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ENVIRONMENTAL DUE DILIGENCE

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WHAT IS ENVIRONMENTAL DUE DILIGENCE?

Phase I Environmental Site Assessment

- reviews the history and current uses of both the Site and the adjacent properties
- non-intrusive, but requires a Site visit
- outcome is a statement regarding the possibility of environmental impacts at the Site due to environmental risks from onsite or offsite sources

Outcome: Report does or does not recommend a Phase II ESA

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WHAT IS ENVIRONMENTAL DUE DILIGENCE?

Phase II Environmental Site Assessment

- Physical investigation of those risks through drilling and/or test pitting
- Intrusive assessment, includes collection of soil and/or groundwater samples

Outcome: Report will state if environmental impacts were found at the Site

Next Steps for properties with impacts:

- Do nothing
- Remediation (physical clean up of property)
- Risk Assessment

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WHAT IS ENVIRONMENTAL DUE DILIGENCE?

Phase III Environmental Site Assessment

- Cleaning up the soil and/or groundwater impacts identified in the Phase II ESA
- Types of clean up: dig and dump, injections, insitu remediation

Risk Assessment

- Leave impacts in place, build safety measures to keep people/ plants safe from the impacts
- Best used when impacts are deep, hard to clean up (dry cleaning impacts), and/or under buildings

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WHY DO I CARE?

WHO WILL BE ASKING FOR THESE REPORTS?

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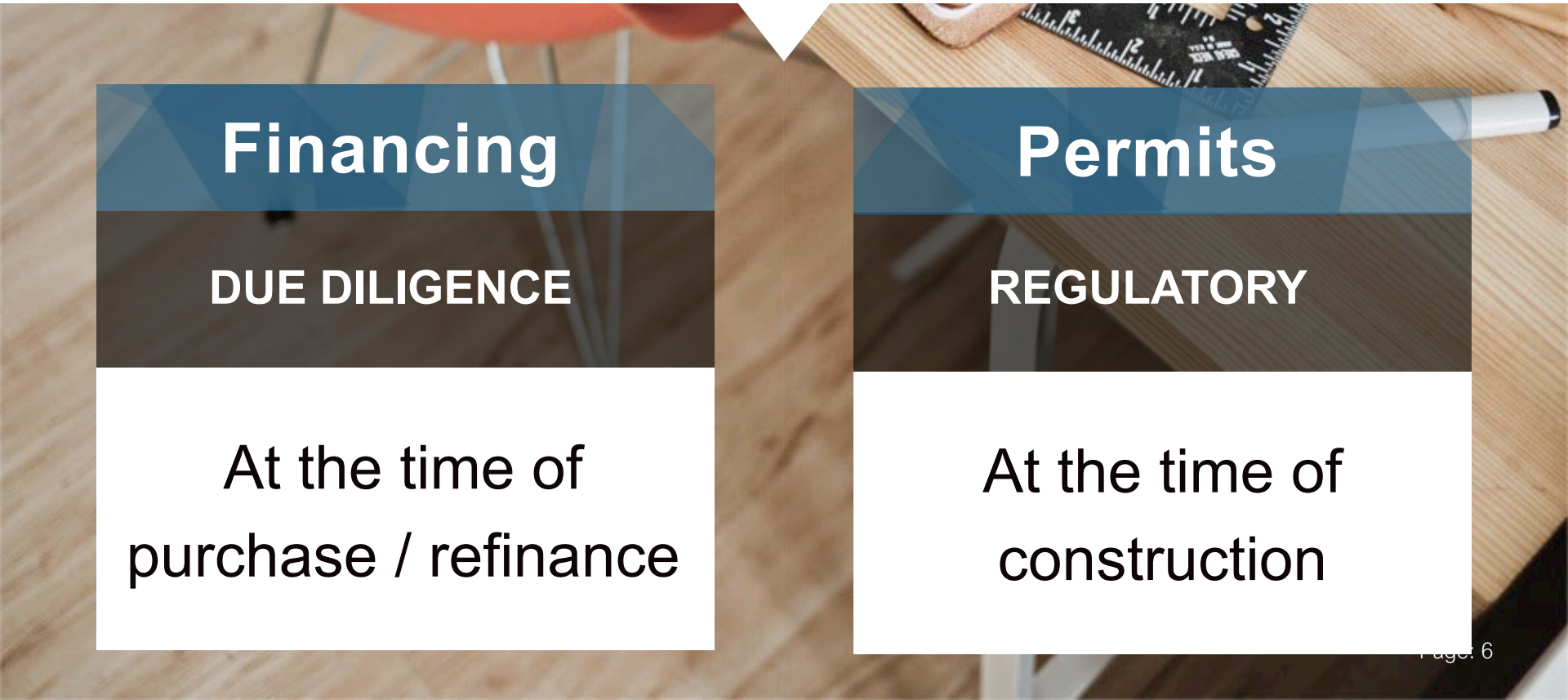
TIMING: FINANCE VS PERMITS



Financing

DUE DILIGENCE

At the time of purchase / refinance

Permits

REGULATORY

At the time of construction

RECORD OF SITE CONDITION

Required when changing a land use to a more sensitive use (ie commercial to residential)

Reports must be written to meet O.Reg. 153/04 requirements ($$$)

3 month process with review by the MECP

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TIMING AND PRICING: FOR FINANCE PURPOSES

Phase I ESA

2 – 3 WEEKS

$3,000 - $4,000

Phase II ESA

6 – 8 WEEKS

$20,000 +

(scope specific)

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TIMING AND PRICING: FOR PERMIT PURPOSES

Phase I ESA

3 – 4 WEEKS

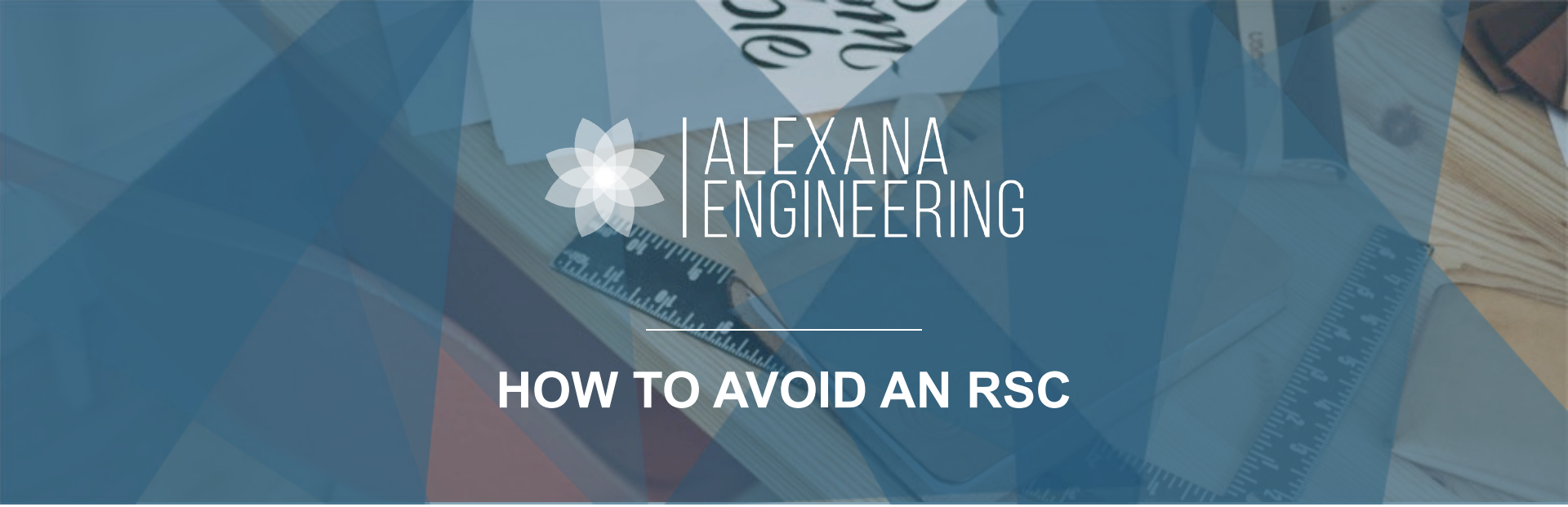
$8,000 +

(Site specific)

Phase II ESA

10 – 14 WEEKS

Site + scope specific



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HOW TO AVOID AN RSC

IF ALL THE FOLLOWING APPLY TO YOUR SITE, RSC NOT REQUIRED

- The property has never been used for: industrial use, a garage, gas station, or dry cleaners
- Building envelope remains the same, no additions to the exterior
- Building has no more than six stories, before or after the change

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CHOSING A PROPERTY: ENVIRONMENTAL CONSIDERATIONS

High Risk Properties

- Gas Stations or Underground Tanks: Upgradient or beside your property up to 50 m
- Dry cleaners: anything within 100 m, in any direction
  - 1-hour dry cleaners = onsite chemical use
  - Highest chemical uses: 1960s to 1990s
  - Lots of major streets in Toronto had dry cleaners on every block
- Area of dense industrial and/or manufacturing, typically near railway lines
- Anything south of Front Street

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MY PROPERTY IS IMPACTED, NOW WHAT?

QUESTIONS TO ASK YOUR CONSULTANT

- Soil or groundwater impacted?
- Do we know the source?
- **OFFSITE LIABILITY?**
- Full extent of impacts known?
- Remediation Options? Timing?
- Remediation Costs?
- Are the remediation costs fixed cost or potentially ongoing/ growing?
- Can your project handle the remediation costs? What if the costs increase?

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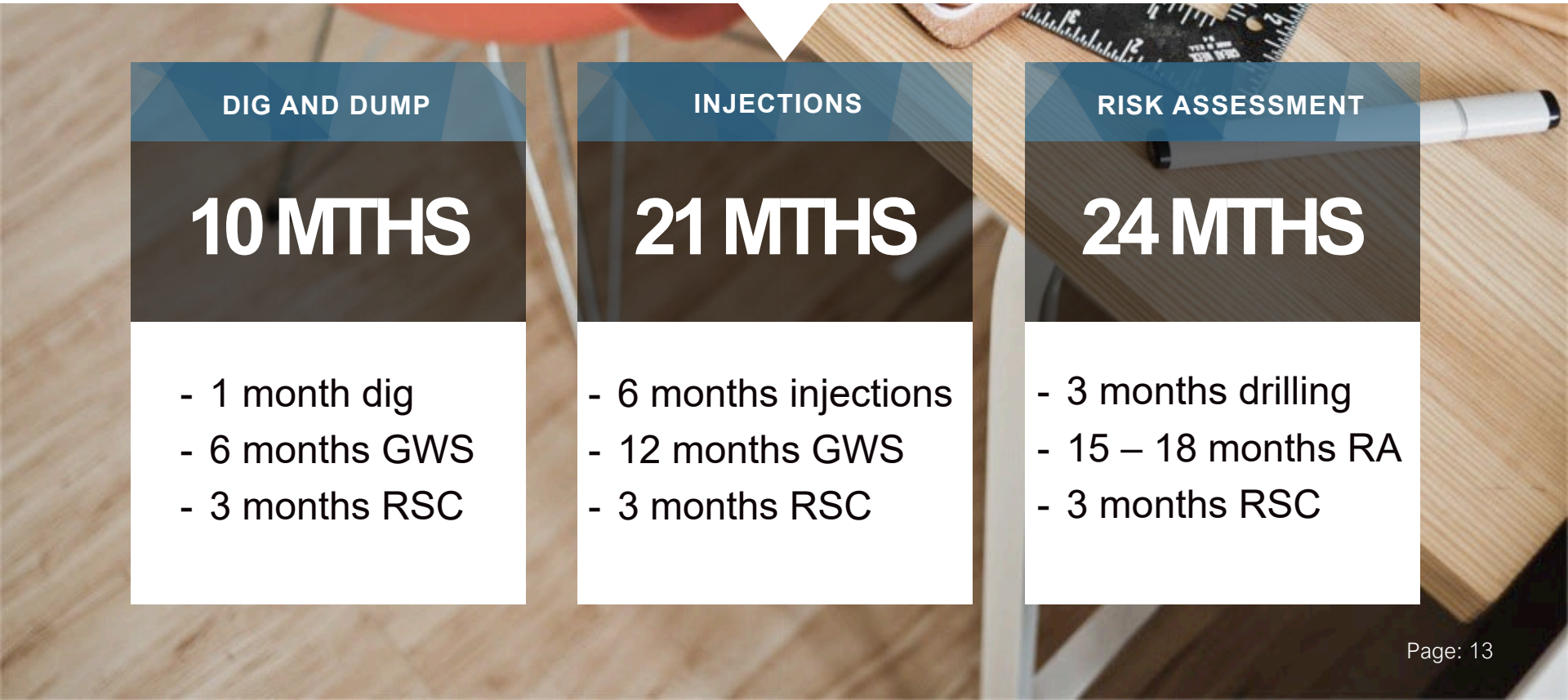
TIMING: PHASE III ESA + RSC



DIG AND DUMP	INJECTIONS	RISK ASSESSMENT
10 MTHS	**21 MTHS**	**24 MTHS**
- 1 month dig - 6 months GWS - 3 months RSC	- 6 months injections - 12 months GWS - 3 months RSC	- 3 months drilling - 15 – 18 months RA - 3 months RSC

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EXAMPLES

- Small, infill project on Dundas
- Former dry cleaner with groundwater impacts
- Remediation solution: Risk Assessment + RSC
- Timeline: 2 – 3 years
- Estimated cost: $400 - $500K

Result: Client did not purchase property

- Large redevelopment project
- Known soil and groundwater impacts
- Hazardous levels of PCBs

Result: $1M disposal fees

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WHY DO I CARE?

WHAT IS THE WORST THAT CAN HAPPEN?

ENVIRONMENTALS CAN KILL DEALS AND ERODE PROFIT

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KEY TAKEAWAYS

Start Early!

Investigation is an Iterative Process

Know your risk tolerance for impacts, both cost and time

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KEYS TO CHOSING A CONSULTANT

COMPETENT

GOOD COMMUNICATION

PROACTIVE

SOMEONE YOU TRUST

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