but could not be quantified for this analysis. The cost/benefit analysis examined a two-year period and the figures are expressed in actual dollars and not in constant dollars.

Administration Costs

Cook County did not assign personnel to administer the pilot phase of the program. The Chicago Rehab Network was designated the County's agent for determining eligibility of developers and parcels. In the absence of a

Cook County administrator for the program, the Rehab Network served as the central program coordinator after the Scavenger Sale. The Rehab Network was not reimbursed by the County but the cost of this work must be attributed to the cost of program administration.

The Rehab Network reports a cost of \$4,200 for the prescreening process. This was offset by \$2,300 in application fees received from developers. Therefore the net prescreening cost to the Chicago Rehab Network was \$1,900. The Rehab Network reports that the cost of serving as a central program coordinator was \$27,000.

Legal Costs

As attorney for the County, the Cook County State's Attorney is charged with the responsibility for ensuring that tax deeds are secured on properties on which the County has made a non-cash bid. In addition, the State's Attorney is responsible for transferring ownership of Multifamily Tax Reactivation parcels to certified developers immediately after tax deeds are issued. The property tax law provides that prior to the issuance of a tax deed, all owners, occupants and parties of interest must be notified of the process and the owner's right to redeem through payment of the delinquent taxes. Proof of the notification must be presented to the court at the conclusion of the redemption period.

From the end of the Scavenger Sale to March 1, 1985, the parcels selected under the terms of the Multifamily Tax Reactivation Program required 20 months of legal work, almost 1,000 notices, and 35 court appearances. During the almost two years since the 1983 Scavenger Sale, there has been one assistant State's Attorney and one paralegal assigned to this program part time. The Cook County State's Attorney's office estimates total legal costs to date to be \$18,600, including staff and overhead expenses of \$10,800, publication expenses of \$6,800 and notification expenses of \$1,000.

During the redemption period after the Scavenger Sale, the Lawyers' Committee for Better Housing served as a liaison between the developers and the State's Attorney. By enabling better communication between these parties, the Lawyers' Committee facilitated the exchange of information necessary to secure tax deeds on the parcels. The director of the Lawyers' Committee reports that the cost of this work was \$26,000 for the 18-month period between June, 1983 and December, 1984.

Title Report Costs

In order to serve notice on the owner(s) and interested parties, it was necessary for the State's Attorney to have current title reports on each parcel. The title reports were ordered by the Chicago Rehab Network for use by the State's Attorney. The Cook County Board paid for the title reports. The cost was \$4,600.

Sheriff Costs

Many of the notices required by the property tax law must be personally delivered. The Cook County Sheriff handled this type of notice delivery for program parcels. The usual charge for this service is \$11 per notice plus mileage. The total cost for program parcels is estimated at \$2,414.

Lost Opportunity Costs

In addition to the legal costs involved in securing tax deeds on the program parcels, Cook County incurred only one other cost for the Multifamily Tax Reactivation Program, the value of the cash bids that would have been received on the parcels on which non-cash bids were entered. Assuming that all program parcels had received bids (a highly unlikely possibility), the lost opportunity costs for the 23 parcels can be estimated from the average cash bids received on similar parcels at the

1983 Scavenger Sale. Only four cash bids on multifamily buildings were greater than \$5,000 and the median cash bid was \$900. To compute the value of potential bids on program parcels, an average bid on vacant buildings was assumed to be \$900, and an average bid on an occupied building was assumed to be \$5,000. Therefore, the lost opportunity costs for the 23 parcels is \$98,600.

Developer Costs

The largest share of the actual expenses of the Multifamily Tax Reactivation Program were borne by the certified developers. For each parcel requested, the developers paid a \$100 application fee to the Rehab Network to offset prescreening costs and deposited \$2,000 in the County escrow account to pay future property taxes. In addition, the six developers estimated they spent \$105,000 on other out-of-pocket expenses such as legal fees and \$90,000 in personnel time. The total developer costs are \$243,300.

Cook County Financial Benefits

The Multifamily Tax Reactivation Program achieved the objective of returning parcels to productive tax paying status. Five of the parcels transferred ownership to certified developers in time to be billed for property taxes for both 1983 and 1984 and six of the parcels transferred ownership in time to be billed for the second installment of 1983 and all of 1984 taxes. This two-year period represents approximately \$407,661 in revenues that will be received by the County on parcels with a history of serious tax delinquency.

A significant but unanticipated source of revenue for Cook County was the \$268,006 paid by four program parcel owners to redeem their property and prevent ownership transfer. The redemption amount for every parcel was much greater than the highest cash bid received on any West Chicago

Township multifamily building. In addition, the four owners paid an additional \$64,518 for 1981-83 property taxes. Cook County received a total of \$332,524 from these redemptions.

The final source of income for Cook County was the interest earned on developer contributions to the escrow account. At the time the program was passed, no restrictions were placed on the County's ability to invest or use the funds in the account. Using a conservative estimate of the average amount contained in the escrow account and assuming a modest simple interest rate of 10% for an eighteen month period, interest on the escrow account can be estimated at \$6,220.

Developer Savings

The Multifamily Tax Reactivation Program was most successful in providing savings to developers attempting to provide quality, affordable housing for low- and moderate-income people. By acquiring ownership of these buildings through the program, the six certified developers saved the purchase price of the buildings and payment of the past due taxes. The developers estimate the total market value of the 16 parcels that will transfer ownership to be \$1,723,500. The amount of tax debt on these buildings forgiven through the program was \$2,725,152. This adds up to a savings of \$4,448,652. All of the participating developers felt acquisition of program buildings would not have been financially feasible without these savings.

Cost/Benefit Comparison

After the costs and benefits of the program were quantified as precisely as possible, a simple comparison of costs to benefits was done. As shown in Table 10 (page 31), the total benefits of \$5,195,057 far surpassed the total costs of \$422,414.

Table 10. Benefits and Costs Associated
with the Multifamily Tax Reactivation Program

<u>Benefits</u>	<u>County</u>	<u>Developer</u>	<u>Other</u>
Market Value of the Buildings		\$1,723,500	
Tax Debt Forgiven		2,725,152	
Redemption Payments	\$268,006		
1981-83 Taxes on Redeemed Parcels	64,518		
Estimated 1983 and 1984 Taxes on Program Parcels	407,661		
Interest on Escrow Account	<u>6,220</u>	<u> </u>	<u> </u>
Subtotal	\$746,405	\$4,448,652	0
<u>Costs</u>			
Lost Opportunity Costs	\$98,600		
State's Attorney Costs	\$18,600		
Title Report Costs	\$4,600		
Sheriff Costs	\$2,414		
Prescreening Costs			\$1,900
Administration Costs			27,000
Legal Liaison Costs			26,000
Developer Costs	<u> </u>	<u>\$243,300</u>	<u> </u>
Subtotal	\$124,214	\$243,300	\$54,900
NET	\$622,191	\$4,205,352	(\$54,900)

Cook County costs were approximately half the developer costs. However, the lion's share of the immediate benefits were realized by the developers in the acquisition savings and in the forgiveness of back taxes. These savings will in turn be passed along to low-income tenants through reduced rents. The administration and legal liaison expenses incurred by the Chicago Rehab Network and the Lawyers' Committee for Better Housing were the only costs not offset by actual financial benefits.

To compare the costs and benefits in terms of return on dollars invested in the program, three ratios were calculated. Total program benefits were compared with total program costs, developer savings were compared with developer costs and Cook County income was compared with Cook County costs. In every case, the return on the amount invested in the program is outstanding. The conclusion can be made that **the program was not only cost effective, but also an excellent investment of public funds** (see Table 11 below).

**Table 11. Benefit/Cost Ratios Associated
with the Multifamily Tax Reactivation Program**

<u>Total Benefits</u>	<u>\$5,195,057</u>	= 12.30 = 1,230% return
Total Costs	\$422,414	
 <u>Total Developer Savings</u>	 <u>\$4,448,652</u>	 = 18.28 = 1,828% return
Total Developer Cost	\$243,300	
 <u>Total County Income</u>	 <u>\$746,405</u>	 = 6.01 = 601% return
Total County Cost	\$124,214	

Intangible Benefits of the Program

There are two benefits of the Multifamily Tax Reactivation Program that cannot be quantified. These are the effect of the program on payment of tax delinquencies prior to subsequent Scavenger Sales and the positive impact on neighborhoods resulting from improvement of the program buildings.

It is assumed by the State's Attorney's office and by not-for-profit developers that many owners of tax delinquent parcels will view the likelihood of losing tax delinquent property at the 1985 Scavenger Sale as much greater than at previous sales and therefore pay taxes to keep their property from being auctioned. Clearly, the effectiveness of the Multifamily Tax Reactivation Program in removing property ownership from nonpaying owners will be the prime reason for those payments. However, since the list of properties to be sold at the 1985 Scavenger Sale has not yet been publicized, it is not possible to measure the extent of this effect.

The neighborhood impact of the rehabilitation of the 510 units projected as a result of the pilot phase of the program is substantial. Not only will bad buildings be made into decent, affordable housing, but responsible landlords will continue to manage those buildings.

CHAPTER V. IMPLEMENTATION PROBLEMS

The pilot phase of the Multifamily Tax Reactivation Program was designed to be a test of the concept and the technique. Actual experience was needed to determine the effectiveness and efficiency of the program and the process. Final evaluation of the Multifamily Tax Reactivation Program must wait until the buildings have been rehabilitated and are occupied by neighborhood residents. However, several positive conclusions can be drawn from the pilot phase of the program. These are: 1) the immediate income generated by Cook County as a result of the program was six times the amount of expenses; 2) the program had a significant positive impact on the volume of ownership transfers resulting from the Scavenger Sale; 3) the savings realized by not-for-profit developers through the program are substantial and will allow lower rent levels in buildings otherwise not financially feasible for rehabilitation; and 4) the program has added credibility to the threat of Cook County auction of property for nonpayment of property taxes.

As to be expected with any pilot program, there were problems in the initial implementation of the Multifamily Tax Reactivation Program. The prime problem was the length of time it took to secure tax deeds for the parcels. As in most things, time is money and every month the developers were delayed in assuming ownership of the buildings, the cost of rehabilitation increased. The delays were caused by the inexperience of both the developers and the attorneys in dealing with the process for securing a tax deed, lack of communication between the developers and attorneys, and legal techniques used as stall tactics by the tax delinquent owners. An analysis of the problems with the program to date are detailed below. Recommendations for improvements in the program design and administration are included in Chapter VI.

Screening Process

To ensure that the goals of the program were realized, the Cook County Board contracted with the Chicago Rehab Network to prescreen developers for eligibility and to determine that development of requested buildings was feasible. The goals of the organization and its experience in providing technical assistance to not-for-profit developers makes the Rehab Network an appropriate choice as a prescreening agent for this program. However, the method and process utilized by the Rehab Network needs improvement.

The Rehab Network appointed a volunteer committee to determine developer eligibility. Four of the six members of the committee were not-for-profit developers with a self-interest in the screening process. Although they excused themselves from discussion of their own applications, the objectivity of the committee was negatively impacted by their membership.

Specific written guidelines were used to evaluate developer and parcel eligibility (see Appendix A). However, the Rehab Network did not define and publicize the formal process for considering applications or for the appeal of applications rejected by the committee. Only after an application was rejected was an appeals process defined. The Rehab Network Board of Directors evaluated the rejected application and reversed the decision of the committee. In summary, the process of decision making was deficient in clarity and inadequately publicized.

With one exception, the criteria used to evaluate developers and parcel eligibility were appropriate in terms of the goals of the program. The one inappropriate criterion was the attempt to examine the financial feasibility of rehabilitation of the program buildings. Project pro formas were requested from each developer and examined for financial viability. Although a well-prepared project pro forma is an

indication of the sophistication of the developer and does show that at least a cursory site visit was done, it is not an appropriate screening criterion for four reasons: 1) at the time parcels are selected, most developers are not able to gain access to the buildings to inspect the condition of the building or its systems; 2) it is impossible to predict the time necessary to secure title to the buildings and the amount of deterioration in the building during that time; 3) without site control, financing can not be discussed with lenders and debt service can not be accurately projected; and, 4) at the time of the prescreening there is no indication of what, if any, housing subsidy programs will be available to help write down the cost of rehab.

Program Administration

The design of the Multifamily Tax Reactivation Program did not define or designate responsibility for overall program administration. Specific responsibilities for implementation were assigned to the Chicago Rehab Network, the designated prescreening agent, and the State's Attorney, attorney for the County Board. However, there was no official administrator to 1) monitor progress of ownership transfers, 2) coordinate communication among the various parties, and 3) solve problems that arose.

Although not included under the terms of its contract as the prescreening agent for the County, the Chicago Rehab Network continued to actively monitor the program and act as a liaison between the State's Attorney's office, the Cook County Board and the participating developers. In addition, the Lawyers' Committee for Better Housing served as a legal trouble shooter, facilitating understanding of the legal process through its communication with the State's Attorney, the Chicago Rehab Network and the developers.

The role played by both the Chicago Rehab Network and the Lawyers' Committee for Better Housing was critical to the success of the pilot phase of the program. Through regular meetings with participating developers and the State's Attorney, the organizations helped educate developers on the legal hurdles involved in the program, the nature of the property tax dodge used by unscrupulous owners, joint financing opportunities and the variety of potential problems involved in the transfer of building ownership (such as not receiving keys to the building).

However, the unofficial and informal nature of the role of these organizations resulted in some overlap of work and occasional communication failures. Their effectiveness was diminished by their lack of designated authority as program administrators.

Scheduling of the Program

The County Board approved the Multifamily Tax Reactivation Program while the 1983 Scavenger Sale was in progress. The limited time between approval and implementation of the program resulted in a very narrow marketing effort that was primarily focused on Chicago. While the majority of tax delinquent multifamily buildings are located in Chicago, the marketing efforts did not adequately reflect the countywide scope of the program.

The lack of advance notice of the program hindered the State's Attorney's ability to move quickly after the sale to begin the process of securing the tax deeds. In 1980, the Scavenger Sale redemption period for residential buildings with more than six units was shortened to six months, a significant advantage for developers requesting parcels under the terms of the program. However, the slow start by the State's Attorney resulted in

substantial delays of ownership transfer for some program parcels. In fact, issuance of tax deeds for two program parcels was still pending as of March 1, 1985, nearly two years after the sale.

The short lead time allowed by timing of the approval of the program limited the amount of research on the requested parcels that could be done by the developers. Developers were not able to examine the tax records for the parcels they requested. None of the developers were able to accurately assess the number of notices required to release the liens on the property and most had little or no understanding of the effort involved to secure the tax deeds. In one case, a tax deed was pursued on only one of the two tax parcels occupied by a single building. This put the developer in the position of having to negotiate with the tax delinquent owner of the building for sole ownership.

Legal Process

Ownership of real estate is a basic right of every individual protected by the constitution. Therefore, the laws allowing the state to take privately held property in payment or partial payment of tax delinquency outline detailed notification procedures to ensure that the owner is given every opportunity to pay the taxes and retain ownership. The detail and inclusiveness of the notification procedures required by law make it difficult for a Scavenger Sale bidder to quickly assume ownership of tax delinquent parcels.

Difficulties in delivering the notices contributed to the delay in ownership transfer on Multifamily Tax Reactivation parcels beyond the six-month redemption period. During the initial stages of the process, communication was not well established between the State's Attorney and the Sheriff's office, causing delays in notification. Once communication

channels were established, and the priorities of the program needs were made clear, the Sheriff's Special Services Unit was utilized for difficult notice deliveries and the notification problem was greatly alleviated.

Delivery of notices to owners of program parcels was complicated by their complete unwillingness to accept notice. Not only was it difficult to discover the name and address of the owner but once identified, owners went to great lengths to avoid being served, including, in some cases, hiding from notice servers.

Perhaps the most significant delays in ownership transfer were caused by the legal maneuverings of the tax delinquent owners. There were three types of legal tactics used by the tax delinquent owners: technical objections to the process and validity of the Scavenger Sale itself; legal objections to Cook County's right to utilize the non-cash bid technique to meet the goals of the Multifamily Tax Reactivation Program; and challenges to the notification procedure for individual buildings. Although successful as a delay tactic, none of the lawsuits were successful in attacking the validity of the program or the Scavenger Sale. There is a delicate balance between the rights of property owners and the right of the state to seize property for nonpayment of property taxes; however, nuisance lawsuits used as a delay tactic unnecessarily added to the amount of time spent by both the State's Attorney and the developers and negatively impacted on the effectiveness of the Multifamily Tax Reactivation Program by increasing costs and delaying rehabilitation.

Attorney-Client Relationship

Following a successful bid at the Scavenger Sale, the bidder is responsible for completing the legal notification process necessary to secure a tax deed on the property. Because of the complexity of the process, bidders normally are represented by an attorney. Under the terms of the Multifamily Tax Reactivation Program, Cook County was the successful

bidder and was represented by the State's Attorney. However, Cook County was only interested in securing a tax deed to transfer ownership to the certified developers. In reality, the certified developers were the clients interested in ownership of the buildings.

The once removed nature of the relationship between the State's Attorney and the developers caused some misunderstandings during the redemption period. There was no structured accountability between the State's Attorney and the developers and both sides found that problematic. In particular, the developers felt the tax deed process for program parcels was not a high enough priority for the State's Attorney, which in their view contributed to delays in ownership transfer. The State's Attorney's office complained that it was not given sufficient notification of the program and did not have sufficient resources to devote to the process. The Cook County Board was not asked and did not address the problems inherent in this situation.

Management of the Buildings During the Redemption Period

The buildings selected for non-cash bids under the terms of the program had suffered from deferred maintenance but still had potential for rehabilitation. Once a non-cash bid was entered, those owners who decided not to redeem had no incentive to do anything with the buildings except collect rents. Consequently, the buildings began to deteriorate at an even faster pace than prior to the sale. In many buildings, conditions became extremely dangerous to the remaining occupants. In addition, during the redemption period many buildings were physically damaged. Some buildings suffered fires, some had damage from frozen pipes caused by lack of heating and some were stripped of valuable plumbing and electrical equipment.

The delays in the transfer of ownership exacerbated these problems. In fact, ownership of one building was refused by the developer because damage to the building during the redemption period was so serious that it made rehabilitation economically infeasible. The law does allow for the appointment of a receiver for a parcel auctioned at the Scavenger Sale. The receiver is allowed to assume management and rent collection to protect the property against damage until the ownership transfer is complete. During most of the redemption period, the State's Attorney's office recommended against receivership on the grounds that participating developers did not have a strong legal basis for requesting it. Receivership was therefore not requested for any of the program parcels during the redemption period. After ownership of the majority of the parcels had transferred, the State's Attorney's office indicated receivership for program parcels should be reconsidered. The full potential of the receivership option was not explored in time to be of use in the pilot phase of the program.

Lack of Communication

The Multifamily Tax Reactivation Program represented a new, untried approach to two serious problems: rehabilitation of deteriorated multifamily buildings and return of seriously delinquent properties to a pattern of current tax payment. Success of the program depended on teamwork from organizations not accustomed to working together. Unfortunately, a lack of clear, timely flow of information hampered the teamwork necessary to get the job done.

A lack of communication hindered the implementation of the program almost from the onset. The initial implementation of the program was rushed by the short interval between introduction of the program, Cook County Board approval and the Scavenger Sale. This resulted in late notice

of the non-cash bids to the State's Attorney's office, which delayed the issuance of tax deeds.

The State's Attorney and the developers had little experience with the process necessary to secure a tax deed. The steps of the process and responsibility for each step were not clearly communicated to either party. The result was that during the various stages of the redemption period, opportunities for faster action were missed and in some cases the opportunity for ownership transfer was lost.

The Chicago Rehab Network and the Lawyers' Committee for Better Housing attempted to monitor progress on the program and serve as liaisons between the developers and the State's Attorney. The specific duties of each organization were not outlined to either the developers or the State's Attorney. Consequently, there was some overlap and there were some omissions.

The Sheriff's office was responsible for personal delivery of some of the legal notices, an especially difficult task in the case of the more irresponsible owners. Yet the scope of this responsibility and its importance were not explained to the Sheriff until after delays and errors had been encountered.

Responsibility for overall program coordination and facilitation of communication between the parties responsible for implementation of the program was not clearly delineated, which resulted in misunderstandings in program implementation that could have been avoided.

CHAPTER VI. RECOMMENDATIONS

Cost/benefit analysis of the Multifamily Tax Reactivation Program indicates that the program is extremely cost effective for Cook County and participating developers. Evaluation of the program in terms of its benefit to neighborhoods has shown it is an effective way to utilize penalties for nonpayment of property taxes to increase the availability of quality, affordable housing for low- and moderate-income people. The conclusion of this evaluation is that the program is effective, useful and cost efficient. The program should be continued and widely publicized.

Cook County did not hold a Scavenger Sale in 1984. However, in July, 1984, the Cook County Board voted to continue the Multifamily Tax Reactivation Program through the 1985 Scavenger Sale. The County Board should be commended on its foresight and creativity in approving the pilot program and continuing the program in 1985. Despite the fact that there has been no marketing of the 1985 program and the Scavenger Sale list of properties to be offered for sale has not been publicly released, there have been a substantial number of inquiries about the program from developers.

The efficiency and effectiveness of the program can be improved by changes in three areas: the administrative process, the legal process, and the distribution of costs of the program. Specific recommendations for each area are discussed below.

Administration

The Cook County Board did not appoint a program administrator for the pilot phase of the Multifamily Tax Reactivation Program. Administration

was handled voluntarily by the Chicago Rehab Network and the Lawyers' Committee for Better Housing. Because the Cook County Board passed the program as the 1983 Scavenger Sale was in progress, there was insufficient lead time to prepare administration guidelines, market the program to developers, provide training and information to developers interested in the program, plan for coordination between the various components of the program, or arrange financing for the projects. Early announcement of continuation of the program should allow for enough lead time to address these issues in a thoughtful, deliberate manner.

The Cook County Board should amend its contract for prescreening with the Chicago Rehab Network to include responsibility for overall program administration. The administration process should contain three specific components: marketing, certification of eligible developers, and coordination of developers and attorneys during the redemption process. Recommendations for each area follow.

1. **Marketing.** A program brochure should be prepared for general distribution to inform developers about the program. This brochure need not be expensive but should clearly and completely describe the program. The key elements that need to be included are a statement of the goals of the program, a description of the process, a list of the eligibility criteria for developers, details of the financial and informational requirements, and information on where and how to submit an application.

Prior to the sale, there should be a serious effort to market the program to eligible developers throughout Cook County. This effort could include mailings to not-for-profit developers, press releases, and notices of application deadlines in selected publications. Educational seminars on how the program works and the process involved in securing a tax deed should be provided for all developers interested in participating in the program.

2. **Certification of Eligible Developers.** To be fair and objective, the screening process and eligibility criteria should be clearly defined and publicly available at the County Treasurer's office and at the Chicago Rehab Network at the time the Scavenger Sale is announced.

The screening process should include three areas: developer eligibility, parcel eligibility and developer intent. The criteria for the examination of each area should be available to applicants in writing at the time of their initial inquiry. A recommended list of specific objective criteria is provided in Appendix B (page 53).

Rehab Network staff should assume responsibility for prescreening decisions. Developer applicants should not be involved in the screening process.

Because the volume of developer applications is expected to significantly increase for the 1985 Scavenger Sale, a process for dealing with developer competition for specific buildings must be defined. It is recommended that a simple lottery system be used. This system would ensure that each developer had an equal chance of securing the parcel selected.

3. **Coordination of Developers and Attorneys During the Redemption Process.** In order to facilitate communication and timely flow of legal information between the developers and the State's Attorney's office, there is an ongoing need for a legal liaison. The specific duties involved in this role need to be clearly defined by both the developers and the State's Attorney so that accountability can be ensured.

The duties of the legal liaison should include developer education on the process for securing a tax deed, monitoring of the legal status of all program parcels and ongoing coordination of the legal information flow between the developers and the State's Attorney's office.

Now that the County Board has decided to continue the program through the 1985 Scavenger Sale, there is an opportunity to correct the legal communication problems caused by lack of advance notice in the pilot phase of the program. The State's Attorney's office should be given a complete list of parcels selected for non-cash bids as soon as the parcels are selected. If the selection process extends longer than two weeks, periodic reports of approved parcels should be forwarded to the State's Attorney's office.

Certified developers should be required to research the parcels before requesting non-cash bids. A standard form for property research needs to be developed to facilitate research and a copy of the completed form should be forwarded to the State's Attorney.

Legal Process

Owners of tax delinquent parcels were able to cause significant delays in ownership transfer through the filing of lawsuits. The Cook County Board should solicit legal research on ways to minimize the number of these types of lawsuits in the future. If appropriate, court rulings on the type of lawsuit that will be allowed by the court should be obtained.

An investigation should be made of the most cost effective and efficient way to represent the legal interests of the County and the certified developers. Possible options include: 1) a line item in the State's Attorney's budget for the Multifamily Tax Reactivation Program that

can be financed from revenues realized through the program, 2) appointment of lawyers in private practice as special assistants to the State's Attorney for the purpose of securing tax deeds on program parcels; requiring developers to retain private attorneys to represent their interests during the redemption process and to work with the State's Attorney to secure the tax deeds.

Experience with the pilot phase of the program has shown that lawyers for the slumlords are extremely well versed in the legal subtleties of property tax law. The investigation of alternatives for legal representation should include consideration of the need for familiarity and experience with the legal process of securing a tax deed, the benefits of centralization of the case load, and the value of the power of the State's Attorney's office.

Distribution of Costs During the Redemption Period

In terms of total dollars, the certified developers realized the greatest amount of benefit from the program through the saving of acquisition price and the removal of the burden of years of tax delinquencies. However, Cook County realized significant revenues from the program and was able to strengthen the reputation of the Scavenger Sale as a penalty for nonpayment of property taxes on multifamily buildings. The costs were shared proportionately by both the County and the developers. One change in the distribution of costs is recommended. The individual certified developers should order and pay for a title report on the properties they have requested. A title report is necessary to begin the notification procedure required to secure a tax deed, and developer payment for title reports is appropriate.

APPENDIX A. PROCEDURES FOR PRESCREENING
BY REHAB NETWORK

Procedure for Prescreening by Rehab Network

To enable implementation of the Tax Reactivation Program, the Chicago Rehab Network will serve as a prescreening agent to verify developer eligibility for the County. The purpose of this function is to ensure, as much as possible, that the program is not abused in either of two ways: 1) by facilitating rehabilitation of buildings that will displace current community residents and/or gentrify the neighborhood, or 2) by enabling inexperienced or unrealistic developers to acquire title to property that does not result in productive tax-paying buildings.

The Rehab Network will coordinate the efforts of technically qualified staff and an oversight committee established to administer the program. For any particular parcel, the oversight committee shall not include any developer that has expressed an interest in the parcel.

The committee will certify eligible projects and developers based on the following criteria:

1. Local community involvement and input, benefit to low and moderate income people as evidenced by:
 - a. A list of the names and addresses of the Board of Directors.
 - b. Two letters of community reference.
 - c. A letter from the developer pledging that the project will be of substantial benefit to low and moderate income (defined as less than 80% of the median income of the SMSA) residents of the community in which the project is located. The developer shall also submit a representation that a covenant guaranteeing this use will be recorded with the deed at the time the title is transferred to the developer.
2. A copy of the developer's 501(c)(3) letter.
3. A letter of financial reference.
4. Evidence of the developer's rehabilitation of six or more units of housing in buildings that are currently on the tax rolls.
5. Evidence of project feasibility based on rehab potential and a viable financial plan. Evidence shall include a pro forma which demonstrates that the project will be of substantial benefit to low and moderate income residents and continue to comply with the contractual restrictions of the program.
6. In the case of repeat applications, evidence of successful past performance under this program.
7. Resumes of staff showing they have the skills necessary to complete a project of this type.
8. Evidence that technical assistance and professional services are available to the developer for this project, as appropriate..

APPENDIX B. RECOMMENDED SCREENING CRITERIA
FOR 1985 SCAVENGER SALE

RECOMMENDED SCREENING CRITERIA FOR 1985 SCAVENGER SALE

Developer Eligibility

Only not-for-profit, tax exempt developers with rehab experience are eligible under the terms of the program. Certification should be contingent upon submission of the following:

1. A copy of the developer's 501(c)(3) letter indicating its not-for-profit status.
2. A letter of reference from the financial institution with which applicant does business.
3. Evidence of the developer's rehabilitation of six or more units of housing in Cook County multifamily buildings that are current in tax payments. OR

In the case of developers without experience, resumes of staff people demonstrating past experience in rehabilitation of at least six units in multifamily buildings.

4. For all applicants from the pilot phase of the program, evidence of successful performance to date.

Parcel Eligibility

Only multifamily buildings with six or more units and five or more years of tax delinquency are eligible. Property must be offered for sale at the 1985 Scavenger Sale. Applicants must demonstrate eligibility by submitting the following for each parcel requested:

1. The Property Index Number (PIN), address, and name and address of the tax payer of record for the parcel.
2. Research report showing that the property has only one PIN. OR evidence that all parcels are offered at the 1985 Scavenger Sale and that the applicant is requesting a non-cash bid on all PIN's applicable to the building.
3. An indication of the number of units in the building, the number occupied and the name of the person who collects the rents.
4. Verification of the total amount of delinquent taxes.
5. An insured title report showing all liens on the property.
6. A check for \$2,000 for each parcel made out to the Cook County Treasurer to establish the required escrow account.
7. A pro forma prepared by the developer projecting financial feasibility of the project.

Developer Intent

To provide some guarantee that developers use the program to further its goal of increasing the availability of quality, affordable housing for low- and moderate-income people, a restrictive covenant is recorded with the deed at the time the property transfers. The covenant states that use of the property is restricted for seven years to the substantial benefit of low- and moderate-income people. In addition, applicants must demonstrate their intent through the submission of the following:

1. A list of the names and addresses of the membership of their Board of Directors.
2. Letters of support from two different community-based organizations in the neighborhood where property is located.
3. A letter pledging that the property will be used for the substantial benefit of low- and moderate-income residents of the community in which the project is located and a representation that a covenant guaranteeing this use will be recorded with the deed at the time the title is transferred to the developer.

APPENDIX C. BUILDING PROFILES

Building Profile

Property: 701-709 North Central

P.I.N.: 16-09-100-012

Township: West Chicago

This property contains a building of 35 units. Approximately 27 units (77%) were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1981) Morris Dolin
5034 North Sheridan Road
Chicago, IL 60640

(1982-1983) Hattie Speller
8244 South Oglesby
Chicago, IL 60617

Year taxes unpaid: 1975-1982

In 1971-1973, taxes were paid by M. Dolin. No tax forfeitures are recorded prior to 1975.

In 1974, taxes were paid. However, the taxpayer apparently protested the assessment at a later date. The Circuit Court judged against the taxpayer in 1977.

In 1975, the first installment of \$5,888.54 was paid by Dolin, but the second installment of \$5,785.90 was not paid. The first installment was subsequently recorded as "refunded", so that no taxes were actually paid for 1975.

The parcel was first eligible for sale at the 1983 Scavenger Sale, when Cook County entered a non-cash bid. At that time, \$131,083.39 in taxes and interest was owed for 1975-1980. \$20,218.75 was owed for 1981 and \$11,929.29 was owed for 1982.

A tax deed was issued to Cook County on 4/30/84. Ownership was then transferred to Neighborhood Housing Services Redevelopment Corporation.

Building Profile

Property: 36-50 North Menard

P.I.N.: 16-08-420-019

Township: West Chicago

This parcel contains a building with 47 units. Only 35 units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1983) Alan J. Denenberg
11 South LaSalle Street
Chicago, IL 60603

Years taxes unpaid: 1974-1982

In 1971-1972, taxes were paid on schedule.

No forfeitures are recorded prior to 1974.

In 1973, Denenberg paid taxes of \$18,333.97 on schedule. However, he filed a certificate of error petition to dispute the assessment. The petition was denied by the court in 1975.

In 1974, Denenberg did not pay the installments on schedule. Instead, he filed a certificate of error petition to dispute the assessment. The petition was later denied, so 1974 taxes were declared delinquent.

No attempt was made to pay 1975-1980 taxes.

The property was first eligible for auction at the 1980 Scavenger Sale, when it was five years tax delinquent. At that time, the parcel's taxpayer owed \$99,489.05 in back taxes and interest for 1974-1978. The parcel was not sold.

When the property was offered at the 1983 Scavenger Sale, Cook County entered a non-cash bid. Delinquent taxes and interest for 1974-1980 totaled \$244,490.97. \$31,535.39 was owed for 1981 and \$15,506.75 was owed for 1982.

A tax deed was issued to Cook County on 6/19/84. Ownership was then transferred to PRIDE.

Building Profile

Property: 5564 West Monroe

P.I.N.: 16-16-100-022

Township: West Chicago

This property contains a building with 13 units. Twelve units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1979) Frank Malina
5564 West Monroe
Chicago, IL 60644
(1980-1983) Maywood Prov. St. T 2981
411 Madison
Maywood, IL 60153

Years taxes unpaid: 1976-1982 (1983)

In the years 1971-1974, all installments were paid on schedule. No tax forfeitures are recorded prior to 1975.

The first installment of \$2,870.91 was paid for 1975, but only part of the second installment (\$1,750 of \$2,921.82) was paid. The unpaid portion of the 1975 taxes was forfeited, but the forfeiture was redeemed in 1978.

In 1976-1980, taxes were not paid.

In 1981, taxes of \$4,720.83 were not paid.

In 1982, taxes of \$5,197.20 were not paid. Instead, the delinquent taxes were purchased at the Annual Tax Sale by a taxbuyer, L.A. Investments, which bid an 18% interest rate.

1983 taxes of \$5,146.83 had not been paid as of 1/8/85.

The property was first eligible for sale at the 1983 Scavenger Sale, when it was more than five years tax delinquent. The parcel's taxpayer owed \$35,808.05 in back taxes and interest for 1976-1980. Though Cook County made a non-cash bid on the parcel, it was redeemed for a 5% payment of \$2,221.64 by Paul Huey on 3/15/84. However, the 5% redemption payment was ruled unacceptable by the Court. The \$2,221.64 was retained in partial payment of the delinquent taxes, but the redemption was invalidated. Cook County is now in the process of obtaining the tax deed and ownership will be transferred to PRIDE.

Building Profile

Property: 5700 West Washington

P.I.N.: 16-08-415-033

Township: West Chicago

This property contains a building with 20 units. All units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1975) A. Rosenshine
222 North Adams Street
Chicago, IL 60606

(1976) A. G. Bennell
4538 West Main Street
Skokie, IL 60076

(1977-1983) Ray Shanklin
708 North Homan
Chicago, IL 60624

Years taxes unpaid: 1974-1982 (1983)

In 1971-1973, taxes were paid on schedule. No forfeitures are recorded prior to 1974.

In 1974-1980, taxes are not paid.

The property was first eligible for sale at the 1980 Scavenger Sale, when it was five years tax delinquent. \$36,319.90 in back taxes and interest was owed for 1974-1978. The parcel was not sold.

When the property was offered at the 1983 Scavenger Sale, Cook County entered a non-cash bid. At that time, delinquent taxes and interest for 1974-1980 totaled \$83,389.71. In addition, \$9,002.63 was owed for 1981 and \$6,074.53 was owed for 1982, making a total delinquency bill of \$98,466.87.

As of 1/8/85, 1983 taxes of \$6,015.66 had not been paid.

The redemption period for the property has been extended to 3/15/85. If Cook County obtains a tax deed, ownership will be transferred to Circle Christian.

Building Profile

Property: 133-145 South Central

P.I.N.: 16-16-106-001

Township: West Chicago

This property contains a building of 26 units. Twenty-two units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1977) LaSalle Mortgage and Realty
6232 North Pulaski, Room 301
Chicago, IL 60646

(1978-1983) Citywide Realty
60 North Central Avenue
Chicago, IL 60644

Years taxes unpaid: 1974-1982

In 1971-1973, all installments were paid on schedule. However, a certificate of error petition was filed to dispute the 1973 assessment. The petition was denied in 1975. No forfeitures are recorded prior to 1974.

The property was first eligible for sale at the 1980 Scavenger Sale, when it was five years tax delinquent. At that time, \$38,287.02 in back taxes and interest for the years 1974-1978 was due. The parcel was not sold at the Sale.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$96,909.83. In addition, \$13,829.15 was owed for 1981 and \$9,295.71 was owed for 1982. Total delinquency was \$120,034.69.

Cook County entered a non-cash bid for the parcel at the 1983 Scavenger Sale. A tax deed was issued to Cook County on 1/8/85. Ownership was then transferred to PRIDE.

Building Profile

Property: 42-52 West Waller

P.I.N.: 16-08-421-016

Township: West Chicago

This property contains a building of 44 units. All units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1977) LaSalle Mortgage and Realty
6232 North Pulaski, Room 301
Chicago, IL 60646

(1978-1983) Citywide Realty
60 North Central Avenue
Chicago, IL 60644

Years taxes unpaid: 1974-1982 (1983)

Taxes for 1971 and 1972 were paid by LaSalle on schedule.

In 1973, taxes were paid by LaSalle, but a certificate of error petition was filed to dispute the assessment. The petition was later denied.

In 1974, the first installment of \$2,485.08 was paid by LaSalle. However, the second installment of \$8,024.11 was not paid, so taxes were forfeited for that year.

In 1975-1980, no taxes were paid.

The property was first eligible for auction at the 1980 Scavenger Sale, when it was five years delinquent. The parcel's taxpayer owed \$50,118.70 in back taxes and interest for 1974-1978. The parcel was not sold.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$116,568.36.

\$12,005.00 was owed for 1981 and \$6,552.75 was owed for 1982.

As of 1/8/85, 1983 taxes of \$6,489.24 had not been paid.

On March 19, 1985, the court ruled the original notice to the interested parties was not within the schedule set by the law. Therefore, no tax deed could be issued. The property remains tax delinquent and Citywide Realty retains ownership.

Building Profile

Property: 7713-7721 North Hermitage

P.I.N.: 11-30-215-005

Township: Rogers Park

This property contains a building of 49 units. Nine units were vacant at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1979) Eugene Matanky & Associates
5301 North Broadway
Chicago, IL 60640

(1980-1981) No Name
7713 North Hermitage
Chicago, IL 60626

(1982-1983) Metro Investments, Inc.
P.O. Box 87
River Grove, IL 60171

Years taxes unpaid: 1974-1982

Taxes were paid on schedule prior to 1974.

The property was first eligible for sale at the 1980 Scavenger Sale, when it was five years tax delinquent. \$74,386.45 in back taxes and interest for the years 1974-1978 was delinquent. The parcel was not sold.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$180,630.85.

In addition, \$23,489.71 was owed for 1981 and \$25,745.73 was owed for 1982, making the total delinquency \$229,866.29.

Cook County entered a non-cash bid for the parcel at the 1983 Scavenger Sale. A tax deed was issued to Cook County on 8/16/84. Ownership was then transferred to People's Housing.

Building Profile

Property: 7048 South Merrill

P.I.N.: 20-24-423-021

Township: Hyde Park

This property contains a 51-unit building. Fifteen units were vacant at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1983) Herbert Edwards
7134 Exchange Avenue
Chicago, IL 60649

Years taxes unpaid: 1974-1982

1971-1973 taxes were paid on schedule. No forfeitures are recorded prior to 1974.

The property was first offered for sale at the 1980 Scavenger Sale, when it was five years tax delinquent. At that time, \$95,917.02 in back taxes and interest was due for 1974-1978. The parcel was not sold at that Scavenger Sale.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$215,515.53.

In addition, \$24,545.28 was owed for 1981 and \$26,902.73 was owed for 1982. The total tax bill was \$266,963.54

Cook County entered a non-cash bid for the parcel at the 1983 Scavenger Sale. A tax deed was issued to Cook County on 11/30/84. Ownership was then transferred to The Neighborhood Institute.

Building Profile

Property: 5001 West Monroe

P.I.N.: 16-16-204-022

Township: West Chicago

This property contains a building of 26 units. Twenty units were vacant at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1976) Silverwood, Inc.
1938 East 71st Street
Chicago, IL 60649

(1977-1983) United States Realty
5201 West Congress
Chicago, IL 60649

Years taxes unpaid: 1974-1982

Property taxes for 1971-1973 were paid on schedule. No forfeiture is recorded prior to 1974.

The property was first eligible for sale at the 1980 Scavenger Sale, when it was five years tax delinquent. The parcel's taxpayer owed \$53,744.10 in back taxes and interest for 1974-1978. The parcel was not sold at that Sale.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$124,686.67.

In addition, \$13,917.56 was owed for 1981 and \$9,050.01 was owed for 1982. Total delinquency was \$147,654.24.

Cook County entered a non-cash bid for the parcel at the 1983 Scavenger Sale. A tax deed was issued to Cook County on 4/30/84. Ownership was then transferred to PRIDE.

Building Profile

Property: 4359 West Maypole

P.I.N.: 16-10-412-001

Township: West Chicago

This property contains a building with 12 units. None of the units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1975) Henry Fingerhut
4508 North Troy Street
Chicago, IL 60625

(1976-1983) King Glory Tabernacle
Congregation
P.O. Box 509
Oak Park, IL 60303

Years taxes unpaid: 1975-1979, 1981-1982

In 1971, Fingerhut paid taxes of \$8,902.30 on schedule.

In 1972, the first installment of \$4,537.33 was paid on schedule, but only part of the second installment (\$4,027.43 of \$4,537.33) was paid in smaller amounts over several months. A certificate of error petition was filed to dispute the 1972 assessment, but the court denied the petition on 11/19/75. Despite this order, a "duplicate and overpayment" stamp for \$2,903.34 was recorded in the warrant book on 12/2/75. A protest against an illegal rate refund was entered on 2/13/80.

According to a note recorded in the 1975 warrant book, Fingerhut did not pay 1973 taxes. However, the 1973 warrant book notes that small installments were received throughout 1974 until the total amount due for 1983 (\$5,609.86) was received.

In 1974, taxes of \$5,511.62 were paid by Fingerhut. However, apparently the assessment was protested at a later date and a \$3,459.08 refund was requested. The court ruled against the taxpayer in 1978.

In 1975, a first installment of \$4,109.15 was paid on schedule. However, the second installment of \$692.25 was not paid.

In 1976-1979, no taxes were paid.

In 1980, taxes were paid late. Though due in 1981, the \$10,280.30 was paid by King Glory on 4/15/82.

The parcel was first eligible for sale at the 1983 Scavenger Sale. At that time, \$41,949.39 in taxes and interest was owed for 1975-1979. \$10,653.56 was owed for 1981 and \$6,190.94 was owed for 1982.

Cook County entered a non-cash bid at the 1983 Scavenger Sale. In addition, a tax deed was issued to Cook County on 4/30/84. Ownership was then transferred to Bethel New Life.

Building Profile

Property: 130 North Leamington

P.I.N.: 16-09-420-007

Township: West Chicago

This property contains a a building with 22 units. All units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (pre-1972) Ohtweeten Lundegard & Co.
53 West Jackson
Chicago, IL 60604

(1973-1981) Kaplan Assts. Agents
3257 North Halsted
Chicago, IL 60657

(1982-1983) Citywide Realty - CEAM
60 North Central Avenue
Chicago, IL 60644

Years taxes unpaid: 1973-1980

In 1970-1972, all taxes were paid on schedule. No tax forfeitures were recorded prior to 1973.

In 1973, the first installment of \$4,364.93 was paid, but the second installment (\$4,285.48) was not paid. A certificate of error petition was filed to dispute the assessment. The petition was denied by the court in 1975, and 1973 taxes were declared delinquent.

In 1974, taxes were not paid and were forfeited. However, according to the 1974 warrant book, the forfeiture was redeemed in 1977. No explanation for the redemption was given.

In 1975-1980, no taxes were paid.

Before the 1983 Scavenger Sale, 1981 taxes of \$9,637.20 were not paid. Instead, the delinquent taxes were purchased at the Annual Tax Sale by D.S. Associates, which bid an 18% interest rate.

Cook County entered a non-cash bid at the 1983 Scavenger Sale. The property was subsequently redeemed by Louis Auslander on 7/21/83 for \$50,141.98. At that time, Auslander also paid the 1981 taxes (plus interest) which had been sold to D.S. Associates.

On May 31, 1984, Citywide Realty paid 1982 taxes of \$7,668.03.

130 North Leamington
Page 2

Both installments for 1983 (\$3,834.02 and \$3,759.74) were paid on schedule by Citywide Realty.

If the property had not been redeemed, Cook County would have obtained it and then transferred ownership to PRIDE.

Building Profile

Property: 312-318 North Pine
P.I.N.: 16-09-300-013 and -014
Township: West Chicago

This property contains a building with 38 units. All of the units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1973-1978) Oscar S. Ginsburg
2329 West Morse
Chicago, IL 60645
(1979-1981) Stanley Ginsburg
1212 Adirondack
Northbrook, IL 60062
(1982-1983) Mrs. Eileen Field
1020 Sussex Drive
Northbrook, IL 60062

Years taxes unpaid: 1974-1981

The 1971-1973 taxes were paid on schedule. No tax forfeitures are recorded prior to 1974.

In 1974, the first installment of \$7,720.16 (for parcels 16-09-300-013 and -014) was paid on schedule by Oscar Ginsburg. However, only part of the second installments was paid (\$1,004.06 of \$6,265.51 for 013 and \$996.95 of \$6,185.40 for 014) and a certificate of error petition was filed to dispute the assessments. The petitions were denied in 1978, so 1974 taxes were declared delinquent.

In 1975, the first installment was paid for parcel 16-09-300-013, but only partially paid for parcel 16-09-300-014. The second installment was not paid for either parcel and a certificate of error petition was filed to dispute the assessments. The petitions were denied in 1978 and 1975 taxes were declared delinquent. The unpaid 1975 taxes were offered for sale in the 1980 Objections Sale, but were not purchased.

In 1976, the first installment was only partially paid on both parcels and the second installments were paid in full. The taxes were forfeited, but were redeemed on 12/20/79.

In 1977, taxes were not paid.

In 1978, the first installment was paid for both parcels, but the second installment was not paid.

In 1979, taxes were not paid.

In 1980, taxes of \$8,533.91 on parcel 16-09-300-013 and \$8,868.93 on parcel 16-09-300-014 were not paid.

In 1981, taxes of \$15,068.14 (for 013 and 014) were not paid. Instead, the delinquent taxes were purchased at the Annual Tax Sale by a taxbuyer, Jo-M, which bid an interest rate of 18%. However, this sale was ruled in error after the tax was paid by LaSalle National Bank on 3/14/84.

In 1982, taxes of \$12,335.64 (for 013 and 014) were paid on time by Field.

The parcels were first eligible for auction at the 1983 Scavenger Sale. Though Cook County made a non-cash bid on the parcels, both parcels were redeemed on 3/14/84 by LaSalle National Bank Trust #29632. The County received \$47,887.86 for parcel 16-09-300-013 and \$48,805.26 for parcel 16-09-300-014.

At the time of the 1983 Sale, \$38,594.24 for parcel 013 and \$39,334.08 for parcel 014 in taxes and interest were owed for 1974-1980.

1984 taxes totaling \$12,216.10 were paid on schedule.

If the property had not been redeemed, Cook County would have obtained it and then transferred ownership to Circle Christian.

Building Profile

Property: 310 North Menard

P.I.N.: 16-08-402-024

Township: West Chicago

This property contains a building with 48 units. Two units were vacant at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1978) Town Management Corp.
2150 North Lincoln Park West
Chicago, IL 60614

(1979-1983) Inland Real Estate Corp.
1919 Midwest Road
Oak Brook, IL 60521

Years taxes unpaid: 1974-1978

In 1971-1973, Town Management paid all installments on schedule. However, a certificate of error petition was filed to dispute the 1973 assessment. The petition was denied in 1975.

No tax forfeitures were recorded prior to 1974.

In 1974-1977, no taxes were paid.

In 1978, Town Management paid the first installment of \$5,768.80 on schedule, but paid only \$2,472.94 of \$13,387.41 due for the second installment. A certificate of error petition was filed to dispute the assessment. The petition was denied in 1982 and 1978 taxes were declared delinquent.

In 1979, taxes were paid on schedule by Inland Real Estate. 1980, 1981 and 1982 taxes were also paid on schedule (\$10,427.10, \$10,805.70 and \$12,887.95, respectively).

The property was first eligible for auction at the 1980 Scavenger Sale, when it was five years tax delinquent. At that time, \$56,315.66 in back taxes and interest for 1974-1978 was due. The parcel was not sold.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1978 totaled \$95,902.83. Though Cook County made a non-cash bid on the parcel, it was redeemed for \$118,949.48 by Inland Real Estate Corp. The payment was recorded as paid under protest on March 15, 1984.

Both installments of 1983 (\$6,443.98 and \$6,319.00) were paid on schedule.

If the property had not been redeemed, Cook County would have obtained it and then transferred ownership to Circle Christian.

Building Profile

Property: 6924 South Clyde

P.I.N.: 20-24-415-015

Township: Hyde Park

This property contains a building of 34 units. None of the units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1983) Lincoln Realty Co.
6244 South Kolmar Avenue
Chicago, IL 60629

Years taxes unpaid: 1974-1982

Taxes for 1971-1973 were paid.

The property was first eligible for sale at the 1980 Scavenger Sale, when it was five years tax delinquent. At that time, the parcel's taxpayer owed \$55,495.49 in back taxes and interest for the years 1974-1978. The parcel was not sold at that Scavenger Sale.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$118,676.04.

In addition, \$11,606.41 was owed for 1981 and \$12,721.17 was owed for 1982. The total amount owed Cook County for property tax was \$143,003.62.

Cook County entered a non-cash bid at the 1983 Scavenger Sale. A tax deed was issued to Cook County on 12/7/84. Ownership was then transferred to The Neighborhood Institute.

Building Profile

Property: 6938-6944 South Clyde

P.I.N.: 20-24-415-016 and -017

Township: Hyde Park

These two parcels contain one building of 54 units. Only one parcel (016) containing 27 units was secured through the program. Twenty of the 27 units (74%) were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1977) Frances Apt. Corp.
208 South LaSalle Street
Chicago, IL 60604

(1978) David Apter
180 North LaSalle Street
Chicago, IL 60601

(1979-1983) Unknown

Years taxes unpaid: 1974-1982

Taxes were paid on schedule for 1971-1972 by Frances Apt. No forfeitures are recorded prior to 1974.

In 1973, the first installment of \$3,985.48 (per parcel) was paid on schedule by Frances Apt. The second installment of \$3,912.90 (per parcel) was not paid. Instead, the delinquent taxes were purchased at the annual tax sale by a taxbuyer, DRG, which bid an interest rate of 12%.

In 1974-1977, taxes were not paid by Frances Apt. Corp.

In 1978, taxes were not paid by David Apter.

In 1979-1980, taxes were not paid and the taxpayer of record is listed as "unknown" in the warrant books.

The parcels were first eligible for sale at the 1980 Scavenger Sale, when more than five years tax delinquent. \$33,252.00 in back taxes and interest was overdue for 1974-1978. Neither parcel was sold.

When the two parcels were offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$72,363.92.

In addition, \$7,312.78 (per parcel) was owed for 1981 and \$8,015.16 (per parcel) was owed for 1982.

A tax deed for parcel 016 was issued to Cook County on 7/9/84. Ownership was then transferred to The Neighborhood Institute. Because the Institute did not obtain 017, it cannot begin rehabilitating the property. The building is currently in receivership.

Building Profile

Property: 136-142 North Parkside

P.I.N.: 16-08-416-022

Township: West Chicago

This property contained a 26-unit building. Approximately 20 units (77%) were occupied at the time of the 1983 Scavenger Sale. The building was severely damaged by fire after the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1973) LaSalle Mortgage & Realty
6232 North Pulaski, Room 301
Chicago, IL 60646

(1974-1983) Citywide
60 North Central Avenue
Chicago, IL 60644

Years taxes unpaid: 1974-1982

Taxes were paid on time by LaSalle Mortgage for 1971-1973. A certificate of error petition was filed to dispute 1973 taxes. The petition was later denied.

Citywide did not pay any taxes for the years 1974-1982.

The property was first eligible for sale at the 1980 Scavenger Sale, when it was five years tax delinquent. At that time, \$20,940.46 in back taxes and interest for 1974-1978 was due. The parcel was not sold at the Sale.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$49,920.09. \$6,194.36 was owed for 1981 and \$5,171.36 was owed for 1982, for a total tax bill of \$61,285.81.

Cook County entered a non-cash bid at the 1983 Scavenger Sale. Subsequently, a petition to expunge was requested on the property, since it was damaged by fire and the developer, Circle Christian, decided rehab was no longer financially feasible.

Building Profile

Property: 4455 West West End

P.I.N.: 16-10-327-001

Township: West Chicago

This property contains a building of more than 18 units. None of the units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1971-1978) L. J. Laurion, Inc., Agent
5943 West Madison Street
Chicago, IL 60644

(1979-1983) Same taxpayer
6107 West North Avenue
Oak Park, IL 60302

Years taxes unpaid: 1975-1982

In 1971-1974, taxes were paid on schedule by Laurion.

In 1975, the first installment of \$2,466.30 was paid on schedule. However, the second installment of \$2,510.07 was not paid.

In 1976-1980, no property taxes were paid.

The property was first eligible for sale at the 1983 Scavenger Sale. \$50,384.01 in back taxes and interest for the years 1975-1980 was owed Cook County. In addition, \$8,339.55 was owed for 1981 and \$6,385.57 was owed for 1982. The total delinquency was \$65,109.13.

Cook County entered a non-cash bid at the 1983 Scavenger Sale. A tax deed was issued to Cook County on 4/30/84. Ownership was then transferred to Bethel New Life.

Building Profile

Property: 4301 West West End Avenue

P.I.N.: 16-10-418-019

Township: West Chicago

This property contains a building of more than 12 units. Eleven units were vacant at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1970-1977) Elizabeth Connelly
210 North Kenilworth
Oak Park, IL 60302
(1978-1983) North Star Missionary Works
1257 South Pulaski
Chicago, IL 60623

Years taxes unpaid: 1972-1982

Taxes were paid by Connelly for the years 1970-1971.

1972 taxes were not paid.

1973 taxes were not paid, but a certificate of error petition was filed. This was denied in 1975.

The property was first eligible for sale at the 1979 Scavenger Sale, when it was more than five years tax delinquent. The delinquent tax bill at that time was \$18,701.57. The parcel was not sold at the Sale.

The property was offered for sale again at the 1980 Scavenger Sale. At that time, \$22,071.66 in back taxes and interest for 1972-1978 was due. The parcel was not sold.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1972-1980 totaled \$51,032.36. In addition, \$4,418.48 was owed for 1981 and \$4,279.26 was owed for 1982. The total amount delinquent was \$59,730.10.

Cook County entered a non-cash bid at the 1983 Scavenger Sale. A tax deed was issued to Cook County on 8/16/84. Ownership was then transferred to Bethel New Life.

Building Profile

Property: 5700-5716 West Race
P.I.N.: 16-08-218-018 and -019
Township: West Chicago

These two parcels contain one building of 48 units. All units were occupied at the time of the 1983 Scavenger Sale.

Taxpayer name and address: 16-08-218-018

(1971-1979) Edward Elton
145 North Mason
Chicago, IL 60644

(1980-1983) Lauren Davis
11075 Terrace Drive
Forestville, CA 95436

16-08-218-019

(1971-1973) Edward Elton
145 North Mason
Chicago, IL 60644

(1974-1976) Vogue Realty
420 East 47th Street
Chicago, IL 60653

(1977-1979) Homeowner
751 Oakwood Blvd.
Chicago, IL 60615

(1980-1983) Lauren Davis
11075 Terrace Drive
Forestville, CA 95436

Years taxes unpaid: 1976-1982 (1983)

1971-1974 taxes for parcel 16-08-218-018 were paid by Edward Elton.
1971-1973 taxes for parcel 16-08-218-019 were paid by Edward Elton and 1974 taxes were paid by Vogue Realty. No tax forfeitures are recorded for either parcel prior to 1975.

In 1975, taxes were not paid for either parcel. The taxes for both parcels were purchased at the Annual Tax Sale by a taxbuyer, Interstate, which bid an interest rate of 12%.

5700-5716 West Race
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In 1976-1980, no taxes were paid on either parcel by any of the taxpayers of record.

The two parcels were both eligible for auction at the 1983 Scavenger Sale, when more than five years tax delinquent. At that time, parcel 16-08-218-018 owed \$17,092.35 and parcel 16-08-218-019 owed \$123,855.39 in taxes and interest for 1976-1980.

In addition, \$10,763.63 (018) and \$14,934.31 (019) were owed for 1981 and \$10,307.64 (018) and \$14,300.09 (019) were owed for 1982.

1983 taxes for both parcels were not paid as of January 8, 1985.

A tax deed has been ordered and will be issued to Cook County shortly. Ownership will then be transferred to Neighborhood Housing Services Redevelopment Corporation.

Building Profile

Property: 4000 West Washington Boulevard

P.I.N.: 16-10-421-053

Township: West Chicago

This property contains a building of 159 residential units and 8 commercial units. One hundred three residential units and four commercial units were vacant at the time of the 1983 Scavenger Sale.

Taxpayer name and address: (1974-1983) Lawrence Levinson
4000 West Washington Blvd.
Chicago, IL 60624

Years taxes unpaid: 1974-1982

Though parcel 16-10-421-053 was listed as a new parcel in 1974, there was a Levinson property listed under the number 16-10-421-035 in previous years. 035 and 053 are probably the same properties, since 035 is listed as a divided parcel in 1974 and is not assessed, while 053 is listed as a new parcel and is assessed.

In 1971-1972, Levinson paid all taxes on parcel 16-10-421-035 on schedule. No previous tax forfeitures are recorded.

In 1973, only the first installment for parcel 16-10-421-035 was paid. The second installment of \$22,922.27 was not paid. A certificate of error petition was filed in regard to the 1973 taxes, but was denied in 1975.

In 1974-1981, Levinson did not pay taxes on the new parcel (053).

In 1982, the first installment of \$15,908.53 was paid, but the second installment of \$12,777.60 was not paid. Later, the first installment was recorded as "refunded," so that no taxes were actually paid for 1982.

The property was first eligible for sale at the 1980 Scavenger Sale, when parcel 053 was five years tax delinquent. The parcel's taxpayer owed \$227,156.09 in back taxes and interest for 1974-1978. The parcel was not sold.

When the property was offered at the 1983 Scavenger Sale, delinquent taxes and interest for 1974-1980 totaled \$551,115.74.

A tax deed was issued to Cook County on 12/4/84. Ownership was then transferred to Bethel New Life.