

Interpreting and Chapter 5: Using Tax Searches

Introduction

Tax searches, like title searches, help the researcher to uncover the hidden politics of local real estate as well as facts about particular properties. Property taxation is one of the local government's major links to the politics, power, and profits of local real estate, a tool for controlling growth patterns as well as a source of financial rewards for political favors. It is no coincidence that in many large cities across the nation, the Assessor's Office has become synonymous with corruption: e.g., P.J. Cullerton in Chicago, Russell Walden in San Francisco, and Ted Anzalone in Boston.

Property taxes are a major concern of individual property owners. Although large commercial and industrial owners have displayed (through appeals) some control over the amount of taxes they pay, individual homeowners have exercised less control. This chapter contains illustrations of how property tax research has been used by community groups and how they have managed to cut through the barriers of confusion thrown up by public officials.

Vignettes

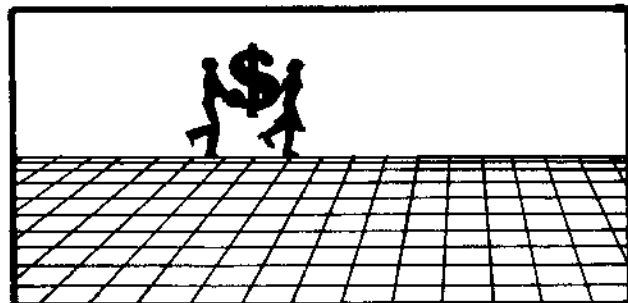
Deadbeat Owners—A community group was working with a local development corporation (LDC) that planned to build some new housing in the area. Many of the proposed sites were in the hands of private owners and the LDC had been contacting them to negotiate sales. There were two holdouts—both demanding unrealistically high prices. Anxious to demonstrate its support for the project and to involve more members in the acquisition process, the community organization volunteered to take over the job of persuasion. The staff prepared a fact sheet that included information about where the owners lived, how long they had owned their properties, whether their building had been in court, and how much in back taxes they owed.

During the process of trying to persuade the owners to sell, it became clear that many people were troubled by the idea of telling other people what to do

with their property. Everyone agreed that the owners were asking for too much money and were hindering the chance for neighborhood revitalization, but the idea of "interfering with an individual's property rights" seemed too radical. A turning point was reached when people realized that neither owner had paid his property taxes for the past four years. Not only had they failed to maintain their deteriorated and ultimately vacant properties, they had also refused to pay what the law considered to be their fair share. At that point people felt that the owners had forfeited some of their "property rights."

We're not blighted—We paid our taxes!—A northwest side organizer discovered an urban renewal plan which threatened to lead to the demolition of a block of residential buildings which were primarily owner occupied. The community group for that area produced a profile of all the buildings, including the information that there were no tax delinquencies. Local residents were able to use this fact sheet at several demonstrations to convince their neighbors, the press, and finally the Federal government that the slum and blighted designation was unjustified.

Tax research can help make a "bad" owner look worse or a good owner look better.



Big Breaks for Big Business—A question in every property owner's mind at tax time is, whether everyone is paying his or her fair share. In Cook County the legislature determined that the fair share for industrial property would be based on an assessed value of 45% (since changed to 40%) of fair market value. Many homeowners doubt that big corporations

are actually paying this rate, and community organizations have had some luck in uncovering cases of actual non-compliance. The case study which follows suggests some mechanisms for investigating the issue.

In the early 70's Citizens Action Program (CAP) uncovered several "unofficial" tax breaks granted by Tax Assessor P.J. Cullerton to such large corporations as U.S. Steel, Illinois Central RR, and the five race tracks in the Chicago metropolitan area. In the period from July 1971 to November 1972, CAP launched a sophisticated research and press campaign to expose and reverse these underassessments. During the campaign CAP was unable to get access to many of the Assessor's records, such as property record cards. This lack of public access in turn became an issue and was reversed because of a threatened class action suit, which called for public access to all the Assessor's records. In the meantime, though, CAP researchers had to develop methods of estimating a "value" for the properties to compare to the Assessor's value. In the U.S. Steel study they used a capital output ratio:

The insurance industry, according to Chicago Today tax reporter Leigh M. Morris, evaluates steel mills on the basis of \$300 per ton of annual production. Fortune reports new steel mills of large companies costing as much as \$350 per ton of annual production (March 1971, p. 141). These estimates show that CAP's calculations give the Corporation the benefit of every doubt in arriving at the tax break charged. (CAP used a figure of \$219 per raw ingot ton.)¹

Now CAP researchers had only to plug in the mill's production figures, readily available from the company's annual reports, to compute the value of the mill when new. They could then apply the proper condition factor (allowance for depreciation) and assessment ratio, both obtainable at the Assessor's office, to figure the amount of taxes the mill should be paying.

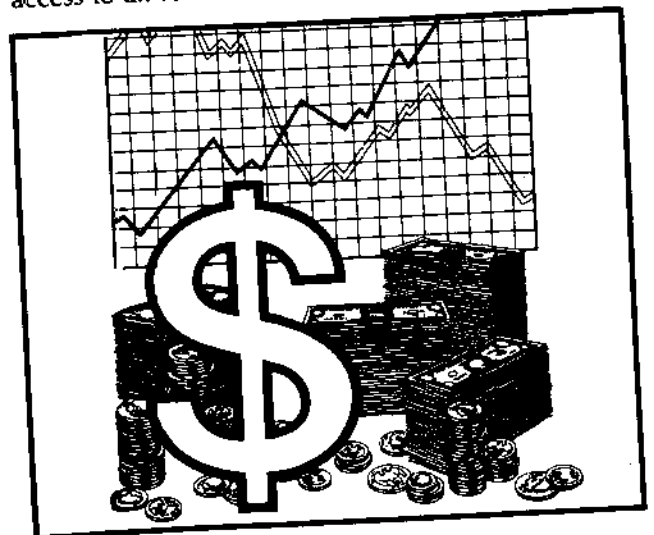
CAP turned to other sources to test the Assessor's estimates of fair market value in the race track study. CAP had found that Cullerton normally gave tax breaks on improvements but assessed the land itself very strictly; this was definitely the case in the steel industry. Most of the real value of race tracks, however, is in the land, so here he made an exception. CAP used land values found in Olcott's Blue Book,

regarded by the National Association of Real Estate Boards as the accepted source book for real estate appraisal in Chicago, to compare with the Assessor's values. They found that the Arlington Park land was assessed at 3.5% of its market value, far lower than the 45% ratio then called for under the Cook County classification system.

Fortunately for CAP, the race tracks have to make yearly financial reports to the Illinois Racing Board. Because these reports are public information CAP was able to use the race tracks' own information several times:

Using data on file at the Racing Board, the CAP Research Group calculated the market value of the improvements at Cook County Tracks. By applying the 45% Assessor's rule for commercial property (after appropriately depreciating the property), they derived the figures for what the assessments should be for each track. . . . All of the improvements at Arlington and Washington, including the Arlington Park Towers Hotel, cited above, should be assessed at \$12,154,338; but are assessed at only \$7,180,333 for a tax break of 41%²

By employing valid research techniques, some good hunches, and some good presswork, CAP was able to put together a convincing case. The Assessor's Office disputed some of their calculations, but the evidence mounting up against Cullerton made it unnecessary to prove each point. CAP eventually won some reassessments and a bill guaranteeing public access to all records of the Assessor's office.



Social Scientific Research Works for the People—In 1981 the Appalachian Land Ownership Task Force, a coalition of community groups, academics, and local individuals, completed an investigation of land ownership patterns and their impact on the Appalachian region.³ The research project was begun as the direct result of a flood in 1977 which swept through much of Appalachia and left 25,000 people homeless. When the people of the area began to think about rebuilding they were struck by the realization that there was nowhere to rebuild; almost all the land was owned by large coal companies.⁴ A mass meeting of community groups in the area was held to discuss the issue, and it gave birth to a coalition known as the Appalachian Alliance. The Alliance made land ownership research a top priority and established the Land Ownership Task Force to undertake the task.

The study that resulted documented the ownership of land and mineral rights in the parts of six states that make up the Appalachian region. Published in February 1981, the findings were not surprising. Most of the land and mineral rights are held by large absentee corporations which are not paying anywhere near their "fair share" of taxes. The study focuses on the implications of the low taxation rate: poor municipal services; inadequate housing; poor educational systems; and loss of economic control by the residents of the rural Appalachian counties.

An important aspect of the Appalachian study is that an educational and political base was built into the research. Because of the large area, it took three years to collect the data; all of the research was done by teams of area residents. Throughout the study period, researchers discussed how to analyze the findings and how best to use the results. The study not only produced solid documentation but also a political base from which to begin to fight for changes. Citizens' groups in many of the counties involved in the study immediately started working toward the tax reforms suggested by it.

The Appalachian land use study incorporates many characteristics of successful social scientific research. More important, throughout the three years of data collection and after, it functioned as an important organizing tool, mobilizing community groups and residents throughout the Appalachian region.

Blacks Pay More—A 1979 study⁵ by students at the University of Illinois uncovered the fact that in Cook County one-to-four-unit residential structures in black

neighborhoods are assessed at a higher percentage of market value than are structures in similar white neighborhoods. This study followed several others, in Boston as well as Cook County, that had reported similar findings.⁶

The 1979 study, relying on a data base of 3,915 properties spread among six black and six white neighborhoods, used sales prices as a measure of market value. These prices were gathered from a State of Illinois Department of Local Government Affairs computer tape of 1967 sales in Cook County and from Real Estate Data, Inc. (REDI) listings of sales for 1977 and January-March 1978. Assessments of records as of the end of 1978 were gathered for each property from the microfiche listing in the Assessor's office. Regression equations were used to adjust for the difference in time between dates of sale and assessment and for possible first or second order effects of price on the level of assessed valuation.*

Although this study added to the growing evidence that residential properties are assessed at a higher percentage of market value in black neighborhoods than in white, its impact in black communities was not great. As was the case with earlier studies, the discovery of the inequality of tax assessments never reached community agendas.

Tax Delinquency and Disinvestment—In the early and mid 1970s, several South Shore organizations became involved in monitoring and intervening in the process of disinvestment occurring in their community. One of the best, although late, indicators of disinvestment is real estate tax delinquency. Properties that are delinquent for several consecutive years may be in financial trouble, with arson, abandonment, and demolition possible outcomes.

One study of South Shore⁷ collected tax information for the period 1964-74 on South Shore large - rental properties. Tax delinquency for these properties was relatively infrequent in 1964 (less than 1% in given year), abruptly increased in 1971 (12%), and climbed to 25% in 1974. Prior to 1971 redemption was frequent, but in 1974 11% of the large rental properties had been delinquent for three consecutive years.

In general, local organizations chose housing development rather than organizing as an intervention strategy. Nonetheless, the information gathered

*Interested readers should consult the study for details on methodology.

in the South Shore studies indicates how a neighborhood concerned with disinvestment might go about researching and monitoring its occurrence.

Under Assessment Appeals—In 1978-79 a group of Wilmette homeowners, conducted a sales-ratio study of 300 properties to check the validity of the 1976 reassessment of the area. They found, in common with many other studies, that lower valued properties were over assessed while higher value properties were underassessed.

Sometime after this study, a team member was researching something else at the County Treasurer's Office. She noticed the tax listing for a condominium that had been researched in the sales ratio study; and something was wrong: the taxes paid were far lower than what should have been due for the published assessment. Records from the original study confirmed that the assessed value had changed between the original assessment and the final tax bill.

Working through the County Assessor's records the researcher located the case number of an appeal filed by the condo association. After several attempts she finally obtained the file for the case. She then gathered sales data to prove that the reduction was unjustified, and then filed the only appeal against underassessment filed in seven years.

The Cook County Tax Board of Appeals handled the unusual case with something less than graciousness. Although the original appeal had been filed on the entire condominium project, a separate appeal for each of 70 units had to be filed in the underassessment case. When the day for the hearing came the offices were cleared; a separate hearing day was set up for this case. The Board of Appeals didn't want to take any chances that this case would be used as an example for other cases.

The Board of Appeals granted 80% of the requested increase. This was translated into a \$5.50 decrease in taxes for 9,500 Wilmette households. The case also inspired the *Chicago Tribune* research which resulted in the criminal investigation of the Board of Appeals and several indictments.

The little used underassessment appeal can be a creative tool for community groups in fighting individual property owners or the tax assessment process as a whole.

Vacant and Tax Delinquent—While reviewing a tax printout for all Pilsen properties in the early 1970s, researchers discovered the name Hennessy as the tax payer of record for 10-15 properties. In each case

tax payments were quite low, on the order of \$60.00 per lot, indicating that the lots were probably vacant and in all cases there was repeated tax delinquency. Inspection showed that the properties were garbage strewn and unfenced—a typical condition of absentee owned property.

Over several years the taxpayer names for some properties changed to Auduban Inc. Nevertheless Auduban was located in Hennessy's law office, which he shared with Thomas Keane. One researcher visited it to investigate under the guise of wanting to talk to the Audubon Society about birds and urban greenspaces. This charade was met with a dirty look from Hennessy, and an "I don't know what you're talking about." The property researcher kept looking over his shoulder on the way out. What was going on?

There are lots of speculators who pick up marginal lots for nothing and then go tax delinquent—redeeming only when necessary to keep title. One hypothesis is that these properties were picked up at a time when the Chicago Housing Authority was choosing lots for a scattered site public housing program in the late 60s. The program didn't get off the ground, and politicians were implicated in associated land deals later on. Talk with other community organizations showed that Auduban was holding vacant lots in several communities. Reviewing tax printouts is an easy way to pick out multiple ownership patterns. Further investigation may uncover neighborhood speculators, secret real estate plans, or other "fishy" developments.

Conclusions

The research projects outlined above are just a few that suggest useful applications of property tax research. In the past, local governments have relied on the complicated assessment and collection system to bar residents from intervening in the tax assessment process. As community groups begin to out-research local assessors' offices and to demand public access to the information, those barriers are cracking and the way is open to real community participation in the property tax system and to understanding further the "politics, power, and profits" of local real estate.