



OFFICE OF THE INDEPENDENT INSPECTOR GENERAL

Patrick M. Blanchard, Inspector General

69 West Washington Street | Suite 1160 | Chicago, IL 60602 | (312) 603-0350

October 29, 2020

Re: Public Release of OIIG Report No. IIG19-0567 (Cook County Land Bank Authority)

Pursuant to Sections 2-289(c)(2) and 2-289(d) of the Independent Inspector General Ordinance, Cook County, Illinois, Ordinance No. 07-O-52 (2007), as recently amended, attached hereto are the following:

- OIIG Report No. IIG19-0567 (Cook County Land Bank Authority) dated October 14, 2020.
- Cook County Land Bank Authority Response to OIIG Report IIG19-0567 dated October 28, 2020.



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Patrick M. Blanchard, Inspector General
69 West Washington Street | Suite 1160 | Chicago, IL 60602 | (312) 603-0350

October 14, 2020

Transmittal via email only

Honorable Toni Preckwinkle
President, Board of Cook County Commissioners
118 North Clark Street, 5th Floor
Chicago, Illinois, 60602

Re: OIIG Report No. IIG19-0567 (Cook County Land Bank Authority)

Dear President Preckwinkle:

This letter is written in accordance with Sections 2-289(c)(2) and 2-289(d)(2) of the Independent Inspector General (OIIG) Ordinance, Cook County, Illinois, Ordinance No. 07-O-52 (2007) (the “OIIG Ordinance”), relative to a review conducted to assess the Cook County Land Bank Authority’s (CCLBA) process of acquisition, maintenance and disposition of properties sold by the Cook County Treasurer’s Office (Treasurer) at the biannual scavenger sales. In accordance with the OIIG Ordinance, this report is made to apprise you of the completion and results of the review. In accordance with Section 2-289(d)(2), the Cook County Land Bank Authority may provide a response to this report within 10 business days which will be released by this office at the time the OIIG report is publicly released in accordance with Section 2-289(d)(3).

Background

On November 4, 2019, the Treasurer’s office issued a letter to CCLBA Executive Director outlining concerns with the manner in which the CCLBA acquired properties offered for sale during the 2015, 2017, and 2019 Scavenger Sales.¹ The letter stated that during the 2015 Scavenger Sale, the CCLBA acquired approximately 8,130 properties by using the no-cash bid offer and subsequently returned approximately 5,895 (72.5% return rate) of the noted properties. The letter further stated that the CCLBA added an additional layer of “destructive complexity” when properties initially acquired from the 2015 and 2017 scavenger sales were surrendered to the Treasurer’s office and subsequently reacquired in the 2019 scavenger sale.

Section 1.1 Public Authority of the CCLBA Policies and Procedures: *Acquisition and Disposition of Real Property* states in part, “The CCLBA is a public entity and an agency of Cook County authorized by Illinois law and created pursuant to the Ordinance establishing the CCLBA dated March 20, 2013.” Section 103-49 (d) *Acquisition of Real Property* of the CCLBA Ordinance allows the CCLBA the right to purchase properties in the name of the County at tax sales conducted in accordance with the Property Tax Code (Code), 35 ILCS 200/1-1 *et seq.* Pursuant to section 21-

¹ Throughout this report, the terms “PIN” and “property” will be used interchangeably to mean the same real estate.

260 (*Collectors Scavenger Sale*) (g), of the Code, “The County or other taxing district acquiring a tax sale certificate shall take all steps necessary to acquire title to the property and may manage and operate the property so acquired.”

The CCLBA Ordinance provides guidance with respect to the management and disposition of property. Section 103-51 (*Holding and Managing Property*) of the Ordinance states in part, “The Land Bank may control, manage, maintain, operate, repair, lease as lessor, license, secure, prevent the waste or deterioration of, demolish, and take all other actions necessary to preserve the value of the Real Property it controls on behalf of the County ...” Section 103-52 (*Property Disposition*) of the Ordinance provides that the CCLBA may dispose of property on terms and conditions, and in a manner and for an amount of consideration the CCLBA considers proper, fair, and reasonable, including for no monetary consideration if appropriate. Section 103-52 further allows the CCLBA to convey, sell, transfer, exchange, lease as lessor, or otherwise dispose of real property or rights or interest in real property which the CCLBA controls and in which the County holds a legal interest to any public or private person.

Based on the foregoing requirements of the Code, CCLBA Ordinance and CCLBA policies, the OIIG developed review procedures to assess and evaluate the CCLBA’s acquisition, management and disposition of properties acquired at the scavenger sales.² The OIIG’s methodology included interviewing relevant CCLBA employees whose duties or responsibilities included the processing, management, or decision-making regarding the acquisition and disposition of properties. The purpose of the interviews was to develop a thorough understanding of the internal processes regarding the acquisition and disposition of properties. In addition, the OIIG obtained data sets from and interviewed employees of the Treasurer’s office. The data sets consisted of spreadsheet files containing comprehensive listings of properties that were bid on by the CCLBA for each scavenger sale held in 2015, 2017, and 2019. The OIIG selected CCLBA properties that were acquired at the scavenger sales and reviewed all property records. We also preformed analytical procedures, and recalculated and confirmed the number of properties that were bid on, returned, and reacquired by the CCLBA with information provided by the Treasurer’s office.³

² Section 4.1 of the CCLBA’s Acquisition of Real Property policies and procedures states that the sources of property inventory include, but are not limited to, the following: (a) transfers from the State of Illinois, local government units, intergovernmental entities; (b) acquisitions by the CCLBA in the name of Cook County at tax sales conducted in accordance with the Property Tax Code, 35 ILCS 200/1 *et seq.*; donations from private persons and entities; (d) market purchases; (e) conduit transfers contemplating the simultaneous acquisition and disposition of property; and (f) other transactions such as land banking depository agreements. The scope of the OIIG review was limited to properties acquired at the scavenger sales.

³ The OIIG recalculated the number of properties acquired, returned, and reacquired that were outlined in the November 4th letter issued by the Treasurer’s office. In response to the OIIG’s request to confirm the OIIG’s calculated property numbers, the Treasurer’s office General Counsel stated that they had also conducted additional analysis and revision of reported numbers and advised that she agreed with the OIIG calculated ending numbers.

OIG Review

Interview of Treasurer's Office Chief of Staff and Deputy Treasurer

The Chief of Staff and Deputy Treasurer (“Chief of Staff”) stated that the Treasurer’s office conducts tax sales annually and scavenger sales every two years. He noted that both types of sales involve the County selling outstanding property taxes that have not been paid by property owners. He said that the process begins when a tax lien is placed on the property by the County after the taxes become delinquent for more than one year. The tax liens are offered for sale in the form of a certificate at the annual tax sale to the general public. The Chief of Staff advised that properties sold under the scavenger sales comprise of properties that did not sell at the annual tax sale or properties on which the bidder failed to pay the outstanding taxes owed (forfeited tax lien certificates).

The Chief of Staff advised that State law allows the CCLBA to bid on properties auctioned at scavenger sales.⁴ The bidding starts at \$250 minimum. The CCLBA may offer a no-cash bid on properties that it seeks to acquire. He said that a no-cash bid effectively removes the properties from any tax delinquency during the period in which the CCLBA has possession of the subject properties. He further noted that the properties are no longer available for sale to potential investors. The Chief of Staff said that the CCLBA will normally win the bid with a no-cash offer unless the opposing bidder places an “over-bid,” which he described as a bid that exceeds the amount of taxes owed by the taxpayer.

The Chief of Staff stated that after analyzing several years of property sales data, the Treasurer’s office determined that the CCLBA takes possession of certain properties, but it appears that minimal work is done to revitalize and restore the properties in accordance with the CCLBA’s mission. Specifically, the Treasurer’s Office’s analysis revealed that in the 2019 scavenger sale, approximately 37% of properties acquired by the CCLBA through a no-cash bid reverted back to the Treasurer’s Office. The Chief of Staff advised that the return of properties is a result of the CCLBA deciding “not to pursue” the properties after placing a no-cash bid.

The Chief of Staff explained that since the CCLBA generally does not “take the properties to deed,” the CCLBA is not the legal owner of the properties. He said that taking the property to deed would involve, among other things, filing the necessary documents with the court to obtain the deed to the property. As such, during the years in which the properties are acquired by CCLBA and continuously returned to the Treasurer’s Office for inclusion in the scavenger sales, the original owner (who owes delinquent taxes) maintains legal ownership of the subject property. The Chief of Staff advised that the aforementioned circumstances create the opportunity for property owners to continue to occupy the property, rent the property, and/or operate a business without having to pay taxes owed for multiple years. He said, “Land Bank is not pursuing the

⁴ 35 ILCS 200/21-260 section (g) states in part: “Bidding by county or other taxing districts. Any taxing district may bid at a scavenger sale. The county board of the county in which properties offered for sale under this Section are located may bid as trustee for all taxing districts having an interest in the taxes for the nonpayment of which the parcels are offered. The County shall apply on the bid the unpaid taxes due upon the property and no cash need be paid.”

properties with the intention of putting them back on the tax rolls.” He commented that the constant return of the same properties year after year would signal to the Treasurer’s office that the CCLBA did not intend to acquire the properties in the first place. He said, “It’s like saying we did not really want them after all.” The Chief of Staff said that the Treasurer’s office discussed the issue related to acquisition and subsequent return of the properties with CCLBA and the CCLBA responded that properties may have been returned due to an over aggressive buying/bidding approach which may have led to unnecessary increase in inventory.

Interview of Cook County Treasurer’s Office General Counsel

The General Counsel advised that the Treasurer’s office is concerned with the increase in administrative costs associated with the volume of properties returned by the CCLBA to the Treasurer’s office. She mentioned that there is an increased workload as a result of including additional and perhaps unnecessary properties (same from the previous scavenger sale) in the annual and scavenger tax sales. She explained that the Treasurer’s office has to send a certificate notice as part of the annual tax sale as well as the regular tax bills for every current year tax installment. She commented that it is her understanding that the County Clerk’s Office is also affected by the constant return and sale of the properties. She said, “The Clerk may have more of a burden when dealing with the sale of these type of properties.” The General Counsel further noted that it takes additional time and resources to prepare and conduct the scavenger sales. As an example, she explained that the Treasurer’s office has to read the PIN for each property up for bid aloud. The General Counsel indicated that the voluminous number of properties up for bid increases the number of days to process tax sales, which at times may take up to 12 days to complete.

Interview of the Cook County Land Bank Authority Executive Director

The CCLBA Executive Director stated the CCLBA relies on the Code for guidance in developing the procedures for acquiring tax-delinquent properties. He further noted that the provisions of the Code that relate to the scavenger tax sale have been incorporated into the CCLBA’s acquisition policies and procedures. He commented that the CCLBA is not involved in the annual tax sales and only acquires properties through the scavenger tax sales using the no-cash bid process, which he explained is the mechanism by which the CCLBA acquires properties without having to pay the outstanding delinquent property taxes that are attached to the property.

The CCLBA Executive Director further explained the acquisition process by stating that approximately 30 days prior to the Scavenger Tax Sale, the Treasurer’s Office releases a listing of properties by PIN that will be offered for sale. Upon receipt of the listing, the CCLBA conducts data analysis to determine which PINs will be pursued at the sale. He explained that as part of the data analysis, the CCLBA geocodes the PINs to convert them to a physical address. By geocoding the PINs, the CCLBA is able to place them on a map for further analysis. In addition, the CCLBA considers the number of years and the amount of delinquent taxes owed on the PINs. The CCLBA Executive Director said that in 2015 the CCLBA began applying a “new lens” to the acquisition process with a strong geographic focus. In doing so, the CCLBA reviewed property information

in 13 Chicago neighborhoods and 14 local municipalities to determine which geographic locations had an increased amount of foreclosed, vacant, and abandoned property. He said that the CCLBA drilled down on the areas that appeared to have an increased supply of vacant and abandoned property. He noted that as part of the analysis, the CCLBA identified which geographic areas had an “overlap” of oversupply of vacant/abandoned properties which may also have a potential increase in demand for future sales to the general public.

The CCLBA Executive Director explained that once the PINs to properties selected by the CCLBA are acquired, the properties are assigned to individual acquisitions specialists. The specialists are assigned pre-established geographic regions of the County. As such, the PINs acquired are automatically assigned to specialists based on the respective geographic region assigned. The acquisitions specialists are responsible for managing and monitoring the properties during the time the land bank holds the purchase certificate. He noted that during the time the CCLBA holds the lien certificate, the CCLBA is not the legal owner of the property and therefore has no legal rights. He said, “We simply have a certificate.” The CCLBA Executive Director said that the goal of the specialist is to re-develop the property and make the property available for sale to developers and homeowners.

The CCLBA Executive Director advised that the CCLBA utilizes an internal asset management system (ePropertyPlus) to record the properties that were pursued or not pursued. He said that the system does not allow CCLBA acquisition specialists to record an explanation detailing the “programmatic decision” to acquire or not to acquire a property. The system simply records a yes or no in an embedded field. The CCLBA Executive Director noted that the default decision is often “no” due to the volume of properties the CCLBA administers.

The CCLBA Executive Director referenced the PINs received from the Treasurer’s Office 30 days prior to the scavenger sale and noted that approximately 30,000 to 35,000 PINs are offered for sale. He said that he considers the scope of the PIN review to be expansive considering the number of PINs offered for sale and the CCLBA having to review PIN data for entire neighborhoods and municipalities. He commented that the CCLBA looks through a different lens for each scavenger sale in order to narrow the list of approximately 30,000 properties to a smaller group.

The CCLBA Executive Director said that the CCLBA is unable to acquire a property during the redemption period.⁵ The redemption period is the time period in which the property

⁵ 35 ILCS 200/21-350 states: Period of redemption. Property sold under this Code may be redeemed at any time before the expiration of 2 years from the date of sale, except that: (a) If on the date of sale the property is vacant non-farm property or property containing an improvement consisting of a structure or structures with 7 or more residential units or that is commercial or industrial property, it may be redeemed at any time before the expiration of 6 months from the date of sale if the property, at the time of sale, was for each of 2 or more years delinquent or forfeited for all or part of the general taxes due on the property. (b) If on the date of sale, the property sold was improved with a structure consisting of at least one and not more than 6 dwelling units it may be redeemed at any time on or before the expiration of 2 years and 6 months from the date of sale. If, however, the court that ordered the property sold, upon

owner has an opportunity to pay all taxes, fees, penalties and costs in full to the purchase certificate holders (*i.e.*, tax buyer/investor). He said that no acquisition is possible during the redemption period because the property owner has a statutory right to own the property. He advised that the CCLBA uses the redemption period to observe the property to determine whether to continue pursuing the property. The specialists perform site visits to conduct visual inspections of the properties to attempt to discern the physical conditions of the property and whether the properties are vacant, occupied, or abandoned. The CCLBA Executive Director stated that vacancy is a major factor for the CCLBA when pursuing a property. He added that the CCLBA is unable to pursue a property that is occupied and therefore will only pursue a property once the CCLBA has determined with certainty that the property is in fact vacant. He advised that the CCLBA may also consider the number of years of outstanding taxes owed (3 years or more) by the taxpayer in determining the occupancy status of a selected property and whether to pursue further.

The CCLBA Executive Director attributed the increase of delinquent properties in inventory due to the CCLBA's decision to extend the redemption period. He advised that by doing so, the CCLBA was able to hold the properties for longer periods of time, which for vacant and non-residential properties the extension increased the CCLBA's holding period from six months to three years, and for all other property (residential) from two-and-a-half years to three years.

The OIIG provided CCLBA Executive Director with a copy of the Cook County Land Bank Authority Annual Data and Activity Report (Annual Report) as of November 30, 2018. The CCLBA Executive Director was asked to explain the difference in "Total Bids" of 7,778 and "Total Bids Pursuing" of 2,497 recorded on page 12 of the Annual Report.⁶ He stated that the CCLBA intended to acquire a total of 7,778 properties in tax year 2015. He stated further that the CCLBA subsequently decided to only pursue 2,497 because either the taxes were redeemed by the taxpayer, the CCLBA was unable to pursue due to a sales error (*e.g.*, incorrect PIN, wrong address, error in the legal description of the property), factual errors which prevented the CCLBA from moving forward, or the CCLBA simply decided not to pursue the property. He noted that instances in which the CCLBA decides not to pursue are normally attributed to occupancy issues where after further inquiry the CCLBA determines that the property is occupied. He said, "If occupied, it's a no-go."

The OIIG asked the CCLBA Executive Director to explain further what he meant when "CCLBA decided not to pursue." CCLBA Executive Director said that the CCLBA "programmatically decides" not to pursue certain properties. By way of illustration, he said the

the verified petition of the holder of the certificate of purchase brought within 4 months from the date of sale, finds and declares that the structure on the property is abandoned, then the court may order that the property may be redeemed at any time on or before the expiration of 2 years from the date of sale. Notice of the hearing on a petition to declare the property abandoned shall be given to the owner or owners of the property and to the person in whose name the taxes were last assessed, by certified or registered mail sent to their last known addresses at least 5 days before the date of the hearing. (c) If the period of redemption has been extended by the certificate holder as provided in Section 21-385, the property may be redeemed on or before the extended redemption date.

⁶ Page 12 of the Annual Report indicates that in tax year 2015, 32,752 PINs were offered for bid at the Scavenger Tax Sale. The CCLBA placed "Total Bids" of 7,778 PINs. Of the 7,778 (PINs) bids placed, 2,497 (32%) are noted as "Total Bids Pursuing."

CCLBA may pick up vacant lots in Englewood and after further discussions with interested parties (City of Chicago, community organizations, developers, investors) the CCLBA determines that no viable projects are in line that would warrant the CCLBA to acquire the properties. As part of the programmatic decision, the CCLBA considers neighborhood plans and whether the plans have projects in the “pipeline” that would necessitate the acquisition. The CCLBA reviews neighborhood plans in the context of current and potential projects such as a new grocery store or recreational parks.

Upon being asked if he considered 5,281 of 7,778 (68%) of the properties the CCLBA placed a bid on but decided later not to pursue a high percentage, the CCLBA Executive Director responded in the negative. He said that he considered 68% to be within industry standards. He commented that the CCLBA tends to focus more on the 32% that were pursued and sees that as a positive. He said that in the beginning of the acquisition process, the CCLBA has to take a “bigger chunk” of the available properties because the CCLBA does not know which ones will have an opportunity for redevelopment. He noted that the initial 7,778 bids most likely consisted of properties that tax buyers and investors had no interest in and therefore were made available to the CCLBA at the scavenger sales. He noted that after placing the bids on 7,778 properties, a subsequent sale in error, redemption by the owner, or programmatic decision resulted in the number actually pursued to be 2,497. He said, “It’s the number [32%] involvement that added 2,497 additional opportunities and range of properties.”

The CCLBA Executive Director related that programmatically there is a possibility that during a scavenger sale, the CCLBA may place a bid on the same properties previously bid on and not pursued. As an example, he said that in 2015 the CCLBA may receive information indicating that there are plans to build a Whole Foods Market on 63rd and Halsted in the Englewood neighborhood. Consequently, the CCLBA analyzes a one-mile radius surrounding the new building and bids on properties considered to have an impact from the new development. He noted that over the years (2015 to 2016) and after placing bids and/or pursuing selected properties, the CCLBA may receive information that a development such as a Whole Foods may not be built until sometime in 2018. The CCLBA will once again review the neighborhood plan and decide to place a bid on the same properties in 2018 near the potential Whole Foods in Englewood. He said, “We had the right strategy. But our timing was off.” He stated further that the market realities may have changed and the opportunities may still exist. CCLBA Executive Director related that the evaluation process for selecting which properties to eventually acquire is ongoing and involves conducting field work to continuously review the conditions of the property during the redemption period.

Interview of the Cook County Land Bank Authority Senior Acquisitions Manager

The Senior Acquisitions Manager formally reports to CCLBA Executive Director. She stated that as part of her duties she is responsible for managing two teams. One of the teams is comprised of three acquisition specialists that manage property acquisitions. The acquisition specialist identifies which properties the CCLBA may want to pursue and also manages the disposition of properties to developers and home buyers. The other team includes three asset

managers responsible for managing properties after the CCLBA acquires a property. She noted that asset managers also participate in the acquisition of properties. Once the CCLBA acquires a property, the asset manager is responsible for assigning a vendor to secure the property and conduct required maintenance until the property is sold. If a property is sold to a developer, the asset manager conducts additional follow-up to assure the developer completed the work as required by the CCLBA.

The Senior Acquisitions Manager was asked to explain the CCLBA's process to determine which properties the CCLBA bids on at the bi-annual scavenger sale. She related that the CCLBA receives a listing of properties from the Treasurer's Office 30 days prior to the sale that details which properties will be made available at the scavenger sale. Upon receiving the list of properties, CCLBA Executive Director provides the CCLBA Planning Analyst certain criteria which may include targeted areas and communities in which the CCLBA intends to acquire properties. The CCLBA Planning Analyst maintains "bid books" which include all the properties offered for sale at the scavenger sale with highlighted text of the properties on which the CCLBA intended to bid.

The Senior Acquisitions Manager stated she was not aware of CCLBA formal or informal policies providing standards and guidance for bidding on properties sold at the scavenger sales. She said that the CCLBA Executive Director gives the CCLBA Planning Analyst direction, and if any such policies exist, she is not involved in formulating them. She advised the OIIG to speak to the CCLBA Executive Director regarding any policies or procedures regarding the administration of the scavenger sales. The Senior Acquisitions Manager said that her involvement in the scavenger sales is limited to attending scavenger sales on behalf of the CCLBA. She advised that most of the employees take turns attending the sales and placing the no-cash bid on properties previously selected by the CCLBA Executive Director (in consultation with the CCLBA Planning Analyst).

The OIIG referred to the CCLBA's Policies and Procedures Acquisition and Disposition of Real Property and advised the Senior Acquisitions Manager that it appeared the aforementioned policies and procedures referenced properties acquired and disposed of after the CCLBA had taken ownership (*i.e.*, taken the title to deed). Moreover, the policies and procedures did not appear to provide specific guidance on the method of selection for acquired properties. The OIIG further noted that with respect to the administration of scavenger sales, the aforementioned policies and procedures included only section 4.3 which simply states "*Acquisitions through Delinquent Tax Enforcement Proceedings. The CCLBA may acquire properties through the delinquent tax enforcement process, including, but not limited to acquisitions at annual tax sales or scavenger sales, or subsequent to such sales as authorized by law.*" Moreover, the policies and procedures did not appear to provide specific parameters or guidance to demonstrate how the CCLBA administers select properties to bid on at the scavenger sales. The Senior Acquisitions Manager commented that issues such as those noted by the OIIG are matters that the CCLBA Executive Director and CCLBA Board may need to consider to decide if the level of detail described by the OIIG is needed. She said, "If we need more transparency, I need to talk to [the Executive Director]."

The Senior Acquisitions Manager stated that after the PINs were awarded to the CCLBA at the scavenger sale, the CCLBA held the properties and nothing is done with them. She indicated that the CCLBA “holds” the properties because the CCLBA is not the legal owner. She commented that the CCLBA does not attempt to ascertain whether the properties are vacant prior to placing a bid on them because the 30 days the CCLBA has to review the volume of properties is not enough time.

The Senior Acquisitions Manager was provided a copy of section 21-260 (g) of the Code, which states in part, “The County acquiring a tax sale certificate shall take all steps necessary to acquire title to the property.” She was asked to explain how the CCLBA ensures compliance with the requirements of section 21-260 (g). She stated that it was her understanding that legal counsel on behalf of the CCLBA starts the acquisition process when they publish the Take Notice and serve the individual homeowner with notice.⁷ She also noted that the acquisition specialist conducts multiple site visits to determine whether the property is vacant, measure, take photos, and review Sidewell maps. She advised that the aforementioned information compiled by the acquisition specialists is attached to an affidavit and submitted to legal counsel. Legal counsel submits the information to the courts as part of the prove-up hearing which she described as the process by which legal counsel appears before a judge to take the property to deed. She stated that unless an owner shows up to contest the sale of the property, the majority of tax certificates are awarded to the CCLBA by the court.

The Senior Acquisitions Manager stated that she was not aware of instances in which CCLBA internal property files contained a Take Notice as the only document to support the acquisition and disposition of a property. She said that in addition to the Take Notice, the file would include, among other things, site visit documents and measurement information, establishing that the CCLBA made efforts to ascertain the condition of the property in question.

The Senior Acquisitions Manager was asked if the CCLBA conducted site visits (as she had previously described) to investigate vacancy, measure the property, and take photographs on the approximately 7,000 PINs pursued by CCLBA. She stated that 30 days from the time the list is provided by the Treasurer until the scavenger sale is held is not sufficient to allow CCLBA staff to look at all the properties. She further noted that CCLBA staff do not drive to every property to determine the conditions. She related that as long as the property is vacant, the CCLBA intended to acquire the property.

The Senior Acquisitions Manager stated that there are four reasons the CCLBA would bid on a property and hold it, but ultimately not acquire it: (1) There was a sale in error; (2) The

⁷ The Cook County Clerk’s office defines a Take Note as follows: A notice that taxes were sold, prepared by the tax buyer in a specific format required under Illinois law. Take notices are sent at two different times. The tax buyer prepares the first Take Notice and files it with the Cook County Clerk's office within 4 ½ months after the date of sale. The Clerk's office then sends the notice via certified mail. If the taxes have not been redeemed, the tax buyer prepares a second set of Take Notices within three to six months before the last day of the redemption period. These Take Notices are served by the Cook County Sheriff's office and mailed by the Circuit Court Clerk's office.

property owner redeemed the delinquent taxes; (3) The property was not vacant; or (4) There was an issue with the PINs, *e.g.*, the CCLBA bid on and got a certificate for one PIN but the property had multiple PINs associated with it.

The Senior Acquisitions Manager stated that acquisition specialists have the authority to determine whether or not a tax certificate will be further pursued and taken to deed by the CCLBA. She said that the decision to pursue a tax certificate is based on the results of the site visits. The Senior Acquisitions Manager said that the disposals/returns are not formally approved by her or the CCLBA Executive Director. She said that the approval if any would include the information recorded by the acquisition specialist in the web-based ePropertyPlus system. The Senior Acquisitions Manager stated that she is not aware of any rules, guidelines, or procedures that provide instructions to CCLBA to determine which properties/tax certificates to return.

Interview of the Cook County Land Bank Authority Planning Analyst

The CCLBA Planning Analyst was asked if the CCLBA has policies and procedures that provide specific guidance to determine which properties to bid on during the bi-annual scavenger sales. He stated that the CCLBA has not developed written policies or procedures related to the scavenger sale bidding process. He said that the CCLBA's bidding process has consisted of informal policies and procedures.⁸ He further stated that the criteria to decide which properties to bid on during the scavenger sales (2015, 2017, and 2019) has changed for each sale. When the CCLBA Planning Analyst was asked to explain why the criteria changed, he said, "It changed based on what we thought we should acquire." He said that the individuals involved in the decision-making process included the CCLBA Executive Director, Senior Acquisitions Manager, three acquisition specialists, and the asset management group.

The CCLBA Planning Analyst advised that the CCLBA's property acquisitions for the 2015 scavenger sale were focused on certain communities. He said that based on supply and demand, 13 neighborhoods in the City of Chicago and 14 neighborhoods in the suburbs of Cook County were selected as target areas. He explained that the supply of properties was determined by identifying which properties were vacant, foreclosed, and tax delinquent. He said that numerous metrics related to real estate, including the number of foreclosures, were used to determine which areas exhibited demand. He provided an example illustrating how the number of foreclosures from year-to-year are used to establish "data points" whereby a decrease from 200 properties in the first year to 100 in the subsequent year would show patterns of positive changes in a neighborhood. He

⁸ During his OIIG interview, the CCLBA Executive Director stated that the CCLBA relies on the Code for guidance in the development of procedures for acquiring properties. He further stated that provisions of the Code relating to the scavenger sales have been incorporated into CCLBA's acquisition policies and procedures. The OIIG's review of the acquisition policies and procedures revealed that the noted policies and procedures lack specific guidance in the selection of properties at the scavenger sales. More specifically, the policies and procedures contain only Section 4.3 which simply states that the CCLBA may acquire properties through the delinquent tax enforcement process. In addition, the interviews of the CCLBA Senior Acquisitions Manager and CCLBA Planning Analyst confirmed that no policies or procedures have been developed by the CCLBA specific to the administration of scavenger sale acquisitions. The interviews further established that the CCLBA relies on informal policies and procedures to administer scavenger sale acquisitions.

said if the greater rate of decrease in foreclosures in a certain neighborhood is identified, “we would target that area.”

Upon being asked to provide the source of the 2015 acquisition metrics he previously mentioned, the CCLBA Planning Analyst said that the information was located in a one-page document on the CCLBA’s website. The OIIG asked the CCLBA Planning Analyst to explain why the document did not contain a date and/or indicate that it was developed as part of the 2015 scavenger sale acquisition process. In response, he stated that the information in the document was developed by CCLBA in May 2015 to record how the acquisition process was completed, which he called the “methodology.”

The CCLBA Planning Analyst said that the CCLBA was “trying to make an impact” in 2015 by taking all the properties that were made available in the bi-annual scavenger sale. He was not certain how many properties were ultimately pursued at the scavenger sale but said that the intent was to take as many properties as possible. The CCLBA Planning Analyst advised that a committee formed by the CCLBA Executive Director along with the CCLBA Planning Analyst, a former Senior Acquisitions Specialist, and an Acquisition Specialist, collectively made the decision to “take all” the properties.

Investigators informed the CCLBA Planning Analyst that according to CCLBA records, the CCLBA placed a no-cash bid on 7,778 properties in 2015, 9,564 bids in 2017 and 9,190 bids in 2019. He was asked if he considered the number of tax certificates acquired by the no-cash bid a reasonable amount. He responded in the affirmative.

The CCLBA Planning Analyst stated that the acquisition process in 2017 was “much simpler.” He said the CCLBA had learned and understood the speculative nature of scavenger sales. He further explained that the CCLBA began to notice patterns in which the same properties continued to show up again and again during subsequent sales. He advised that based on CCLBA’s observations, they believed that the private market was bidding on the same properties and returning them at a later date with no evidence that the properties were taken to deed. He said, “Of 100 properties only one went to deed.” This led the CCLBA to change the acquisition strategy to acquire all properties that had structures. He said, “In 2017 we were more concentrated on structures. Anything that was not vacant land, we took.”

The CCLBA Planning Analyst noted that the CCLBA had concerns regarding the private market not meeting the objective of taking the properties to deed. As such, the CCLBA made the decision to step in. He related that in 2017, the CCLBA was unsure how many properties the CCLBA would be able to secure as a result of the private market outbidding the CCLBA. Consequently, the CCLBA made the decision to take as many tax certificates as possible. He explained that from 12,000 PINs offered for sale by the Treasurer’s Office, 3,000 PINs may have been taken by the private market by overbidding the no-cash bid offered by the CCLBA. As such,

the CCLBA secured the remaining 9,000 remaining PINs. The CCLBA Planning Analyst said, “We were just not sure of the numbers we would end up with.”⁹

The CCLBA Planning Analyst advised that the CCLBA’s acquisition strategy for the 2019 scavenger sale was “more complex.” He said the strategy still involved acquiring all properties that had a structure, but in 2019 a new pricing matrix was created. The pricing matrix established a dollar value threshold which allowed the CCLBA to exclude properties that were less than the threshold amount. The CCLBA Planning Analyst further stated that in 2019 vacant land was also acquired as part of the acquisition strategy. He mentioned the Englewood Embankment Area near the 606 CTA Red Line Extension and the Robbins Storm Water Retention Pond as project areas in which the CCLBA acquired vacant land. When asked to explain why the CCLBA secured vacant land for the aforementioned projects, the CCLBA Planning Analyst said the CCLBA acquired the land with the intention to sell at a later date to the related government agency, including the City of Chicago, CTA, and the Village of Robbins.

The CCLBA Planning Analyst was asked to explain what the CCLBA does with the tax certificates upon acquisition at the scavenger sales. He said that tax certificates are “stored” by the CCLBA along with the initial Take Notice and any Redemption Extension Notices that were issued to the owners of the property. He said the CCLBA has two options which include either to take the property certificate to deed or not pursue the certificate and let the redemption period expire. After the redemption period has expired the certificate reverts back to the Treasurer’s Office.

Upon being asked to explain what criteria, if any, the CCLBA relied upon to determine which properties the CCLBA would take to deed, the CCLBA Planning Analyst stated that he was uninvolved in that part of the process. He further stated that CCLBA Executive Director and the “acquisitions team” make decisions regarding the evaluation process to determine which properties will be taken to deed. The CCLBA Planning Analyst was asked if the CCLBA conducted a physical inspection of the 9,000 properties acquired at the 2017 and 2019 scavenger sales. He responded in the affirmative and said, “to my knowledge they are looking at all 9,000 properties to determine the status.” The CCLBA Planning Analyst was advised that after the 2015 and 2017 scavenger sales, the CCLBA had over 17,000 tax certificates on hand. He was asked whether the CCLBA had the capacity to manage the volume of tax certificates acquired. He responded in the affirmative and said that with the use of ePropertyPlus software the CCLBA was

⁹ During his OIG interview, the CCLBA Planning Analyst repeatedly stated that the CCLBA’s objective was to acquire as many properties possible from the scavenger sales. The acquisition strategy described by the CCLBA Planning Analyst is supported by the large number of properties (17,514) that were ultimately held in inventory by the CCLBA. The acquisition strategies described by the CCLBA Planning Analyst and the results of the OIG’s testing contradict the CCLBA Executive Director’s efforts of a focused approach strategy which he described involving the CCLBA conducting data analysis and drilling down on areas that appear to have increased supply of vacant and abandoned property in order to pursue scavenger sale properties. Moreover, the CCLBA Executive Director confirmed the expansive acquisition strategy during his interview by stating that in the beginning of the acquisition process the CCLBA “takes a bigger chunk” because the CCLBA does not know which ones will have an opportunity for redevelopment. Moreover, the objectives outlined in the CCLBA’s 2015 “geographic focus” and 2017 “asset approach” emphasizing a targeted approach strategy do not align with statements made and actions taken by the CCLBA.

able to manage the high volume of tax certificates acquired. The CCLBA Planning Analyst stated further that based on discussions held at staff meetings he learned that staff would have looked at all 17,000 properties in order to determine which properties to take to deed. He said, "I have not heard that they can't handle the volume of properties."

The CCLBA Planning Analyst related that he is not involved in the decision-making process to determine which tax certificates the CCLBA decided not to pursue. He said that the decision to dispose of tax certificates is made by the Senior Acquisitions Manager and the acquisitions team. The CCLBA Planning Analyst advised that the decision process pertaining to disposition of tax certificates begins with the acquisition specialists when they inspect the properties. The information from the inspection is conveyed to the Senior Acquisitions Manager and she gives the final approval on which tax certificates will not be pursued and ultimately disposed. He said that the approval is recorded in emails and internal discussions; there is no record of the approval in ePropertyPlus, however. He indicated that the only form of documenting the decision not to pursue a tax certificate in ePropertyPlus is when the acquisition specialist enters "no" in the property system. He advised that the system does not contain a record of the rationale relied upon when a determination is made not to pursue the property tax certificate.

The OIIG advised the CCLBA Planning Analyst that in 2019, the CCLBA re-bid on over 3,000 tax certificates previously acquired and returned from the 2015 and/or 2017 scavenger sales. He was asked to explain the decision behind the rebids. The CCLBA Planning Analyst stated that the acquisition of tax certificates in 2019 was primarily driven with the goal of taking as many properties to deed as possible. He said that the CCLBA did not consider whether or not the properties had been acquired or returned in previous scavenger sales. He added that in 2015 and 2017 the decision could have been made that a project was not viable. As such, the CCLBA decided not to pursue the related tax certificate. He said that in 2019, the projects may have been reconsidered and the CCLBA decided that the project was a "yes" in 2019. He stated further that the decision to acquire the same properties in 2019 may have been the result of considering other market considerations that may not have been considered in the past, which included new construction or better market conditions in certain areas. The CCLBA Planning Analyst reiterated that the return and subsequent acquisitions noted by OIIG investigators was not considered when the CCLBA acquired the properties in 2019.

The OIIG advised CCLBA Planning Analyst that in 2019, the CCLBA returned over 4,000 tax certificates acquired from the 2015 scavenger sale. He was asked to explain the reason for returning a high volume of certificates previously acquired. The CCLBA Planning Analyst stated that he considered the number of certificates returned by the CCLBA to be a low number based on the deed conversion rate. He said that tax certificates acquired during the scavenger sales from 2007 to 2015 were converted to deed by the CCLBA 10 percent of the time. He said that in most recent years (2017 and 2019) the conversion rate has increased to approximately 25 to 28 percent. He advised that the redemption period for the 2015 tax certificates expired on September 27, 2018. The CCLBA returned the certificates to the County Clerk's office a week later. He said that as a result, the CCLBA was no longer able to take the properties to deed. The decision to not take the properties to deed was made prior to the expiration of the redemption period, however.

OIIG Review of 2015 Scavenger Sale Acquisitions

On May 7, 2015, the CCLBA Executive Director presented an Executive Director's report to the CCLBA Board of Directors. One section of the report titled "CCLBA Initiatives" illustrated how the CCLBA intended to apply a "geographic focus" to the acquisition of properties.

As part of the geographic approach, the CCLBA identified 13 focus communities in the City of Chicago and 13 Suburban Cook County municipalities, respectively.¹⁰ The geographic approach strategy placed a bid on every parcel located in a CCLBA focus community. In addition to the focus communities mentioned above, the CCLBA also identified selected neighborhoods in which to place bids which included Englewood, Roseland and Chicago Heights.

The CCLBA acquired 7,778 of 32,383 (24%) tax certificates offered for sale during the 2015 scavenger sale held by the Treasurer's Office on December 28, 2015, through January 7, 2016. According to the Treasurer's Office data, the PINs acquired had a combined total of delinquent taxes owed by the taxpayer and offered for sale amounting to \$96,775,169.87.¹¹

OIIG Review of 2017 Scavenger Sale Acquisitions

The CCLBA modified the acquisition approach for the 2017 scavenger sale. In doing so, the CCLBA employed an additional strategy titled "asset approach" whereby a bid was placed on every residential, commercial, and industrial structure in Cook County based on land use classification. As part of the 2017 acquisition, the CCLBA also included the Englewood Embankment, CTA Red Line Expansion, Ford Heights, UCAN ½ Mile Shed, MWRD Stormwater Retention, and vacant parcels with either larger than two acres in area or having accumulated more than \$100,000 in delinquent taxes. In addition, the CCLBA continued to follow the criteria outlined in the 2015 scavenger sale by placing bids on every parcel in a CCLBA focus community.

The CCLBA acquired 9,564 of 27,702 (35%) tax certificates offered for sale during the 2017 scavenger sale held by the Treasurer's Office from July 12 through July 25, 2017. According to the Treasurer's Office data, the PINs acquired had a combined total of delinquent taxes owed by the taxpayer and offered for sale amounting to \$274,752,328.83.

¹⁰ On May 8, 2015, the CCLBA issued the following notice on its website: "The Cook County Land Bank Authority (CCLBA) is focused on banking land inventory in emerging neighborhoods within the City of Chicago & suburbs where an intervention by the CCLBA would maximize revitalization efforts. The Land Bank is looking to work with all communities within Cook County, however given the finite amount of resources available it is prudent for the Land Bank to identify communities where a proactive approach would have the greatest potential to catalyze significant improvement. Consequently, the CCLBA, with help from the DePaul Institute for Housing Studies, put together a study identifying thirteen (13) focus communities both in the suburbs & City of Chicago where substantial investment would provide the greatest positive impact."

¹¹ The amount of delinquent taxes owed and documented in this report are not inclusive of interest and penalties which may have accrued over the time the debt remained outstanding.

OIG Analysis of PINs Acquired and Returned

After acquiring 7,778 and 9,564 PINs in the 2015 and 2017 scavenger sales, respectively, the CCLBA increased its inventory of scavenger sale properties 223% totaling 17,342 PINs. According to the Treasurer's Office data, the amount of delinquent taxes that were offered for sale in connection with the 17,342 PINs totaled \$371,527,498.70 as of July 25, 2017.

On July 26, 2018 and May 8, 2019, the CCLBA returned 1,552 and 4,344 PINs (acquired during the 2015 scavenger sale) to the Treasurer's Office, respectively. The 1,552 PINs were held for 931 days and the 4,344 properties were held for 1,217 days.

After disposing of 1,552 PINs on July 26, 2018, the CCLBA held 6,226 PINs from the 2015 scavenger sale. In addition, after disposing of 4,344 additional PINs on May 8, 2019, the CCLBA had 1,882 properties from the 2015 scavenger sale.

On May 8, 2019, and October 15, 2019, the CCLBA returned 914 and 1,620 PINs (acquired during the 2017 scavenger sale) to the Treasurer's Office, respectively. The 914 PINs were held for 652 days and the 1,620 PINs were held for 812 days.

After disposing of 914 PINs, the CCLBA had 8,650 PINs from the 2017 scavenger sale in inventory on May 8, 2019. After returning the 1,620 PINs on October 15, 2019, the CCLBA had 7,030 properties from the 2017 scavenger sale. Adding this figure to the 1,882 properties remaining from the 2015 scavenger sale shows that as of October 15, 2019, the CCLBA had 8,912 properties of the 17,342 originally purchased in the scavenger sales during those two years. However, as discussed further below, the CCLBA's ending balance of all scavenger sale PINs acquired as of this date totaled 17,514 properties due to the requisition of certain properties in 2019.

Review of PINs Reacquired in the 2019 Scavenger Sale

2019 Scavenger Sale Acquisition Analysis

The CCLBA published a document titled "2019 Scavenger Sale Decision Criteria" (decision criteria). According to the decision criteria, from a total of 29,318 PINs offered for sale during the 2019 Scavenger Sale, the CCLBA developed a list of PINs on which to place a bid. The decision criteria stated that by "using prior knowledge, conducting windshield surveys, geocoding into ArcGIS technology, and using Pictometry analysis, the Cook County Land Bank was able to create a list of parcels to bid on" A list of criteria was outlined by level of importance which included the following: single-family residential (1-6 units), focus communities, commercial/industrial, residential-multi-family, clerk of circuit court mailing errors, West Garfield Park/North Lawndale/Englewood, City of Chicago micro-market recovery areas, large vacant lots, CTA Red Line Expansion, Village of Matteson, MWRD-Robbins, Chicago Heights-East End, and West Pullman/Roseland.

According to the Treasurer's Office, the CCLBA acquired 9,190 of 28,310 (32%) PINs offered for sale during the 2019 Scavenger Sale.¹² We noted that of the 9,190 PINs acquired, 3,299 (36%) had been previously acquired during the 2015 Scavenger Sale. Upon further review, we noted that 910 of the 3,299 (28%) properties were returned to the Treasurer's Office on July 26, 2018, and were reacquired one year later. In addition, 2,389 of the 3,299 (72%) properties were returned on May 8, 2019, and were reacquired two months later (July 2019).

Moreover, during the 2019 Scavenger Sale, the CCLBA reacquired 109 of 9,190 (1%) properties.¹³ The noted properties were initially acquired during the 2017 scavenger sale held on July 12 through July 25, 2017, and were later returned. Specifically, the 109 properties were returned to the Treasurer's office on May 8, 2019, and were reacquired two months later (July 2019).

Selection of PINs Acquired, Returned and Reacquired

The OIIG selected a sample of PINs for further testing that were initially acquired by the CCLBA during the 2015 and 2017 scavenger sales and were subsequently returned to the Treasurer's Office and later reacquired during the 2019 scavenger sale. The following details the OIIG's selection of sample PINs:

- 25 PINs were randomly selected for testing from the 910 PINs initially acquired in 2015 and later returned to the Treasurer's office on July 26, 2018. The noted PINs were reacquired one year later during the 2019 scavenger sale held between July 11 to July 25, 2019;
- 25 PINs were randomly selected from the 2,389 PINs initially acquired in 2015 and later returned on May 8, 2019. The noted PINs were reacquired two months later during the 2019 scavenger sale held between July 11 to July 25, 2019;
- 10 PINs with the largest dollar value in delinquent taxes acquired from the 2015 scavenger sale were selected for initial testing. The noted PINs were returned on May 8, 2019 and reacquired during the 2019 scavenger sale held between July 11 to July 25, 2019;
- 10 PINs were randomly selected for further testing from the 109 PINs initially acquired in 2017 and later returned on May 8, 2019. The noted PINs were reacquired two months later during the 2019 scavenger sale held between July 11 to July 25, 2019.

¹² The number of PINs offered for sale according to the Treasurer's office totaling 28,310 did not agree with the total reported by CCLBA of 29,318 (1,008 difference). The OIIG conferred with the Treasurer's Office concerning the difference in the amounts reported. According to the General Counsel, the difference may be attributed to a the CCLBA receiving a list of PINs offered for sale that was subsequently changed as a result of new information received prior to the actual scavenger sales. The General Counsel confirmed that 28,310 was the number offered in 2019.

¹³ The Treasurer's Office records indicate that a total of 223 (109 and 114) were reacquired in the 2019 scavenger sale from the 2017 scavenger sale. For testing purposes, the OIIG selected from the 109 properties that were returned by the CCLBA on May 8, 2019. The 114 remaining properties were returned on October 15, 2019.

OIIG Testing of PINs Acquired, Returned and Reacquired (Rebids)

The OIIG requested the CCLBA produce any and all records, in whatever form, pertaining to the bidding, acquisition, purchase, conveyance, transfer, sale, financing, development, rehabilitation, or maintenance of the PINs selected for testing.¹⁴ The records produced by the CCLBA in response to the OIIG's request were inconsistent and incomplete. Moreover, the disorganized manner in which the documents were produced demonstrated a vulnerability in the CCLBA's capacity to systematically maintain relevant documents on a large scale.

Specifically, we noted the following during our testing of the 70 PINs reacquired during the 2019 scavenger sale from the 2015 and 2017 scavenger sales:

- For 22 of 70 (31%) total rebids tested, the CCLBA produced only one document titled "Extension of the Period of Redemption" (extension). The noted document is filed by the CCLBA to extend the redemption date recorded on the Take Notice. Since the extension document is filed after a Take Notice expires, it is unclear why the CCLBA failed to produce the associated Take Notices;
- For 10 of 70 (14%) total rebids tested, the CCLBA produced a Take Notice and an extension form;
- For 7 of 70 (10%) total rebids tested, the CCLBA produced an extension form and one photo of the exterior of the property;
- For 6 of 70 (9%) total rebids tested, the CCLBA produced a Take Notice, extension form and one photo of the exterior of the property;
- For 5 of 70 (7%) total rebids tested, the CCLBA produced a Take Notice and one photo of the exterior of the property;
- For 3 of 70 (4%) total rebids tested, the CCLBA produced one document, which consisted of either a photo of the exterior of the property or a Take Notice;
- For 1 of 70 (1%) total rebids tested, the CCLBA produced no records;
- For the remaining 16 of 70 (23%) total rebids tested, the CCLBA produced a variation of records which included extension forms, inspection reports, photos, or Take Notices.

¹⁴ As part of a subpoena issued by the OIIG requesting documents, the OIIG secured a Certification of Completeness with OIIG Request for Records (Certification) form from the Executive Director. At no time during the pendency of this review did the CCLBA raise any concern suggesting additional records existed that were not produced.

Additional OIIG Review of 2015 Rebids (60 of 70 Rebids Tested)

For 51 of 60 (85%) PINs tested that were acquired in the 2015 scavenger sale and reacquired in the 2019 scavenger sale, we noted there was no evidence to support that an acquisition specialist conducted a physical inspection of the associated properties. Seventeen of the fifty-one PINs were held in inventory for over 940 days and 34 of the PINs were held for over 1,224 days with no evidence to indicate an inspection was conducted to ascertain the conditions of the properties. After disposing of the 17 PINs on July 26, 2018, and 34 PINs on May 8, 2019, the CCLBA subsequently reacquired the same 51 PINs in the July 2019 Scavenger Sale.

The OIIG cross-referenced the PINs and physical address of the properties to the Cook County Assessor's Office (CCAO) property records. The CCAO's records including the physical location and property classification were compared with aerial images in GIS Cook Viewer and Google Street View. Our review revealed that seven of the 51 (14%) PINs that were not inspected by the CCLBA appeared occupied based on Google Street View images from 2012 to 2019. According to CCLBA procedures, the CCLBA does not pursue PINs that are occupied. In addition, we noted that for two of 51 (4%) PINs the CCAO's property use and classification did not agree with the photo images in Cook Viewer and Google Street View. Specifically, the CCAO's records classified the noted properties as single family homes which contradicted the imagery in Cook Viewer and Google Street View from 2012 to 2019 depicting the properties as vacant land.

Further analysis of the 51 properties revealed a PIN pertaining to a Country Club Hills property in which the CCLBA did not conduct an inspection. We noted the CCAO's property use records classified the property "exempt" for tax purposes despite having an outstanding tax delinquency amounting to \$900,466.93. Upon further inquiry, the CCAO clarified that the property had been classified exempt in 2019 under the new ownership. As such, the tax delinquency had accrued over the years in which the property was owned and classified 5-92 (two-or-three-story building containing part or all retail and/or commercial space). Illinois Secretary of State Office records revealed that the owner had filed articles of incorporation in 2013. Additionally, public records showed that the owner operated a tax preparation business located at the Country Club Hills property. Furthermore, Google Street View imagery from 2018 and 2019 did not display signs of vacancy and/or dilapidation. Based on the foregoing, we concluded the property was likely occupied during the times the CCLBA acquired (2015) and reacquired (2019) the property.

The CCLBA records indicated that an inspection was conducted on nine of 60 (15%) PINs acquired from the 2015 Scavenger Sale. Our review of the inspection reports revealed inconsistent and inaccurate reporting of information. Specifically, we noted the following:

- Three of the nine inspection reports did not include a photograph to verify the conditions of the properties. We also noted that for one of the PINs with no photograph, the acquisition specialist documented the type of property section of the report as "VL?", apparently questioning whether the property was a vacant lot. However, information provided by the CCAO stated that the property had been classified for at least 27 years as a townhome/row

house. Moreover, aerial imagery in Cook Viewer and Google Street View showed a row of buildings associated with the noted PIN;

- One of nine inspection reports did not specify the date the inspection was conducted and simply stated the year (2018);
- Two of nine inspection reports concluded the PINs belonged to parcels of vacant land which contradicted with the CCAO's use of the property. According to the CCAO, the PINs were associated with a residential garage and a single-family home, respectively. Out of the two noted inspections, only the residential garage contained a photograph which agreed with the CCAO's use of the property;
- One of nine inspection reports concluded the property was occupied at the time of inspection (9/13/2017). The CCLBA did not provide supporting evidence to demonstrate a reinspection was conducted to determine whether the property was vacant. As such, given that the CCLBA does not pursue properties that are occupied at the time of inspection, it is unclear why the property was reacquired in the July 2019 scavenger sale.

Additional OIIG Review of 2017 Rebids (10 Rebids Tested)

For all 10 PINs tested that were acquired in the 2017 scavenger sale and reacquired in the 2019 scavenger sale, we noted there was no evidence to support that an acquisition specialist conducted a physical inspection of the associated properties. Instead of an inspection, the CCLBA secured market analysis and opinions of value reports from various vendors for six of the ten PINs acquired.

We noted that for one of the six PINs in which a market analysis was conducted, the report did not indicate whether or not the property was occupied. Upon further review, we noted that the property's historical Google Street View imagery from 2011 through 2018 showed a business that appeared operational. Additionally, a Chicago Sun-Times article dated March 10, 2018, identified the business as a night club where multiple people had been shot. The article contained a photograph in which the night club appeared operational.

Our review of the 2017 rebids also noted the following:

- For one of ten (10%) PINs the CCLBA provided no supporting documents. Upon further review, we noted that historical Google Street View imagery from 2012 and 2018 showed a two-story building that appeared occupied;
- Three of ten (30%) PINs contained only one document consisting of either a Take Notice or an extension form.

Review of 2015 and 2017 Inventory

The OIIG randomly selected 25 PINs acquired by the CCLBA from the each of the 2015 and 2017 Scavenger Sales, respectively (50 total). The noted PINs were not returned to the Treasurer's Office as of October 15, 2019 (the last return of PINs under review) and therefore were considered by the OIIG as PINs held in "inventory" for testing purposes. The OIIG obtained the internal files for the associated PINs to determine whether the actions taken by the CCLBA during the holding period complied with the requirements of the CCLBA Ordinance to take all other actions necessary to preserve the value of the real property it controls on behalf of the County. In addition, the PINs were tested for compliance with the Code which requires the CCLBA to take all steps necessary to acquire title to the property. The following issues were noted during our testing.

During our review of CCLBA files, we noted 21 of 50 (42%) properties tested were not taken to deed. Upon further review we noted that 11 of the 21 (52%) properties were returned to the Treasurer's Office as part of a group of properties returned which consisted of 1,619 PINs. We further noted that, by email dated October 16, 2019, CCLBA Planning Analyst indicated that the CCLBA was no longer interested in pursuing the noted PINs. No further specific reason was provided for returning the PINs.

We noted that for the remaining 10 of 21 (48%) properties in which the PINs were not taken to deed, the CCLBA did not return them to the Treasurer's Office. As such, we reviewed the supporting documentation provided by the CCLBA to determine the maintenance and disposition of the associated properties. Specifically, we noted the following:

- All 10 PINs (100%) tested did not contain evidence that an acquisition specialist visited the property to determine the status of the property;
- For one of the ten PINs (10%) the CCLBA provided no supporting documents;
- For one of the ten PINs (10%) the CCLBA provided only a photo with no marked date as supporting evidence;
- For four of the ten PINs (40%) the CCLBA provided only an extension notice as supporting evidence;
- For four of the ten PINs (40%) the CCLBA provided only a Take Notice and extension notice as supporting evidence.

For 20 of 50 (40%) properties tested, we noted the CCLBA filed an application for tax deed. We cross-referenced the associated PINs for each property with information recorded on the Cook County Recorder of Deeds (CCROD) Search Public Records portal.¹⁵

We noted the following during our review:

For 6 of these 20 properties (30%), we noted a deed was not recorded with the CCROD. Additionally, five of the six noted property files reviewed contained sworn affidavits affirming that an assigned acquisition specialist physically inspected the properties on certain dates, but no corresponding inspection reports were completed to verify the associated visit to the property. The remaining sixth property included an inspection report with photographs depicting the exterior of the property with no date stamped on the photographs to confirm the date of inspection. The inspection report noted the property was mixed-use, commercial/residential, vacant and unsecured.

For 13 of 20 (65%) properties in which a deed was recorded with the CCROD Office we noted the CCLBA filed an Application for an Order Directing the County Clerk to issue a Tax Deed ("Application to Clerk"). Section 14 of the Application to the Clerk states, in part, "The subject property was inspected by Petitioner or a person acting as their agent during the notice servicing period. The person who inspected the subject property will testify at the hearing on the Application" This office reviewed the Prove-up hearing transcript and the applicable sworn affidavits submitted by the assigned acquisition specialist confirming a physical inspection of the property. We noted that the transcript and/or the affidavit documented an inspection date that complied with the time parameters set forth by the notice serving period. However, we noted there were no corresponding inspection reports completed to verify that a physical inspection of the property was conducted on the date of inspection.

In addition, we noted the support provided by the CCLBA regarding a possible inspection was inconsistent and incomplete. Specifically, we noted the following:

- One file contained no photographs of the property;
- One file contained no photographs normally taken during an inspection conducted by an acquisition specialist. In addition, the file contained an opinion of value and market analysis reports issued by third party vendors;
- Six files contained photographs of the exterior of the property with no stamped date and time;
- Three files contained photographs with a stamped date marked on the face of the photographs;

¹⁵ For one of 20 properties in which an application for tax deed was filed, the CCLBA subsequently filed a sale in error after learning that the local village had filed a deed in lieu of foreclosure.

- One file contained no photographs to demonstrate a CCLBA acquisition specialist conducted an inspection. The file contained only photographs taken by a maintenance vendor after the property was acquired by the CCLBA.

OIIG Review of Disposition and Sale of CCLBA Properties

Our review of the CCLBA's disposition of the 50 properties under review from the 2015 (25 property files) and 2017 (25 property files) scavenger sale inventory as of July 15, 2020 revealed the following:

| 2015 Inventory: | 2017 Inventory: |
|---|--|
| 3 properties were sold to a buyer | 0 properties were sold to a buyer |
| 12 properties were not sold | 25 properties were not sold |
| 10 properties resulted in Sale in Error | 0 properties resulted in Sale in Error |

We conducted additional review of the property files for the three properties that were sold to an end buyer. We noted the following during our review:

Pursuant to Section 5.1 *Consideration Generally* of the CCLBA's Policies and Procedures, "The CCLBA will require good and valuable consideration in an amount not less than the lower of the fair market value of the property, as determined by the CCLBA, or the Property Costs." Our review of all three (100%) property files revealed that the CCLBA did not document the methodology utilized to determine the sale price of the associated properties. We also determined that apart from invoices submitted by vendors who conducted maintenance work on the properties, no other cost data was provided to the OIIG investigators to establish total property costs. Due to the foregoing, the OIIG was unable to determine whether the sales price was in compliance with the requirements of Section 5.1.

For all three (100%) properties tested, we noted the CCLBA did not comply with Section 3.2 *Transferee Qualifications* of the CCLBA's Policies and Procedures, which state, in part, "All applicants seeking to acquire property from the CCLBA, or enter into transactions agreements with the CCLBA will be required to provide as part of the application such information as may be requested by the CCLBA, including but not limited to (a) the legal status of the applicant, its organizational and financial structure and operational capacity, and (b) the applicant's prior experience in developing and managing real property."

We noted specifically that for Property #1, by email dated April 27, 2017, CCLBA acquisition specialist instructed the buyer to submit an application to purchase the property. A month later, the acquisition specialist contacted the buyer by email congratulating him that the CCLBA had awarded him the property. On October 11, 2019, 868 days after awarding the property, the acquisition specialist advised the buyer to prepare documents in advance of a CCLBA

Land Transactions Committee meeting. The acquisition specialist outlined a request of items he needed which included organizational documents showing board members, owners, etc., information and/or a narrative about the current business, source of funding for the purchase and renovation, and a tentative redevelopment plan and/or scope of work. On October 23, 2019, the CCLBA acquisition specialist sent an email reminder to the buyer to check on the status of the information previously requested on the October 11th email. For the remaining two properties there were no supporting documents on file to verify the CCLBA procured documents from the buyer as part of the application process as outlined above.

Our review also noted that the CCLBA's awarding of properties was not sufficiently documented to demonstrate the properties were made available to the general public in order to place a bid or purchase. Specifically, for all three (100%) properties tested, we noted the files contained no documentation to verify the properties were placed for bid/sale. During our review of the files, we considered the CCLBA's assertion that "all" properties are made available for sale to the public on its website. No supporting documents were provided to verify the publication, however.

In addition, two of the three property files (67%) contained a "Tax Certificate Application" wherein the buyer was instructed to submit if they were interested in a CCLBA tax certificate. We noted that only the buyer who ended up purchasing the property submitted an application. We further noted the application was incomplete (missing required fields) and did not document the date of submission to the CCLBA. Moreover, the application advised the applicant/buyer that the properties were scheduled to be awarded on February 1, 2020. The noted properties were sold on April 12, 2018, and June 13, 2018, respectively.

OIG Findings and Conclusion

As demonstrated by the analysis above, the CCLBA lacks policies and procedures designed to specifically and adequately administer the acquisition and disposition of scavenger sale properties. Instead, the CCLBA relies on informal policies and procedures. The noted conditions allowed the CCLBA to employ an overly expansive acquisition strategy during the 2015, 2017 and 2019 scavenger sales, which led the CCLBA to exceed its operational capacity. Moreover, based on our testing, we determined the overcapacity precluded the CCLBA from effectively managing the acquisition, maintenance and dispositions of properties acquired. In addition, despite acquiring and holding properties acquired at the 2015 and 2017 scavenger sales for over 652, 931, and/or 1,217 days and subsequently placing a bid to reacquire the same properties during the 2019 scavenger sale (a year or two months later), the CCLBA did not take the necessary measures to bring the properties to deed as required by the Code.

We found that bidding, acquisition, purchase, and other documents provided to the OIG by the CCLBA were limited, inconsistent and incomplete. Additionally, the documents produced demonstrate the CCLBA is not fully utilizing the functionalities of ePropertyPlus property

management system which allows the “end-to-end life cycle” tracking of properties.¹⁶ Moreover, the document production established that the CCLBA lacks an effective system of controls to adequately maintain and safeguard relevant documents pertaining to properties acquired.

Our testing revealed the CCLBA lacks an effective system of controls to ensure properties acquired are adequately documented to demonstrate the assigned acquisition specialist conducted an inspection. Specifically, we noted certain properties tested contained no evidence to support an inspection was completed. We also noted instances in which the inspection reports did not include photographs to verify the conditions of the properties thereby providing additional evidence that an inspection was conducted. We further noted that the assigned acquisition specialist did not conduct additional follow-up on certain properties which at the time of inspection displayed signs of occupancy or belonging to parcels of vacant land in contradiction to CCAO’s use of the property. In addition, the assigned acquisition specialist did not ascertain whether the conditions and use of such properties warranted the CCLBA pursue the acquisition further.

Our testing of properties sold established that the CCLBA did not comply with sections 5.1 General Consideration and 3.2 Transferee Qualifications of the CCLBA’s policies and procedures. With respect to section 5.1, we noted that the CCLBA did not document the methodology utilized to determine the sales price of the associated properties. In addition, apart from invoices submitted by vendors who conducted maintenance work, no additional cost data was provided. As such, the OIIG was unable to determine whether the sales price was in compliance with the requirements of Section 5.1. Moreover, we noted instances in which properties were sold to an end buyer with no supporting documents on file to establish the CCLBA procured documents from the buyer as required by Section 3.2. Noncompliance was further demonstrated by email communications pertaining to the sale of a property wherein the assigned acquisition specialist requested the buyer to submit the required documentation 868 days after the property was awarded to the buyer.

In addition, the CCLBA did not sufficiently document that awarded properties were made available to the general public. We noted the property files contained no documentation to verify that the properties were placed for bid/sale on the CCLBA’s website. Instances were also noted in which properties included a single “Tax Certificate Application” submitted by the bidder who ended up purchasing the property. The application submitted by the two buyers were incomplete and did not include the date of submission to the CCLBA. Moreover, the applications advised the buyers that the properties were scheduled to be awarded February 1, 2020. The noted properties were both sold in 2018, however.

¹⁶ According to the ePropertyPlus website, the property management system “lets you track the end-to-end lifecycle of property – evaluation, acquisition, management, marketing, and disposition – for property you own or property you track. Excellent for managing land bank, tax forfeited, and surplus property data and properties.”

OIG Recommendations

Based upon the foregoing, we respectfully recommend the following:

1. The CCLBA should analyze the acquisition strategies previously developed for each biannual scavenger sale and incorporate any changes deemed necessary to ensure a more targeted and focused approach is developed as part of the strategy. In addition, the CCLBA should develop written standard operating procedures that provide specific guidance in the selection and disposition of scavenger sale properties. In doing so, the CCLBA should further analyze and determine an optimal number of properties to acquire from the scavenger sales that would better align with the resources available and ensure that the CCLBA takes the necessary measures to take the properties to deed as required by the Code.
2. Given that the CCLBA places substantial amount of reliance on the occupancy status of a property acquired, consideration should be given to implementing an internal review program whereby inspections conducted by acquisition specialists are reviewed and approved by an assigned supervisor to ensure the corresponding inspection is conducted and properly documented.
3. The CCLBA should fully utilize the functionalities available in ePropertyPlus in order to properly track and document the entire life cycle of each property acquired and ensure that a comprehensive set of photographs and the related inspection reports are adequately maintained to verify the occupancy status of a property under review.
4. The CCLBA should develop formal written policies and procedures to provide acquisition specialists with uniform guidance in their day-to-day duties and responsibilities. The policies should include guidance on the proper maintenance of files and the proper documentation, recording and approvals of the decision to acquire or dispose of properties.
5. The CCLBA should review its current process of determining the sale price of properties sold to ensure the fair market value as determined by the CCLBA and property costs are sufficiently documented in compliance with the requirements of Section 5.1 of the CCLBA Policies and Procedures. Moreover, CCLBA should consider relying on the fair market value determined by the CCAO as a baseline number and make iterations deemed necessary to reach a weighted fair market value. With regard to property costs, the CCLBA should utilize the Service Financials component of ePropertyPlus which allows the CCLBA the ability to record property-level costs and income entries and therefore assist the CCLBA in the proper documentation of property costs.
6. The CCLBA should enforce the application requirements as outlined in Section 3.2 (*Transferee Qualifications*) of the CCLBA Policies and Procedures to ensure that

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applicants submit required documents to allow an adequate examination of potential buyers and preclude the CCLBA from obtaining the required documents after the sale date.

7. The CCLBA should maintain adequate and sufficient documentation that supports the manner in which the properties were placed for bid to the general public. In doing so, the documentation should include among other things, the timeframe properties were listed on its website for sale and complete and accurate applications received.

Finally, as indicated above, in accordance with Section 2-289(d)(3) of the OIIG Ordinance, we respectfully request that any response to this OIIG report be submitted to this office within 10 business days. Thank you for your consideration of these issues. Please do not hesitate to contact me if you have any questions.

Very truly yours,



Patrick M. Blanchard
Independent Inspector General

cc: Honorable Bridget Gainer
Ms. Lanetta Haynes Turner, Chief of Staff, Office of the President
Ms. Laura Lechowicz Felicione, Special Legal Counsel to the President
Mr. Robert Rose, Executive Director, CCLBA