

The Importance of Environmental Assessments.

Dino Nicosia, Broker of Record, Investpro Realty Ltd.



If you are not familiar with Environmental Site Assessments and their importance, this article will help you understand, why and how it can impact your property.

Never before have environmental assessments impacted property values and their marketability, as we are experiencing today. More and more Buyers and Lenders are requesting a Phase 1 (ESA) before investing and engaging in a deal. Unfortunately in many cases a Phase 1 Environmental Assessment will lead to a Phase 2 Environmental Investigation.

Let's begin by understanding the process and how each phase works.

The purpose of the **Phase 1 Environmental Site Assessment (ESA)** report is to identify potential site contamination through a process of collecting current visually accessible evidence on the site and the reviewing of background documents. In Phase 1 Environmental Site Assessment, no laboratory testing, sample gathering, intrusive investigation, or physical analysis is required. A Phase 1 ESA is only intended to reduce but not necessarily to eliminate the possibility of potential contamination on the property. It will inform of any potential contaminants and environmental concerns.

The Phase 1 Environmental Site Assessment is mostly required when purchasing a commercial or investment property, in order to minimize liability risks as a result of contamination. The request may come from the purchaser, for his peace of mind, or the mortgage lender that finances the purchase. The lender in particular is interested in the results because they will hold much of the risk.

There are four principles involved in the Phase 1 Environmental Site Assessment process:

- A records review in order to collect data on historic activities on the site and neighbouring properties.
- A site visit to identify any visual evidence of actual or potential contamination (for example, an underground oil tank, or asbestos pipe insulation).
- Interviews with site personnel, government officials and third parties, in some cases.
- Evaluation of the information and reporting of the findings and conclusions.

Should there be any evidence (even remote) that contamination could be on the site, then a Phase 2 Site Assessment will be recommended.

Phase II Environmental Site Assessment (ESA)

The objective of a Phase II Environmental Site Assessment (ESA) is to define the nature and extent of any environmental impacts at a site through an intrusive sampling program.

The typical scope of work may include:

- collection of soil, groundwater, surface water, sediment and/or vapour samples;
- chemical analysis of samples for relevant parameters;
- surveying the site and establishing groundwater flow direction;
- determining the appropriate criteria to which the results must be compared;
- interpretation of data, possibly including modeling, qualitative risk assessment, or development of a Conceptual Site Model;
- preparation of a clear, comprehensive report documenting the findings and presenting a conclusion regarding the environmental condition of the site.

Sampling protocols must follow Ontario Ministry of the Environment guidelines, or, where appropriate, federal (Canadian Council of Ministers of the Environment) and/or other customer-specific requirements and protocols.

If results indicate that contaminants above the legal limit exist on the property, then the big questions are:

1. How much to clean up? It could be a very large bill?
2. Who pays for it?

This is where it gets complicated and some cases very costly. The Buyer will more than likely place the onus on the Seller to remedy and will probably walk away from the deal. The Lender or Finance company will not fund the mortgage until the property passes all the tests.

Has your property been assessed? If not, it will be just a matter of time!