



First Federal, or the bill may be sent to First Federal as mortgagee. A ""TR"" before the number would clearly indicate a trust.

(3) On Line 2 - This property is owned by HUD.

(4) On Line 8 "Homestead Exemption.", The owners of this property have been granted a Homestead Exemption, which means a reduction in taxes. (See explanation of exemptions, pg. .) It is interesting to note that the exemption was probably processed in the middle of the year; thus the amount of the second installment is small to make up for overpayment made on the first installment before the exemption was officially granted.

(5) On Lines 11-13 "Exempt." This means that the property is exempt from paying any property taxes and may be, as in this case, owned by the city, or some other tax exempt institution or agency A title search **will** be needed to determine the actual

(6) On Line 15 "Sold 78:" This indicates that the 19, 8 delinquent taxes were sold at the Annual Tax Sale. In order to obtain more information it will be necessary to look in the warrant books or tax judgment books nor 1978.

Sale; after five years of continuous delinquency the property can be auctioned off at a Scavenger Sale; the taxes can be forfeited to the State. The first option is fairly straightforward, but the other three deserve further attention.

#### Annual Tax Sale - -

At the Annual Tax Sale, usually held on the second floor of the County Building, the County auctions off Certificates of Sale for the delinquent taxes. (prospective purchasers are present and call out bids.) The successful bidder, who bids an interest rate to be charged the owner wishing to redeem, must pay all the taxes due on the property for that year (or installment) and any interest and penalties in order to receive the Certificate of Sale which acts as a lien on the property. Payment must be made on the day of the sale. The original owner has two years to redeem his or her property by paying the holder of the Certificate of Sale (through the County Clerk's Office) the full taxes due plus interest on the amount that was bid. If the owner does not do so the successful bidder can take legal steps to obtain title. These include:

- a. Within five months of the date of the sale, the purchaser must submit to the County Clerk a statutory notice containing the name and mailing address of the last known taxpayer with the location of the property. The County Clerk will mail a notice to the taxpayer by registered mail. Notices cost \$4.00 and must be paid by the purchaser or his assignee.
- b. If the property is covered by Torrens, a Certificate of Purchase of the real estate tax or special assessment tax must be registered within one year of the date of sale.
- c. The owner or taxpayer with a legal interest in the property may redeem the purchased taxes from the County Clerk any time during a two year period from the date of the sale or any lawful extension thereof.
- d. The purchaser must file a petition for deed in the Circuit Court of Cook County within the time period provided by law prior to the
- e. The purchaser must ascertain all interested parties and occupants of the property and through the Cook County Sheriff's Office. serve notice on them that such legal notice has been filed.
- f.. If necessary, the purchaser must publish or advertise for the unknown owners.
- g.. If the taxes are not redeemed; the purchaser must appear in court to give



#### Tax Delinquencies

If property taxes are not paid by November of the year they are due (this deadline may vary from year to year); they are eligible to be sold at a tax sale. Four things can then happen: the owner can redeem them at any time by paying the full amount due plus any interest and penalties; the taxes can

that he has complied with the necessary service requirements.

h.. Payment of current real estate or special assessment taxes is necessary to obtain a tax deed.'

The Annual Tax Sale usually occurs sometime around December or January and lasts three months. It is actually conducted as an auction, with potential investors bidding against each other until the lowest percentage rate is bid. Most of the bidders are not interested in taking over the property. They are gambling that the owners will want to redeem their taxes and that they will get back their original investment plus considerable interest. The gamble is not really a large one; most of the buildings are worth much more than the taxes owed and their owners are probably just deferring the cost of property taxes.



All the information regarding the Annual Tax Sale is recorded in the Tax Judgment, Sale and Redemption Record Books (judgment books), which include all properties in the Annual Tax Sale. These books are found on the fourth and 3 1/2 floors mixed in with the Warrant books. The form for collecting tax information includes rows for recording tax sale information. Space is included for recording the date of sale because the redemption period begins then. The tax judgment books are continually kept up to date. If the owner redeems the taxes during the following two years or the bidder takes title to the property, this will be noted in the tax judgment book.

Figure 10 is a copy of a page from a tax judgment book which includes our sample property,, listed on Line 6. The information noted in the tax judgment books includes:

**Column A Name** and address of last taxpayer of record.

**Column 8 and C** Volume Number and Permanent Index Number of property

City *Flier, 11/81.*

**Column D** The equalized assessed valuation of the property.

**Column E and F** The amount of 1st. and 2nd installment taxes due.

**Column G** Total tax delinquency for that year.

**Column H and I** Rate/percent penalty bid and name of purchaser.

If a bid is made at the Annual Tax Sale,, the interest rate and name of purchaser are noted in these columns. If no one bids, the delinquent taxes are automatically forfeited to the State of Illinois. The term forfeited seems **to indicate** a transfer of title to the state. The term actually means that these properties are subject to several statutory procedures which are theoretically capable of taking title away from owner. The Scavenger Sale is one procedure which we will explore in depth'

**Column J** The rest of the columns on this page provide i information about subsequent redemptions of delinquent taxes, including date of redemption, the name of the person redeeming taxes. the total amount of redemption, the number of the Certificate of Sale, and the date the sale was canceled. This information is added as the events happen and has not yet appeared on our sample page ye'

Looking across Line 6 to find out what has happened to our property, we find that no one has made a bid. This is not surprising. Since the property is a vacant lot with at least five years of delinquencies, it is unlikely that the present owner will redeem the back taxes.

Before we take the next step in our search and look at the Scavenger Sale records for our property, there are a couple of items to note on he

- (1) On line 2: The taxes for this property were purchased by "F & 8 Investments" on May 24, 1982. F & B bid 18% penalty interest. This means that if the beneficiaries of the First Federal Trust want to redeem this property they will have to pay the total amount of back taxes and penalties and 18% interest on that amount compounded every six months or part thereof. F & B Investments will in turn receive its original investment plus interest.
- (2) On Line 18 "( or E,, This is an abbreviation standing for Certificate of Error, which means that the taxpayer has made a complaint about the taxes based on an alleged factual error on the part or the Assessor's Office. Such an error might be that the

*\* for more detail on other procedures e interested researcher can consult Chronic Tax Delinquency in Chicago and Cook County,, Illinois Law Review (Name changed to Northwestern Law Review), Vol. 44,, No. 3, pp. 341-362 (1949).*





property is assessed as if there is a house on the lot when the house has in fact been demolished. It often takes up to five years to decide on a Certificate of Error. During that time the owner does not have to pay taxes on the amount in dispute and the parcel is not eligible for any tax sales.

## 1852 N. TALMAN

### Previous Tax Sales

As part of our research on 1852 N. Talman, we have checked tax judgment books for the last four years. Although the lot was eligible for purchase at the Annual Tax Sale in each of these years no bid was made. This means that the lot is clear of any title claims resulting from previous bids at Annual Tax Sales. If NRC decides to bid at the Scavenger Sale they will not be threatened by previous claims. This is an important step in our research. Because the redemption period is two years it is necessary to check the judgment books for bids that have not yet been redeemed or foreclosed on. Property owners also may get an extension of the redemption period, and so it is best to check back more than two years. If any bids had shown up in the warrant books, it would have been necessary to check the judgment books to see if the owner had redeemed his taxes.

## 1852 N. TALMAN

### Scavenger Sale

The Scavenger Sale works much the same as the Annual Tax Sale, but with some important differences. Properties are not auctioned at the Scavenger Sale unless they have been delinquent for five or more continuous years (recently reduced from 10 years). Because so much in back taxes is owed, the successful bidder must only pay the amount of the bid, county fees, publication costs, and legal fees. The bidding is in dollar amounts rather than interest rates, but the bidding process is the same as in the Annual Sale. In 1980 the redemption period was changed from two years to six months for all properties except single family (1-6 units). In order to redeem the property, the owner is required to pay all back taxes plus any interest and penalties (prior to 1980 only partial payment, equal to the bid, fees, etc. plus 12% interest compounded every 6 months, was required).

The records for the Scavenger Sale are kept in separate books located behind the front counter in Room 434. They list: properties eligible for the Scavenger Sale; whether bids have been made; successful bidders; and bid amounts. There is space on our form (Fig. 8) to

record this information. A Scavenger Sale must be held every two years but may be held more often.

Figure 11 is a page from the Scavenger Sale books of 1980. Our sample property is listed on Line 1. The Scavenger Sale information is kept in books with the same format as the Annual Tax Sale but several of the entries are different:

**Column A** The name and address of the last taxpayer of record are not given, compare the volume and Permanent Index Numbers in Columns B & C to that of your property carefully.

**Column D** The heading states that this is the Equalized Valuation. Actually, entries in this column indicate the years during which the property taxes have been continuously delinquent.

**Column E** This column lists the total amount of taxes due.

**Column F** Although the entries in this column, "Total Amount of Sale," are a little hard to see, they indicate the total amount paid to the county by the successful bidder. This figure includes the amount of bid, plus a \$10.00 fee to the County Treasurer, and \$5.00 for the Certificate of Sale. This amount must be paid before the end of the day of the sale.

**Column G** The date of the sale and the name of the successful bidder are entered in this column.

**Column H** The remaining columns provide information, if any, about the redemption of the property.

Recent years have seen an increase in activity at the Scavenger Sale, largely due to the "discovery" of it by community groups. The Scavenger Sale has always been a good chance for neighborhood people to purchase vacant lots relatively cheaply. Publicity of that fact and technical assistance provided by community groups prior to the Scavenger Sale of 1978 resulted in a large increase in neighborhood residents' participating. Afterwards, these same community groups and neighborhood residents pushed for reforms in the system, primarily the reduction in redemption period from 2 years to six months for all properties except single family residences. This change makes the Scavenger Sale an even more appropriate mechanism for community groups to use to obtain control of their vacant property. One of the case studies at the end of this section details some of the community projects growing out of interest in the Scavenger Sale.

## 1852 N. TALMAN

### Scavenger Sale

NRC purchased a Certificate of Sale on 1852 N.

Talman with a bid of 525.00. During the next six





months (two years if the property is a single family residence), NRC must attempt to notify the last TPR by individual letter and public notice. The present owner has the chance to redeem his or her property before the redemption period is over by paying all back taxes and penalties to the county and paying NRC the amount of the bid and fees plus interest. If the owner does not choose to redeem, NRC may petition the court to obtain title to the property clear of all back taxes NRC is responsible for all taxes incurred during the time it held the Certificate of Sale.

## 1852 N. TALMAN

### Over-the-Counter Sale

A third, little-known, tax sale is the "over-the-counter" sale. If a property has been offered at an Annual Tax Sale and no one has bid on it, an interested purchaser, can request to bid on the delinquent taxes at any time and obtain a Certificate of Sale. Before the bid is accepted, notice is sent to the taxpayer of record. If there is no response the bid is accepted, and the owner then has two years to redeem the property. The interest rate is set at 18% per six months or part thereof. This type of sale is not very common.

### The Assessors' Office Property Record Cards

#### The Assessment Process

Although rarely used by community groups, the Assessor's Office has some useful information for researching neighborhood real estate. The Cook County Assessor's Office determines the Assessed Valuation of each property, from which tax bills are calculated.

The Assessor's Office uses three methods to determine a property's value the Cost Reproduction System, the Income Method and the Market System. The Market System has only been in use since 1976 and only applies to residential buildings of 1-6 units and fewer than 5,000 sq. ft. (in practice 1-4 units). The assessed value is based on the estimated sale price that a property could command on the market. This market value is based on the amount comparable properties have sold for.

In order to make comparisons between properties, the Assessor's office, in 1976, compiled building profiles on all residential buildings. These profiles included such characteristics as: age condition; number of units; site desirability; etc. The information was recorded on property record cards similar to Figure 12 and then put into the Assessor's computer.

Two other methods are used by the Cook County

System, the Assessor's Office determines the original cost of the property and improvements, adds the land value, and subtracts depreciations to calculate the present, or Assessed Value. The Income Method bases the Assessed Value on the amount of income the property receives.

Cook County is divided into four areas, or quadrants, for assessment purposes. The quadrants are further divided into smaller neighborhoods. Each quadrant is reassessed every four years on a staggered basis; thus within each four year period the entire city is reassessed. Not all properties receive an on-site inspection. The Assessor's Office gets sales data from the green sheets and tax stamps which must be filed whenever a deed changes hands. This is not very reliable (purchasers must put a price on the green sheet but there is no guarantee that it is the correct price) and the Assessor's Office discards any sales that don't look right. This process gives the Assessor's Office general sale prices for different types of buildings in each neighborhood. Characteristics about individual buildings are also updated through inspection of the building permit records.

After the Assessed Valuations have been set, the Assessor's Office does both a hand and computer review of all properties, during which they look for buildings that do not fit the general pattern, buildings which are either above or below the average. These then receive further inspection.

There are several problems with this system of assessment, a major one being that in order to reflect true "market value" the system depends on "arms-length transactions" or transactions between non-related parties. Only about 45% of sales in Cook County, however, are true arms-length transfers. Thus, although the market value system used by the Assessor's Office claims to estimate the value of a property under true market conditions, most of the comparable sales are not made under true market conditions. This becomes a problem if non-arms-length sales are not removed from the sample or if the remaining sample is too small. A second problem is that the largest properties in the best condition are not sold that often, and so are considerably undervalued. There is also some regressivity (proportionately greater taxation of low income people) built into the system. Because areas are only assessed every four years, properties in areas with declining property values tend to be over-assessed.

#### Collecting the Information

The assessment for the most recent tax year can be found on microfiche in the Assessor's Office on the third

*\* Interview with staff member at Assessors office*



