



Maps of Inequality: From Redlining to Urban Decay and the Black Exodus

**Cook County Treasurer
Maria Pappas**

About this Study

Maps of Inequality is the latest Treasurer's Office study to analyze inequities in Cook County's property tax system.

Previous Pappas Studies have highlighted rapidly rising taxes, growing municipal debt that burdens taxpayers and systemic inequities that harm less-affluent, minority residents.

This study explores how government-sanctioned redlining from the 1940s led to today's urban decay in many Black and Latino communities. This study examines tens of thousands of properties either held by the city of Chicago, controlled by the Cook County Land Bank Authority or offered at the Scavenger Sale — a decades-old system that's supposed to return those properties to productive use.

Maps of Inequality seeks to answer these questions:

- How did minority areas in the city of Chicago and its south suburbs end up with so many vacant lots and abandoned homes and businesses?

- Does this problem affect other major urban centers?
- Does the Scavenger Sale work?
- What needs to be done to remedy the underlying issue that harms so many Black and brown people?

To answer those questions, this study plumbs large data sets from Cook County, Detroit and Philadelphia; uses modern mapping technology to analyze the data; examines decades of literature on the issue of distressed properties; and reviews programs from other U.S. jurisdictions that are designed to put vacant and abandoned properties back to productive use.

Maps of Inequality also proposes new solutions to the underlying problem in Cook County.



Maps of Inequality: From Redlining to Urban Decay and the Black Exodus

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July 2022

Introduction

Federal government-sanctioned housing discrimination from the 1940s set in motion urban decay and fueled an ongoing exodus of Black people from Chicago and other major U.S. cities, according to a study by the Cook County Treasurer's Office.

The Treasurer's analysis found that vast swaths of vacant lots, abandoned homes and boarded-up businesses in minority neighborhoods lie in areas where the U.S. government had discouraged mortgages. This government-sanctioned "redlining" — denying home loans in minority areas because they were deemed a financial risk — thwarted generations of Black people from obtaining housing wealth that their white fellow citizens had achieved.

The lingering effects can be seen across Chicago as 400,000 Black people in the past 40 years have fled the city. That's a reduction of about of about 34%.

The correlation between redlining and Black people moving out of Chicago became clear as the Treasurer's Office embarked on a new examination of the Scavenger Sale, a decades-old system meant to put distressed, tax-delinquent properties back to productive use. The correlation was solidified when the office added to its analysis the mostly vacant and abandoned properties held by the city of Chicago and the Cook County Land Bank Authority.

The Treasurer's Office also looked at distressed properties in Philadelphia and Detroit, both of which also have long grappled with urban decay and recent Black population declines,¹ and their relationship to government-sanctioned redline maps in those cities. The analysis revealed similar patterns to those found in Cook County.

¹ Erick Johnson, "Chicago, New York, Detroit, Philadelphia losing Blacks to 'reverse migration,'" *The Chicago Crusader*, July 5, 2018, @

This study examined eight Cook County Scavenger Sales held from 2007 to 2022 to determine the Sale’s effectiveness in addressing the underlying problem of urban decay. Like a previous Treasurer’s Office study,² this one concludes that the Scavenger Sale is inadequate in restoring properties to productive use.

As a result, the Treasurer’s Office calls for:

- Eliminating Illinois’ Scavenger Sale law to allow for the faster transfer of vacant, abandoned and chronically tax-delinquent properties to owners who want to restore them, while reducing onerous interest penalties imposed on delinquent taxpayers who fall further into financial instability because of those high charges.
- Creating a public database cataloging all vacant land and abandoned properties, including those on the Scavenger Sale list and those held by other government agencies, such as the city of Chicago and the Land Bank. This would include a step-by-step tutorial on how developers and neighborhood residents can acquire those properties.

This study also found the Treasurer’s Office’s efforts in 2022 to make it easier to participate in the Scavenger Sale boosted the number of private buyers who took part. At the same time, the Land Bank, the single biggest participant in the Sale, significantly scaled back its bidding on properties as it took a more targeted approach — a change that made more properties available to private buyers.

Finally, the study analyzed the number of bids that ultimately led to a transfer of a property to a new owner or led property owners to pay their delinquent taxes. That review showed differing success rates for private buyers, the Land Bank and local governments.

Overall, the success rate was paltry, showing the inadequacy of the Scavenger Sale to address such a complex problem. Indeed, the Scavenger Sale was born in 1943, when redlining maps were in full force. Since then, it has done little to halt the downward trajectory fueled by the government-sanctioned racism and other discriminatory practices.

The Pappas Studies

Tax Bill Analysis and Statistics

An analysis of property taxes billed in 2021, showing lower-income, minority areas being hit harder with significant property tax increases.

Scavenger Sale Study

An initial 2020 examination of the Scavenger Sale that concluded it failed at its mission of restoring vacant and abandoned properties to productive use.

20-Year Property Tax History

A 2020 report showing that property taxes increased 99% over two decades, while local wages increased only 57% and the cost of living increased by only 36%.

Debt Study

An annual report, the most recent of which showed largely minority and low-income areas have the highest local government debt levels, which in turn result in higher property taxes.

² “Scavenger Sale Study,” Cook County Treasurer’s Office, 2020,



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How the Scavenger Sale Works

Properties with three or more years of unpaid taxes in the past 20 years land on the auction list for the Cook County Scavenger Sale, as required by Illinois state law. The Treasurer's Office auctions the taxes every two years.

For private buyers, the minimum bid to acquire a tax lien on a property is \$250, plus \$190 in fees. The Land Bank can win properties with priority no-cash bids. So can Cook County government on behalf of other governments like municipalities, school districts and park districts.

To outbid governments, private buyers must bid more than the total amount of taxes, interest and fees owed on the property. If the property owner

does not pay taxes billed after the Sale, the private buyers must pay those taxes for six months to three years in order to take title to the property. The Land Bank and county do not have to pay the taxes.

If a commercial or vacant property owner doesn't pay their delinquent tax debt, interest and fees within six months, the winning bidder can seek a court-ordered deed to the property. Residential property owners have longer to pay — 30 months. Both deadlines can be extended to three years by the winning bidder.

For a more detailed explanation of the Scavenger Sale, please see Appendix A — Anatomy of the Scavenger Sale.

Part I – The Maps and What They Mean: *How Historic Discrimination Set a Pattern of Urban Decay*

Findings

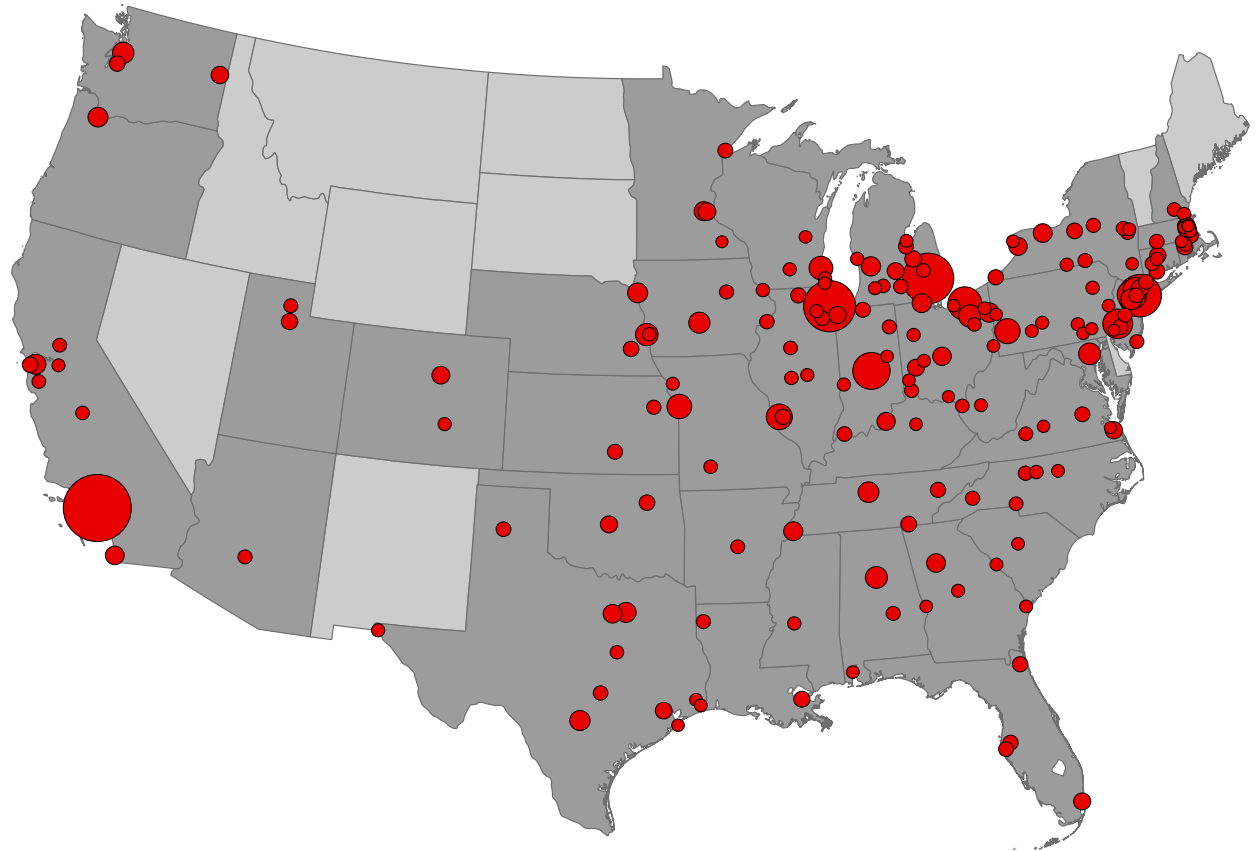
- Of the 27,358 properties offered at the 2022 Scavenger Sale, 14,085 fall within the boundaries of the 1940 federal Home Owners' Loan Corporation (HOLC) map of the Chicago Area. Most of those 14,085 properties were redlined, which shows historical housing discrimination contributed substantially to the current swaths of blight.
- An analysis of other distressed properties shows most of Chicago-owned properties within the HOLC map boundaries were redlined. And most of the properties owned or being pursued by the Land Bank are either in redlined areas or areas drawn in yellow, a cautionary warning from HOLC that they were declining and at risk of falling into the red category.
- As in Chicago, the bulk of vacant, abandoned and chronically tax-delinquent properties in other large U.S. cities fall within redlined boundaries, as well as those drawn in yellow.
- Although Scavenger Sale properties represent only 1.55% of all taxable parcels in Cook County, about 95% of the distressed properties are concentrated in Black and Latino neighborhoods and suburbs. More than 72% of the 27,358 properties were in predominantly Black wards and suburbs, 14% were in majority-minority areas and 8.5% were in Latino areas.
- » The 15 Chicago wards with the highest percentage of properties offered at the Scavenger Sale have predominantly Black, Latino or majority-minority populations.
- » Nine of those wards — all on the South and West sides — had more than 5% of their taxable properties offered at the Sale.
- » All 15 Chicago wards with the highest percentage of Scavenger Sale properties lost population between 2000 and 2020.
- » The 25 suburbs with the highest percentages of Scavenger Sale properties are all south of Chicago, with the exception of predominantly Black west suburban Maywood.
- » Twenty-three of the 25 suburbs have predominantly Black, Latino or majority-minority populations. The two predominantly white suburbs — Thornton and Steger — that fall in the top 25 have populations that are more than 40% minority.
- A number of suburbs are in extreme distress. Dixmoor, Ford Heights, Harvey, Phoenix and Robbins — all south suburban towns — had at least one in four of their taxable properties on the list.
- Fourteen of 15 suburbs with the highest percentages of Scavenger Sale properties lost population between 2000 and 2020.
- The inability of many south suburbs, as well as west suburban Maywood, to collect taxes on substantial portions of property shrinks their tax bases. That, in turn, drives up the effective tax rates in those communities to some of the highest in the country. Onerous tax rates drive up the cost of owning a home and diminish generational wealth.
 - » Consider far south suburban Ford Heights, where nearly 53% of its properties were on the Scavenger Sale list. Less than a third of the taxes levied for tax year 2020 in Ford Heights had been collected. By comparison, the countywide collection rate for that year stands at 97.4%.
 - » In Harvey, Robbins, Dixmoor, Phoenix and Chicago Heights, tax collections for the 2020 tax year ranged from 52% to 76%. In Maywood it was 85%.
- Of the 27,358 properties offered at the 2022 Scavenger Sale, 17,278, or 63.2%, were vacant lots.
- The number of Sale properties with homes or businesses that have been abandoned is unknown. However, visits by the Treasurer's Office and not-for-profit agencies revealed many have been deserted.

Discussion

More than 80 years ago, after home foreclosures spiked during the Great Depression, the federal government revamped mortgage lending laws in an effort to prevent future economic crises.

As part of that effort, the now-defunct federal Home Owners' Loan Corporation, or HOLC, drew up "security maps" between 1935 and 1940 that graded the prospects — from best to worst — of mortgage lending in 239 cities across the United States.³

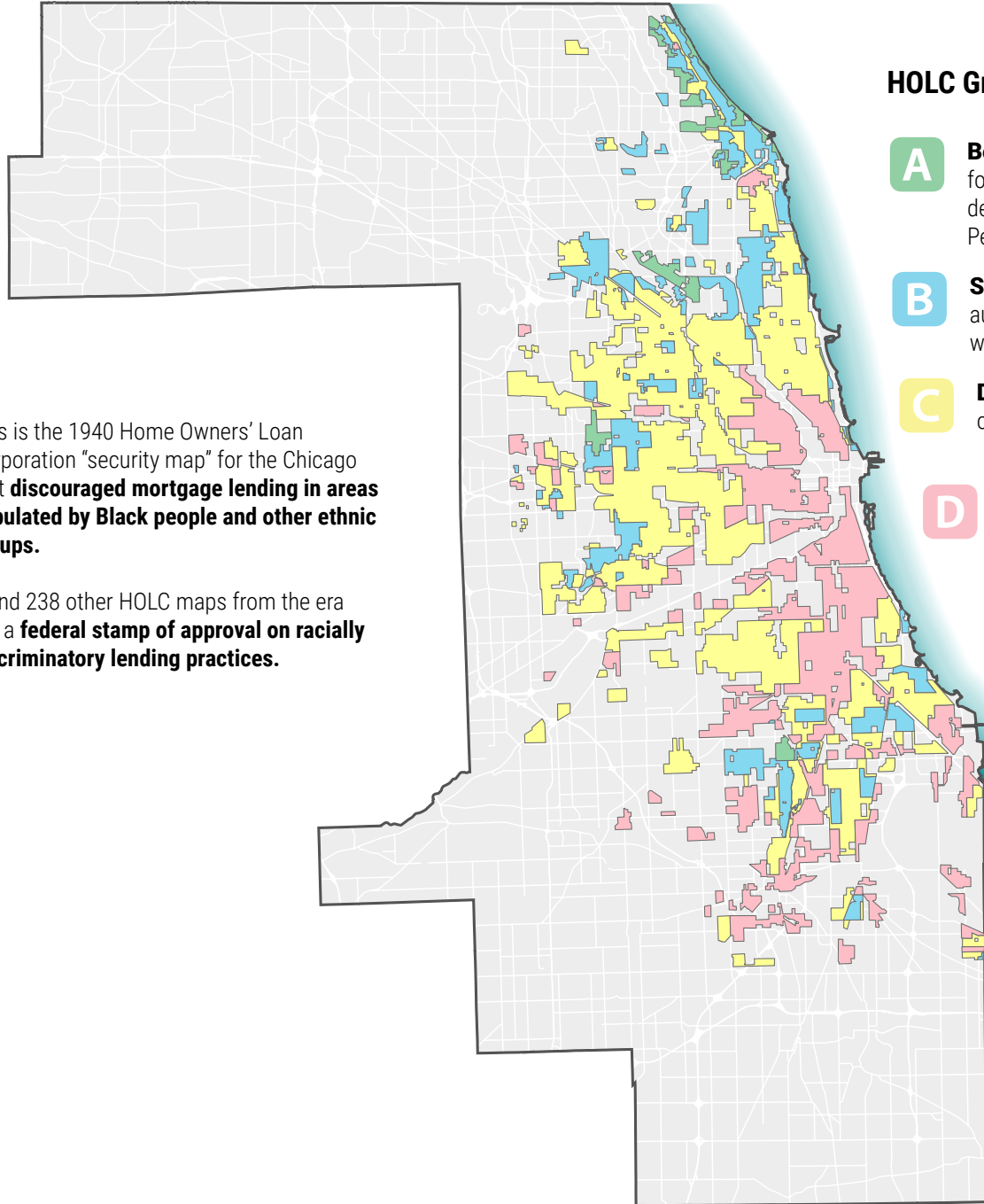
Areas deemed high lending risks — which the Federal Housing Administration at the time said was partly due to "undesirable racial or national-ity groups" — were drawn in red, according to a Federal Reserve Bank of Chicago study.⁴ Those areas were labeled "hazardous."



▲ Figure 1: 239 cities across 38 states had HOLC "residential security" maps. Larger dots on the map indicate larger mapped urban areas. (Source: Mapping Inequality)

3 Robert K. Nelson, LaDale Winling, Richard Marciano, Nathan Connolly, et al., "Mapping Inequality," *American Panorama*, n.d., [@](#)

4 Aaronson, et al., "The Effects of the 1930s HOLC 'Redlining' Maps (REVISED August 2020)" *The Federal Reserve Bank of Chicago*, August 2020, [@](#)



This is the 1940 Home Owners' Loan Corporation "security map" for the Chicago that **discouraged mortgage lending in areas populated by Black people and other ethnic groups.**

It and 238 other HOLC maps from the era put a **federal stamp of approval on racially discriminatory lending practices.**

HOLC Grade Descriptions

- A Best** These were described as "hot spots" that "still had room for new residential growth, were 'homogeneous,' and were in demand during 'good times or bad,'" according to a University of Pennsylvania study.
- B Still Desirable** These areas were said to be "like a 1935 automobile – still good, but not what the people are buying today who can afford a new one."
- C Declining** These areas were described as "older, becoming obsolete," and had "expiring restrictions or lack of them" and "infiltration of a lower grade population."
- D Hazardous** These areas were said to "represent those neighborhoods in which the things that are now taking place in the C neighborhoods, have already happened." They had lower homeownership rates, poor housing conditions, "detrimental influences in a pronounced degree," and "undesirable population or an infiltration of it."

▲ *Figure 2: Contemporaneous standardized descriptions of the 4 areas described in the HOLC "residential security" maps, circa 1937.⁵*

⁵ Amy Hillier, "Residential Security Maps and Neighborhood Appraisals. The Homeowners' Loan Corporation and the Case of Philadelphia," *Social Science History* 29 (2005): 207-233, [@](#).

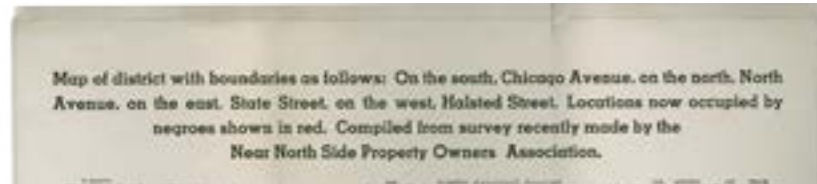
Land descriptions that came with the maps used blunt, racist language. The Chicago HOLC map declared that the “desirability” of a redlined West Loop area “continues downward as population becomes more and more negro.” A Maywood neighborhood “was unlikely to improve very much due to age and low-grade population, of which considerable portion are negroes.”

For the Near North Side, where residents were fighting integration (see Figure 3), there was a warning about the presence of a “negro population” and plans for housing projects. “Trend of desirability, from a residential point of view, continues steadily downward,” it stated, before suggesting the area “should be a logical place for further slum clearance projects.”

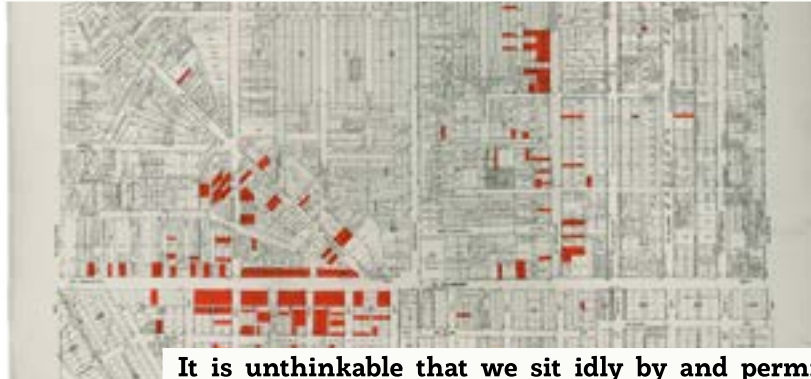
Although there is debate about how widely the HOLC maps were used,⁶ it is largely accepted that they did influence lending practices and reflected the methods being used by banks and other lending institutions when deciding whether to approve mortgages. It’s notable that the maps were created with the help of local bank loan officers, city officials, appraisers and realtors, according to the National Community Reinvestment Coalition.⁷

6 Amy Hiller, “Residential Security Maps and Neighborhood Appraisals. The Homeowners’ Loan Corporation and the Case of Philadelphia.”

7 Bruce Mitchell and Juan Franco, “HOLC ‘Redlining’ Maps: The persistent structure of segregation and economic inequality,” *National Community Reinvestment Coalition*, March 20, 2018, @



The Near North Side Property Owners Association proposes to ask every property owner in the district to agree to sell and rent to white people only.



It is unthinkable that we sit idly by and permit the great Near North Side District, one of the finest in the entire world to be occupied by a race alien to the men and women who have established their homes and places of business here.



The Near North Side Property Owners Association proposes to ask every property owner in the district to agree to sell and rent to white people only.

It has already started on the work of preparing the necessary agreements and securing the signatures. These property owner agreements have been held valid and legal by the Supreme Court of the United States of America and already are in effect in many parts of Chicago. Everyone interested in maintaining and preserving this district will be asked to support this movement.

It is unthinkable that we sit idly by and permit the great Near North Side District, one of the finest in the entire world to be occupied by a race alien to the men and women who have established their homes and places of business here.

One of your friends or neighbors will either call upon you or correspond with you to give you further information about our plan and the nature of the help you can give.

Very truly yours

Near North Side Property Owners Ass'n.

▲ Figure 3: Pamphlet distributed by the Near North Side Property Owners Association in the 1930s (Source: Newberry Library, Chicago, IL)

The HOLC maps gave a federal stamp of approval for racially discriminatory lending practices.

HOLC had taken a turn, given that from 1933 to 1936, the agency had made more than one million low-interest loans to homebuyers, often in areas that it later redlined.⁸ While that lending program was underway, HOLC's parent agency — the Federal Home Loan Bank Board that was tasked with stabilizing the real estate industry — instructed HOLC to implement the City Survey Program to guide the Board's work moving forward. That program led to the creation of the maps.

As a result of the federally sanctioned discriminatory lending practices, securing a traditional home loan in redlined neighborhoods became extraordinarily difficult. That forced minority homebuyers into predatory lending agreements called contract sales.

Contract sales came with inflated home prices, onerous interest rates and no vesting of equity until the entire loan was paid off, according to a study published by The Samuel DuBois Cook Center on Social Equity at Duke University.⁹

Contract sales often ended in default and eviction. Even when Black homeowners managed to acquire the property by paying off the underlying loan, doing so was costly — frequently involving maintenance and loan costs that exceeded their home's value. At the same time, many contract buyers neglected maintenance in order to pay off their debt, which in turn made their homes worth less.

Black people who wanted to move out of redlined areas encountered more obstacles. Lending discrimination was compounded by racially restrictive covenants¹⁰ that excluded minorities from many neighborhoods. That forced Black people to live where they were unable to secure a conventional mortgage.

Contract sales were later replaced by subprime mortgages,¹¹ scant prime mortgage lending, below-value mortgage appraisals¹² and regressive property taxation,¹³ which continued to pose racial barriers to home ownership.

Redlining, contract sales and their effects on Black families have been documented in Ta-Nehisi Coates Atlantic piece, "The Case for Reparations,"¹⁴ and in

historian Beryl Satter's book, "Family Properties: Race, Real Estate, and the Exploitation of Black Urban America."¹⁵ Chicago is central to Satter's book and heavily featured in Coates' essay, although Coates traces the housing discrimination faced by Black people to slavery and Reconstruction.

It's notable that racial impediments to home buying that have existed for more than eight decades drive up the cost of borrowing. Those high costs can lead to mortgage default and forced relocation — the subject of a recent Columbia University study¹⁶ published in the journal *Urban Studies*. The study concluded that home foreclosures are predictive of Black people leaving Chicago, while high unemployment, outsized poverty rates and high crime rates are not.

8 Amy Hiller, "Residential Security Maps and Neighborhood Appraisals. The Homeowners' Loan Corporation and the Case of Philadelphia."

9 Macnamara, et al., "The Plunder of Black Wealth in Chicago: New Findings on the Lasting Toll of Predatory Housing Contracts," *Samuel DuBois Cook Center on Social Equity at Duke University*, May 2019, [🔗](#)

10 Thompson, et al., "Racial covenants, a relic of the past, are still on the books across the country," *WBEZ*, Nov. 17, 2021, [🔗](#)

11 "Unequal Burden: Income and Racial Disparities in Subprime Lending in America," *U.S. Department of Housing and Urban Development*, April 2000, [🔗](#)

12 Jonathan Rothwell and Andre Perry, "Biased appraisals and the devaluation of housing in Black neighborhoods," *Brookings*, Nov. 17, 2021. [🔗](#)

13 Jason Grotto, "The Tax Divide: An Unfair Burden," *The Chicago Tribune*, June 10, 2017, [🔗](#)

14 Ta-Nehisi Coates, "The Case for Reparations," *The Atlantic*, June 2014, [🔗](#)

15 Beryl Satter, *Family Properties: Race, Real Estate, and the Exploitation of Black Urban America* (New York: Metropolitan Books, 2009)

16 Jake Blumgart, "Foreclosure Crisis Driving Black Flight in Chicago: Study," *Governing*, March 16, 2022, [🔗](#)

The minority wards and towns that have seen their Black populations plummet — the South and West sides of Chicago and the south suburbs — are the ones with the most properties offered at the 2022 Scavenger Sale, following a longtime historical trend. (Table 1 & Table 2) That suggests Scavenger Sale properties, borne of discriminatory lending policies that boosted the costs of home ownership, were abandoned by Black people who could no longer afford them.

Out of 27,358 properties offered at the Scavenger Sale, 14,085 fall within the boundaries of the 1940 Chicago-area HOLC map. Of those, nearly 57% were redlined. About 40% were in areas that the Federal Reserve Bank of Chicago described as “yellow-lined.” Yellow areas were labeled “definitely declining,” often because of their racial makeup.

Top 15 Wards - Properties on the 2022 Scavenger Sale List				
Ward	# of Scavenger Properties	% of Taxable Properties on Scavenger Sale List	Population Change 2000-2020	% Population Change 2000-2020
16	1,807	13.05%	-14,109	-22.15%
20	1,129	9.50%	-11,412	-18.12%
6	1,190	8.60%	-14,216	-22.55%
34	1,588	7.80%	-16,610	-27.05%
10	1,221	7.09%	-7,905	-14.03%
17	759	6.03%	-11,098	-18.60%
9	1,007	5.94%	-15,759	-24.72%
24	587	5.88%	-14,101	-22.49%
15	529	5.54%	-7,058	-12.66%
7	476	3.58%	-11,887	-19.28%
28	454	3.11%	-9,698	-15.22%
8	430	2.62%	-11,106	-18.11%
21	335	2.13%	-10,561	-17.94%
37	158	1.38%	-10,963	-17.88%
5	128	1.10%	-3,553	-5.89%

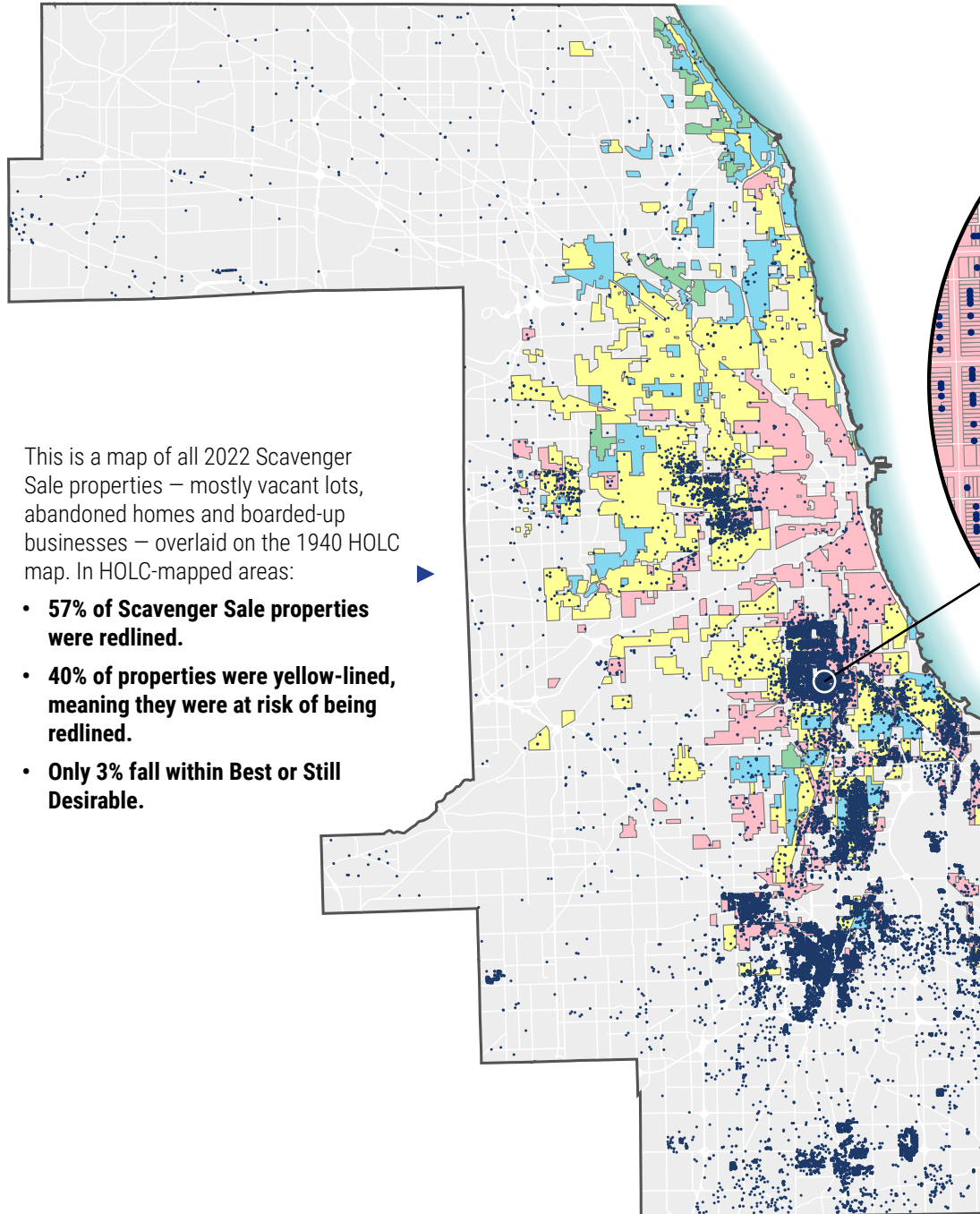
Table 1

Top 15 Municipalities - Properties on the 2022 Scavenger Sale List				
Municipality	# of Scavenger Properties	% of Taxable Properties on Scavenger Sale List	Population Change 2000-2020	% Population Change 2000-2020
Ford Heights	833	52.56%	-1,643	-47.54%
Harvey	4,195	32.51%	-9,676	-32.25%
Robbins	1,294	32.41%	-2,006	-30.23%
Dixmoor	466	26.14%	-961	-24.43%
Phoenix	335	25.55%	-449	-20.82%
Chicago Heights	1,390	11.65%	-5,296	-16.16%
Riverdale	448	9.89%	-4,392	-29.17%
Markham	743	9.87%	-959	-7.60%
Burnham	181	9.63%	-124	-2.97%
Calumet City	769	5.72%	-3,038	-7.78%
Hazel Crest	312	5.31%	-1,434	-9.68%
Dolton	451	5.01%	-4,188	-16.35%
S. Chicago Heights	70	3.46%	56	1.41%
Calumet Park	99	3.30%	-1,491	-17.51%
Thornton	39	3.22%	-196	-7.59%

Table 2

Majority-Minority
Majority Latino Population
Majority Black Population

2022 Scavenger Properties in Cook County



This is a map of all 2022 Scavenger Sale properties – mostly vacant lots, abandoned homes and boarded-up businesses – overlaid on the 1940 HOLC map. In HOLC-mapped areas:

- **57% of Scavenger Sale properties were redlined.**
- **40% of properties were yellow-lined, meaning they were at risk of being redlined.**
- **Only 3% fall within Best or Still Desirable.**



Each dot represents one of the 27,358 properties offered at the 2022 Scavenger Sale.

• Scavenger Properties

HOLC Grades

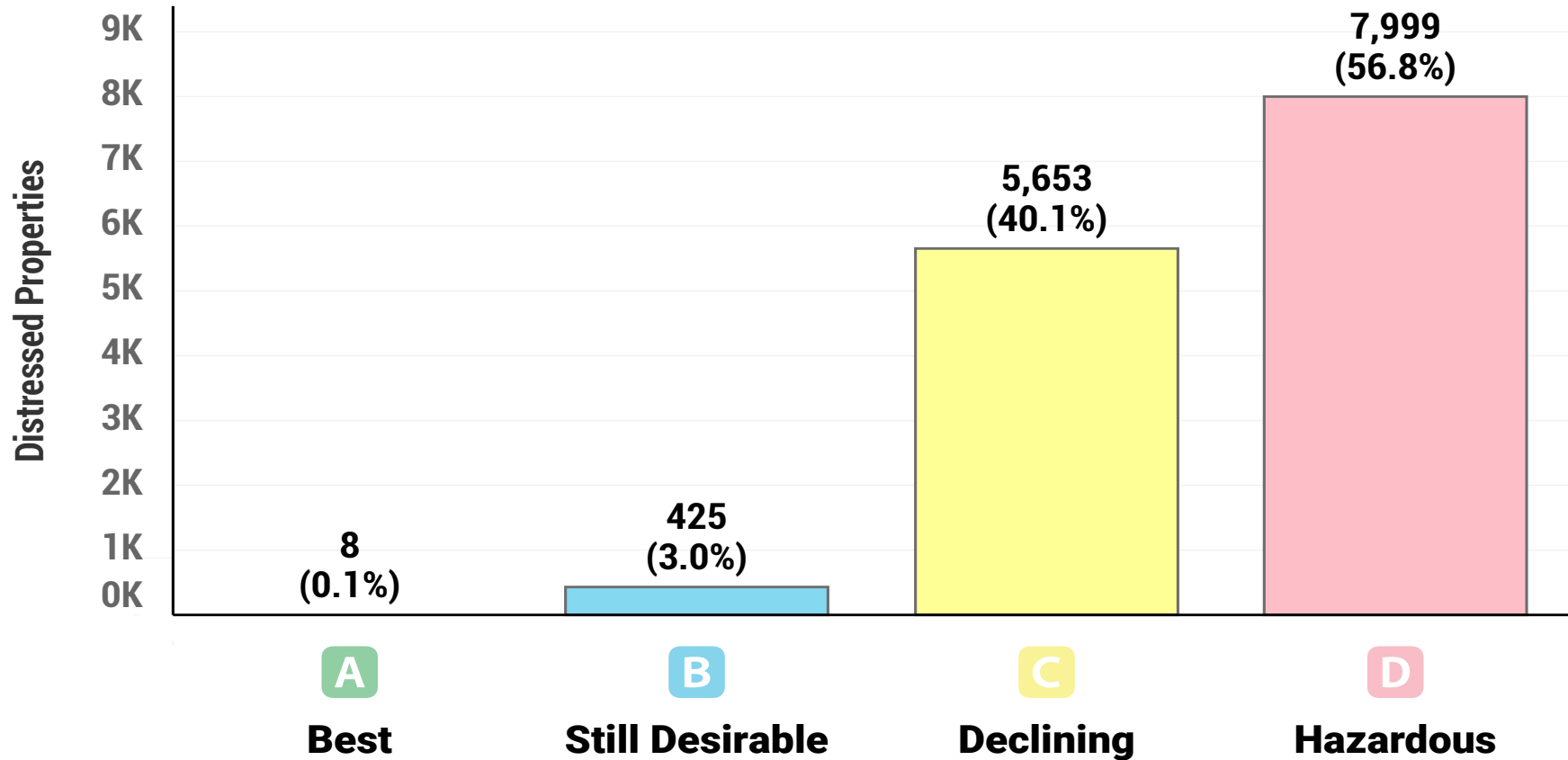
A Best

B Still Desirable

C Declining

D Hazardous

Cook County 2022 Scavenger Properties within 1940 HOLC Areas by Map Grade

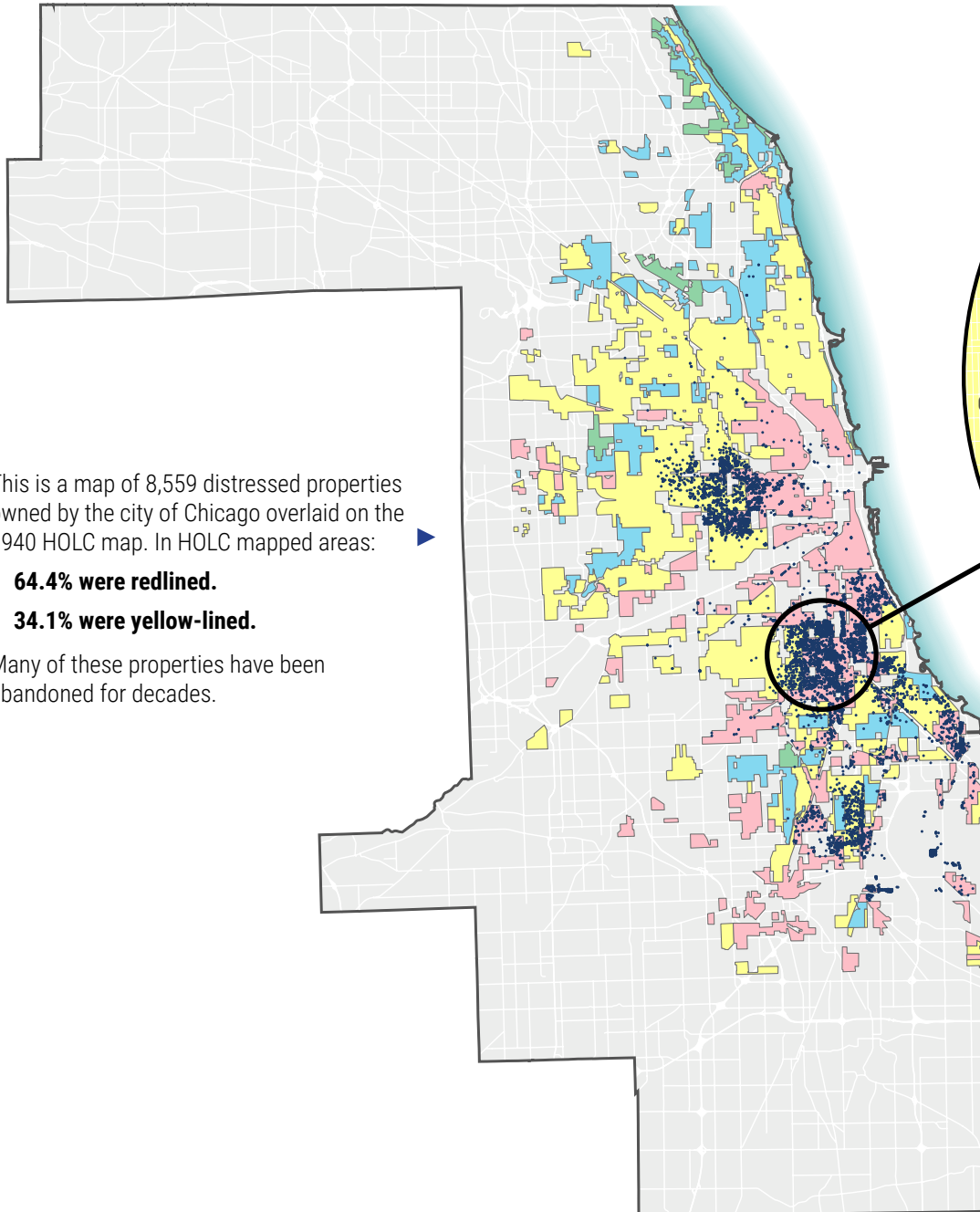


Chicago-owned Properties

This is a map of 8,559 distressed properties owned by the city of Chicago overlaid on the 1940 HOLC map. In HOLC mapped areas:

- **64.4% were redlined.**
- **34.1% were yellow-lined.**

Many of these properties have been abandoned for decades.



Each dot represents one of the 8,559 city-owned properties (as of April 2022). 1,609 are located in Greater Englewood.

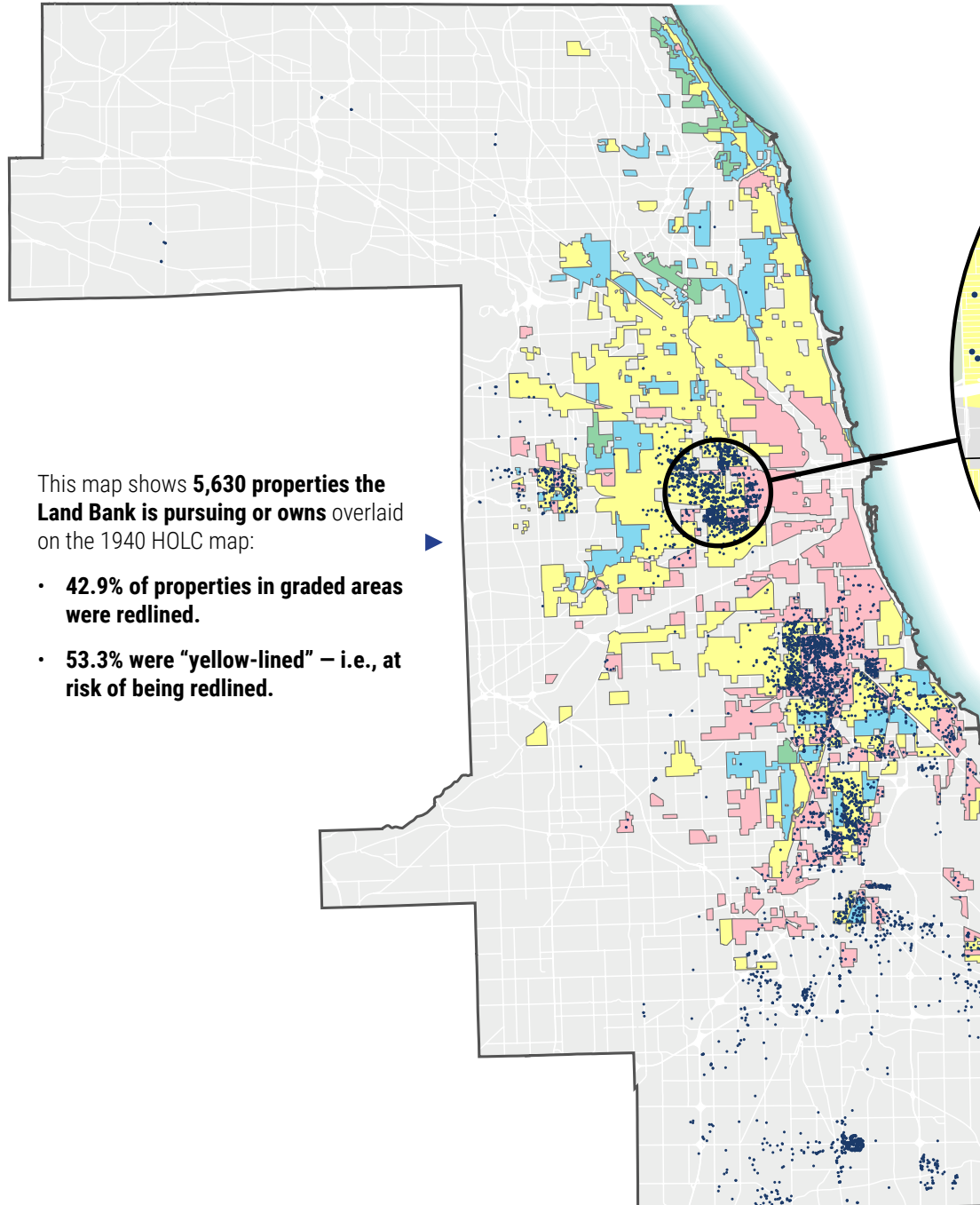
• Chicago-owned Distressed Properties

HOLC Grades

A Best
B Still Desirable

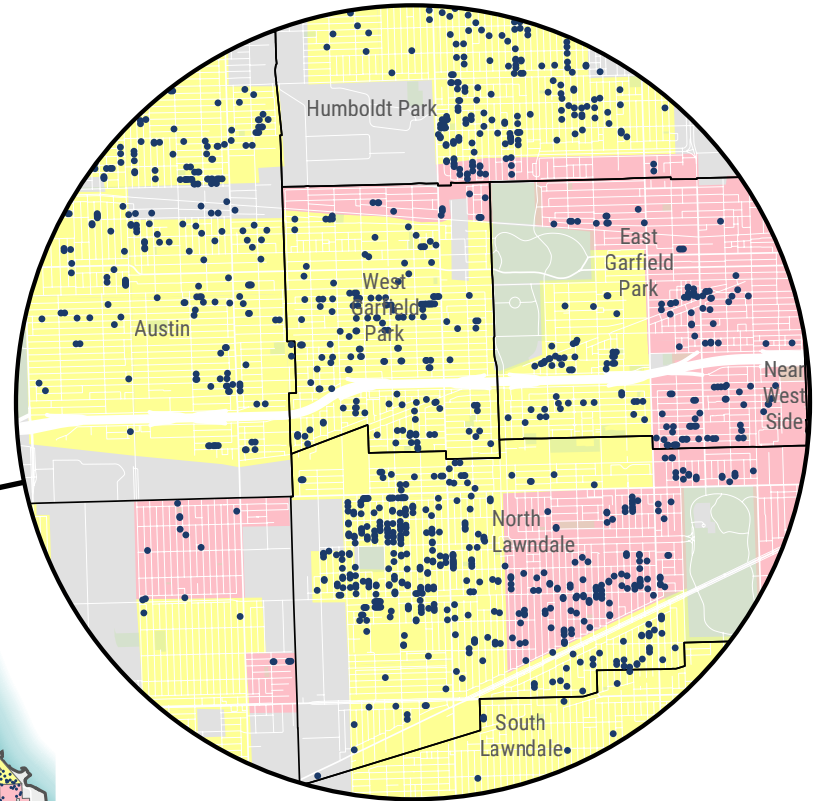
C Declining
D Hazardous

Land Bank-controlled Properties



This map shows **5,630 properties the Land Bank is pursuing or owns** overlaid on the 1940 HOLC map:

- **42.9% of properties in graded areas were redlined.**
- **53.3% were “yellow-lined” – i.e., at risk of being redlined.**



*Each dot represents one of 5,630 properties the Land Bank owns or is pursuing. **About a quarter are in the West Side communities pictured.***

• Land Bank-controlled Properties

HOLC Grades

A Best

B Still Desirable

C Declining

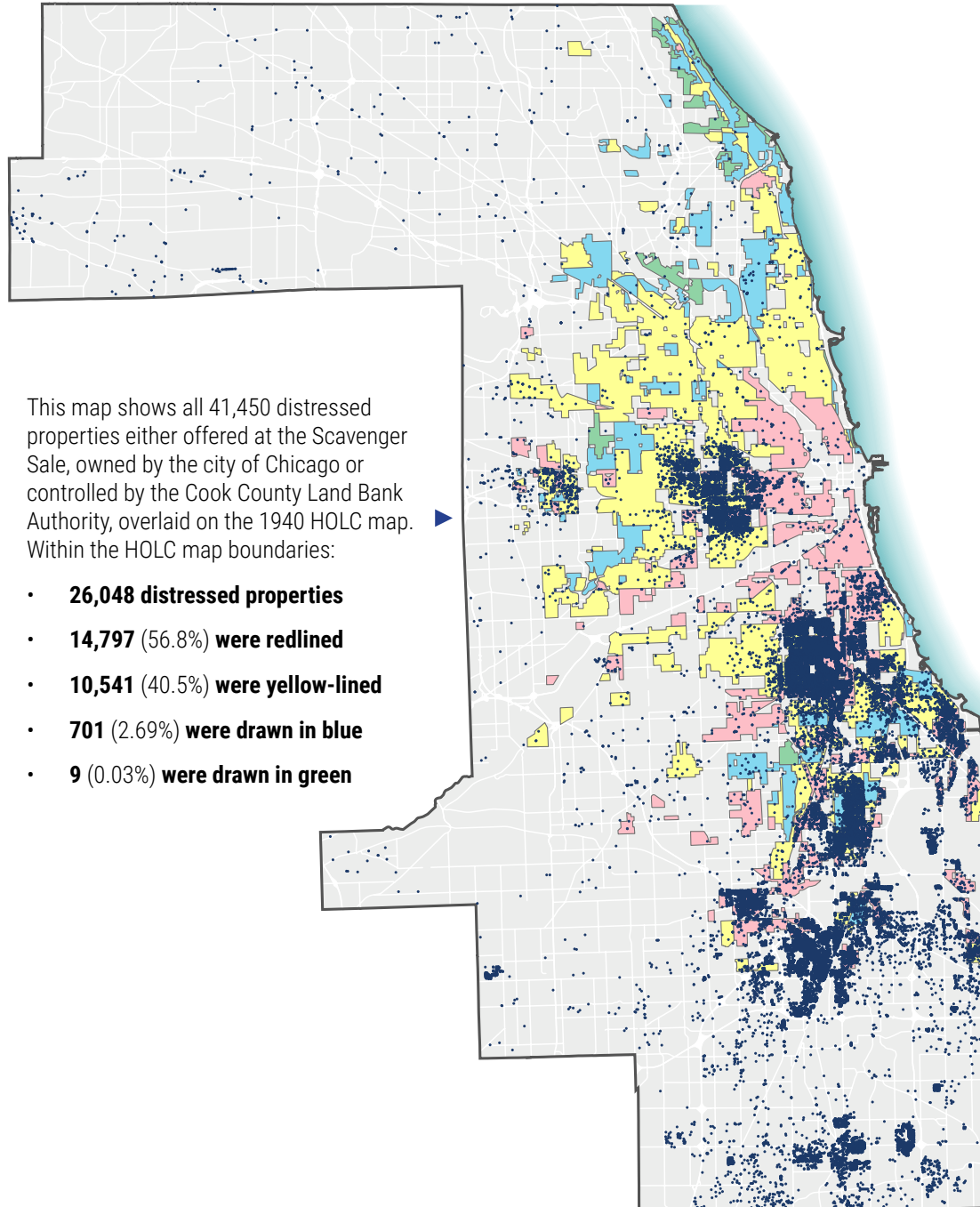
D Hazardous

Redlined properties were 2.75 times more likely than those not redlined to end up on the Scavenger Sale list, be owned by the city or controlled by the Land Bank.

$$\frac{\frac{14,797 \text{ Distressed Properties in HOLC Area D}}{299,732 \text{ Total PINs in HOLC Area D}}}{\frac{11,251 \text{ Distressed Properties not in HOLC Area D}}{625,791 \text{ Properties not in HOLC Area D}}} = 2.75 \text{ Times Likelihood of being a distressed property}$$

▲ Equation 1: Likelihood of a property being distressed if it is located in the D grade area of the 1940 HOLC map

Distressed Properties in Cook County



Properties redlined in 1940 are **2.75 times more likely** to be distressed today than non-redlined properties.

Properties graded Best in 1940 are **60 times less likely** to be distressed today than all other HOLC graded properties.

• Distressed Properties

HOLC Grades

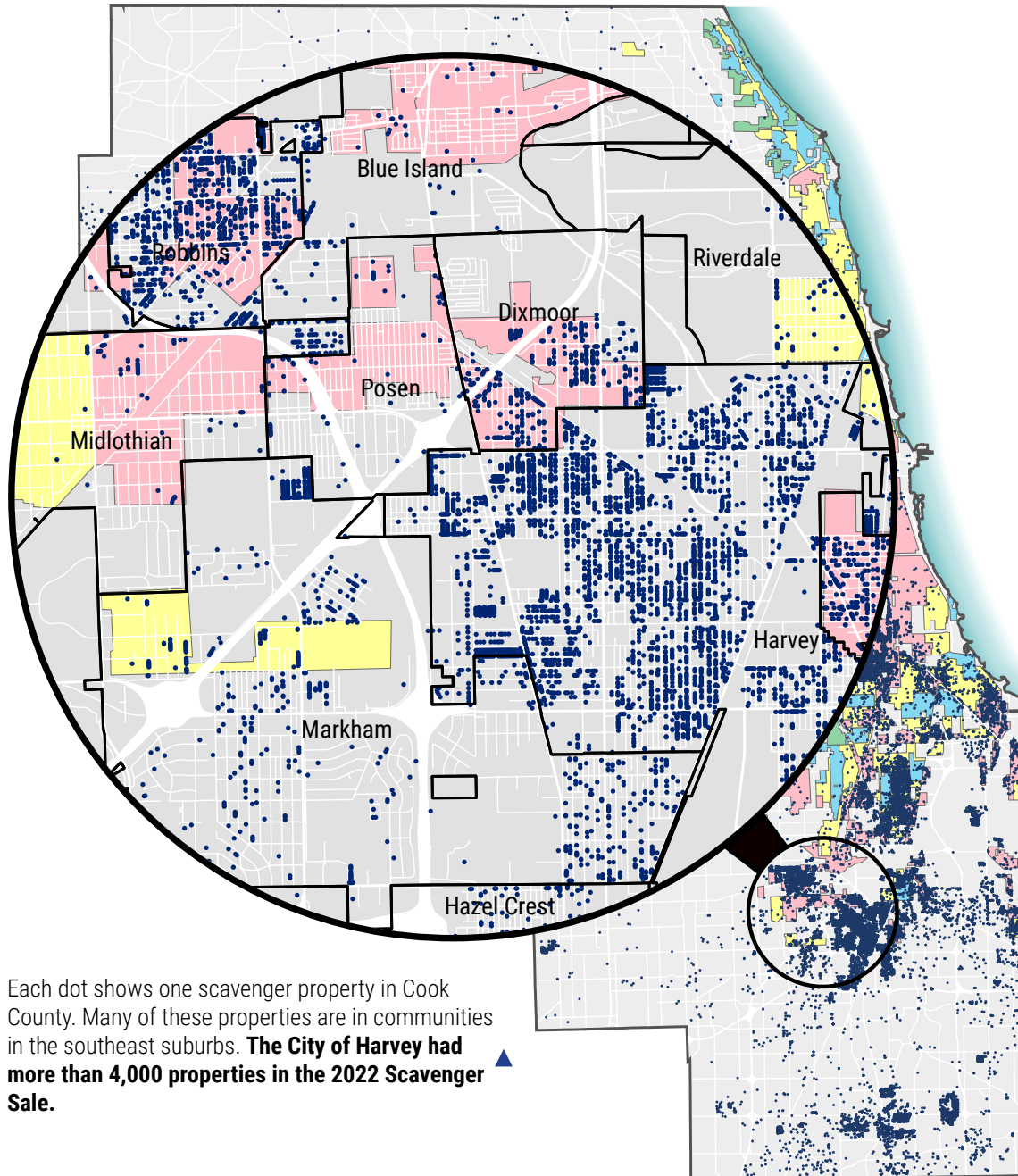
A Best

B Still Desirable

C Declining

D Hazardous

Distressed Properties in the Southeast Suburbs



Each dot shows one scavenger property in Cook County. Many of these properties are in communities in the southeast suburbs. **The City of Harvey had more than 4,000 properties in the 2022 Scavenger Sale.**

The HOLC map did not cover all of Cook County, given that much of the county was rural at the time. But 80% of the properties outside the boundaries of the HOLC map are in predominantly or largely minority south suburbs. Those are areas Black people moved to decades ago, often to escape the blight and other woes they faced in Chicago — only to be battered by many of the same discriminatory housing practices that stemmed from redlining.

The resulting financial woes were compounded — as they were on the South and West sides of the city — by the loss of well-paying manufacturing jobs that decades ago began shifting to other U.S. regions and overseas.

It's noteworthy that 72% of the Scavenger Sale properties are in predominantly Black wards and suburbs. Most of the rest are in communities with Latino majorities or areas where the combination of Black and Latino residents made up a majority.

Population Race and Property Concentration

Ethnicity	# of Scavenger Properties	% of Scavenger Properties
Black	19,788	72.33%
Majority-Minority	3,742	13.68%
Latino	2,319	8.48%
White	1,046	3.82%
Unincorporated	463	1.69%
Grand Total	27,358	100.00%

Note: Demographic data for small and unincorporated areas were not available
Table 3

• Scavenger Properties

HOLC Grades

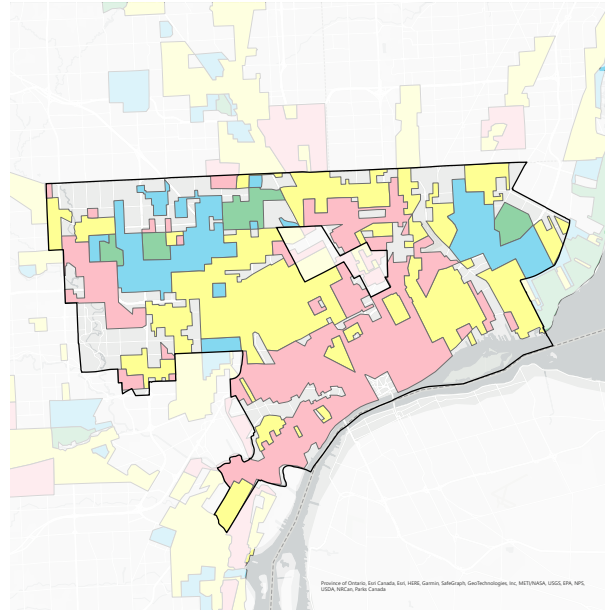
- A Best
- B Still Desirable
- C Declining
- D Hazardous

Detroit, Michigan

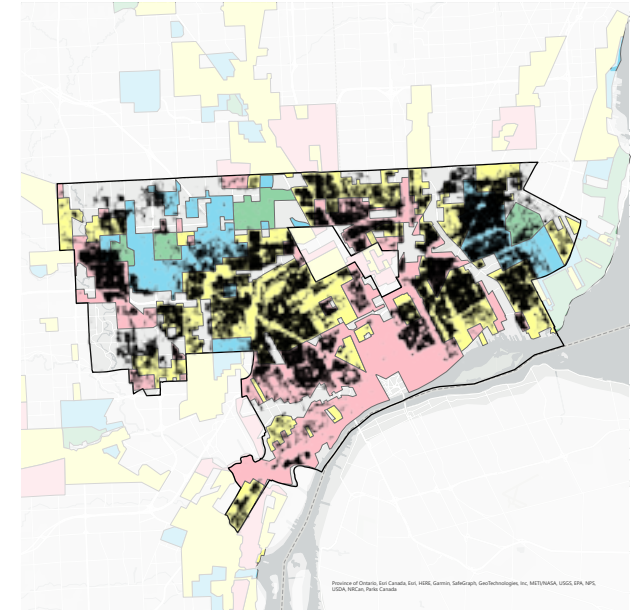
In Detroit, which has become a symbol of urban decay, the Detroit Land Bank Authority holds 75,527 distressed properties as of April 2022 — 71,491 of which are in HOLC mapped areas. Of those, 23,967, or about 33.5%, were redlined. Another 37,095, or nearly 52%, were yellow-lined.

Redlined Detroit properties were nearly 1.2 times more likely than non-redlined properties to end up in the hands of the Detroit Land Bank, which acquires vacant, abandoned and deteriorated properties.

That probability is much lower than in Chicago because it's more likely a home anywhere in Detroit would be vacant, abandoned or seriously tax-delinquent. The Detroit Land Bank owns about 25% of all properties in the Motor City, giving every property a one-in-four chance of being on the list.



Then, areas redlined and deemed a default risk in 1938



Now, each point represents a property in the Detroit Land Bank

• **Detroit Land Bank Properties**

HOLC Grades

- A **Best**
- C **Declining**
- B **Still Desirable**
- D **Hazardous**

Philadelphia, Pennsylvania

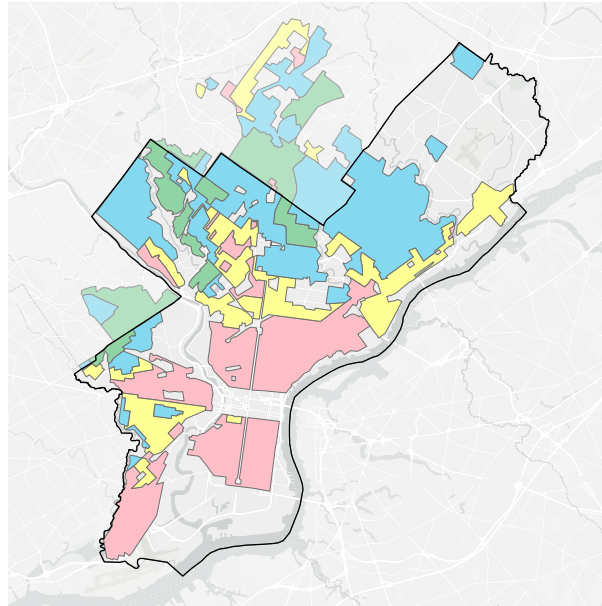
In Philadelphia, as of April 2022, about 82% of the 6,167 publicly available properties within the boundaries of that city's federal lending map that are held by the Philadelphia Housing Development Corp. — which houses the city's Land Bank and Philadelphia Redevelopment Authority — were redlined. Another 15.5% were yellow-lined.

The likelihood of a distressed property ending up in the hands of the Philadelphia Housing Development Corp. was 5.4 times greater if it had been redlined.

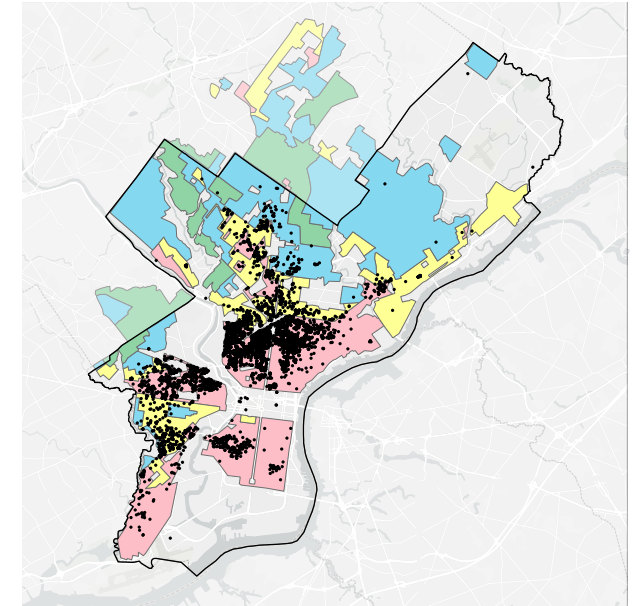
Those cities take various approaches to addressing the issue of distressed properties, which are detailed later in this report.

Cook County is unique in its reliance on a Scavenger Sale, which the Illinois General Assembly created during World War II to address a surplus of vacant and abandoned properties in the wake of the Great Depression.

Some 70 years later, the problem persisted, leading to the formation of the Cook County Land Bank Authority in 2013. Although progress has been made, it has been marginal, indicating a need for new and robust approaches to the problem and its underlying causes.



Then, areas redlined and deemed a default risk in 1937



Now, each point represents an available property in the Philadelphia Housing Development Corporation inventory

• PHCD Inventory Properties

HOLC Grades

A Best

B Still Desirable

C Declining

D Hazardous

Part 2 – The 2022 Scavenger Sale: *More Private Buyers, Less Land Bank and Properties Left on Table*

Findings

- A record 941 private buyers registered for the 2022 Scavenger Sale. Private buyers successfully bid on 5,180 properties, nearly three times the number they bid on at the last Scavenger Sale in 2019.
- The Land Bank placed successful bids on 1,951 properties, nearly 79% less than the 9,190 it bid on in 2019, when the last sale was held.
- Other government agencies — whose bids are handled by Cook County government — were more active in 2022. They successfully bid on 505 properties in 2022, or 349 more than in 2019.
- Fourteen of the 15 wards with the highest percentages of properties in the Scavenger Sale had violent crime rates that were higher than the citywide average during the decade ending in 2020, according to Chicago Police data.
- Ten of the 15 Cook County suburbs with the highest percentage of Scavenger Sale properties had violent crime rates that exceeded the suburban average.
- More than one-third of the properties offered at the Scavenger Sale were underwater, meaning their delinquent tax bills exceeded their current estimated market value as determined by the Cook County Assessor’s Office. Another 3,300, or 12.1%, carried delinquent taxes and additional costs that exceeded 75% of their market value, while 3,532, or 12.9%, were burdened by tax, interest and fee tabs that exceeded 50% of their value.
- Onerous property tax bills often result from high interest rates charged for nonpayment: 19.5% for the first 13 months and often 12% a year after that. If a tax buyer purchases a lien on the taxes, the interest can go as high as 18% a year.
- More than 90% of the properties offered at the sale were worth \$80,000 or less, according to the Assessor’s Office. By comparison, the median value of a property in Cook County is \$187,660, Treasurer’s Office data shows.
- The Scavenger Sale continues to fall far short of achieving its mission — restoring distressed properties to productive use. Of 27,358 properties offered at the Scavenger Sale, 7,636 received bids, leaving another 19,722 in purgatory.
- Properties turn up on the Sale list year after year. A total of 25,547 Scavenger Sale properties, or more than 93% of those offered in at least one Sale, had been offered in at least one previous Scavenger Sale between 2007 and 2019 — another sign the sale is an inadequate remedy.

Discussion

The COVID-19 pandemic delayed the 2021 Scavenger Sale. That gave the Treasurer’s Office an extra year to assist tax-delinquent property owners and urge them to pay off at least enough of their tax debt to avoid the Sale.

Those efforts included the Black and Latino Houses Matter program, which helped homeowners in predominantly Black and brown communities secure refunds for previously unclaimed exemptions and tax overpayments. As a result, more than \$211 million in wealth was returned to property owners in communities of color by mid-2022. (Table 4 and Table 5)

Missed Exemption and Overpayment Refunds Issued in Black Communities		
Municipality	Total Refunded 3/13/2020 -7/11/2022	
	# of Refunds Issued	\$ Value of Refunds Issued
Bellwood	2,105	4,519,204
Broadview	981	2,553,215
Burnham	377	1,278,684
Calumet City	3,296	10,465,998
Calumet Park	817	1,413,261
Chicago - Black Wards	44,339	65,725,717
Country Club Hills	1,746	3,589,823
Dixmoor	243	540,488
Dolton	2,493	4,536,837
East Hazel Crest	225	498,765
Flossmoor	806	3,035,258
Ford Heights	100	182,337
Glenwood	855	1,673,661
Harvey	2,304	4,839,400
Hazel Crest	1,222	2,440,402
Lynwood	693	1,017,556
Markham	1,633	3,333,722
Matteson	1,481	4,177,607
Maywood	1,704	3,882,428
Olympia Fields	582	1,880,288
Park Forest	2,020	5,646,295
Phoenix	219	201,405
Richton Park	1,133	1,945,562
Riverdale	1,176	2,111,595
Robbins	327	308,981
Sauk Village	860	1,186,880
South Holland	2,360	6,614,507
TOTALS	80,627	\$139,599,874

Table 4

Missed Exemption and Overpayment Refunds Issued – Latino Communities

Municipality	Total Refunded 3/13/2020 -7/11/2022	
	# of Refunds Issued	\$ Value of Refunds Issued
Bensenville	60	378,872
Berwyn	3,074	7,809,527
Blue Island	1,433	3,014,340
Cicero	2,925	7,368,690
Chicago-Latino Wards	21,627	32,345,219
Franklin Park	1,202	6,393,583
Lyons	808	1,703,409
Melrose Park	1,477	4,811,897
North Lake	705	3,557,473
Posen	447	640,371
Stickney	366	566,978
Stone Park	321	632,327
Summit	766	2,023,901
TOTALS	35,211	\$71,246,586.38

The Black and Latino Houses Matter program raised awareness about tax delinquencies, as did the Treasurer’s Office publicity about the looming 2022 Scavenger Sale — while shining a light on the difficulties faced by homeowners in minority communities who have suffered from decades of discriminatory housing practices.

Those efforts partially explain why the county received \$17.9 million in payments for delinquent taxes between the time the 2022 Scavenger Sale list was published in mid-January until the Sale was held in late February and early March. That dwarfs the \$1.7 million paid before the last Sale in 2019.

Payments of Delinquent Taxes Preceding the Scavenger Sale

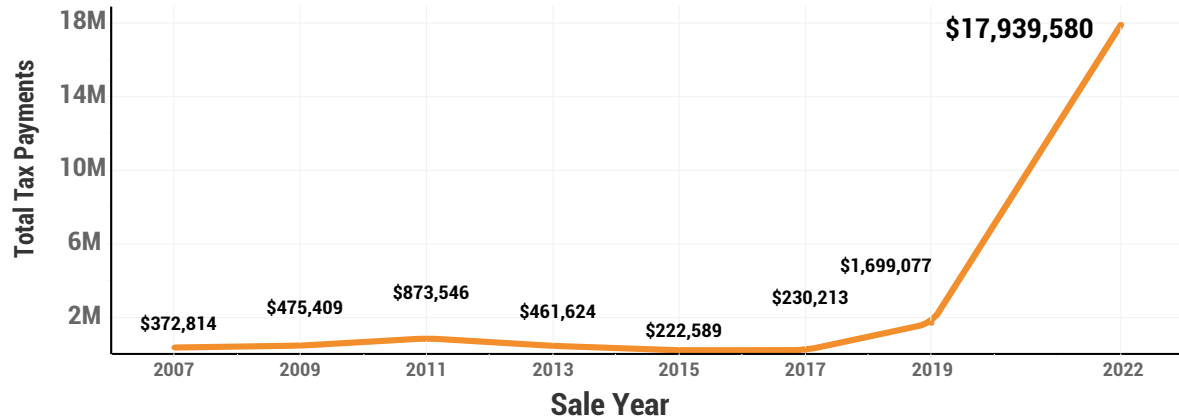


Table 5

The recent Scavenger Sale was sandwiched between an Annual Tax Sale held in November 2021 and one held in May 2022 — another reason many home and business owners were motivated to pay off past-due taxes.

That resulted in about 1,100 fewer properties being put up for bid at the 2022 Scavenger Sale compared to the 2019 Sale.

As the 2022 Scavenger Sale approached, the Treasurer's Office more widely publicized the multi-day event and made it easier for individual buyers from affected communities to participate. She dropped the \$250 fee to obtain the list of properties and instead published it online, complete with an interactive map that provided detailed information on each property.

As a result, 941 private buyers registered for the Sale, compared to 360 in 2019. Private buyers successfully bid on 5,180 properties — by far the highest number in the last 15 years. (Table 6)

Number of Registered Buyers and Bids		
Bid Year	Registered Buyers	Private Bids
2007	321	1,317
2009	136	531
2011	136	903
2013	163	1,198
2015	271	1,597
2017	294	1,090
2019	360	1,746
2022	941	5,180

Table 6

The Land Bank also took a different approach to this year's Sale after years of bidding on thousands of properties, failing to pursue ownership of them and returning them to the delinquent tax rolls. The Land Bank's bid-and-return pattern likely blocked bids on many of those same properties by private buyers — given that Land Bank bids in nearly all cases trump bids from private buyers.

The Cook County Inspector General in October 2020 concluded the Land Bank needed to take a “more targeted and focused approach,”¹⁷ a strategy a new agency executive adopted publicly before the 2022 Sale.

At the 2022 Sale, the Land Bank made 1,951 winning bids — a dramatic drop of nearly 79% from the 9,190 bids it made in 2019.

It's important to note that the agency has been lauded by several public officials, including County Board President Toni Preckwinkle, for its efforts to promote local development in struggling areas. In February, Land Bank officials celebrated the Land Bank's 1,000th home renovation.¹⁸

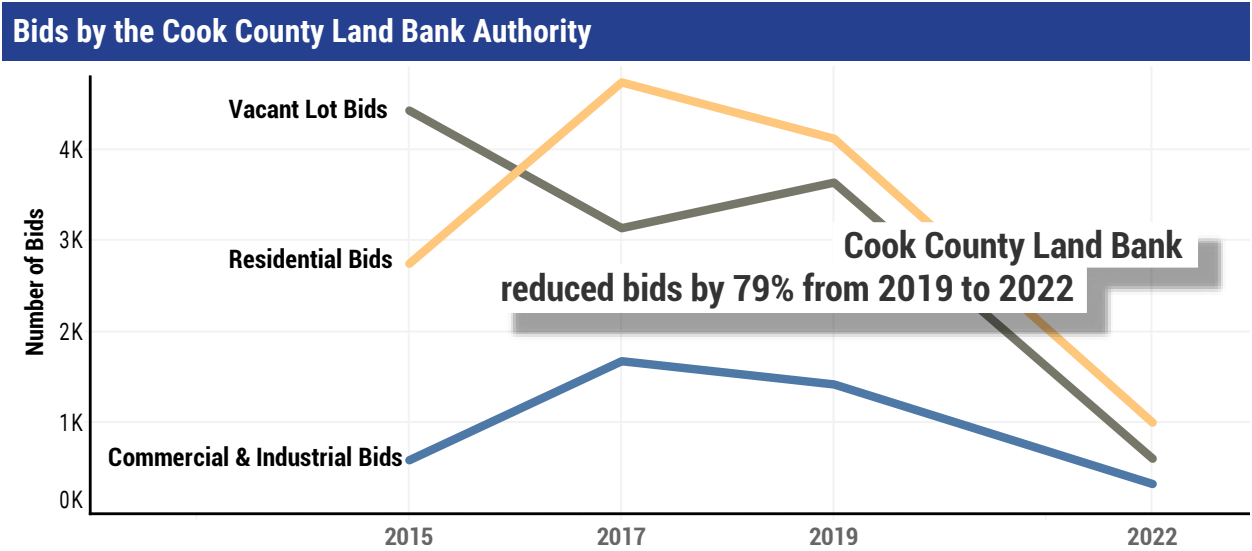
17 “Public Release of OIG Report No. IIG19-0567 (Cook County Land Bank Authority),” *Office of the Independent Inspector General*, Oct. 14, 2020, [@](#)

18 Jessica D’Onofrio, “Cook County Land Bank Authority program celebrates 1,000th renovated home,” *WLS-TV Chicago*, Feb. 16, 2022, [@](#)

Local governments stepped up their purchasing in 2022, bidding on 505 properties, or 349 more than in 2019.

The increase in county bidding was fueled by bids on behalf of Ford Heights, where the county won bids for 232 properties, most of which lie within a few blocks of Route 30 just west of Illinois Route 394. In its request to the county, Ford Heights officials stated the land would be used to spur residential, commercial and industrial developments.

Altogether, there were 7,636 successful bids placed on the 27,358 properties offered at the 2022 Sale, meaning 19,722 were left withering despite the increase in private buyer bids.



One sign of that continued dysfunction: 16,908 of the 27,358 properties at the 2022 Scavenger Sale had property tax delinquencies in at least 10 of the previous 20 years. Another 8,714 hadn't fully paid their property taxes for five to nine years.

Those multi-year delinquencies rack up substantial interest rate charges, which can go as high as 37.5% after just 25 months. Further missed tax payments add more high-interest charges, ranging from 12% to 18% a year. Those rates make it tougher for thousands of minority homeowners to accumulate wealth — or even maintain ownership of their properties.

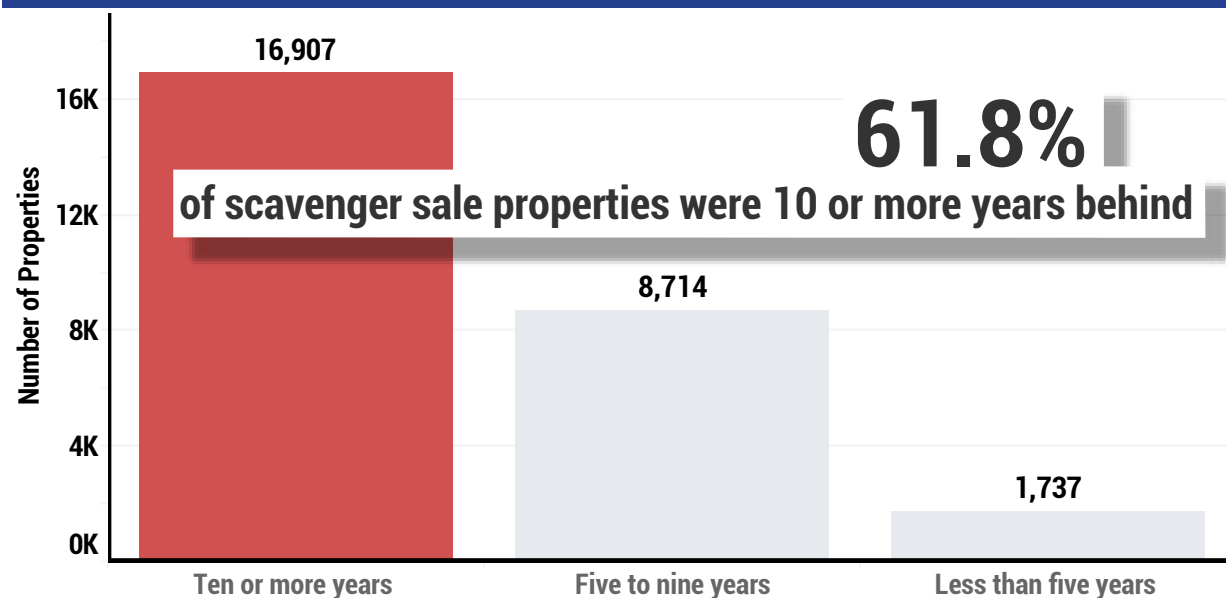
Percent of Scavenger Properties with More Tax Debt than Market Value in Municipalities with More Than 100 Scavenger Properties

Municipality	Percent Underwater by Tax Debt Alone	Average Number of Tax years Owed
Ford Heights	85%	14.91
Burnham	78%	14.15
Lansing	72%	14.14
Chicago Heights	72%	14.13
Harvey	69%	12.26
Phoenix	67%	13.05
Matteson	62%	13.92
Markham	56%	11.28
Riverdale	53%	8.59
South Holland	52%	12.31
Dixmoor	50%	13.26
Calumet City	50%	10.51
Dolton	47%	9.54
Maywood	36%	9.01
Blue Island	35%	11.06
Park Forest	35%	6.75
Hazel Crest	34%	11.04
Robbins	30%	12.59
Chicago	8%	10.08

Table 7

Majority-Minority
Majority Latino Population
Majority Black Population

Scavenger Sale Properties by Years of Delinquent Tax Debt



The Treasurer’s Office analyzed the most active private bidders at the 2022 Scavenger Sale, researching the 132 buyers who placed 10 or more winning bids. The analysis punctures a common narrative among Scavenger Sale critics that out-of-town hedge funds dominate the Sale and indicates significant local-buyer interest in acquiring Scavenger Sale properties.

The top two bidders were the Land Bank and Cook County on behalf of suburban governments. Among the rest, 73 were corporate entities, including private equity firms, real estate investors, remodeling firms and contractors. None were hedge funds — largely unregulated investment groups of sophisticated investors and high-wealth individuals who make riskier investments in hopes of a bigger payday.

The rest of the bidders were non-profit agencies, a limited partnership and individuals who registered without a company affiliation. Many of the top bidders were Black individuals or Black-owned companies. The analysis, however, cannot exclude the possibility that an individual bidder or bidders were working with hedge funds.

All five companies or individuals that placed more than 100 bids were from Chicago and its suburbs. There were nine out-of-town investors among the top bidders, including Stamford, Connecticut-based Illinois Tax Auction, which picked up 99 properties. Altogether, out-of-town companies placed 260 winning bids, or 3.4% of all successful bids.

An analysis of the 2022 Scavenger Sale shows many of the same trends related to crime rates identified in the previous Treasurer’s Office study.



▲ Figure 4: Bidders at the Cook County 2022 Scavenger Sale in Navy Pier



▲ Figure 5: Bidders at the Cook County 2022 Scavenger Sale in Navy Pier

Top 15 Wards - Properties on the 2022 Scavenger List and Crime Rates		
Ward	% of Taxable Properties Offered at 2022 Scavenger Sale	Average Annual Violent Crime Rate per 100,000 from 2011 to 2020*
16	3.05%	1,808
20	9.50%	2,083
6	8.60%	2,285
34	7.80%	1,709
10	7.09%	857
17	6.03%	2,199
9	5.94%	1,607
24	5.88%	2,861
15	5.54%	1,507
7	3.58%	1,699
28	3.11%	2,778
8	2.62%	1,684
21	2.13%	1,844
Chicago Average ▶	1.52%	1,101
37	1.38%	1,642
5	1.10%	1,379

Table 8

* The average violent crime rates from 2011 to 2020 were calculated using data posted online by the Chicago Police Department. Violent crimes include murder, rape, robbery and aggravated assault.

Majority-Minority
Majority Latino Population
Majority Black Population

Top 20 Municipalities - Properties on the 2022 Scavenger List and Crime Rates		
Municipality*	% of Taxable Properties Offered at 2022 Scavenger Sale	Average Annual Violent Crime Rate per 100,000 from 2011 to 2020
Harvey	32.51%	1,469
Robbins	32.41%	734
Dixmoor	26.14%	426
Phoenix	25.55%	853
Chicago Heights	11.65%	892
Riverdale	9.89%	1,190
Markham	9.87%	1,628
Burnham	9.63%	347
Calumet City	5.72%	662
Hazel Crest	5.31%	580
Dolton	5.01%	455
S. Chicago Heights	3.46%	405
Calumet Park	3.30%	4,196
Thornton	3.22%	187
Steger	3.08%	282
Posen	3.00%	298
Lynwood	2.83%	116
Matteson	2.63%	653
South Holland	2.62%	381
Sauk Village	2.40%	981
Suburban Average ▶	1.57%	428

Table 9

* The average violent crime rates from 2011 to 2020 were calculated using data reported annually by most suburbs to the Illinois State Police. Violent crimes include murder, rape, robbery and aggravated assault. Ford Heights is not included here, because the village's statistics are not reported to the state.

In all but one of the wards with the highest percentages of Scavenger Sale properties, and more than half of the 20 suburbs with the highest percentage of Scavenger Sale properties, the chances of being a violent crime victim were above average. In some wards and suburbs, the chances of becoming a violent crime victim were two or more times the norm.

Multiple studies over the years have documented that crime increases in areas with higher percentages of vacant properties and abandoned buildings.

An oft-cited 1993 study by William Spelman¹⁹ at the University of Texas at Austin found “crime rates on blocks with open abandoned buildings were twice as high as rates on matched blocks without open buildings.” Spelman also found areas with secured vacant buildings also increased crime, if not to the degree that unsecured buildings did.

More recently, a working paper by Lin Cui and Randall Walsh that was published by the National Bureau of Economic Research²⁰ found that vacancies caused by foreclosures significantly increased the rate of violent crime and an uptick in property crime in the immediate area.

The relationship between vacant and abandoned properties and crime shows how the harm of racially discriminatory housing practices extends beyond preventing people of color from accumulating generational wealth. It makes living in the affected communities more difficult and more dangerous.

¹⁹ William Spelman, “Abandoned buildings: Magnets for crime?,” *Journal of Criminal Justice* 21, no. 5 (1993): 481-495, [📄](#)

²⁰ Lin Cui & Randall Walsh, “Foreclosure, Vacancy and Crime” *National Bureau of Economic Research*, Oct. 2014, [📄](#)

Part 3 – Scavenger Sales 2007 – 2019: *The Historic Inability of the Sale to Return Distressed Properties to Productive Use*

Findings

Overview:

- During seven Scavenger Sales from 2007 through 2019, there were 51,312 unique properties offered, attracting a total of 36,143 bids — including 5,815 repeat bids on the same property at two or more Sales.
- Less than one in 13, or about 8%, of the properties offered between 2007 and 2019 were eventually acquired by new owners.
- In 3,333, or 11% of cases, property owners paid off their tax debt (redeemed their taxes) after a bid was placed on their properties. Total debt collected as a result was \$55.4 million.
- Across the Sales, 7,443 properties ended up being acquired by new owners or becoming current on tax bills, for an overall success rate of 14.5%. That left more than 85% of the properties languishing.

Land Bank Bids:

- Between 2017 and 2019, the Land Bank placed 26,530 winning bids. Of those, 3,655 were properties that the Land Bank bid on more than once — meaning the agency placed successful bids on 22,875 unique properties.
- The Land Bank acquired 2,128, or 9.3%, of the properties. Property owners paid their debt on 1,422, or 6.2%, of the properties. That resulted in collection of \$27.3 million in tax payments.

Municipal Bids:

- Between 2007 and 2019, Cook County government placed 1,231 winning bids. Of those, 24 were properties the county had previously bid on, but the local governments did not acquire, meaning the county placed winning bids on 1,207 unique properties.

- The County and local governments took ownership of 905 properties, or 75% of the time. Property owners paid their debt before local governments could take possession in 46 cases, or 3.8% of the cases. As a result, \$893,367 in taxes were collected.

Private Bids:

- Between 2007 and 2019, private buyers won 8,382 bids. Of those, 442 were on properties private buyers had bid on more than once — meaning private buyers bid on a total of 7,940 unique properties.
- Private buyers took ownership of 1,077, or 13.6%, of the 7,940 unique properties. Property owners in 1,880 cases paid their tax bills before the private bidder could take possession, representing a tax redemption rate of 23.7%. That resulted in the recovery of \$27.2 million in tax payments to local governments.

Discussion

The Scavenger Sale is inadequate to the task of restoring thousands of distressed properties in communities that have long suffered from housing discrimination, from redlining to scant mortgage lending and below-value mortgage appraisals in minority communities.

First, the bulk of Scavenger Sale properties never receive a bid. Second, the bids only result in a transfer of property to new owners or the payment of past-due tax bills in a small percentage of cases.

Bidders acquired title to only 4,110, or 8%, of 51,312 unique properties offered during eight Sales ending in 2019. And only 3,333 property owners, or 6.5%, paid off their tax debt after bids were placed on their property.

Many properties never had any chance of being acquired, given that 20,984 of the unique properties offered never received a single bid. Of the 30,328 that did receive bids, 13.6% were taken to deed. In 3,333, or 11%, of those cases, the property owner paid off their tax debt.

The results of the 2022 Sale are not part of this discussion. That's because it takes six months to three years to get a court-issued deed to a property, making it impossible to gauge the success of that Sale.

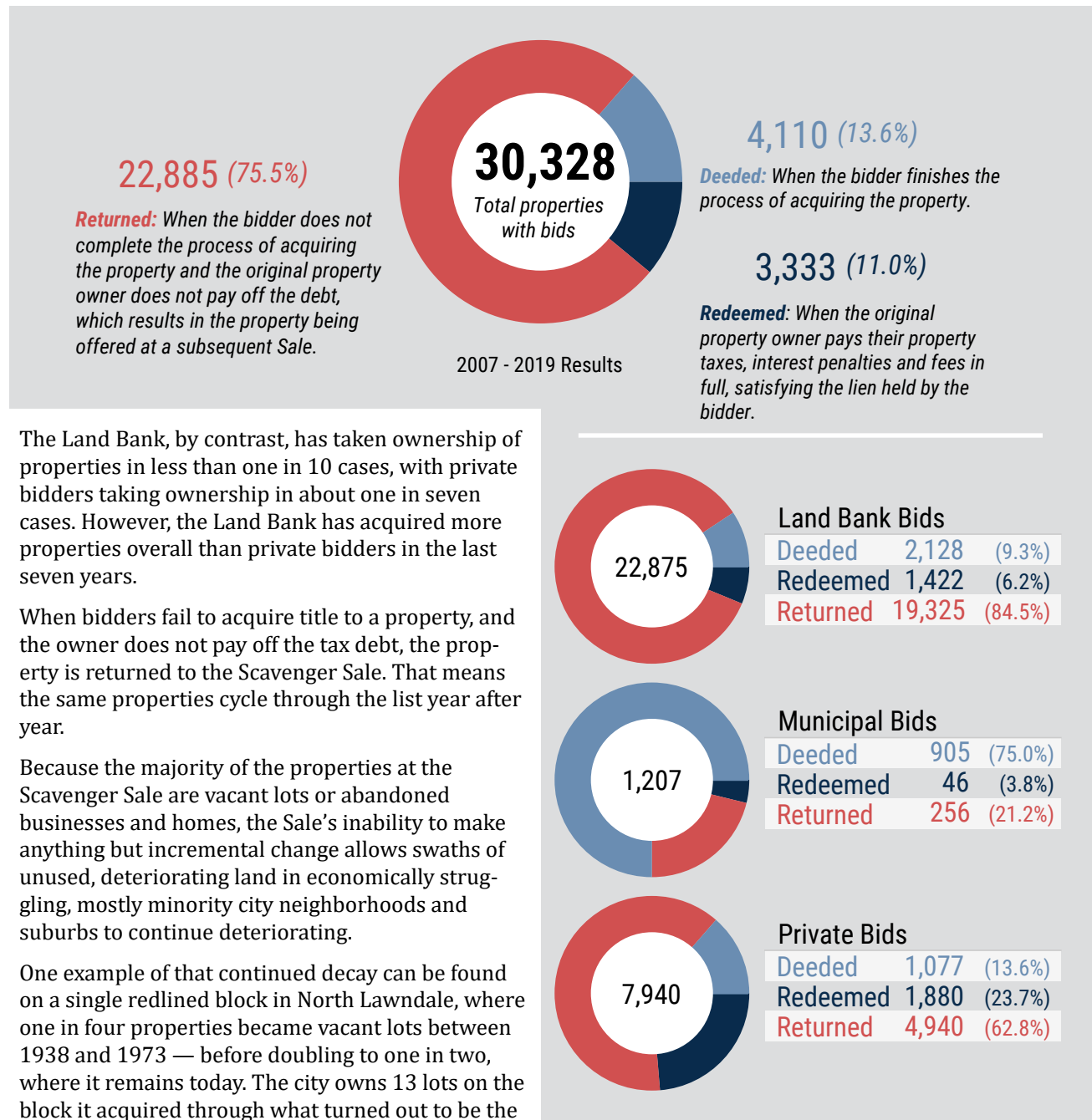
Among bidders, local governments by far have the best track record of actually acquiring properties, which they have done in three out of four cases. That's likely because local governments must present plans for the properties they seek before the county will place bids on their behalf.

The Land Bank, by contrast, has taken ownership of properties in less than one in 10 cases, with private bidders taking ownership in about one in seven cases. However, the Land Bank has acquired more properties overall than private bidders in the last seven years.

When bidders fail to acquire title to a property, and the owner does not pay off the tax debt, the property is returned to the Scavenger Sale. That means the same properties cycle through the list year after year.

Because the majority of the properties at the Scavenger Sale are vacant lots or abandoned businesses and homes, the Sale's inability to make anything but incremental change allows swaths of unused, deteriorating land in economically struggling, mostly minority city neighborhoods and suburbs to continue deteriorating.

One example of that continued decay can be found on a single redlined block in North Lawndale, where one in four properties became vacant lots between 1938 and 1973 — before doubling to one in two, where it remains today. The city owns 13 lots on the block it acquired through what turned out to be the inaptly named "Tax Reactivation Program," and the Land Bank has placed bids on six others since 2019.



From redline to decline: The story of one city block

North Lawndale's population has plummeted from 124,937 people in 1960 to 34,794 in 2020, and its housing stock fell from more than 30,000 units in 1960 to about 15,000 today. Nearly one out of every five properties in the community is chronically distressed.



◀ City-owned lot on the corner of 15th Street and Christiana Avenue in North Lawndale (Google Street View)

It has been a painful, continual decline for North Lawndale since 1940, when HOLC first warned banks and others about lending money

there because the area was dominated by working class Jews and faced the likelihood of “Negro encroachment,”²¹ according to documentation from Mapping Inequality.

Between 75% and 95% of all properties sold to Black people between 1950 and 1970 were not sold through traditional bank mortgages, but through financially onerous contract sales, according to the Samuel DuBois Cook Center on Social Equity at Duke University.²²

North Lawndale, the epicenter of deadly riots following the 1968 assassination of Martin Luther King Jr.,²³ further spiraled into decay in the 1970s and 80s.

The story of how the once vibrant community devolved over the years into a sea of vacant and abandoned properties can be shown by looking at a single, troubling block around South Spaulding Avenue and West 16th Street.

21 Nelson, et al., “Mapping Inequality.”

22 Macnamara, et al., “The Plunder of Black Wealth in Chicago: New Findings on the Lasting Toll of Predatory Housing Contracts”

23 Satter, *Family Properties*, 255.



▲ A concentration of vacant lots on a block in North Lawndale. Aerial imagery from Cook County GIS.

Of 43 properties that make up the block, 19 are vacant lots — all either owned by the city of Chicago or under the control of the Land Bank.

Many of those city-owned properties have been vacant for decades. On the corner of 15th Street and Christiana Avenue, a city-owned lot that once held an apartment building has been vacant for at least a half century.

The blight harms neighborhoods already facing entrenched poverty, rampant crime and dwindling populations. Concentrations of vacant lots and abandoned properties exacerbate crime issues and lead to lower property values.

For many south Cook County suburbs that lack diverse tax bases, a high percentage of Scavenger Sale properties fosters the downward spiral of local municipal finances, as fewer and fewer property owners pay their taxes.

Take Ford Heights, where vacancy has reduced the village's ability to collect property taxes. To provide police protection, the village pays the Cook

County Sheriff a token sum of \$36,000 a year for \$4 million worth of services,²⁴ according to the Daily Southtown.

The Scavenger Sale's dismal record was documented in both a 2020 analysis by the Treasurer's Office and in a March 2021 study by the Harris School of Public Policy at the University of Chicago.²⁵

As the Harris School noted, Cook County is the only jurisdiction in the United States to currently hold a Scavenger Sale. Will County did hold Scavenger Sales, but quit doing so in the late 1990s and instead switched to using what's known as the county trustee program. (see Part 4 — Lessons from Other Counties, Cities and States on Returning Distressed Properties to Productive Use)

24 Ted Slowik, "Ford Heights extends pact for sheriff's patrols, backs off plans for own police department," *Daily Southtown*, Aug. 22, 2019, [🌐](#)

25 Maxwell Schmidt, "Cook County Scavenger Sale Evaluation," *Harris School of Public Policy at the University of Chicago*, March 2021, [🌐](#)

Part 4 – Lessons from Other Counties, Cities and States on Returning Distressed Properties to Productive Use

Nearly all the other 101 Illinois counties rely on a statute in the Illinois property tax code (35 ILCS 200/21-90) that allows them to set up a county trustee program. Under that program, counties obtain tax liens on properties not sold at their annual tax sales, said Boone County Treasurer Curtis P. Newport, past president of the Illinois County Treasurers' Association.

The liens, which carry a maximum interest penalty of 9% every six months, are held in a county trust. If the property owner pays their past-due bills, penalties and fees, the money is distributed to the taxing agencies — with the money from the 9% interest rate applied after the sale sometimes being paid to a trust management firm.

If the property owner does not pay up, the trust acquires title to the property, clears it of any liens and attempts to find a new owner through auction, sale or giveaway. Proceeds from any sale are distributed to the taxing agencies, minus administrative costs.

"It's an efficient way for government to get title to properties that are otherwise derelict," Newport said.

After Will County switched from Scavenger Sales to the county trustee program, it found it was able to transfer properties clear of nearly all liens to new owners, said Julie Shetina, chief Will County deputy treasurer. When the Scavenger Sale was in place, bids were not being placed on many properties because they came with extensive liens that had to be satisfied.

Deploying such a program in Cook County would be complex, because tens of thousands of properties can go without bids at tax sales held every year. In Winnebago County, home to Rockford, there were a manageable 483 properties on the county trustee program's auction list in mid-June 2022.²⁶

Other jurisdictions across the country have taken different approaches to distressed properties, although none appears to have a foolproof answer, with some treating delinquent taxpayers more harshly than in Cook County.

In Los Angeles County, for instance, properties with severely delinquent tax bills are sold outright to the highest bidder. The county gives non-profit organizations and public entities first crack at bidding, although they must pay all taxes and penalties owed.

Los Angeles County officials also are considering working with land banks and community land trusts, which are organizations that promote affordable housing and work to prevent property tax evictions.

In New York City, collecting chronically overdue property tax payments has been controversial. New Mayor Eric Adams has agreed the system needs revamping²⁷ because of its outsized effects on people of color.²⁸ As the city considers a new approach, it made several reforms to give lower-income homeowners more time to pay off their tax debts before its last authorized tax lien sale in December. Now, the city is considering alternatives to the sale.

²⁶ "Map of Properties," *Region 1 Planning Council*, Accessed June 17, 2022, [@](#)

²⁷ David Brand, "As NYC Considers Scrapping Tax Lien Sale, Land Trust Plan Gains Steam," *City Limits*, Feb. 28, 2022, [@](#)

²⁸ "Compounding Debt: Race, Affordability, and NYC's Tax Lien Sale," *Coalition for Affordable Homes*, 2014, [@](#)

When it comes to abandoned and vacant property, Detroit may be the most burdened U.S. city, given that its population plummeted from nearly 1.9 million in 1950 to about 639,000 today.

In Michigan, properties can be foreclosed on if a tax bill goes unpaid for three years. Taxpayers can avoid foreclosure by agreeing to a five-year payment plan, which also lowers the interest rate to 6% from 18%. When a property does go to foreclosure, it often ends up in the possession of the Detroit Land Bank, which now holds about 75,000 properties.

Several land banks have been dogged by allegations of insider dealing, indicating a need to ensure they have the appropriate operating rules, checks and balances, and oversight.

In Detroit, the Land Bank has been called into question on numerous occasions,²⁹ with critics noting problematic issues: the profitable sale by a former

lieutenant governor of an apartment building he bought from the Land Bank, alleged bid rigging and neglect of properties.

In Philadelphia, allegations of insider dealing have been leveled at the Land Bank. A city councilwoman used her prerogative to help a childhood friend buy properties he quickly sold for a profit of \$165,000,³⁰ and a judge made a profit of more than \$135,000³¹ by flipping properties he acquired from the Land Bank at a discount. Those controversies led to a series of reforms.³²

In Kansas City, the Land Bank has been questioned about deals with a developer who has been sued for real estate fraud and reportedly had a business relationship with the former chair of the Land Bank's board of directors.³³

In Cook County, the Land Bank has faced controversy over allegations of insider dealing that included taking a tax-delinquent home from an alderman's chief of staff and selling it to someone

with whom he had had a business relationship,³⁴ selling a home to an agency executive assistant,³⁵ and sparking a federal criminal probe into dealings between the Land Bank and a former employee.³⁶

Nevertheless, land banks continue to be a frequent go-to option for U.S. policymakers trying to revitalize downtrodden communities. Pioneered in 1973 by St. Louis as its population declined, land banks have cropped up in many aging cities and have been promoted by the U.S. Department of Housing and Urban Development³⁷ and the Fannie Mae Foundation.³⁸

Georgia, which first authorized land banks in 1990, has come up with one way to quickly redevelop properties. Private developers buy properties with significant tax debt, turn them over to the land banks to forgive the underlying debt, and then get them back with a redevelopment deadline. A fuller explanation of how jurisdictions outside Cook County handle tax delinquencies is in Appendix B.

²⁹ Tom Perkins, "The Detroit Land Bank and its many controversies, explained," *Curbed Detroit*, Apr. 30, 2020, [🔗](#)

³⁰ Mark Fazlollah & William Bender, "Philadelphia Councilman Kenyatta Johnson helped friend make \$165,000 flipping city-owned lots," *The Philadelphia Inquirer*, Nov 20, 2018, [🔗](#)

³¹ Ryan Briggs, "Philly judge makes \$135,000 gaming city land sales," *WHYY*, Jan. 17, 2019, [🔗](#)

³² Ryan Briggs, "Philadelphia Land Bank is finally selling its vacant lots. Now the question is who will benefit," *WHYY*, Feb. 17, 2021, [🔗](#)

³³ Emily Wolf & Celisa Calacal, "Vacant lots, absentee owners, little accountability. What's going on with the Kansas City Land Bank?," *The Kansas City Beacon*, Oct. 21, 2021, [🔗](#)

³⁴ Claudia Morell and Dan Mihalopoulos, "Federal Heat On Low-Profile, Long-Serving Aide To Chicago Ald. Austin," *WBEZ*, Sept. 17, 2019, [🔗](#)

³⁵ Lauren FitzPatrick & Tim Novak, "Cook County official fires aide he gave sweet deal on Oak Lawn home following Sun-Times questions," *The Chicago Sun-Times*, Feb. 28, 2020, [🔗](#)

³⁶ Alice Yin, Jason Meisner and Gregory Pratt, "Federal prosecutors investigating Cook County Land Bank, deals involving former employee: records," *The Chicago Tribune*, June 23, 2021, [🔗](#)

³⁷ Sage Computing, "Revitalizing Foreclosed Properties with Land Banks," *U.S. Department of Housing and Urban Development Office of Policy Development and Research*, Aug. 2009, [🔗](#)

³⁸ Frank Alexander, "Land Bank Authorities: A Guide for the Creation and Operation of Local Land Banks," *Fannie Mae Foundation and Local Initiatives Support Corporation*, April 2005, [🔗](#)

Clearly, none of those approaches is — in and of themselves or even in combination — an answer to the problem. That’s hardly surprising considering that none addresses the root of the problem: 80 years of housing discrimination.

It will require a multi-pronged approach that includes federal legislation to address continued discriminatory lending practices, state legislation to reduce onerous interest penalties and county legislation to ensure the Land Bank fulfills its mission, while also letting private enterprise be a part of the solution. Ensuring that property assessments for tax purposes don’t over-value properties in minority neighborhoods also will be key.

Approaches from other cities, including community land trusts and use of receivership laws already on the books in Illinois, could help address the issue of distressed properties.

Any reform effort should include the development of a comprehensive website that would help governments, non-profit agencies and developers

identify vacant and abandoned properties that can be obtained through the Scavenger Sale or its replacement; the Cook County Land Bank; the city of Chicago; or the suburbs. The list would include a tutorial on how to acquire properties.

The lack of coordinated distressed property databases has been an issue in many jurisdictions, according to “The Empty House Next Door,”³⁹ a study from the Lincoln Institute of Land Policy and Center for Community Progress.

“Most cities lack adequate information about their vacant properties,” according to “The Empty House Next Door.” That study states: “Cities do not know how many vacant lots and abandoned buildings exist, what condition they are in, or how many are located in areas with the potential for market-driven rehabilitation. Cities do not know the legal status of the properties or whether they may be on a path to reuse already.”

Similarly, ULI (Urban Land Institute) Chicago in a July 2021 report⁴⁰ suggested the creation of “a publicly available, user-friendly database of vacant properties so it is easy to identify suitable development opportunities through the city” of Chicago.

To be sure, getting people to invest in vacant and abandoned properties in areas with high crime and declining population is no easy task. Although fewer vacant and abandoned properties can help curtail crime and lead to population growth, the underlying challenges of systemic racism, job loss, poverty and crime unrelated to vacancy take holistic approaches that also address the underlying causes of all those maladies.

Yet, getting more properties back to productive use, while also helping Black people and Latinos build generational wealth, is a key part of that approach — making the development of a new system essential to put deteriorating properties back to productive use.

39 Allan Mallach, “The Empty House Next Door: Understanding and Reducing Vacancy and Hypervacancy in the United States,” *The Lincoln Institute of Land Policy*, May 2018, [@](#)

40 “Our city, Our Future: Recommendations for Building Resilient Chicago Neighborhoods,” *Urban Land Institute*, July 2021, [@](#)

Recommendations

State Legislation

- Eliminate the Scavenger Sale or make it optional in Cook County, where it is currently mandated, to clear the way for a more effective system of restoring properties to productive use.
- Advance legislation to lower the interest rate applied by the county to delinquent property tax payments to .75% per month from the current 1.5% per month. That would reduce the initial annual penalty to 9% from 18%. This could help prevent low-income property owners from reducing — or losing — their generational wealth.
- Allow property owners to make partial payments to satisfy tax liens placed on their property, rather than require them to pay the full amount owed all at once, to make the redemption process more manageable for lower income homeowners.
- Shorten the redemption period for residential properties with three or more years of tax delinquencies to one year from 2 ½ years. This would require an amendment to the Illinois Constitution, which currently requires at least two years.

County Legislation

- In place of the Scavenger Sale, establish a county trustee program — with the county's 558 taxing districts as beneficiaries — under existing state statutes that allow the county to take that step.

This would have several advantages over the Scavenger Sale:

- » Vacant and abandoned properties would not wither and deteriorate as long, because the redemption period would start two years earlier — while still giving homeowners more than 3 ½ years to pay their tax debt.
 - » Proceeds from sales to local developers, after expenses, would go to financially struggling taxing districts, providing relief to their taxpayers.
 - » Developers and local governments would receive properties free of financial encumbrances and would not have to wait to rehabilitate them.
 - » Tax and penalty debt would not grow so high that it exceeded the market value of the properties on which it was owed, making redemption a losing proposition.
- Allow the trust to auction off properties acquired through the county trust program to local developers or transfer them to local governments or non-profit agencies.
 - Require private buyers, local governments and non-profit agencies to declare their intended use for properties acquired from the trust and give them a time limit to complete their plans.
 - Consider making the Cook County Land Bank Authority the administrator of the county trustee program.

- Establish checks and balances for the Land Bank by requiring annual audits, requesting biyearly inspector general reviews of its work and mandating that the Board of Directors include local government officials, non-profit housing agencies, local developers and residents from formerly redlined neighborhoods.

County Procedures

- Create a unified, public website to list all properties available through the tax lien sales, over-the-counter purchases, the city's various programs and the Land Bank. This public website should include a downloadable list of all the properties, GIS maps to view the properties and tutorials about how they might be acquired. This website could also be administered by the Land Bank.
- Consider deeding select properties to community land trusts, or placing them in receivership, in order to augment the work of the Land Bank and local governments.
- The offices of the Treasurer, the Board President, the Clerk and the Land Bank should meet to discuss the study's findings and work to make needed changes to the property tax system. They should press the General Assembly to enact any necessary changes to state law.

Appendix A – Anatomy of the Scavenger Sale

The Annual Tax Sale and Its Penalties

Before a home, business or lot ends up at a Scavenger Sale, it goes through several stages of tax delinquency, during which it racks up escalating interest charges and fees.

When property taxes are not paid by the due date, interest of 1.5% per month — or 18% per year — accrues. That recurring penalty is designed to encourage payment.

If taxes go unpaid for 13 months, they are offered at the Annual Tax Sale — a sale of tax liens, not properties. It works like this:

Tax buyers bid on the right to a tax lien on a property. The winning bidder is the one who offers to charge the property owner the lowest interest rate on their debt. The maximum allowed bid is 9%, applied every six months. The winning bidder pays the taxes, plus interest penalties, and places a lien on the property for the amount paid.

If the property owner does not pay the money owed, known as “redeeming” their taxes, and fails to pay a subsequent tax bill, the tax buyer can pay those bills and immediately tack on 12% interest.

Because the interest rate bid is applied every six months — and the property owner has already been assessed 1.5% interest monthly for the 13 months

preceding the Sale — the interest on the original unpaid debt can climb to 64.5% during the typical 2 ½ year redemption period for an occupied home.

Tax buyers can extend the redemption period by six months, which can further push the interest rate up to 73.5%.

Potential Loss of Property

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.

Most owners redeem their taxes, but if a homeowner fails to pay up 2 ½ years after their taxes are sold, the tax buyer can secure a court-ordered deed to the home. If a tax buyer can prove the home has been abandoned, the period for seeking a deed can be shortened to two years.

Owners of vacant, commercial and industrial properties have six months to redeem their taxes before the tax buyer can seek ownership of the property.

Tax Forfeiture and More Penalties

The Annual Tax Sale helps boost the collection rate on property taxes levied by local governments to more than 99%. Taxes that remain unpaid are the ones tax buyers did not bid on. Those tax bills are deemed “forfeited.”

When a tax bill is forfeited, the interest rate drops from 1.5% per month for the first 13 months to 12% a year. But that rate is applied in full at the start of each year. As a result, interest on a missed, forfeited payment can climb to 31.5% within 14 months.

The Scavenger Sale

If a property’s taxes go unpaid in at least three of the previous 20 years, the property is offered at the Scavenger Sale. Bids start at \$250.

The winning bidder does not have to pay any of the previous years’ unpaid taxes. But if the owner does not redeem those back taxes — again, in a single payment, without a payment plan — the winning bidder can seek deed to the property. To get that deed, the bidder must pay all unpaid taxes billed on the property between the last year covered by the Scavenger Sale and the date they seek deed.

As in the Annual Sale, bidders at the Scavenger Sale can seek the deed to a home after 2 ½ years, with the option of a six-month extension. If the property is abandoned, that time frame can be shortened to two years. With a vacant, commercial or industrial property, the winning buyer can seek the deed after six months.

The Government Advantage

State law allows municipalities, or the Cook County Land Bank Authority — an 8-year-old agency formed to bolster local development initiatives in struggling neighborhoods — to make “no-cash” bids. Municipalities must provide plans for the properties they acquire and secure approval for their no-cash bids from the County Board of Commissioners. The Land Bank is not required to take either of those steps.

Bids by the Land Bank and municipalities take precedence over any private bid, except when a private bidder offers more than the entire tax and interest penalty owed. Such bids are rare, in part, because the amount of taxes and penalties owed exceed or come close to the market value on a large portion of the properties.

Municipalities and the Land Bank do not have to pay taxes that accumulate between their bid and the time they seek a deed to the land.

When taxes go unpaid for more than 20 years, Illinois law states that the property is “forfeited to the state.” That does not happen. Instead, the taxes are wiped out, as the property remains in its distressed condition barring a change in the owner’s circumstances or it being sold.

Properties not sold at the Scavenger Sale can be purchased “over the counter” — that is buying the taxes at the counter of the Cook County Clerk’s Office during specified periods. Buyers must pay all the taxes owed to purchase Scavenger properties over the counter and must pay the taxes going forward in order to eventually acquire the property. The Land Bank and municipalities, however, incur none of those costs.

Appendix B – How other jurisdictions handle distressed properties

Governments across the country have taken different approaches to the problem of vacant and abandoned properties. None appear to have a foolproof formula for restoring properties. In fact, some states, cities and counties treat delinquent taxpayers more harshly than Illinois does.

Los Angeles County

In Los Angeles County, the most populous county in the U.S., there are fewer delinquencies than in Cook County, partly because of strict limits on property tax increases. And, unlike Cook County, Los Angeles County sells the tax-delinquent properties—not the taxes.

Every year, Los Angeles County officials conduct a “Defaulted Properties Auction,” where about 1,000 commercial and residential properties are offered for bid. Commercial properties are auctioned off to the highest bidder three years after a property owner does not fully pay a single tax bill. Residential properties are auctioned five years after a property owner defaults on their taxes. The minimum bid for a property is the total of taxes, fees and costs due.

A property that is sold at auction is handed to the winning bidder within 70 days. However, the new owners are cautioned to wait a year before improving the property in the event the previous owner petitions the County Board of Supervisors to rescind the sale.

Bidders have bought 30% to 60% of properties offered at recent Defaulted Property Auctions, so the auction clearly is not a universal remedy to addressing the challenges of blighted properties.

Facing concerns over displacement and gentrification, county officials have used other methods to put tax-delinquent properties back to productive use, although not at any great scale. The Los Angeles County Board of Supervisors in 2020 voted to establish relationships with community land trusts, organizations that work to expand affordable housing. In March 2022, the Board of Supervisors created a land bank.

Los Angeles also allows non-profit organizations and public entities to get first crack at properties headed to the Defaulted Properties Auction — so long as the property they buy is used for a “public purpose,” including creating affordable housing.

New York City

In New York City, the system for collecting chronically overdue property tax payments has come under repeated attack. Former Mayor Bill de Blasio delayed the city’s annual sale, in part because of economic hardships caused by COVID-19. During that time, a newly created task force explored replacements to the city’s controversial method of collecting overdue property taxes.

Current Mayor Eric Adams acknowledged the system needs to be overhauled, saying it disproportionately harms people of color.

Part of what made New York City’s collection system harsher than other states’ systems was that in addition to past-due tax collections, New York City’s tax lien sale included unpaid water bills.

Overdue tax and water bills that cumulatively exceeded \$1,000 were offered at the annual tax lien sale. The liens on those debts were then sold in batches to city-run trusts, typically for about 75 cents on the dollar. The trusts then issued bonds, backed by liens on the past-due debt, and hired debt collectors to get the money from property owners.

The collectors of the debt charge 9% to 18% interest, plus fees. If the property owner does not pay, the collection agency can file for foreclosure. Foreclosed properties then go to auction.

As that process played out, many homeowners sold their properties to escape their financial hardship, according to multiple reports.

By the time the much-delayed tax lien sale was held in December 2021, the New York City Council agreed to eliminate water bill debt from the sale, and it increased the amount of past-due debt for selling tax liens on homes to \$5,000 from the previous \$1,000. The bills also had to be three years past due, rather than the previous one year. And the city began allowing property owners to set up payment plans to avoid the tax sale.

The city also exempted homeowners who receive low-income senior, disabled and veterans’ exemptions — as well as smaller properties with absentee landlords — because of concern that selling those properties ended up displacing low-income tenants.

Those changes caused a 40% reduction in the number of properties offered at the sale. Still, city leaders were unsatisfied. They have not authorized another sale as they explore ways to replace the

debt collection system. That includes the possibility of working more with community land trusts that aim to keep people in their homes.

Detroit

When it comes to blighted properties, Detroit may be the most-burdened city in the U.S., given the collapse of its population from nearly 1.9 million in 1950 to about 639,000 today.

In Michigan, properties can be foreclosed on if a tax bill goes unpaid for three years. Property owners can avoid foreclosure by agreeing to a five-year payment plan.

If the property is foreclosed on, government agencies, including land banks, get first shot at taking it. The agencies must pay a minimum bid amount, but that can be as low as \$1 for a vacant lot. Minimum bids on homes often are a fraction of their estimated market value.

If the governments pass on a foreclosed property, it goes to public auction. In Detroit, properties that go unsold at public auction are handed over to the Detroit Land Bank Authority, which also acquires properties through a nuisance abatement procedure. With about 74,300 properties in its current inventory as of July 2022, the Detroit Land Bank is the largest property owner in the city. However, more than 80% of the land banks' properties are vacant lots.

Philadelphia

In Philadelphia, a property with three or more years of unpaid taxes owned by someone who has not entered a payment plan can be sold at a monthly Sheriff's Sale. A property also can be offered at a Sheriff's Sale if the owner is three or more years in arrears on water and sewer bill payments.

The minimum bid for properties at Sheriff's Sales is \$500. Once an occupied property is sold, the owner has nine months to pay their debt. The owner must also pay the amount bid on their property. If they don't pay both tabs, the bidder can take the property. When a property is unoccupied or abandoned, the owner may not pay their debt to reclaim it.

The city also has several agencies that work to put vacant and abandoned properties back to public use. Those agencies are the Philadelphia Land Bank and the Philadelphia Redevelopment Authority, which fall under the authority of the Philadelphia Housing Development Corporation.

Baltimore

In Baltimore, liens are offered at an annual tax sale when the property is \$750 or more delinquent on tax or water bills — a particularly low monetary threshold. Winning bidders often can secure a lien by paying a fraction of a property's market value.

The winning bidder can seek a court deed to the property after nine months — a short time period in comparison to many other jurisdictions.

Like Detroit, Philadelphia and Chicago, Baltimore has seen a dramatic population loss, leaving the city pocked with vacant and abandoned properties. In recent years, that number has hovered around 15,000.

To address that issue, the Baltimore Department of Housing and Community Development has used an ordinance that allows the city to get a court-appointed receiver to take control of "public nuisance" properties. The receiver can sell, demolish or rehabilitate the property, but that must be done within two years.

The receivership program is expected to reduce the count of vacant and abandoned properties by 500 this year. Meanwhile, Baltimore has dedicated \$39 million American Rescue Plan money to address vacant properties. Some of the money will go to the "BuyIntoBmore" program, which provides down payment and closing cost assistance to buyers who agree to complete a homeownership counseling program.

Appendix C – Legislative history of the Scavenger Sale

In the wake of the Great Depression and amid World War II, growing numbers of people were unable to pay their property taxes. Foreclosures and tax delinquencies hammered the nation, as big cities like Chicago were hardest hit.

In response, the Illinois General Assembly in 1943 established the Scavenger Sale, in part to raise money and collect taxes.

The new Scavenger Sale statute made it easier to transfer properties with 10 or more years of unpaid taxes to new owners, who would maintain them and pay their taxes. It also spurred delinquent taxpayers to pay their bills, or face losing their homes or businesses.

Since then, the statute has been amended more than a dozen times, legislative records show. But its aim remains the same. As the Illinois Supreme Court made clear in a 1983 ruling, the Scavenger Sale is designed “as a last resort, to extinguish tax liens and forfeitures, and to attempt to restore the property to a productive status.”

The Scavenger Sale law applied solely to Cook County, where large swaths of property in Chicago continued to deteriorate — particularly in Black neighborhoods. Initially, the Sale was held yearly, there was no minimum bid, and taxpayers had two to three years to pay their back taxes in full before their properties could be deeded to the winning bidder.

A number of changes have been made by the General Assembly and the Cook County Board since that initial legislation:

-
- 1943** Illinois General Assembly establishes the Scavenger Sale. This initial law was approved in 1943 and went into effect at the start of 1944.
- 1965** Cook County government is given the right to bid at Scavenger Sales on behalf of itself and for other governments, with no money down. The county could lose its bid only in the unlikely event a private tax buyer bid more than the total amount of taxes, interest penalties and fees due.
- 1977** The state's other 101 counties are allowed to hold their own Scavenger Sales so long as their County Board votes to do so. Also, the number of years of tax delinquency to qualify for the Sale is lowered to five from 10. Cook County and any other county that chose to opt in had to hold the Sale at least once every other year.
- 1979** Private Scavenger Sale participants must swear they are neither the person or entity who owes the taxes or an agent for that person. Non-residential property owners are required to pay not just what was owed at the time of the Sale, but also what they've failed to pay since, to prevent the bidder from taking their properties. These changes were approved in 1979 and went into effect in mid-1980.
- 1982** The General Assembly makes holding the Scavenger Sale mandatory in Cook County and other counties that choose to opt in.
- 1985** Counties do not have to pay the taxes owed after the Scavenger Sale on a property, giving the county another advantage over private bidders, who must pay those “subsequent” taxes in order to acquire a deed. Changes also allow the county to skip paying the fees in order to take part in the sale.
- 1987** Winning bidders are allowed to seek a court-appointed receiver to care for “dangerous or hazardous” properties until they are able to take possession of them.
- 1989** Many changes were made in this legislative session, including setting a minimum bid of \$250 or more than one-half of the amount owed if that amount was under \$500. Other changes included:
- Made it even clearer that bidders could not be working on behalf of the delinquent property owner and disallowed bidders who, themselves, owed two or more years of taxes on any property. Violators could be charged with misdemeanor tax fraud for a first offense and a felony for a second offense. They also could be ordered to pay all taxes owed on the property at the time of the bid.
 - Setting the current redemption period — the time during which delinquent taxpayers can pay their bill to avoid losing their property — to 2 ½ years for homes and six months for all other properties. The bidder has the option to extend that period to three years in all cases.
- 1993** The number of years of delinquent taxes is reduced to two from five for a property to be offered at the Scavenger Sale. The requirement that subsequent taxes, billed after the Scavenger Sale, be paid to redeem a property is eliminated.
- 2013** The Cook County Board gives the Land Bank Authority the right to bid, “in the name of the County,” on properties offered at tax sales, including the Scavenger Sale.
- 2014** The number of years of delinquent taxes is increased to three from two for a property to be offered at the Scavenger Sale.

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