Preliminary Assessment of Challenges Related to Vacancy and Abandonment in Marshall, Missouri

A Center for Community Progress memorandum to the Central Missouri Board of REALTORS® and the City of Marshall, MO
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In June 2020, the Central Missouri Board of REALTORS® (CMBR) and their partners at the City of Marshall, Missouri (Marshall) were selected as part of a competitive application process to receive a technical assessment of the challenges related to vacancy and abandonment in the city of Marshall as part of the National Association of REALTORS® (NAR) Transforming Neighborhoods Program.¹ The Center for Community Progress (Community Progress), NAR’s partner in the Transforming Neighborhoods Program and the lead service provider for the program, worked with representatives from CMBR and Marshall to finalize in July 2020 a scope of services intended to support CMBR and Marshall in their efforts to develop a more effective, efficient and equitable approach to the enforcement of housing and building codes among vacant, abandoned and deteriorated properties (problem properties).

Community Progress is a national, nonprofit organization whose mission is to foster strong, equitable communities where vacant, abandoned, and deteriorated properties are transformed into assets for neighbors and neighborhoods. Our expertise is in the systems and policies related to vacancy and abandonment—including code enforcement systems, as well as information management systems, tax enforcement and foreclosure systems—and best practices in the field, from prevention to land banking to the strategic reuse of land in support of community needs and priorities, such as green space, economic opportunity, and safe, quality, affordable housing. With a deep commitment to equity and justice, our customized and state-of-the-art technical assistance has been provided by in-house national experts and practitioners in more than 300 communities in over 30 states.

Karen Black, CEO of May 8 Consulting and a regular partner of Community Progress, led the team to assess, at a high-level, the housing and building code enforcement (code enforcement) tools that Marshall is currently using along with other potential complimentary tools permitted under Missouri state law and how the tools may be deployed more effectively, efficiently and equitably to address problem properties.

¹ See more about NAR’s Transforming Neighborhoods Program on the NAR website.
This memorandum offers preliminary observations of current conditions and challenges, as well as recommendations that Marshall and its partners may consider as they move forward with their efforts to more effectively identify problem properties and minimize their negative impacts.

These observations and recommendations are informed by interviews with ten leaders and stakeholders in Marshall’s efforts to prevent and remediate problem properties (Appendix A), an online scan of relevant news and publicly available information around Marshall’s efforts, and a preliminary review of state and local law and policy pertaining to housing and building code enforcement and delinquent property tax enforcement systems, two key systems related to vacancy and abandonment. Due to the ongoing COVID-19 health and economic crisis, all interviews were conducted by phone or video conferencing.

I. Introduction

Marshall, Missouri is a small third-class city located between St. Louis and Kansas City that is actively seeking to preserve its older housing stock, revitalize its commercial areas and work with property owners to ensure occupied and vacant properties are code compliant. Marshall’s population is approximately 13,000 and it has about 5,200 residential housing units, primarily in the form of single-family houses. Mayor Julie Schwetz describes Marshall as a place with a strong history of citizens and companies coming together to improve their community, and points to examples like the construction of a new YMCA community center and an aviation museum, which was built as a result of private donations of time and funding.

Despite these strengths, according to a 2015 Residential Housing Market Study that the city commissioned, “the Marshall-Saline area housing market has been at a stagnant decline for many decades.” Population growth in Marshall has remained less than 5% since 2000. The city has experienced little new construction and has seen lower investment in rehabilitation and remodeling of existing buildings than it would like. As a result, the city has vacant and deteriorated properties that the Mayor and City Councilmember Kirk Arends believe limit new investment and negatively impact the quality of life of its residents. The Mayor and several new City Council persons were elected to their positions in 2019, in part, on a platform of moving the city forward and finding more effective practices to address the city’s vacant and deteriorated properties. Mayor Schwetz made clear that the city wants to hold owners accountable to standards for property maintenance in the “fairest way possible.”

Marshall has some very good practices already in place to address problem properties. Its code enforcement focus is on achieving voluntary compliance and not punishing wrongdoers. Code compliance is also flexible and provides time for an owner to create an action plan to fix their properties. Marshall also has an administrative board that has critical powers to hear cases of code enforcement and take action to abate nuisances on private property in addition to a municipal court judicial enforcement process.

That said, Marshall faces a number of challenges in its efforts to eliminate problem properties and create a culture of responsible property maintenance. There are several reasons for this:

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1) Code enforcement is complaint driven and perceived by residents as inconsistent. As a result, Marshall brings individual cases based on whether there is a tenant or nearby neighbor who files a complaint rather than the severity or number of violations.

2) Code enforcement is understaffed despite efforts to hire additional code officials.

3) Marshall leaders see visibly vacant properties along major routes as having negative impacts on surrounding property values and perceptions of the community even where they are properly cleaned and sealed and do not violate state and local housing and building codes. Marshall has no existing tools in place such as vacant property registration laws to address those long-term vacant properties.

4) Marshall reported difficulty holding lenders responsible for properties once they begin foreclosure proceedings, which is quite common across the country and even more difficult in the absence of a foreclosure registration law, which is the case here.

5) Marshall has limited resources to help owners who want to maintain their properties but do not have the money to do so, and currently offers no educational documents or videos to help owners better understand Marshall’s expectations for responsible property maintenance.

The next three sections of this memorandum summarize observations related to the following topics: (i) the types and locations of problem properties in the city of Marshall; (ii) Marshall’s general approach to code enforcement; and (iii) the challenges imposed by state and local law to address problem properties. The final section of this memorandum provides recommendations for Marshall and its partners, including CMBR and others, to consider as they look to better address problem properties. These observations and recommendations are subject to the advice and guidance of local legal counsel.

II. Summary and Observations of the Types and Location of Problem Properties

Marshall leaders and stakeholders identified two types of problem properties that have the greatest negative impact on property market values and quality of life within the city: (1) long-term vacant residential and commercial properties, and (2) dilapidated, poorly maintained but occupied single-family houses. Significantly, several Marshall leaders pointed to the negative impacts of vacant properties regardless as to whether they violate the code or are code compliant but visibly long-term vacant.

A. Vacant Properties

Vacant properties do pose a number of problems for residents, though perhaps not at the scale that many locals seem to believe. To begin with, Marshall does not have accurate data on the number, location, or condition of vacant properties in the city. In its proposal to Community Progress, Marshall estimated that roughly 20% of residential properties are vacant and have a code violation complaint. The outsized impact that a single vacant property has on a high-profile block may actually have caused
community leaders to overestimate the percent of unoccupied properties. The United States Census Bureau, for example, estimates that 11.6% of the approximately 5,200 housing units located in the city of Marshall are vacant at any one time according to the 2013-18 American Community Survey. The Census includes every unoccupied property at the time of the census including rental properties that are vacant for short periods of time when a lease expires, and a new tenant moves in. Local records show that from 2015-2020, code enforcement issued only 343 total code violations for vacant and occupied residential and commercial properties. Several citations are often directed at the same frame. Even if all of the code violations were issued for unique residential properties, the violations would impact only 6.5% of residential properties, and, in fact, many are repeat citations for one residential property or are issued to commercial properties.

During the interview process, multiple stakeholders identified the same four privately-owned large-scale vacant or underutilized properties as examples of highly visible properties with a history of code violations that should be demolished or reactivated:

1. **August 5, 2019 meeting as a health and safety hazard and authorized its demolition.**

2. **contained an IGA grocery store and other retail. This property is the subject of a potential tax increment financing district (TIF) plan that will allow a real estate developer to use future tax revenue resulting from new development in the district to help finance the project as provided for in the Real Property Tax Increment Allocation Redevelopment Act (the “TIF Act”).** The city hopes that by helping to finance redevelopment of the site with future tax revenue, it will assist efforts to attract an investor.

3. **vacant storefronts. In good news, the site has attracted a new McDonalds.**

4. **own square that has blue tarp on the windows and insulation visible on the exterior.**

The majority of vacant property owners, including the owners of the large commercial properties described above, pay their property taxes. This is a positive for the city for four reasons. First, it protects the city’s tax base ensuring that the property, although vacant, still contributes to city revenues. Second, it means that Marshall knows exactly who the owner of the property is and how to contact the owner to discuss any issues or problems concerning the property. Third, under Missouri law, Marshall can abate any nuisances on a property and charge the property owner for the cost of the work on their annual property tax bill. This means that Marshall is regularly reimbursed by the owner for taking needed action on their property from mowing the lawn to demolishing a condemned structure. Fourth, a recent study of vacant property owner compliance found that owners who regularly

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3 See RSMo. Sections 90.800 to 99.865, as amended.
pay their taxes are more likely to respond to code enforcement violations or requests from a city to take action on a property.⁴

1. A Note on Publicly Owned Vacant Lots

Marshall owns approximately 25 properties – some were donated, and others were obtained at tax sale. Most of these were condemned by the Board of Code Enforcement and the city demolished the structures and took title to the property. In fact, today none of the 25 properties have a structure included. Fifteen of these lots are buildable and the remainder are not developable due to their size, shape or location. Within the last few months, Marshall attempted to sell these lots for the first time. Marshall issued an RFP that made the 15 buildable lots available. Seventeen individuals expressed interest and two individuals ended up bidding for three properties. The end use for each property is a new single-family home. Marshall is hoping, according to City Administrator David Haugland, that as these properties are redeveloped, local owners and investors will understand that these properties are a good investment and will purchase the remaining available properties. No action has been taken to date to reactivate the undevelopable lots although one owner has requested to buy a property adjacent to their home as a side lot and Marshall is considering this request, according to Mr. Haugland.

B. Poorly Maintained Occupied Rental and Owner-Occupied Single-family Homes

The second type of problem properties most frequently identified during interviews as having a negative impact on residents were occupied single-family homes with exterior code violations. The most common code violations are, “nuisance vehicles, trash and debris, weeds, roofs, windows, doors, siding, along with plumbing, electrical, and mechanical violations.”⁵ These properties are a mix of rental properties and owner-occupied properties that have collapsing roofs or porches, unmowed lawns with waist high weeds, or inoperable vehicles in the front yard. The leaders interviewed stressed that there are some high quality landlords in town who care for their properties, but there are also landlords who seek to invest as little as possible in their properties while trying to maximize their profits. Analysis of Marshall’s code enforcement data identified five landlords with repeated code violation issues who each own more than 15 properties. These five poor-performing landlords are responsible for 104 single-family rental properties in the city. While some owners, like these larger landlords, have the financial ability to pay for repairs and maintenance, many low-income homeowners defer maintenance due to insufficient income.

III. Summary and Observations on Code Enforcement Operations and Process

Marshall’s code enforcement department consists of a single code official and a full-time staff member to provide administrative support (support staff member). The department accomplishes a great deal given limited staff. Yet Councilmember Kirk Arends sees understaffing as the number one challenge for


⁵ Mayor Julie Schwetz email July 20, 2020.
code enforcement in the city. The code enforcement team issued approximately 68 notices of violation last year or about 6 notices of violation per month and resolved many other complaints of code violations with a phone call without issuing a written notice, according to Mike Morgan, Marshall’s Code Official. Mr. Morgan has been in the position since 1986. This two-person team inspects and regulates all new construction as well as enforcing property maintenance requirements for existing buildings under Marshall’s Property Maintenance Code (Marshall has adopted the 2015 International Code Council’s model International Property Maintenance Code) and nuisance ordinances within the City Codes. There have been three attempts to hire additional officers to supplement code enforcement staff over the past couple decades but two of the candidates did not make it through the probationary period and one moved to another city department to work. As a result, the department is understaffed and must prioritize its limited resources.

The department is funded almost entirely through Marshall’s general operating budget. The department charges fees for new construction development review but these fees are insufficient to cover the actual cost of plan review and inspection. The current annual budget for code enforcement is $233,691 according to Mr. Morgan and includes staff, insurance, vehicle fuel and repairs and office expenses. The department itself does not have the power to assess fines and penalties on property owners whose properties are in violation of the code, though fines and penalties may be assessed by the court if the owner does not comply and the matter is referred to the Municipal Court for additional enforcement. The department does not require owners of vacant, foreclosed or rental properties to pay a registration or license fee of any kind.

A. Summary of Enforcement Process

The city conducts inspections of properties in response to a specific complaint by a tenant or neighbor. Where Mr. Morgan, in his capacity as Code Official sees a code violation from the public right of way in the course of performing other inspections and has the time to take photos and document the violation, he will do so. The vast majority of properties, however, will not be inspected unless a neighbor or tenant calls the code compliance office.

Obtaining voluntary compliance by the owner to meet property maintenance code standards is the goal for city enforcement efforts. Mr. Morgan explains that he routinely attempts to call each owner to notify them of a violation and ask for their voluntary compliance to fix the violation prior to issuing a violation notice. Rather than just citing the law, in his discussion with owners, Mr. Morgan explains how the code violations negatively impact the owner’s neighbors and their own property values. The goal is to explain clearly why government is asking the owner to fix up their property and what the positive impact will be. Where the owner agrees to take care of the violation immediately, Mr. Morgan often does not issue a notice of violation but instead confirms that the owner addressed the code violation as agreed. In fact, Mr. Morgan stated that the mailing of a notice of violation is often viewed by property owners as a hostile act and may dissuade an owner from immediately taking action to address the code violations listed. Marshall also tries to be flexible with owners who need additional time to address violations and will not cite them again so long as they are making progress according to Mr. Morgan. While this flexibility is helpful in achieving compliance, it has also led to resident complaints of inconsistent enforcement that varies in aggressiveness depending upon the property owner involved.
Given the code enforcement department has only two employees, the typical process for processing a complaint, inspecting a property and preparing and sending a code violation is as follows:

**Step 1: Resident calls in a complaint to the Code Official’s office.** The support staff member records the complaint and informs the Code Official who schedules an inspection. Some complainants will call the Code Official’s cell phone directly as this is a small community where many residents know Mr. Morgan personally.

**Step 2: City code official drives out to inspect property.** If the complaint alleges an exterior violation, the Code Official will drive out to inspect the exterior. If the complaint alleges interior code violations, the office will attempt to schedule a time the occupant or tenant will be available to let them into the premises. If complaint alleges a serious violation (e.g., no running water), the Code Official will attempt to inspect the property that same day. Where a tenant provides permission for the Code Official to enter the property, he will do so. Where the owner or tenant is not on site or where permission is not granted, the Code Official will solely inspect the exterior as it is visible from public roads and sidewalks. To enter without the tenant’s permission the city would require the city to go to court and request an administrative search warrant. Municipal Court Judge Gass stated that he has never been asked to issue an administrative warrant, nor is he certain whether the Municipal Court has the authority to do so or if the City would need to seek such a warrant from the Saline County Circuit Court.6

**Step 3: Code official documents violation.** The city code official documents violations with photos sent from his cell phone to the support person in the office.

**Step 4: Support staff member identifies owner(s).** The support staff member identifies the owner or owners of record. Marshall leaders stated that they are typically able to obtain the identity of the owners of problem properties and contact those owners by phone or by mailing a violation notice, with one exception. Where a lending institution has foreclosed upon a property for delinquent mortgage payments, it is difficult to identify an employee at the lending institution to work with to ensure the lender maintains the property in compliance with local codes. For all other properties, ownership information held by the Saline County Assessor’s office and Marshall Municipal Utilities are sufficient to identify the party responsible for the care and maintenance of the property.

**Step 5: Support staff member sends notice.** The support staff member completes the notice of violation and mails the notice to the owners of record by certified mail. The violation notice is written in formal legal language that some property owners find confusing and includes few details as to what actions must be taken to address the violations. The notice requests that the

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6 The Missouri Court of Appeals in *Bezayiff v. City of St. Louis*, 963 S.W.2d 225 (Mo. Ct. App. 1997) held that some entries onto private property where there is an expectation of privacy are governed by the warrant requirement under the 4th amendment (“[w]e do not mean to suggest that the warrant requirement extends to all entries onto private property for nuisance abatement purposes, such as removing inoperable motor vehicles. Rather, the requirement applies only to those entries with intrude upon constitutionally recognized expectations of privacy.”) [https://caselaw.findlaw.com/mo-court-of-appeals/1012571.html](https://caselaw.findlaw.com/mo-court-of-appeals/1012571.html). Mo. Section Rule 37 does not have any language authorizing a municipal court to issue a search warrant.
owners call and speak to the code official by phone within three days to obtain more specific information.

**Step 6: Code official works with owner to resolve.** If the owner takes action to fix some or all code violations, the city code official works with them to resolve the notice and does not issue any further violation notices.

**Step 7: Noncompliance referred to Administrative board or Municipal Court for enforcement.** Where the owner does not resolve the violations, Marshall may seek enforcement of the violation(s) before one of two existing enforcement authorities: the Board of Code Enforcement or the Municipal Court. The decision as to which enforcement path to take is made by the city code official. In the majority of cases, the case is taken before the Board. If the decision is to bring a case to court then the code official typically will bring the police in to write and serve a citation, a ticket for a misdemeanor offense, on the property owner. The police assign a court date to the ticket. There does not appear to be anything in the law that explicitly prevents the code official from issuing a citation to appear in court but historically the code official brings in the police to issue the citation.

B. **Noncompliance Enforced Via Administrative and Judicial Mechanisms**

Marshall has two alternative enforcement mechanisms if the owner fails to comply with the notice of violation: an administrative code enforcement hearing procedure and a judicial Municipal Court procedure. The code officials themselves cannot impose a fine or penalty on the owner and therefore must take owners through one of these two enforcement processes. Several leaders stated that residents have expressed their confusion and anxiety about both enforcement processes as they do not know exactly what they entail. The Code Official brings the majority of cases before the administrative Board of Building Code Enforcement (Board) for two reasons. First, the Board typically can hold a hearing with the owner more quickly. Second, the Board can order the owner to make the repairs within a set timeframe and where the owner refuses to take action, the Board can order Marshall to abate health and safety risks and recover the cost of that work by adding the cost of the work performed to the owner’s property tax bill. In contrast, the Municipal Court can fine an owner up to $500 for a violation and require the owner to reappear in court once a month until the owner can provide evidence that the issue has been resolved. In reality, the Municipal Court rarely issues fines and where they do issue a fine it is typically $50 or less. Payment of fines does not result in the code violation being addressed and Municipal Judge Matthew Gass would prefer that owners spend the money fixing up their property rather than paying it to the courts.

1. **Administrative Enforcement of Property Maintenance Code or Nuisance Codes**

Where an owner fails to address a violation of the Property Maintenance Code or Nuisance Codes, the city administrator may call a Board hearing and must provide at least 21 days’ notice to interested parties pursuant to Section 7-175, et seq. of the Code of Ordinances of the City of Marshall, Missouri. Appeals of a decision by a code official are also heard by the Board. The Board is made up of the City Administrator, a member of City Council, the fire chief and one other member who is currently a firefighter working for the city.
The Board hears code enforcement cases once a month. Where the Board finds the property is a nuisance or is in violation of the Property Maintenance Code, the Board will order the owner to repair or demolish the building within 30 days. Where the owner fails to correct the violation, the Board has the power to order Marshall to take action to repair, demolish or maintain a property and charge the owner for the services provided using a special assessment tax bill that has super priority status over property taxes and is placed on the owner’s annual property tax bill. The Board has the authority to condemn the property and demolish it without a City Council vote so long as the city has its own crews or contractors. Where contractors must be hired and the cost exceeds $5000, under Article X, Section 7-177 the contract must be approved by Council.

Marshall began utilizing the power to assess its abatement costs as a special tax assessment within the past two years when the County Tax Collector’s new software made it possible for special assessments to be added to annual property tax bills. In 2018, Marshall added $147,000 in special assessment tax bills to 56 properties for actions taken to correct code violations. In 2019 Marshall added $35,739 in special assessment tax bills for 24 properties to correct code violations. Prior to that, the city placed a lien on the property that was due upon sale, but there does not appear to be any kind of more proactive mechanism used to enforce unpaid liens (e.g., collection actions or lien foreclosure). If the work will cost more than $5,000, City Council must approve the abatement expenditure. This power allows Marshall to recover virtually all costs for demolition and repairs but it must be used cautiously as owners risk losing their home to tax foreclosure based upon small special assessment tax bills that rapidly increase as fees and penalties are added. The most common types of abatement actions taken by Marshall are mowing the lawn and demolishing the structure. On one occasion, Marshall paid to fix a sewer line, but using its tax dollars to make a specific needed repair to a property is very rare and circumstantial. The Code Official bids out the mowing of the lawn of each separate property requesting bids from approximately three contractors and hiring the one with availability and the lowest price. Demolitions were similarly bid out until recently when the city decided to perform the demolitions using internal Public Works staff during the winter months when their workload is lighter. Marshall or the owner can appeal the Board’s decision to the Circuit Court of Saline County.

2. Judicial Enforcement of Nuisance Codes

Marshall may bring a property owner who has received a citation for code violations to municipal court. The court meets twice a month and enforces only violations of Marshall’s Nuisance Codes, not the International Property Maintenance Code. Cases brought before the municipal court are misdemeanor criminal cases and the court has power to fine a property owner up to $500 or imprison them for up to 90 days. Where the owner can provide evidence that he or she is indigent and does not have money to make the repairs or pay the fines, the courts must offer community service as an alternative to fines to resolve the violation. No one has ever been sent to jail for a code violation.

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7 Excel Spreadsheet listing all 2018 fees added to tax bills for Marshall provided by Cindi Sims, Saline County Tax Collector via email to Karen Black on August 19, 2020.
8 Excel Spreadsheet listing all 2019 fees added to tax bills for Marshall provided by Cindi Sims, Saline County Tax Collector via email to Karen Black on August 19, 2020.
Marshall appoints the judge as well as a city prosecutor to manage these cases and determine whether each citation should be heard by the court. The judge makes his decision solely based upon the ticket or citation written and submitted by the police officer. The judge does not typically know how many other violations an owner may have on other properties.

The court cannot order the owner to take action to improve his or her property. The court meets every other Thursday, and the court is required to grant a 30-day continuance should the owner make the request in person or by phone. As a result, it may take 60 to 120 days for a code violation to come before the court. Municipal Court Judge Matthew Gass explains that he employs a patient approach and rather than rely on fines he typically requires the owner to come into court month after month until they can show that the issue has been resolved. This approach has proven effective and every owner who responds to the court summons has in fact taken action to resolve the nuisance. According to Judge Gass, most owners do appear in court to resolve the nuisance, but it is more difficult when the owner is out of state.

IV. Summary and Observations of State and Local Legal Authority to Address Problem Properties

Marshall has the foundational codes and laws in place that are necessary to affirmatively require owners to maintain and care for their properties. As mentioned previously, Marshall has adopted the ICC’s 2015 International Property Maintenance Code and local Nuisance Codes that clearly set out standards for property condition. These laws are sufficient to satisfy the Insurance Service Organization (ISO), an advisor to insurance companies whose assessment of a municipality’s codes and enforcement of building condition standards help to define insurance rates.

On the other hand, Marshall does not have any laws that specifically discourage or regulate visibly vacant properties so long as those properties are safely cleaned and sealed and maintained in compliance with the Property Maintenance Code and Nuisance Codes. If the owner pays their property taxes, keeps the building secure and ensures the structure poses no public safety hazard, property owners are able to “sit” on vacant buildings as long as they like. Similarly, Marshall does not require landlords to obtain a license to rent out properties or utilize any proactive inspection requirement that would ensure tenants are living in safe and habitable conditions.

In October 2019, City Council held a hearing on a proposed ordinance that would have required all residential property owners – whether homeowners or landlords – to consent to a government inspection of the exterior and interior of their property as a prerequisite to obtaining a residential permit.

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10 The amount of time between the filed complaint and a court hearing varies. The Code Official may give the owner 30 days or more to resolve the issue before issuing a notice. Then if the owner fails to fix the violation, the code official requests that the police issue a violation. The court then must provide at least one thirty day continuance as a matter of right. As a result, several months may pass between a complaint and a hearing date.

11 Local laws related to Nuisances and Dangerous Buildings can be found in Article X of the Marshall Municipal Code. These local laws define vacant and problem properties that are dangerous to the life, health, property or safety of residents a nuisance and give code officials the power to inspect residential buildings pursuant to a complaint filed by any person including the fire or police departments or to inspect any building or structure at any time whenever there is reason to believe that the building or structure is unsafe and poses an immediate danger, order repair, vacate occupants or demolish the building (Section 7-171) and Adopted International Property Maintenance Code 2015 Edition (Article IX Section 7-166).
attesting to the fact that the property is safe and habitable. The law did not pass. The ordinance was considered by local REALTORS® and many citizens as overreach because it mandated a long list of property maintenance requirements including some that do not immediately appear to impact health or safety. The ordinance also raised equitable concerns, as it did not distinguish between negligent rental property owners with resources who chose not to invest in basic maintenance and homeowners who do not have the financial ability to make needed repairs.

As Marshall considers how to move forward after this unsuccessful attempt to pass the residential permitting ordinance in 2019, it likely makes sense to resolve some of the confusion among Marshall leaders about what existing state law allows with respect to Marshall passing and implementing a proactive inspection program for rental properties (and, if appropriate, owner-occupied properties). For example, the decision to draft the ordinance so that it applied to both homeowners and landlords was based, in part, on a 2001 Missouri Court of Appeals decision that upheld an ordinance enacted by the city of Moberly (a third class city under Missouri law, which is the same as Marshall) that required landlords to obtain a rental permit, conditioned on the city’s inspection of the rental unit and payment of a permit and inspection fee, before a rental unit could be occupied. Upon preliminary review of the Moberly decision, it is not entirely clear from where in the decision Marshall believes a proactive property inspection and residential permit ordinance must apply to all residential property owners. Moreover, the Moberly decision, as well as a subsequent Missouri Court of Appeals decision in 2016 considering a challenge to the city of Ferguson’s rental inspection and permitting fee ordinance, does suggest Marshall may have the legal authority to revisit imposing a rental registration and/or a rental inspection and permitting program as a critical tool for addressing problem properties in the future. It is strongly recommended, however, that Marshall consult with local legal counsel to more thoroughly research the relevant line of Missouri court decisions before moving forward.

V. Recommendations

Community Progress offers recommendations for policy changes that will assist Marshall in improving the condition of its privately owned vacant and occupied properties.

1) Increase Code Enforcement Capacity by Hiring Another Code Official and Adopting Modern Software to Allow for Better Data Tracking, Greater Efficiency and More Equitable Outcomes

12 Ashworth v. City of Moberly, 53 S.W.3d 564 (Mo. Ct. App. 2001)
https://scholar.google.com/scholar_case?case=3173875184550076572&hl=en&as_sdt=6&as_vis=1&oi=scholar
https://scholar.google.com/scholar_case?case=11276967895391251586&hl=en&as_sdt=6,39&as_vis=1. In this case the court considered whether a renal inspection and permitting ordinance enacted by the city of Ferguson (a constitutional charter city) was permitted under state law. While holding that the ordinance was allowed, the court did draw out in its discussion some differences between the ability of a constitutional charter city, like Ferguson, to pass such an ordinance and the ability of a third class city, like Marshall to do so. Although the court’s ruling did not expressly rule one way or the other with respect to third class cities, it did cite the Ashworth case and at least suggested the possibility that such an ordinance may also be passed by a third class city if the inspection or permitting fee was considered a “user fee” as opposed to a license fee or tax, as the Ashworth court decided.
Marshall needs to develop a plan to recruit and hire at least one additional full-time code official. Community Progress recognizes that previous attempts to hire and retain code enforcement staff have been unsuccessful; nevertheless, Marshall will benefit immensely from hiring another code official and there is money in the current fiscal budget for a new hire.

Marshall also can increase its capacity and impact through better data around the condition of its building stock. There is a significant need to properly identify, categorize, map, and analyze the different types of problem properties and develop a shared understanding of the scope, scale and nature of the challenge. High-quality data collection allows code enforcement officials to: (i) direct their limited resources toward the most effective use; (ii) show a pattern of violations to a judge or board; (iii) enforce registration, fees, and fines; and (iv) create a performance management tool for tracking the progress of code enforcement efforts. A municipality uses the database to record each complaint, inspection, violation, communication, and action intended to resolve a violation. Not only can this information help government staff to track progress on code enforcement but it can also help property owners, complainants and others track what is happening to resolve a problem property creating greater transparency and accountability.

Marshall is currently considering purchasing software specifically designed for the code enforcement industry that will include a problem property database and will also more efficiently produce notice of violations and automatically schedule second inspections. Mr. Morgan is championing the adoption of new software because he believes it will maximize his time in the field. The code enforcement software systems that Marshall is considering track and schedule inspections and allow the code official to print warnings and notices of violation from the field.

The software will also allow greater transparency by documenting every interaction and offering the same chance for informal compliance discussions before a notice to every owner. The software allows the city to track all contact with the owner and create a stronger case to present before the Board or Municipal Court. Community Progress does not recommend one software system over another but encourages the city to find a system that has worked well for a comparably sized city with similar small staffing levels.

2) **Create and Widely Distribute Educational and Training Materials about Basic Standards for Property Condition to Ensure Every Owner Knows What the Code Requires and Perhaps Launch a Community-wide Beautification Campaign**

There are a number of reasons why a specific property in Marshall may be in substandard condition. One reason is that the owner does not know what the expectation is for the interior or exterior condition of properties. Currently Marshall does not offer owners of properties any written brochures, flyers or online information that makes clear what conditions violate the code or what the consequence(s) will be for failure to meet the code. Setting clear expectations and letting owners know what the most common violations are and how they can avoid receiving a violation notice in the first place is a missing part of Marshall’s code enforcement system.

Marshall does not have to create this education and training effort from scratch. There are examples of letters, brochures, and flyers that towns and cities have used successfully to explain why well-maintained properties are critical for safe and vibrant neighborhoods. For example, Peoria, IL provides
a Complimentary Residential Property Maintenance Guide and a Complimentary Commercial Property Maintenance Guide — each as a four-color postcard that lists the most common property maintenance issues. Through a mix of information in utility bills, postcards, social media, and guides on Marshall’s website, Marshall can inform owners of maintenance expectations, advise them about the code enforcement process and make certain that anyone who wants to take care of their property but lacks the financial resources to do so has information about all existing assistance programs.

3) Launch Partnerships with For-Profits and Non-Profits to Create a Series of Needed Resources for Low-Income Owners.

Equitable code enforcement requires municipalities to assist owners who seek to keep their property in good repair but do not have the ability to do so. Marshall leaders were all very clear in interviews that many homeowners care about the quality of their home and community but defer maintenance due to financial constraints. So along with efficient and effective enforcement practices, Marshall needs to offer some help and assistance through partnerships with its schools, nonprofits, businesses and congregations. Community Progress has worked with a number of municipalities that have created small, effective programs and offer some ideas for your consideration to create a set of tools to help owners keep their properties in good repair. Information about these resources can be routinely shared at the time a code official finds one or more code violations and issues a warning or violation. There are a number of resources that could be included on this referral sheet that can help the owner to not only become code compliant but also to stabilize their homeownership status and improve their quality of life. These include:

a) **Provide homeowners with a list of nearby housing counseling agencies that can help them find enough room in their budget to finance repairs or help them to avoid tax or mortgage foreclosure.** A number of studies have documented the ability of housing counselors to help homeowners prevent foreclosure by helping them to restructure their budget, enter payment plans, obtain benefits for which they are eligible or renegotiate a mortgage loan.\(^\text{14}\) Data provided by the Saline County Tax Collector shows that Marshall property owners risk losing their homes at tax sale for relatively small amounts of delinquent taxes. One Marshall owner initially owed just $601 in 2016 and lost her property to tax foreclosure at the 2019 tax sale. Of the eight Marshall properties being offered for sale at the 2019 tax sale, no property owed more than $4000 even once fees and penalties were added to their initial tax delinquency amounts. Whether a property owner risks loss of their home for failure to make a tax payment or a mortgage payment, quick intervention is most effective before fees and penalties pile up. HUD certified foreclosure mitigation counselors in Missouri can work with homeowners who are referred.

b) **Partner with schools, hardware stores and others to offer classes and tools to help owners maintain and repair their homes.** Several Marshall leaders stated that some homeowners and small landlords do not know how to fix small repair needs so they

grow and become large, costly and threaten the viability of the home. Even a dime sized roof leak can grow within a year to a leak that impacts structure stability, undermines the safety of the electrical system and creates mold and other health hazards within the home. Fire Chief Tony Day and others recommended partnering with nonprofit organizations or schools to provide classes on basic home repairs and perhaps working with a nonprofit to establish a tool lending library. A tool-lending library is just like a regular public library, except instead of books, it has a large collection of, home repair tools typically acquired through donation. Once you join a tool library, you can simply check out any of these tools whenever necessary. You don’t have to buy or rent new tools for every home project. In addition, property owners can meet at tool library locations and share suggestions and even provide help to each other on big jobs. Community Partnership in Springfield Missouri offers a tool library where property owners can check out ladders, pressure washers and a variety of other tools to help keep a property is good repair. Certainly not every owner is interested or has the skill sets to do work themselves, but for those who do, sharing home improvement knowledge and tools is a helpful resource to offer.

c) Create needed home improvement loan and grant funds. Many property owners, in particular homeowners, would like to keep their property in a healthy, safe, and attractive state, but do not have the money to make needed repairs. The threat of fines is not going to change that equation and may in fact cause an owner to walk away from a property. Currently, Marshall offers no resources to owners facing an emergency repair need like a failed boiler or hot water heater or help with roof leaks or other issues that if left unaddressed will threaten the long-term viability of the house. Missouri Housing Development Commission offers competitive grant funds to municipalities that seek to fund a Home Repair Opportunity Program to offer grants to homeowners. Under the program, the maximum grant amount for a homeowner is $20,000 and homeowners must have an annual income that doesn’t exceed 80% of area median income. Marshall should explore whether to apply for funds under this program.

In many peer cities, Habitat for Humanity provides home repairs in addition, or instead of, building new houses. Perhaps the city can discuss such a need within Marshall. Also, the city has had some success fundraising to support critical, local needs. Would the Chamber and philanthropists be willing to start a fund for home repairs so upon receiving a code violation notice, there is some help available to owners who need assistance?

Another option is to work with one or more lenders to make small low-interest home repair loans available to Marshall property owners. Home improvement loan programs offer a more sustainable option than grants, where the local government or lender requires the borrower to pay back the loan. Lenders typically are reluctant to provide small loans because the administrative costs are high and the profits are low but doing so provides a much needed service to the community. A nonprofit in Cleveland Heights, Ohio partnered with a lender to make capital much more available to Seniors to invest in needed home repairs so they could pass the home down to their heirs. A
nonprofit in Cleveland Heights “guaranteed” the loans through a $160,000 certificate of deposit kept at the bank. They either guaranteed 40% or 100% of the loan depending upon the level of risk defined by the lender. Over 40 years this nonprofit guaranteed over $6 million in loans to households formerly considered un lendable with a default rate of 6%.

The Marshall community can also find creative ways to reduce the cost of home maintenance by following the lead of other Missouri cities. For example, Kansas City, MO offers a free paint program for homeowners who want to fix up their homes and does not limit eligibility based upon income.\(^\text{15}\) The city of O’Fallon has a Siding Program that assists low-to-moderate income households with siding repairs that they would not otherwise be able to afford.\(^\text{16}\) The program awards up to $10,000 in the form of a one-time grant to address siding issues. And the Marshall REALTORS\(^\text{®}\) have expressed a desire to help repair a couple homes each year if they can identify owners who need and want assistance. Connecting homeowners to assistance is a critical part of any effective, equitable code compliance program.

d) Partner to create an Adopt a Grandparent Program with local college. Finally, sometimes homeowners need a little help keeping up their properties and this is absolutely true of seniors with limited mobility. Owning a home and trying to keep up with maintenance demands as you age is a challenge. Marshall may want to initiate a partnership opportunity with Missouri Valley College or some congregations in the area for annual cleanups in the Spring or Fall where students can “Adopt a Grandparent” for two days a year to help seniors clean out the gutters or fix some porch stairs. These efforts to fix up a few properties a year will bring the community closer together and by showing neighbors that there is a regular, concerted effort to aid those who cannot care for their properties, it may spark some additional investments by neighbors.

4) Revise Violation Notice to Add Clarity and Potentially Replace Initial Violation Notice with a Friendlier Door Hanger

Marshall’s violation notice is written using formal legal terms and offers few details as to the specific violation or the actions an owner must take to remedy the violation. As a result, Mr. Morgan, the city code official, explains that virtually every owner who receives a violation notice must take the time to call him and ask for a verbal explanation. This makes the process more burdensome for the owner and takes up limited staff time. The current repair notice states:

\begin{center}
TAKENOTE THAT AN INSPECTION WAS MADE OF THE ABOVE-REFERENCED PROPERTY ON THE DATE SHOWN PURSUANT TO CHAPTER 7-166 ORDNANCE NO. 8241 OF THE CODE OF ORDINANCES OF THE CITY OF MARSHALL, REFERRED TO AS THE INTERNATIONAL PROPERTY MAINTENANCE CODE.
\end{center}

\(^{15}\) Paint Program Information Page, City of Kansas City Neighborhoods & Housing Services Website

\(^{16}\) Siding Program Information Page, City of O’Fallon Website https://www.ofallon.mo.us/siding-program
VIOLATIONS WERE FOUND AND MUST BE CORRECTED IN ORDER TO BE IN COMPLIANCE WITH THE INTERNATIONAL PROPERTY MAINTENANCE CODE.

FINDINGS:

THE FINDINGS OF THE ABOVE STATED INSPECTION ARE LISTED ON THE ATTACHED INSPECTION REPORT.

YOU, BEING THE OWNER, ARE HEREBY GIVEN NOTICE TO:

REPAIR NOTED VIOLATIONS WITHIN THIRTY (30) DAYS OF YOUR RECEIVING OF THIS NOTICE.

Community Progress recommends that Marshall revise the notice to provide a friendlier, clearer explanation of each violation, including why the violations are important to address and the actions an owner must take to resolve each violation. Community Progress conducted a survey of landlords in Gary, Indiana and found that owners’ failure to fix cited violations was frequently due to confusion as to what actions were needed. The town of Etna, PA uses a simple door hanger to inform owners that a violation was found and if they fix it, the owner will not receive a violation notice. Also using a door hanger, the city of Peoria thanks owners who maintain their property, providing a “Congratulations on a job well done!” door hanger that informs owners, “The City of Peoria sincerely appreciates your level of commitment to maintaining your property and our community.” Door hangers could be an effective way to inform owners that they have a violation or that they have passed a reinspection and to thank them for the actions they have taken to improve their properties.

5) Initiate a More Proactive Form of Code Enforcement Starting with Portfolio-Based Enforcement for LargeOwners with Multiple Violations

Several Marshall leaders shared their belief that merely reacting to complaints of code violations cannot lift the condition of properties citywide—Community Progress agrees. Strategic code enforcement that prioritizes inspections of those types of properties that are the most likely to impose harm on a community—including rental properties at risk of being substandard, and vacant and foreclosed property—is a much more cost-effective way to deploy limited capacity and achieve an improvement in overall building condition quality, as opposed to a more reactive approach that primarily addresses the quality of the individual buildings or units inspected. While Marshall is exploring its authority to proactively inspect occupied properties, there are two policy changes Community Progress recommends as first steps in proactively inspecting properties:

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17 Building a Strategic, Data-Driven Code Enforcement Program for Gary Indiana, Center for Community Progress Report (August 2015) https://www.communityprogress.net/filebin/150928_TASP_Gary_Report_FINAL.pdf (Center for Community Progress found that 50% of owners taken to court for code violations in Gary Indiana just needed clarification on how to address the violation and they were able to remedy it.)

18 Interview with former New Orleans Director of Code Enforcement Snapper Poche by Karen Black on October 2, 2019.
a) First, focus on large property owners who own more than five properties with multiple code violations. An analysis of Marshall code enforcement data identifies five rental property owners who routinely fail to maintain their properties causing potential health and safety risks to tenants and harming the surrounding neighborhood. Together these five owners are responsible for 104 properties in the city of Marshall. Using a data-driven approach to direct proactive code enforcement to the most egregious violations has the potential to offer high impact, visible change.

b) Second, Marshall could adopt a policy that where an owner has repeated code violations at one property, the code official will automatically inspect the owner’s other properties to see if similar violations exist. Identifying all violations will allow for better regulatory oversight and better use of limited staff. Then, Marshall can bring all violations to a single hearing by the Board of Code Enforcement or the Municipal Court Judge. This will allow the deciding body to see the entire pattern of violations. Judge Gass stated that while Marshall has never brought a single owner to court for multiple tickets for code violations on multiple properties, it is within his jurisdiction to hear different but related potential misdemeanors at one hearing.

Several cities have adopted policies where a significant violation at one property triggers inspections at all of an owner’s properties in order to focus limited code enforcement resources and help the courts to better hold problem landlords accountable. For example, the “enhanced enforcement” program in Portland, Oregon inspects other units in the same building or the exterior of an owner’s other properties after finding a unit that is “chronically out of compliance with City Code and where repairs are not made in a timely manner.” A study of this program found rental owners make 70% more improvements overall to their properties to correct violations than with inspections of individual units in response to tenant complaints.19 Chicago may inspect all of an owner’s rental properties and schedule the cases for a single court date to show the scope of the violations. The city uses this approach when an inspection reveals serious violations at a single rental property approximately six times per year. The code enforcement agency has found it to be effective in motivating the owners to make repairs or sell the properties.20

6) **Adopt a Vacant Property Registration/Foreclosed Property Registration Ordinance to require owners of long-term vacant and foreclosed properties to oversee security and maintenance of the property and cover costs involved in inspection and complaint response.**

Vacant properties take a toll on a community and require more government services than occupied properties, including services related to an increase in police and fire calls, code enforcement inspections, and mowing, repair and demolition work. Where lenders foreclose on a property for failure

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20 Interview with Judy Frydland, Commissioner of Chicago Department of Buildings by Karen Black on December 23, 2019.
to make one or more mortgage payments, the foreclosed properties pose a particular challenge as lenders typically are hard to find because they do not add their name to the deed. In addition, during the period of disinvestment after foreclosure before the property passes to a new owner, it may be difficult to reach an employee of the lender who will take responsibility for maintaining and securing the property. By passing a vacant property/foreclosure registration ordinance, Marshall can use registration fees to defray some of the costs associated with vacant properties, the difficulty in obtaining owner accountability, and at the same time create a database of all vacant properties quickly. Significantly, a 2019 study found that having a vacant property registration ordinance in place halved the negative impact of a foreclosure on surrounding properties by requiring owners to maintain those properties. This is particularly important where the COVID-19 health and economic crisis eventually leads to increased foreclosure rates, as anticipated by most experts.

Nationally, hundreds of cities, counties, and towns have adopted vacant-property registration ordinances (VPROs) that require owners of vacant properties to register vacant properties with their municipalities and maintain the properties in accordance with local codes. Missouri state law allows municipalities to adopt a VPRO and while 19 Missouri municipalities did so by 2013, today it is likely that many more Missouri municipalities have adopted a VPRO.

VPROs are an attempt to help local government identify owners, track property condition to ensure the safety of surrounding properties and first responders, and finance proactive efforts to ensure the properties remain up to code through an annual fee to cover costs of regular inspections and complaint response. The fee allows many VPRO programs to be self-funding. The fee also makes it more expensive for owners to hold onto chronically empty deteriorated properties and can dissuade some owners from mothballing properties indefinitely. Fees charged vary widely. For example, Richmond, Virginia charges an annual fee of $25, while Minneapolis charges an annual fee of $6,000, based on a city council-directed study of the true cost to the city of maintaining a vacant building. The license fee must be based upon the cost to the municipality for the program, including salaries and benefits for code officials’ time and the creation and maintenance of the vacant-property database. Some VPROs require the owner to obtain liability insurance or to file an action plan with the municipality after some period of vacancy.

An effective VPRO should include:

23 The Minneapolis fee has survived several court challenges. In DRB No. 24, LLC v. City of Minneapolis, 774 F.3d 1185 (2014), the United States Court of Appeals for the Eighth Circuit upheld the registration fee. This case is available at http://caselaw.findlaw.com/us-8th-circuit/1687818.html.
24 San Diego requires a Statement of Intent by owners of abandoned properties that proposes a rehabilitation plan and timeline to return properties to productive use per San Diego Municipal Code Section 54.0315. The Statement of Intent form is available at https://www.sandiego.gov/sites/default/files/legacy/csd/pdf/intent.pdf.
25 More information is available on Community Progress’ website at http://www.communityprogress.net/tool-1--vacant-property-registrationordinances--pages-257.php#sthash.64k9sT2u.dpuf.
A clear definition of which properties and which parties must register
- The registration requirements and procedures, including the information required of owners or lienholders
- The fee structure
- The owners’ obligations in maintaining the property
- Penalties for failing to register in a timely fashion

There are several for-profit companies, including Safeguard Properties, Pro Champs, and others that will contract with a local government to implement a VPRO for a fee. The for-profit will alert the municipality when a foreclosure is imminent, create a comprehensive database of all foreclosed properties that allows the municipality to contact a specific individual at the bank’s property management firm or division by e-mail, and handle the enforcement of that provision, in return for a percentage of annual fees.

7) Offer publicly owned non-buildable lots as sideyards.

Marshall publicly owns several vacant lots that are not developable due to their size, shape or location. These properties can be quickly reactivated by offering them for sale at a reduced price to adjacent property owners as a sideyard. A sideyard program makes properties available to adjacent owners in order to add a yard, enlarge their home or otherwise take advantage of the added space. Marshall could inform all adjacent owners of the lot’s availability and then offer it to either the first owner who responds, the highest bidder or whoever agrees to use the land for a desired use. There are tremendous benefits to providing adjacent owners with the ability to obtain vacant lots. The new owners bring the vacant lot back to the tax rolls, provide permanent maintenance, and generally strengthen the market. In exchange for the ability to buy a property for less than market value, owners must agree to maintain the properties, pay future property taxes, and apply for a permit prior to building a structure on the new land. The newly acquired lot must be combined with the existing property to discourage selling the lot separately in the future for profit and prevent possible speculation. Some programs explicitly include a covenant that failure to pay taxes on the new property in a timely manner will cause it to revert to Marshall.

VI. Conclusion

Mayor Schwetz made clear that Marshall’s greatest assets are its people. Improving the condition of Marshall properties will require more than just one code compliance officer efficiently handing out violation notices. It will require public and private leaders working in partnership to change the culture of property maintenance and to prosecute the willful violator while finding additional resources for good owners with low incomes to equitably help them meet code requirements. By mobilizing public and private leaders around a clear set of goals, focusing limited resources on a set of targeted properties and adding new legal and funding tools, Marshall can make significant progress towards reducing problem properties.
Appendix A
List of Stakeholders Interviewed

Michelle Pointer, Central Missouri Board of REALTORS®

Julie Schwetz, Mayor

Mike Morgan, City Code Official

David Haugland, City Administrator

Kirk Arends, Marshall City Council

Michael Reneau, City Prosecutor

Matthew Gass, Municipal Court Judge

Cindi Sims, County Tax Collector

Tony Day, Fire Chief

Josh Taylor, City Attorney