



CITY OF MARSHALL AGENDA ITEM REPORT

Meeting Date:	Tuesday, March 23, 2021
Category:	NEW BUSINESS
Type:	ACTION
Subject:	Consider approval of a resolution establishing a Fire escrow account
Background Information:	<p>This resolution will allow the city of Marshall to obtain a portion of the insurance settlements from a fire or explosion and establish an escrow account for these funds in accordance with Mn. Stat. 65A.50 subd. 12 and 14.</p> <p>This item addresses dangerous properties in buildings damaged by fire or explosion only. Bringing this to council for consideration isn't due to any one incident particularly. This protects the city financially in the event a property owner doesn't make the necessary repairs and if the responsibility of this property then falls on the city.</p> <p>Within this packet, there is a memo from the LMCIT that gives guidance about dangerous properties and the only section that applies to this agenda item is #5, <i>Buildings damaged by fire or explosion</i>. Within this memo, it provides the city with the protocols to follow for repairing, securing, or demolishing abandoned, vacant or dangerous buildings that have been damaged by fire or explosion. First, would be to notify the Commissioner of Commerce that we've established the escrow account so they can add the City of Marshall to the list of cities that maintain these escrow accounts and distribute to insurance companies. Once the city has the escrow account set up, it cannot use it unless there is an insured building in the city that has been damaged by fire or explosion. Even then, the account is only used after the statutory process is followed. This account cannot be commingled with city funds, but the account may be interest bearing. Any interest earned on money placed in a trust or escrow account shall be retained by the city to defray expenses incurred.</p> <p>How it works is after a property owner files a claim for a loss on their insured real property due to fire or explosion, the insurer must withhold from payment of the settlement the lesser of 25% of the actual cash value of the insured's real property at the time of the loss or 25% of the final settlement. There are a few instances where this doesn't apply, and it is described on page 7 and 8 of the memo from the LMCIT. If the property owner does not display <i>reasonable proof</i> of repair / demolition within 45 days after the funds were received by the city finance director, the city shall use the funds to secure, repair, or demolish the damaged or destroyed structure and clear the property in question, so that the structure and property are in compliance with local code requirements and applicable ordinances. Any unused portion of the retained funds must be returned to the insured.</p>
Fiscal Impact:	None
Alternative/Variations:	None Recommended
Recommendations:	To approve the resolution establishing a fire escrow account.

