

WHAT DO ENVIRONMENTAL RISKS MEAN TO YOU?

Actual or Potential threats and risk to humans, animals and the environment that results from past, present or likely future uses at a property from uses on the property or on neighboring property that may or may have caused the risks;

You and or your lender own any environmental problem that exists or results on a property you purchase. No-one wants to pay an unexpected cost that often ranges into the hundreds of thousands of dollars.

A **Phase I Environmental Site Assessment** is a report prepared for a real estate holding that identifies potential or existing environmental contamination [liabilities](#). The analysis, often called an **ESA**, typically addresses both the underlying land as well as physical improvements to the property.

The Phase I ESA is generally considered the first step in the process of environmental [due diligence](#). Standards for performing a Phase I ESA have been promulgated by the US EPA and are based in part on [ASTM](#) in Standard E1527.

If a site is considered suspect for contamination, a Phase II ESA may be conducted under ASTM E1903, a more detailed investigation involving sampling, chemical analysis for hazardous substances and/or petroleum hydrocarbons.

Demand for Phase I ESA's increased dramatically for this type of study in the 1980s following judicial decisions related to liability of property owners to effect site cleanup. Interpreting the [Comprehensive Environmental Response, Compensation and Liability Act of 1980](#) (CERCLA), the U.S. courts have held that a buyer, lessor, or lender may be held responsible for [remediation](#) of hazardous substance residues, even if a prior owner caused the contamination. Performance of a Phase I Environmental Site Assessment, according to the courts' reasoning, creates a "[safe harbor](#)", known as the 'Innocent Landowner Defense'.

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