

Custodial Storage vs. Self Storage (or mini-warehouses)

This is just a reminder for all you folks out there who may not recognize the **significant differences** between full-service custodial type warehousing and self-storage (or mini-warehouses).

Custodial Warehouses:

Reference Personal Property Warehouse Act

If you take a custody of a customer's property for the purposes of storage, the law requires you to have a **LICENSED** personal property warehouse. It doesn't matter whether the shipment is intrastate or interstate or international in nature — there are no exceptions.

The licensing agency for warehousing is (since 2010) the Illinois Commerce Commission. After you make application for a license, your facility will be inspected. If approved, you can expect annual inspections thereafter, and your license must be renewed each year. *The Illinois Commerce Commission does prosecute those who provide custodial storage without a license.*

While the rates for permanent storage are not regulated, there are other things you must remember to avoid unnecessary liability ... and potentially a costly lawsuit that you can't win:

- You may not place a customer's goods into a self-storage unit (or public storage or any other similar venue) unless the customer's name is on the contract and the customer holds the key. You **CAN NOT** retain custody of the property and place it anywhere that is not a licensed personal property warehouse. **PERIOD.** Not only is it against the law, but you run a tremendous risk from a liability standpoint.
- For each and every storage lot, you must prepare a written warehouse receipt/storage contract that meets the guidelines of the Illinois Personal Property Warehouse Act. Not only is it required by law, this contract will protect you. Without a signed warehouse receipt/storage contract, you are foolish to sell any delinquent storage lots (see Warehousemen's Lien Procedures). The customer can sue, and you will lose.
- Specific levels of insurance and/or bonds are required (see Personal Property Warehouse Act

and Administrative Rules Part 1458—links to both are found in the "Resources" area of www.imawa.com).

- **Transportation** into and out of storage and **storage in transit** are regulated by the Illinois Commerce Commission, and your tariffs do apply.
- Selling delinquent storage lots demands following strict procedures to avoid your customer suing you for conversion or negligence. (See Warehousemen's Lien Procedures). And we repeat: Without a signed warehouse receipt/storage contract, you are foolish to sell any delinquent storage lots. The customer can sue, and you will lose. (And by the way, when you DO have an auction to sell a delinquent storage lot, you can't go through the items first and pick out the good stuff to keep for yourself. That's theft — and you can go to "the big house" for that!! If you want something from the lot, buy it at the sale.)

Self-Storage or Mini-Warehouses:

Reference (mini warehouse law)

- The rules are completely different for self-storage. Because you have not taken custody of the goods (at least we hope you haven't), you'll enter into a basic landlord lease type of arrangement.
- A well-designed rental contract is strongly recommended to protect your rights and provide a defense in case of a lawsuit from a disgruntled customer.
- The rules are much more relaxed for selling property on delinquent storage units. You basically put your own, separate lock on the unit, **provide notice**, and hold a sale. This is completely different from selling delinquent storage lots in a full-service, custodial type warehouse.
- You'll find a link to the **Illinois Self-Storage Facility Act** on the Resources page of www.imawa.com.

It pays to understand what you're doing ... do not skip over details, because they can come back later to haunt you in a very expensive manner!!