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SENATE

{ REPORT
No. 1377

LEASE OF A SUITABLE BUILDING FOR CUSTOMS PURPOSES IN THE CITY OF NEW YORK

FEBRUARY 1 (calendar day, FEBRUARY 2), 1927.—Ordered to be printed

Mr. SMOOT, from the Committee on Finance, submitted the following

REPORT

[To accompany S. 5339]

The Committee on Finance, to whom was referred the bill (S. 5339) to authorize the Secretary of the Treasury to enter into a lease of a suitable building for customs purposes in the city of New York; having had the same under consideration, reports it back to the Senate with an amendment and recommends that the bill as amended do pass.

The amendment is as follows:

Page 2, line 4, beginning with the semicolon, strike out through the period, in line 9, and insert in lieu thereof a comma and the following:

and such contract shall provide that the lessor shall convey to the United States all right, title, and interest in the site upon which such building is erected, together with such building, free and clear of all incumbrances, (1) upon the expiration of the period of the lease and without the payment of any compensation by the United States in addition to the annual rentals, or (2) at any time prior to the expiration of the period of the lease, upon the payment by the United States of an amount equal to the present value, at the time of such payment, of the annual rentals for the unexpired period of the lease, based upon a rate of $4\frac{1}{2}$ per centum compounded annually.

This bill is drawn in accordance with the recommendations of the Secretary of the Treasury, as outlined in his letter of January 18, 1927, which reads as follows:

TREASURY DEPARTMENT,
Washington, January 18, 1927.

HON. REED SMOOT,
Chairman Finance Committee, United States Senate.

MY DEAR MR. CHAIRMAN: I have the honor to recommend the enactment of legislation which will enable this department to enter into a contract for the lease, for a period of 20 years, of a modern, fireproof building for the use of the United States appraiser of merchandise, United States Customs Court, and other governmental offices in the city of New York, the said building and ground to become Federal-owned property, without any further cost, at or before the end of the 20-year period. A draft of the legislation desired is attached herewith.

Legislation to the same effect of that proposed herewith was passed by the Senate in the Sixty-ninth Congress, first session, July 1, 1926, as an amendment

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to the last deficiency bill. (Vol. 67 of the Congressional Record, July 1, 1926, pp. 12503-12506.) The legislation herein recommended differs only to the extent that it concerns a larger and more advantageous site and, as an added advantage, provides also that the Government shall acquire the land and the building thereon in fee simple at or before the expiration of the 20-year lease.

The present building used by the United States Appraiser of Merchandise and the United States Customs Court, known as the Federal Building, at No. 641 Washington Street, New York City, was constructed 25 years ago to meet the demands and conditions of that time. To-day that building is totally inadequate. Conditions have changed and demands increased to a tremendous degree which was impossible to foresee at the time of the construction of the present building. Government records have shown and continue to show a constant increase in the volume of business handled over a span of years. The increase in receipts alone indicates the great increase in the volume of business and the imperative necessity for more extensive and modern facilities for handling the same. Twenty-five years ago the amount of duty collected at the port of New York was only \$163,643,138. The total duty collected for the fiscal year 1926 amounted to \$319,993,926. During the past three years the collections in New York amounted to over a million dollars a day, yet facilities have not been increased or modernized, and the Government has been forced into a series of various expedients to keep pace with the ever-increasing demand.

The inadequacy of the present building, its general inadaptability, and the great lack of space therein has forced the Government to require that many examinations of merchandise be made outside the building—at wharves, importers' stores, and private and bonded warehouses. The number of the various classes of merchandise examined on wharves alone during the past 10 years has increased from 500 to 3,000. These examinations outside of the appraiser's stores necessitate the sending of many examiners daily, sometimes to different points, with the consequent loss of their services during the time occupied in traveling to and from the places of examination.

The examination outside of the appraiser's stores and the other expedients to which the Government has been compelled to resort because of congestion in the building would not be tolerated had more space been available to make the examinations within the building, as the amount of revenue involved and the probability of loss through improper examinations is far too great.

The general accommodations within the building are inadequate and not suited nor adaptable for the purpose used. The building was originally constructed for a warehouse and not for office purposes. Present conditions require considerable office space, which is not suitably provided. The examiners and their clerks, in many instances, are located at considerable distance from their examination floors, with the consequent loss of time in going back and forth. The accommodations therein provided for the United States Customs Court are inadequate and maladapted. The building is not fireproof, and, in addition to the unsatisfactory and insufficient space provided for the Customs Court, there is great danger of fire totally destroying the court's valuable records, and also those of the appraiser, a loss which would be absolutely irreparable.

The present building has very poor facilities for loading and unloading trucks, only four doors being available for receiving cases, and nine doors for delivering of cases to importers or forwarding to bonded warehouses. The loading platforms accommodate only about 18 trucks, when the present volume of business requires space for approximately 60 trucks. This results in trucks frequently having to wait in line for hours, and sometimes all night, to unload. Due to its location on narrow streets, no improvement or alteration to the building could result in providing sufficient platform space for the demands of the business of to-day, to say nothing of meeting the future growth of business. The freight elevators are insufficient in number and inadequate in performance. They are steam operated, with an average speed of only 100 feet per minute, and too shallow to permit the use of electric trucks, requiring loading and unloading by hand. To load and unload an elevator frequently requires more than 20 minutes.

The present space is insufficient for the proper storage of cases examined and found not to agree with the entered values, invoice descriptions, etc. The fire hazard, previously mentioned in connection with the records of the United States Customs Court and the appraiser, involves great risk of loss, as merchandise valued at millions of dollars is stored in the appraiser's building, to say nothing of the danger of great loss of life because of the large number of people employed in the building.

The proposal made to the department, for the acceptance of which I am herein requesting legislative authority, will provide not only a physical plant to meet the urgent requirements of the day—but a plant which will care for the future growth of the business. It contemplates the leasing to the Government for a period of 20 years or less of a modern fireproof building to be especially constructed to meet the requirements of the handling of merchandise in connection with the customs business and other Federal requirements. The plans and specifications are to be subject to approval by this department prior to the making of the lease. The building will contain approximately 1,040,000 square feet, which is 525,000 square feet more than are contained in the present Federal building. It is to be located on a plot of ground embracing an entire block approximately 200 by 400 feet, centrally and favorably located for the efficient handling of the customs business, with approaches that make possible an arrangement for the rapid loading and unloading of merchandise. The Federal building now occupied by the United States appraiser of merchandise can be advantageously leased. The department now has an offer which will enable it to lease the building for 20 years at a rental which will give a net return of 6 per cent on the determined value of the building and ground.

In a business of the magnitude of that being handled by the appraiser of merchandise of the port of New York, which is bringing an annual return to the Government of more than \$1,000,000 a day, it will be constructive economy for the Government to make an investment in a physical plant which will enable the proper management and handling of this great business. I am confident that the investment contemplated by the legislation herein recommended will bring to the Government each year a return far greater than the annual investment required during the period of the lease. At or before the end of the 20-year period the building and ground will become the property of the Federal Government free and clear of all encumbrances.

While I have mentioned only the United States appraiser of merchandise, the appraiser's stores, and the United States Customs Court, it is contemplated that the new building will also house and afford further space for the occupancy of some of the other Federal agencies which are now renting space in the city of New York.

The proposed legislation has been submitted to the Director of the Bureau of the Budget, who advises that it is not in conflict with the financial program of the President.

Respectfully,

A. W. MELLON,
Secretary of the Treasury.

