

MEMORANDUM
COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT

TO: John C. Phillips, City Manager

SUBJECT: Modification to Resolution Authorizing Release of Liens
on Tax Delinquent Properties

DATE: 6/14/11

Over the past few months, staff has been working with a delinquent property tax buyer to review the City's existing policy on municipal liens filed against properties sold at the County's annual tax sale.

Background

In October 1988, the City of Rock Island and other local taxing districts entered into an agreement with Rock Island County authorizing the creation of the delinquent property tax collection program. The program continues to provide a process for returning abandoned property back to the tax rolls.

The City Council passed a Resolution in January of 1992 that authorized the release of any City or municipal liens filed against tax delinquent properties sold in the County's annual fall auction. This includes liens for water and sewer charges, weed/grass mowing, and demolition costs. The Resolution greatly assists individuals who purchase properties at the auction as they can pay to release the recorded municipal lien and obtain clear title to the property. A copy of the 1992 Resolution is attached for your review.

Before a property is taken to the County's fall auction, it is offered to registered tax buyers at the County's annual tax sale held in late December. After three years of paying delinquent taxes on one property, the tax buyer can petition for a tax deed and take ownership of the property. Note: the owner of the property can still redeem their property over the three year period, but will have to pay all the back taxes owed, interest charged by the tax buyer, and other related fees.

Current Request

By the time a tax buyer has taken deed, they have paid three years of property taxes and related fees. Moving forward they will pay for the clean-up and any remodeling costs to prepare the property for occupancy. The tax buyer is currently responsible for paying any outstanding municipal liens recorded against the property. The attached letter from tax buyer John Scott describes how having to pay for municipal liens incurred by the previous owner can cause financial hardship and may result in the tax buyer abandoning the property. This would result in the property being returned to the County's delinquent tax rolls where it will sit for another three years before it can be placed in the fall auction.

Revising the current policy will encourage registered tax buyers to bid on properties which will provide for a faster return of the inactive property to the tax rolls. It will also allow Inspectors to work with a new property owner sooner than later to bring an abandoned property into code compliance. The amount of staff time devoted to managing the nuisance and maintaining the property will also be reduced.

Based on the level of investment made by the tax buyer after three years, staff proposes that the 1992 Resolution be revised to include registered tax buyers who take deed to a property offered at the County's annual tax sale. Staff further recommends that the tax buyer be required to pay for the cost to release any of the municipal liens upon proof of ownership or tax deed.

RECOMMENDATION

Staff recommends that the City Council approve a revision of the 1992 Resolution to include the release of all City liens on properties purchased by tax buyers and the County's annual tax sale.

Submitted by: Mary Chappell, Land & Development Programs Coordinator
Greg Champagne, Community & Economic Development Director

11-11-10

To City Council (Attn: City Manager)

Through: Chief Building Official

Through: Director of Public Works

RE: 3337 7 $\frac{1}{2}$ Ave, Rock Island is a vacant, abandoned house with a basement and numerous water liens.

Dear Council Members,

I have paid the last 4 years of delinquent real estate taxes on the above property and now have the right to either take deed to the property or get my money back because of the City liens. I will take the property if the City of Rock Island will release the City liens.

If the City of Rock Island will not release the liens, I will not take the property, will get my money back which the law allows, the past 4 years of taxes will be added back to the property, no other tax buyer will buy them, the County Trustees will get deed in about 3 years and offer it for sale with the liens removed or the city will have to demo the house and remove the basement at a cost of about \$8,000 - \$12,000 and not get that money back and have another lot to mow.

The above facts show it would be better for the City to release the liens for me now and keep the property on the tax rolls. I request that the City of Rock Island remove all City liens it has against this property.

It would seem prudent for the City of Rock Island to adopt a policy to release all City liens for tax buyers as soon as they take tax deeds to help keep property on the tax rolls and prevent the above problems.

Sincerely,



John W Scott
PO Box 6633
Champaign Il 61826
217-356-9645

RESOLUTION

92-12

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
ROCK ISLAND, ILLINOIS that said City does hereby release all
City liens filed against any property sold by Rock Island
County through its delinquent tax agent to third parties.


MAYOR OF THE CITY OF ROCK ISLAND

RESOLUTION

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF ROCK ISLAND, ILLINOIS that said City does hereby release all City liens filed against any property sold by Rock Island County to a registered tax buyer who has petitioned for and received a tax deed for the property.

Dennis E. Pauley, Mayor

Aleisha L. Patchin, City Clerk