

Excess Proceeds: What Happens When a Self-Storage Auction Brings in Extra Money?

Finding a treasure trove of \$500,000 in valuable coins in a storage unit would be fantastic, wouldn't it? Unless you find out later the bounty may be loot from a con artist, and the Feds might have a stake in the find. Nothing is ever as clear-cut as it seems.

Take for instance this past year's glut of television shows highlighting storage auctions. To the unwitting, these shows portray a few individuals making big bucks purchasing storage units. The shows are bringing out the get-rich-quick-newbies by the truckload to auctions across the country.

Those of us who manage or own a facility know the finds are mostly make believe or intended, and stated anticipated profit from the items found are highly inflated. However, what will you do if that one overly high-priced unit auction happens at your property? What happens to the extra money after you charge off what the tenant owes?

The popularity of the television shows has brought higher dollar amounts than we were used to seeing at auction time. Everyone is going to find that unit full of gold and make it rich, so the bids climb higher than before. The operator now has to deal with yet another issue—the overages in proceeds that occur from the inflated bidding.

Some may unknowingly think, "Hey, it's extra income." While the facility may manage to pocket the income and fly under the radar, this is neither the norm, nor the way excess proceeds should be handled. With laws varying from state to state I cannot speak for all, but I can share with you what I've learned after many, many hours of research with our county fiduciary minds as to what should transpire in these cases in the state of California.

The California lien law loosely reads that excess money should be turned over to the county in which the auction is held, if unable to refund the overage directly to the tenant after one year's time. However, here is the catch-22: The county has no mechanism in place for handling these types of funds. So an operator has a frustrating path ahead.

The bottom line, at least in California, is that you must make the check out to the county, but the county will return the check. A good suggestion from attorney Jeff Greenberger is to get a rubber stamp and stamp the check(s) for overages as “void after 90 days.” I can see a check going into a “to-do” file and rotting away so I really appreciate that suggestion. Write in your cover letter what the check is for and include a self-addressed stamped envelope. You will get the check back quicker from the county level if you include a SASE.

Once you receive the check back you can now send it on to the proper state department that handles unclaimed funds. The website www.missingmoney.com has a clickable map and a listing of the state agencies for each of the 50 states. The money will be held until the person or heirs who can prove a claim come forward to obtain the money.

Now ask yourself, do you have excess money after all possible associated auction charges were posted to the tenant’s account? Do you know what your legal obligations are? It doesn’t matter if it’s a single dollar or hundreds of dollars, the money is not the facility’s to keep. As more and more people become fascinated with storage auctions, it’s past time you got to know your state’s lien laws and be familiar with yet another legal process. Ignorance won’t hold up in a court of law, so it’s better to educate yourself now and avoid any legal pitfalls.

Remember, the bottom line of a storage auction is to free up a unit for a paying customer, not to profit from someone’s hardship. You can save your company a costly lawsuit by knowing what to do and how to do it before it becomes an issue.