

A light blue outline of the state of Illinois is positioned on the left side of the page, partially overlapping the main title.Three horizontal arrows of varying shades of blue (light, medium, and dark) point from left to right across the page, with the main title centered over the middle arrow.

2024 Housing Matters

STRENGTHENING COMMUNITIES IN ILLINOIS & BEYOND

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Responding to the Supreme Court Decision on Property Tax Delinquencies

Policy Recommendations for IL

**Presented by: Danielle Stanley, MPA
Associate Director of Public Policy Neighborhood Housing Services of Chicago
Friday, October 18, 2024**

Agenda

Introduction: Who is Neighborhood Housing Services of Chicago?

- Mission and key programs
- Role in advocating for homeowners and preventing displacement

Context: Property Tax Delinquencies and Impact

- Overview of property tax delinquencies in Illinois

Racial and Geographic Disparities in Tax Sales

- Data on evictions and impacted communities
- Impact on racial wealth gaps and intergenerational wealth transfer

Illinois Policy Recommendations

- New proposals after the *Tyler* decision (HB 1238, SB 74)
- Payment plan options and exemptions for vulnerable homeowners

-

Call to Action and Next Steps

- Building partnerships with policymakers, nonprofits, and banks
- Advocating for long-term solutions to prevent displacement

Q&A

Who is Neighborhood Housing Services of Chicago?

Mission: To create opportunities for people to live in affordable homes, improve their lives, and strengthen their neighborhoods.

Core Programs:

- Affordable lending and foreclosure prevention
- Homeownership counseling and education
- Advocacy to address systemic housing inequities
- Community Engagement initiatives



CLIENT SUCCESS

Mercedes Pickett

West Garfield Park

- Mercedes was introduced to NHS at a young age. Her mother was going through a tough time financially, and reached out to receive help with her mortgage.

NHS saved the Pickett family home from foreclosure, giving Mercedes the financial freedom to pursue homeownership herself.

Mercedes completed NHS' Homebuyer Education and personalized counseling, which propelled her to buy a 2-flat in West Garfield Park.

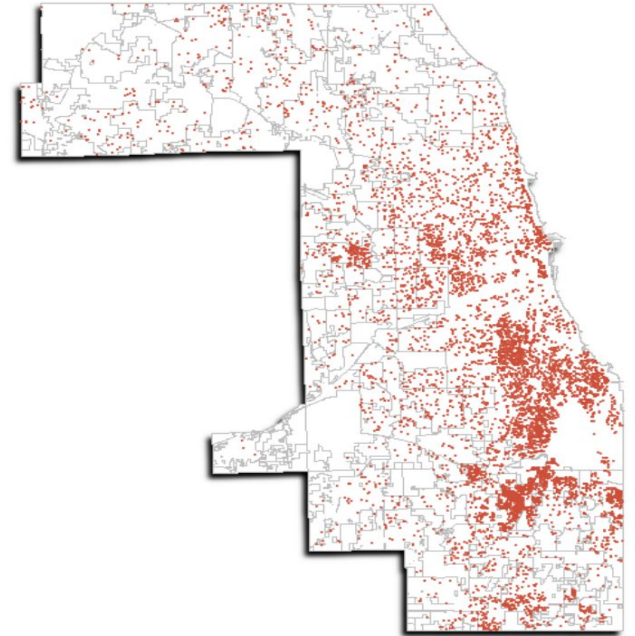
“Due to the NHS program, I was in the best possible situation to invest in a home,” Mercedes said.

With teammates at NHS, Mercedes has unlocked the wealth-building power of homeownership while also being able to provide affordable housing to tenants.

Overview of the Issue – Property Tax Delinquencies and Impact

2022 Annual Tax Sale Impact on Cook County

- Approximately 8,449 owner-occupied residential homes were eligible for the annual tax sale, only 17% of all 49,912 properties eligible for the sale.
- 1 in 4 homes owe less than \$1,000.
- \$2,054 is the average owed by owner-occupied households. An extra \$456 is owed in interest.
- 95% of homeowners redeem their taxes under the current system BUT they are paying tax buyers at exorbitant interest rates.



Source: Housing Action Illinois

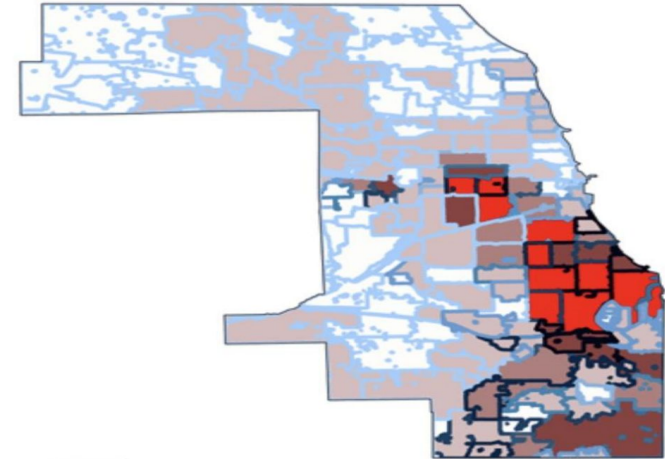
Racial and Geographic Disparities

- In the 11 zip codes with the highest number of tax sale evictions (40-46 evictions), 73% of people identified as Black and 21% identify as Latino
- Among the 44 zip codes with zero tax sale evictions, 82% of people identified as white.
- More than 95% of the evictions were from residential properties—mostly single-family

Consequences of Current System:

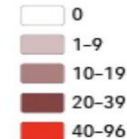
- Risk of displacement, especially for seniors and disabled homeowners.
- Homeowners pay exorbitant interest rates to private tax buyers.

TAX SALE EVICTIONS FROM RESIDENTIAL PROPERTIES IN COOK COUNTY

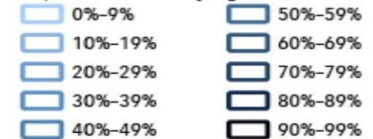


LEGEND

Tax Sale Evictions



Population Identifying as Black



Illinois Policy Recommendations After Tyler v. Hennepin

- If a tax deed sale system is enacted in Illinois, homeowners should be given a full repayment timeline of three years, starting from the delinquency of the second tax bill and ending at the tax deed sale, with interest accruing at a rate of .75% per month.
- Monthly payment plans for delinquent property taxes to prevent displacement (implemented in Cook County Summer 2024).
 - The Cook County Treasurer's Office should continue and expand enrollment for their monthly payment plan program.
- Interest rate reductions and other interventions should be put in place throughout the three-year repayment plan:
- Payments should be applied to the principal first for delinquent balances, not interest.
- Taxpayers should have the opportunity to apply payments beyond the current year's delinquency to the oldest principal first.

Source: Housing Policy Taskforce Bill of Rights

Call to Action – Building a Fairer System

collaboration Needed:

- Engage community organizations, financial institutions, and policymakers to adopt these recommendations.
- Advocate for additional reforms aligned with the Tyler v. Hennepin decision.

Closing Message: Together, we can reduce displacement and build equitable communities.



Thank you

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Tyler v. Hennepin County

Approaching reform with equity as the driving force

Matt Kreis, General Counsel, Center for Community Progress

Property Tax Foreclosure in General

Hundreds of systems, most allow for the sale of one, the other, or both:



OR



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Summary of *Tyler v. Hennepin County*

- Ms. Tyler moved out, didn't pay taxes for 5 years
- Hennepin County took title, ~\$15k in debt was wiped out
- 15 months later, County sold property for ~\$40k
- No mechanism for former owner to claim excess proceeds or value



Foreclosing local governments can continue to utilize tax foreclosure, but cannot retain value that exceeds the total amount of the tax lien being foreclosed.



But...



Impact of *Tyler*: Factors to consider

When does the “taking” occur?

How can local governments determine whether a surplus exists?

Can local governments put time or other limits on an owner’s ability to claim surplus?



Key challenges in Illinois

- 1 Property never subjected to valuation (e.g., public sale)
- 2 Use of the word “forfeiture” problematic
- 3 Sale of tax certificates and post-sale redemption creates uncertainty and leaves taxpayers on the hook
- 4 IL Constitution *requires* a post-annual tax sale right of redemption
- 5 Both retroactive and prospective liability for taxpayers



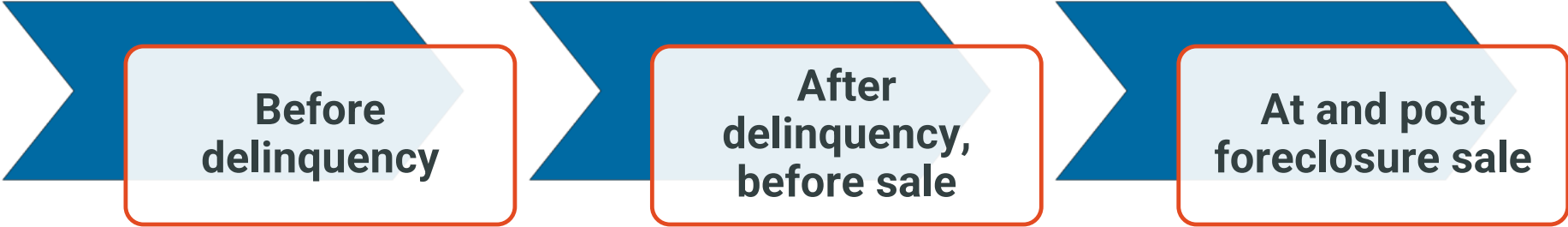
Equity should drive reform

1) Keep people in their homes!

2) Address the VAD next door!



Three Key Areas to Protect Homeowners Value



Most effective at preserving value

Less effective at preserving value



Keep people out of delinquency!

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Most effective ways to protect home equity:

- Ensure assessments are fair, accurate, sensitive to market realities and historical context
- Enhance tax exemptions allow for monthly payments and payment plans
- Allow heirs living in the subject property to qualify for exemptions, circuit breakers, payment plans
- Outreach and education, focusing on homeowners without or soon to pay off mortgages



Create “exit strategies” to get out of delinquency

- Allow payment plans and circuit breakers, ensure timely compliance prevents foreclosure
- Allow for retroactive application of exemptions not previously claimed
- Connect homeowners to appropriate financial or social services
- Create or repurpose fund to support counseling, relocation, realtors, etc.

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Ensure Remaining Value at Public Sale is Homeowners'

Hopefully the following only needed in limited circumstances:

- Allow homeowners to redeem all the way up until the sale is confirmed
- For homeowner occupied homes, increase likelihood of good price:
 - ✓ Title is insurable, marketable
 - ✓ Increased participation of local stakeholders in auction
 - ✓ Judgment inclusive of all public debt and costs to increase min bid
- If surplus generated, must be accessible to homeowners!!!
- If county is default bidder provide equitable relocation assistance, support



Vacant, Abandoned, and Deteriorated (VAD) Properties

Negative Impacts:

- Public health
- Individual wealth
- Public finances



VAD Properties and Tax Foreclosure: The Problem

- Properties stuck in limbo
- Foreclosure procedures do not produce insurable title
- No path to return properties to productive reuse

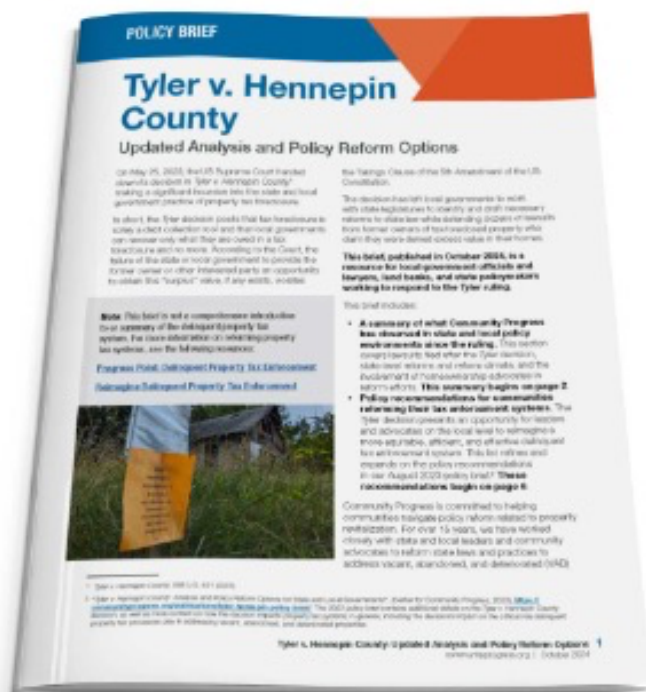


Key States That Have Passed Incremental Reform

- Minnesota
- Massachusetts
- New Jersey
- New York
- Several others...



Updated Policy Brief!

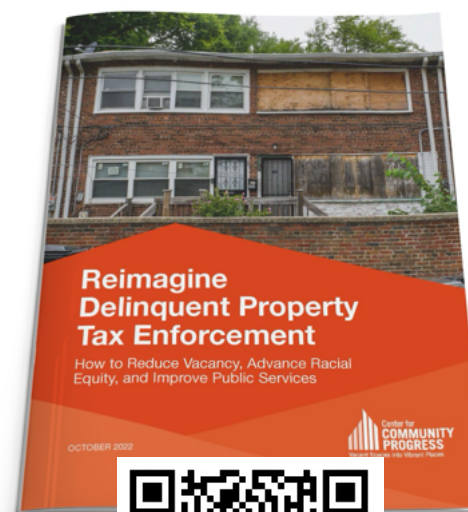
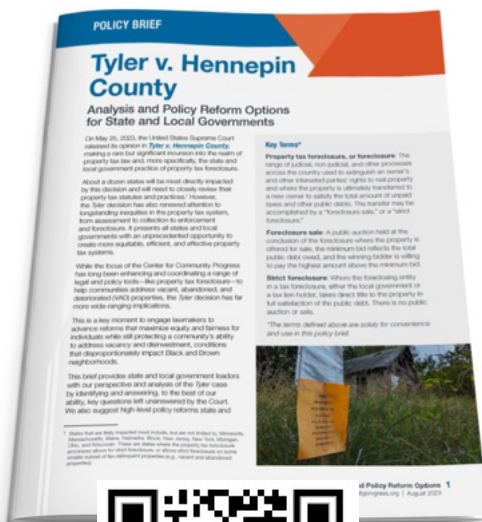


Policy Brief: *Tyler v. Hennepin County* in 2024 Updated Analysis and Policy Reform Options Published: October 2024

Available at:
<https://communityprogress.org/publications/2024-tyler-hennepin-policy-brief/>



Additional Resources



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