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 MICHAEL  
 BELL and MICHELE KIDD, individually and on behalf of  
 themselves and all others similarly situated; SOUTHWEST  
 ORGANIZING PROJECT and PALENQUE LSNA,  
 individually,  
  
 Plaintiffs,  
  
 v.  
  
 MARIA PAPPAS, in her capacity as  
 Treasurer of Cook County, Illinois, and  
 Trustee of the Indemnity Fund; and COOK COUNTY,  
 ILLINOIS,  
  
 Defendants.

Case No.:

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

**COMPLAINT**

**INTRODUCTION**

1. Plaintiffs Michael Bell and Michelle Kidd (“Individual Plaintiffs”) are Cook County homeowners who seek compensation, on their own behalf and on behalf of classes of similarly situated persons, for the loss of the value of their homes due to the actions of Defendant Maria Pappas, as the Cook County Treasurer, and Defendant Cook County, through their administration of property tax sales. Plaintiffs Southwest Organizing Project (“SWOP”) and Palenque LSNA (“PLSNA”) (“Organizational Plaintiffs”) are non-profit community-based organizations whose members and missions are threatened and undermined by the same failure to compensate homeowners of which the Individual Plaintiffs complain and whose members are impacted and whose resources have been diverted from other purposes to address Defendants’ unlawful actions.

2. Under the Cook County property tax sale system, which implements the Illinois Property Tax Code, 35 ILCS 200/1-1 *et seq.*, a homeowner who fails to pay overdue property taxes can be divested of not just their home, but suffer loss of all of the market value of the home over and above what the homeowner owes in overdue taxes, penalties, interest, costs, and any other liens and encumbrances on the property (hereafter “equity”).<sup>[1]</sup> Defendants sell the delinquent taxes to an investor—called a “tax buyer”—who pays the past due taxes and, in exchange, secures the right to take

ownership of the home if the homeowner does not pay the tax buyer the amount of the taxes, plus substantial penalties and a high rate of interest by a fixed deadline. If the homeowner does not “redeem” the taxes and related charges by the deadline, a deed to the property to the tax buyer may issue, who then owns the property free and clear, no matter how much it was worth in excess of the unredeemed taxes and related charges.

3. Neither the tax buyer nor the County has any statutory obligation to reimburse the homeowner for their lost equity. Therefore, unlike a bank mortgage foreclosure sale, where amounts realized in excess of the debt owed on the property are returned to the owner, a property tax sale can ultimately result in a total loss to the homeowner of not just the home *but also the entire value of the home over and above the taxes and related charges*.

4. Recognizing homeowners’ property right in their equity, State law creates a avenue to potentially seek indemnity for the loss via a lawsuit against the Treasurer in her capacity as Trustee of what is called the Indemnity Fund. 35 ILCS 200/21-305. This is the County’s sole method for a homeowner to even try to recover lost equity, and unfortunately it is effectively hidden from public view and inherently inadequate and in practice fails to provide homeowners with a fair chance to vindicate their rights. There is no notice of the fund and process to the homeowners; there must be a formal court filing and ultimately a trial; even blameless homeowners can be denied compensation; there are eligibility requirements that rule out some homeowners; the indemnity fund is never is adequately or sufficiently funded; and even successful homeowners must wait many years to be paid. In the end, vanishingly few homeowners ever receive indemnity in an amount close to the true and reasonable value of the homeowner’s lost equity. The indemnity fund does nothing to help homeowners access their home equity soon enough to help them secure new housing.

5. Cook County’s tax buyer program has especially pernicious and disproportionate effects on communities of color. Last year, 75% of the Cook County parcels on the tax sale list were in Latino and Black neighborhoods, even though only 52% of County residents identify as Latino, Black, or as being of two or more races.<sup>[2]</sup>

6. Communities of color in Cook County have long endured housing discrimination, and the disproportionately low rates of homeownership in these communities have exacerbated the racial wealth gap in Cook County and around the country. Defendants’ actions aggravate these racial inequities by driving Black and Latino homeowners out of their homes while depriving them of the value of this key financial asset – the home’s equity in excess of unredeemed taxes and related charges – impairing their ability to continue to be adequately housed.

7. Plaintiffs claim that depriving homeowners of the equity in their homes is an unconstitutional taking of private property without just compensation and an unconstitutional excessive fine. Plaintiffs claim that Defendants’ inadequate indemnity fund policy and process effectively deprives them of property rights under common law and recognized and established by the Illinois General Assembly. Finally, Plaintiffs and a subclass of homeowners who are Black or Latino claim that by depriving them of the equity in their homes disproportionately more than other homeowners, Defendants have violated their civil rights.

8. The Individual Plaintiffs bring this action on behalf of themselves and a class and a subclass of similarly situated individuals pursuant to 42 U.S.C. §1983, the United States Constitution directly, the federal Fair Housing Act, 42 U.S.C. §3601, *et seq.*, and the Illinois Civil Rights Act of 2003, 740 ILCS 23/1 *et seq.* (“ICRA”).

Jurisdiction is proper under 28 U.S.C. § 1331, 1343, and 1367, and 42 U.S.C. § 3613. Plaintiffs and putative class members, and the organizational plaintiffs, seek all available remedies, including damages, and declaratory and injunctive relief.

**PARTIES**

**Plaintiff Michael Bell**

9. Plaintiff Michael Bell is a natural person and citizen and resident of Illinois.

10. Mr. Bell owned the residential property located at 2203 East 100th Street, Chicago, Illinois. As of December 7, 2022, the property has, on information and belief, an estimated market value of approximately \$115,000.

11. He acquired sole ownership of this property, which had been in his family for more than 40 years, after his mother, Helen McKinnon, died in March 2017, and he used \$25,000 of his inheritance to buy out his brothers' interests in the property.

12. Mr. Bell lives in the home and works part-time at Buddy Bear Car Wash, where he earns the minimum wage.

13. Mr. Bell was unemployed from 2018-19 and failed to pay his property taxes for 2018 due to his personal challenges and economic circumstances. He wanted to pay the taxes but could not do so. He did not abandon or intend to abandon his property and did not do so.

14. On May 17, 2019, Cook County sold the 2018 taxes on Mr. Bell's property to Lien Group LLC. The total amount of the sale was \$1,649.67.

15. Mr. Bell was not able to redeem due to his ongoing hardships, and the redemption period expired on April 18, 2022.

16. The redemption amount was \$11,089 (including subsequent or "sub year" taxes of \$6,226.19, penalties of \$1,495.12, and costs and fees of \$1,705.45).

17. As a direct, proximate and foreseeable result of Defendants' actions, Mr. Bell will soon lose all rights in his property, including the right to use, live in and dispose of it.

18. Mr. Bell's home is and was at all relevant times worth a large multiple of the sum of all taxes, interest, penalties and other associated charges against the property.

19. Mr. Bell received no compensation for his equity, the difference between the unpaid taxes and related charges and the value of the home. Defendants' failure to fairly and promptly compensate Mr. Bell upon the loss of his rights in his home and the equity in it has impeded his ability to secure new, future housing.

20. Mr. Bell is Black and his neighborhood is predominantly Black.

**Plaintiff Michelle Kidd**

21. Plaintiff Michelle Kidd is a natural person and citizen and resident of Illinois.

22. Ms. Kidd owned the residential property located at 1922 South 12th Avenue, Maywood, Illinois. As of December 7, 2022, the property has, on information and belief, an estimated market value of approximately \$230,000.

23. At the time she purchased the property in August 2011, Ms. Kidd was employed full-time as a bus

driver.

24. Ms. Kidd paid the full purchase price for the property. She did not have a mortgage.

25. In the mid-2010s, Ms. Kidd became disabled—she suffers from chronic obstructive pulmonary disease and asthma—and fell behind on her property taxes.

26. On April 4, 2017, Cook County sold the 2015 taxes on Ms. Kidd’s property to an entity known as “High Five Group, LLC”. Due to Ms. Kidd’s disability, she was unable to earn sufficient income to redeem the taxes.

27. Ms. Kidd did not redeem and the redemption period expired on October 10, 2019.

28. She did not abandon or intend to abandon her property and did not do so. She wanted to pay the taxes but could not do so. On November 2, 2021, the Circuit Court of Cook County issued a tax deed on Ms. Kidd’s property to High Five Group.

29. On January 3, 2022, High Five Group moved for an order of possession.

30. On January 26, 2022, the Circuit Court of Cook County entered an eviction order awarding High Five Group possession of the premises.

31. Ms. Kidd started paying rent to High Five Group but vacated the premises in May 2022, moving with her husband and four children to the three-bedroom apartment located at 1014 South 11<sup>th</sup> Avenue, Maywood, Illinois.

32. As a direct, proximate and foreseeable result of Defendants’ actions, Ms. Kidd lost all rights in her property, including the right to use, live in and dispose of it.

33. Ms. Kidd’s home is and was at all relevant times worth a large multiple of the sum of all taxes, interest, penalties and other associated charges against the property.

34. Ms. Kidd received no compensation for her equity, the difference between the unpaid taxes and related charges and the value of the home. Defendants’ failure to fairly and promptly compensate Ms. Kidd for the loss of her rights in her home and the equity in it has impeded her ability to secure new, future housing.

35. Ms. Kidd is Black and her neighborhood is predominantly Black.

### **Plaintiff Southwest Organizing Project**

36. Southwest Organizing Project (SWOP) is a community-based nonprofit corporation incorporated in Illinois that has its principal place of business in Chicago. It is a citizen of Illinois.

37. SWOP formed in 1996 as a response to the legacy of structural racism that has severely damaged the quality of life for many Chicago residents. SWOP’s offices are located on the Southwest side of Chicago, where it serves forty-five member institutions including churches and representing approximately 40,000 people in Chicago Lawn, Gage Park, West Lawn, West Elsdon, and Ashburn—some of the communities most impacted by Defendants’ unlawful conduct.

38. The population SWOP serves is almost entirely Black and Latino. The communities it serves include low- and moderate-income neighborhoods where over half of households—and in some areas nearly 70 percent of households, such as in Chicago Lawn—have annual incomes below \$50,000.

39. SWOP’s mission is to build multi-racial, multi-religious, intergenerational coalitions and to improve

the lives of those living in the neighborhoods it serves. Ensuring that its community members have and maintain housing they can afford is part of and critical to this mission—as is helping people transition to new housing when they can no longer remain in their current residence.

40. For example, SWOP works with partner organizations that provide certified housing counseling as part of its day to day activities, and trains its staff members to direct community members to these counselors when they have housing issues, including property taxes and potential sales. SWOP's housing-related work accounts for approximately one-third of SWOP's overall budget, as well as approximately one third of its personnel costs.

41. Community members come to SWOP for assistance with concerns about missed property taxes and SWOP provides it. They also seek SWOP's assistance—and SWOP will provide or direct them to proper resources—prior to or after losing a home to a tax sale.

42. SWOP also collects information about property tax sales as part of its research to support ongoing advocacy efforts around housing and housing discrimination. This includes regularly reviewing the published lists of those subject to the tax sale to identify community members who may lose their homes without compensation and are in need of assistance. If a person is on the list who is living in the listed property, SWOP will try to help them stay in the home. If they cannot stay, because they cannot afford to pay the taxes (plus fees and interest), SWOP will try to connect them to resources to locate new housing.

43. Tax sales can affect SWOP's member organizations and in turn their members in other ways also. For example, several of SWOP's members are schools, who are affected by property tax sales whenever they require a student to move out of a neighborhood and change schools. Thus, the inability to quickly obtain compensation for lost equity can immediately impact local school enrollment by limiting a family's ability to stay in their chosen home community.

44. Because of Defendants' unlawful conduct, SWOP is forced to do work it otherwise would not have to do and expend resources that could be put towards other efforts. Every dollar and minute that SWOP expends assisting individuals who have suffered or risk uncompensated loss of their homes is money and time that SWOP would spend on its other projects and efforts. This includes efforts to fill vacant buildings, prevent non-tax-related foreclosures, improve parent involvement in their children's education, and more.

### **Plaintiff PLSNA**

45. Plaintiff PLSNA (formerly known as the Logan Square Neighborhood Association, or LSNA) is a community-based non-profit corporation that is incorporated in Illinois and has its principal place of business in Chicago. It is a citizen of Illinois.

46. PLSA was founded in 1962 as an organization dedicating to improving economic conditions in the Logan Square neighborhood of Chicago, eventually combining economic, political, social, cultural, and educational programming into a broad strategy for positively impacting the neighborhood. Today, PLSNA continues pursuing its goal of community improvement and has an expanded footprint, now serving more than 6,500 residents annually across the Logan Square and its adjacent neighborhoods. Most of these residents are non-white.

47. While PLSNA's work touches on many issues key to maintaining a healthy, prosperous community, housing is one of the most significant. PLSNA's work is focused on an area of Chicago that is primarily Latino and, in the past two decades, has undergone a significant increase in property values. As property taxes have continued to increase in turn, PLSNA has worked to avoid some of the negative effects of these increases—including through litigation. *See Grotto, An Unfair Burden, infra.*

48. Because of its community members' high property tax burdens and support for homeownership and economic opportunity on the Northwest Side, PLSNA has dedicated significant resources to assisting residents with property tax-related issues, including those related to the tax sale.

49. PLSNA maintains an outreach team of three individuals who spend 45-50 hours per month, each, on assisting individuals with property tax issues. Each year, when the tax sale list is published, PLSNA works to locate property owners in their area and provide them with information—in English and Spanish—about their options, and to offer assistance before the home is lost to a tax sale.

50. In providing this outreach and support, PLSNA focuses its limited resources on owner-occupied properties because of its highly hands-on approach, which includes visiting the homes and trying to talk to the owners directly. While this is more time consuming than just sending a letter, PLSNA believes it to be more effective. PLSNA also focuses on the owner-occupied properties because, in its experience, many of these homes are owned by senior citizens, or mom-and-pop property owners, whose only source of income or other wealth building is their property.

51. If PLSNA did not have to worry about families losing their homes and livelihood, and did not have to worry about homeowners not receiving fair, speedy compensation for the lost equity in their homes, PLSNA would divert time, energy, and resources towards other efforts, such as strengthening the Here to Stay Community Land Trust, doing more outreach about obtaining weatherization through the Chicago Bungalow Association, or connecting more senior residents to resources at the Center for Elder and Disability Law.

### **Defendants**

52. Defendant Maria Pappas is sued in her official capacity. She is and has been the duly elected and acting Treasurer of Cook County, Illinois from 1998 to the present, in charge of the Office of Treasurer for Cook County. Acting with the discretion vested in her in that position, she supervises and administers Cook County's tax sales and forfeitures at issue herein, as did her predecessors and as will her successors. Defendant Pappas also serves as Trustee of the indemnity fund. In these official capacities, Defendant Pappas is a "person" within the meaning of 42 U.S.C. § 1983, a unit of state, county, or local government within the meaning of the Illinois Civil Rights Act and subject to the provisions of the Fair Housing Act.

53. Defendant Cook County, Illinois, is a political entity and includes its agents, one of whom is Defendant Pappas. Cook County is a unit of county government subject to ICRA. Cook County is a party defendant, including for purposes of indemnification of Defendant Pappas as to any monetary amounts recovered by Plaintiffs through this action. *See Carver v. Sheriff of LaSalle County*, 203 Ill.2d 497 (2003), and *Carver v. Sheriff of LaSalle County*, 324 F.3d 947 (7th Cir. 2003).



54. Acting under color of state law and through their policies and customs, Defendants have violated, and continue to violate, Plaintiffs' and the putative Class's rights by, among other things, seizing without adequate just compensation the equity in their homes.

## **FACTUAL ALLEGATIONS**

### **Overview of Equity Seizure in Cook County**

55. Under Illinois's Property Tax Code, Cook County may sell delinquent property taxes to a third party investor—a tax buyer. On information and belief, Defendants exercise discretion pursuant to a supposedly unwritten internal policy over what properties are sold for taxes. The tax buyer pays the county for the delinquent taxes, and in return receives, among other things, the right to collect those back taxes from the homeowner, plus interest.<sup>[3]</sup> 35 ILCS 200/21-215; 21-240.

56. Upon paying the back taxes, the tax buyer receives a lien on the homeowner's property. If the owner does not timely reimburse the tax buyer for the taxes paid, plus penalties and interest, the tax buyer may take ownership of the property and retain all value of the property, even if this amount exceeds the debt for taxes and applicable penalties and interest. 35 ILCS 200/21-250, 22-40.

57. Most residential property owners have 30 months from the date of the tax sale to redeem their property by paying off the taxes and related charges. 35 ILCS 200/21-350(b).

58. Unlike many taxing authorities, Cook County offers no payment plans for redemption. As a recent study by Defendant Pappas's office explains, "To redeem their taxes, property owners must pay the entire tab — all unpaid taxes, interest penalties and fees — with no option for a payment plan." Cook County Treasurer, Maps of Inequality: From Redlining to Urban Decay and the Black Exodus at 46 (July 2022), <https://www.cookcountytreasurer.com/pdfs/scavengersalestudy/2022scavengersalestudy.pdf> (last visited Dec. 7, 2022); *see also* Cook County Clerk's Office, A Guide to the Tax Redemption Process, <https://www.cookcountyclerk.kil.gov/sites/default/files/pdfs/Brochure%20-%20Tax%20Redemption%20Process%20-%202021.pdf> (last visited Dec. 7, 2022).

59. If the property owner does not redeem in full and on time, the tax buyer may petition the court to become the legal owner of the property and evict the owner and any family members or other residents. 35 ILCS 200/22-40.

60. Recognizing the loss of property rights established under both state law and federal common law suffered by homeowners whose homes are seized without compensation, state law requires counties to maintain "indemnity funds" for some property owners who suffer losses as a result of a tax sale and subsequent deed issuance. 35 ILCS 200/21-295. But this is an inadequate remedy for lost equity as many owners are not eligible, and all others must petition for this relief in court. The indemnity fund process is expensive and time-consuming. Even if the owner prevails, they may wait years to be paid, and is not guaranteed to receive the full value of their lost equity, or indeed any of the value of the equity lost, in part due to extreme and chronic failure and refusal to fund the indemnity fund which at present has an eight-year delay in payment, which delay has steadily grown over the years and is still growing. 35 ILCS 200/21-

**Cook County Deprives Homeowners of the Property Right in Equity  
in their Homes and Does Not Compensate Them**

61. In 1976, an Illinois Legislative-Investigative Commission deemed Illinois' practice of "total forfeiture" to be needlessly harsh and recommended replacing it with a "sale-surplus system" that would preserve home equity:

The Commission's main conclusion was that there is no relation between the threat of total forfeiture and the rate of tax collection, and we recommend that this severe penalty be stricken from the statutes. We recommend that the current tax deed sale be eliminated and replaced by a sale-surplus system, whereby delinquent property is sold at a public auction. The proceeds of the sale would be first applied to the costs of the proceedings and the fees incurred; the tax buyer would collect the monies due him, and the surplus would be turned over to the original owner. Under this system, a property owner who fails to redeem is penalized sufficiently; the State receives its taxes; and the tax buyer realizes a profit. Our recommendations simply eliminate the possibility of a tax buyer reaping an unearned windfall at the expense of those who can least afford it.

Illinois-Legislative Investigating Commission, Annual Report of 1976: Delinquent Tax Sales: A Report to the Illinois General Assembly 24 (1976).

62. Despite this recognition that a fairer system was needed, one not involving "unearned windfalls at the expense of those [homeowners] who can least afford it", nothing was ever done and Cook County continues to strip homeowners of their equity.

63. Each annual tax sale involves thousands of properties. At the annual tax sale held in 2019 (for tax year 2017), Cook County auctioned nearly 57,000 properties with delinquent property taxes.<sup>[4]</sup> The tax sale held in 2022 (for tax year 2019; delayed by COVID) involved delinquent property taxes due on 37,176 properties.<sup>[5]</sup> The November 15-18, 2022 sale of 2020 taxes involved more than 55,000 properties, almost half of which owed less than \$1,000.<sup>[6]</sup>

64. As noted, the delinquent property taxes are often relatively low. For tax year 2017, nearly 4,000 of the roughly 14,000 Chicago residential properties listed for the tax sale owed \$1,000 or less in unpaid taxes. The median unpaid tax amount was \$1,696.89, and the smallest tax amount due was \$100.56. Odette Yousef, "Cook County Makes Millions By Selling Property Tax Debt — But At What Cost?," WBEZ Chicago (May 3, 2019), <https://www.npr.org/local/309/2019/05/03/719971654/cook-county-makes-millions-by-selling-property-tax-debt-but-at-what-cost> ("Cook County Makes Millions") (last visited Dec. 7, 2022). The median sales price of a Cook County home is approximately \$300,000. Realtor.com, "Cook County, IL Real Estate Market," [https://www.realtor.com/realestateandhomes-search/Cook-County\\_IL/overview](https://www.realtor.com/realestateandhomes-search/Cook-County_IL/overview) (last visited Dec. 7, 2022). The average tax rate in Cook County is approximately 2.09 % of the home's value.<sup>[7]</sup>

65. According to a report from Housing Action Illinois, "When a tax deed is issued, the investor typically acquires the property at a fraction of the value, creating very large profits for the investor and a huge loss of equity for the property owner." Housing Action Illinois, *Racial Disparities and Cook County Tax Sale Evictions* (hereafter "Housing Action IL Report") at 5 (Nov. 2021), <https://housingactionil.org/downloads/Policy/Racial-Disparities-and->



Cook-County-Tax-Sale-Evictions.pdf; *see also* Yousef, Cook County Makes Millions, *supra* ¶ 64 (citing advocates for the proposition that “it’s elderly African American or Latino homeowners living on fixed incomes who fall behind and who lose their only source of wealth for a fraction of its true value” and describing a Chicago resident who nearly lost his \$400,000 home over \$20,000 in property taxes and costs); Michael Sallah, Debra Cenziper, Steven Rich, “Left With Nothing,” Wash. Post (Sept. 8, 2013), <https://www.washingtonpost.com/sf/investigative/2013/09/08/left-with-nothing/> (last visited Dec. 7, 2022) (of close to 200 Washington, D.C. residents who lost their properties, one in three had liens worth less than \$1,000).

66. Nearly all properties listed for sale are, like Plaintiff Bell’s was, mortgage-free, because when properties have mortgages there is typically an interested third-party (*e.g.*, the mortgage lender) who will step in to pay delinquent property taxes and protect the property from sale. *See generally* 35 ILCS 200/20-10 (describing process when copies of tax bill are mailed to mortgage lender). Properties most affected by the tax sale are thus those in which the owners have accumulated significant equity.

67. Once a homeowner’s taxes are sold, the tax buyer gets the right to collect high rates of penalty interest on the back taxes—historically, up to 18% every six months, or 36% per year, though the General Assembly capped the penalty interest rates at a still-high rate of 9% per six months, or 18% per year, beginning in 2022. *See* Housing Action IL Report, *supra* ¶ 65 at 5; 35 ILCS 200/21-215.

68. Partly as a result of these high interest rates, property owners face unreasonable and sometimes insurmountable obstacles when trying to meet the redemption deadline. A 2019 WBEZ analysis found that property owners who were able to redeem after their properties were sold at the tax sale paid, on average, nearly three times what *tax buyers* had paid for the property owners’ unpaid taxes. Yousef, Cook County Makes Millions, *supra* ¶ 64.

69. Every year, many homeowners are unable to redeem their properties. These individuals lose all the equity they have built up in their homes.

70. Homeowners fail to redeem their properties for reasons including lack of notice, mental illness, hospitalization, or confusion about the redemption process. *See Apex Tax Invs., Inc. v. Lowe (In re Cty. Collector)*, 225 Ill. 2d 208, 217 (2007) (property owner hospitalized with mental illness); *Giordano v. Trzaska*, 2014 IL App (2d) 130778-U, ¶ 8 (lack of notice and confusion about instructions from Treasurer’s office in Boone County); *see also* Andrew W. Kahrl, *Investing in Distress: Tax Delinquency and Predatory Tax Buying in Urban America*, 43(2) Critical Socio. 199 (2017) (“Investing in Distress”) (citing reporting from Washington, D.C. that most residents who lost homes to tax buyers “were black, elderly, sick or suffering some form of mental illness, and living in neighborhoods where real estate values were appreciating rapidly”).

71. Defendant Pappas has herself acknowledged that the annual tax sale “usually affects those who are most vulnerable—senior citizens.” Marc Vitali, Delinquent Tax Deadline Looms for 45K Property Owners in Cook County, WTTW (May 2, 2019), <https://news.wttw.com/2019/05/02/delinquent-tax-deadline-looms-45k-property-owners-cook-county> (last visited Dec. 7, 2022).

72. Homeowners also fail to redeem due to inadequate funds and inability to secure a loan against the

equity in their home. See Robyn A. Friedman, *Why Home Equity Loans Are Still So Hard to Come By*, Wall Street Journal (Apr. 29, 2021), [www.wsj.com/articles/why-home-equity-loans-are-still-so-hard-to-come-by-11619699464](http://www.wsj.com/articles/why-home-equity-loans-are-still-so-hard-to-come-by-11619699464) (last visited Dec. 7, 2022). Lenders generally do not make mortgage or home equity loans on home equity alone. Key eligibility determinants also include income, credit history or score, liquid assets such as bank deposits, payment history and other factors. Lenders typically do not loan money to persons in default on taxes.

73. The net result, for example, is that if a homeowner's failure to pay taxes results in \$10,000 in tax-related debt on a property worth \$100,000, and the homeowner is unable to pay the full past due amount during the redemption period, the tax buyer can get title to the home. The owner receives nothing and loses as much as \$90,000 in equity, while the tax buyer receives the windfall of a property worth \$100,000 for which they paid \$10,000. One recent report suggests homeowners often lose more than \$135,000 in equity. See Sidnee King, *Tax Sale Process Hits Black Homeowners Hardest*, Illinois Answers Project (Nov. 17, 2022), <https://illinoisanswers.org/2022/11/17/tax-sale-process-hits-black-homeowners-hardest/> (last visited Dec. 7, 2022) ("the average home equity lost after eviction [for non-payment of taxes] was at least \$135,000, while the median cost for tax purchasers to get a lien on their properties was just over \$2,000.").

### **Cook County Disproportionately Harms Homeowners of Color**

74. Plaintiffs are not challenging Defendants' assessment or collection of taxes. Instead, they are challenging Defendants' failure to compensate homeowners, thus depriving homeowners of the value of the difference between the market value of their residential properties and the amounts they owe in delinquent taxes, penalties and interest, which we have referred to, and which is commonly referred to, as equity. This significant harm disproportionately affects communities of color, a fact that Defendant Pappas has repeatedly acknowledged.

75. Just this year, for instance, she stated that the "majority of the taxes offered" at the tax sale held in May of 2022 "are for properties in minority communities." ABC7, *Cook County Treasurer Begins Holding Delinquent Property Tax Sale*, <https://abc7chicago.com/cook-county-property-tax-sale-bill/11840970/> (last visited Dec. 7, 2022). According to Treasurer Pappas, "Year after year, a disproportionate number of properties on the list are in majority Black and Latino communities," Pappas said. "Ultimately, there's nothing about this system that works." Sidnee King, *Tax Sale Process Hits Black Homeowners Hardest* (Nov. 17, 2022), <https://illinoisanswers.org/2022/11/17/tax-sale-process-hits-black-homeowners-hardest/> (last visited Dec. 7, 2022).

76. In 2021, Pappas reported that 75% of the parcels set for sale at the annual tax sale were in Latino and Black neighborhoods. Samantha Chatman, Cook County Treasurer, *ABC7 Chicago Team Up to Connect Taxpayers with Unclaimed Property Tax Refunds* (Sept. 20, 2021), <https://abc7chicago.com/cook-county-property-tax-illinois-treasurer-maria-pappas/11033141/> (last visited Dec. 7, 2022).

77. Fewer than 24% of Cook County residents identify as Black. Only 26% identify as Latino. U.S. Census Bureau, QuickFacts: Cook County, Illinois, <https://www.census.gov/quickfacts/fact/table/cookcountyillinois/PST045221> (last visited Dec. 7, 2022).

78. The racially disparate effect of the tax sale system is even more pronounced than these figures suggest because Black and Latino homeownership rates (35% and 43% respectively) lag far behind the White homeownership rate of 54%. Institute for Housing Studies at DePaul University, *Data and Research to Facilitate Equitable Homeownership in Chicago* (Sept. 20, 2021), <https://www.housingstudies.org/releases/equitable-homeownership> (last visited Dec. 7, 2022).

79. Depriving homeowners, especially minority homeowners, of the market value of their residential properties in excess of the amounts they owe in delinquent taxes, penalties and interest prevents them from passing on their most valuable asset to future generations, thereby widening the racial wealth gap.

80. Furthermore, it compromises and interferes with their ability to find new housing. A person's home equity is typically the key asset they rely on to secure new housing when they move away from a home that they own. This is especially true for Black and Latino homeowners: at the end of 2019, about 28% of Latino families' wealth and 20% of Black families' wealth came from home equity, compared to about 16% for white families.<sup>[8]</sup>

81. Thus, when a person loses their home to foreclosure after a tax sale and does not receive immediate, fair compensation for their equity, that prevents them—as it prevents the Individual Plaintiffs—from obtaining new housing—and further harms the local community. In a 2016 paper for *Regional Science and Urban Economics*, several economists found that property tax delinquency sales have a significant effect on the sales of the surrounding properties.

82. Depriving minority homeowners of the equity in their homes is yet another example of a long-running pattern in Cook County. From the enforcement of racially restrictive covenants and Federal Housing Administration redlining policies, to unfairly high property tax assessments in Black neighborhoods, the discriminatory impacts of local officials' decisions have undermined Black and Latino families' wealth and stability. *See, e.g.*, “How the ‘Black Tax’ Destroyed African-American Homeownership in Chicago,” Bloomberg (June 11, 2015) (“For decades, racist property assessments and predatory tax-debt sales went hand-in-hand in Chicago. The system came to be known as the ‘Black Tax.’”); Jason Grotto, *An Unfair Burden*, C . T . (June 10, 2017), <https://apps.chicagotribune.com/news/watchdog/cook-county-property-tax-divide/assessments.html> (last visited Dec. 7, 2022). It is no surprise that tax sale evictions in the County are concentrated on the south and west sides of Chicago, and that the individuals who are entitled to indemnity for their losses are disproportionately Black and Latino. Housing Action IL Report, *supra* ¶ 65 at 1–2.

83. However, as shown in the following allegations, Cook County's indemnity fund is ineffectual and extremely slow in a way that completely undermines its purpose. It provides relief to only a small handful of the homeowners every year who fail to redeem, and then only after substantial expense, effort, and years of delay. It has not remedied the widespread problem of homeowners being evicted from homes and losing all of the equity in them, and thus the key asset needed to secure new housing.

84. And the backlog is growing, meaning persons who receive an award now will likely have to wait more than eight years.

85. As a result, even homeowners who receive a judgment entitling them to payment from the fund