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Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process¹

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1. Scope

1.1 *Purpose*—The purpose of this practice, as well as Practice E 1528, is to define good commercial and customary practice

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in the United States of America for conducting an *environmental site assessment*² of a parcel of *commercial real estate* with respect to the range of contaminants within the scope of Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) and *petroleum products*. As such, this practice is intended to permit a *user* to satisfy one of the requirements to qualify for the *innocent landowner defense* to CERCLA liability: that is, the practices that constitute “all appropriate inquiry into the previous ownership and uses of the property consistent with good commercial or customary practice” as defined in 42 USC § 9601(35)(B). (See Appendix X1 for an outline of CERCLA’s liability and defense provisions.) An evaluation of *business environmental risk* associated with a parcel of commercial real estate may necessitate investigation beyond that identified in this practice (see Sections 1.3 and 12).

1.1.1 *Recognized Environmental Conditions*—In defining a standard of good commercial and customary practice for conducting an *environmental site assessment* of a parcel of *property*, the goal of the processes established by this practice is to identify *recognized environmental conditions*. The term *recognized environmental conditions* means the presence or likely presence of any *hazardous substances* or *petroleum products* on a *property* under conditions that indicate an existing release, a past release, or a material threat of a release of any *hazardous substances* or *petroleum products* into structures on the *property* or into the ground, ground water, or surface water of the *property*. The term includes *hazardous substances* or *petroleum products* even under conditions in compliance with laws. The term is not intended to include *de minimis* conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies. Conditions determined to be *de minimis* are not *recognized environmental conditions*.

1.1.2 *Two Related Practices*—This practice is closely related to Practice E 1528. Both are *environmental site assessments* for *commercial real estate*. See 4.3.

1.1.3 *Petroleum Products*—*Petroleum products* are included within the scope of both practices because they are of concern with respect to many parcels of *commercial real estate* and current custom and usage is to include an inquiry into the presence of *petroleum products* when doing an *environmental site assessment* of *commercial real estate*. Inclusion of *petroleum products* within the scope of this practice and Practice E 1528 is not based upon the applicability, if any, of CERCLA to *petroleum products*. (See Appendix X1 for discussion of *petroleum exclusion* to CERCLA liability.)

1.1.4 *CERCLA Requirements Other Than Appropriate Inquiry*—This practice does not address requirements in addition to *appropriate inquiry* have been met in order to qualify for CERCLA’s *innocent landowner defense* (for example, the duties specified in 42 USC § 9607(b)(3)(a) and (b) and cited in Appendix X1).

1.1.5 *Other Federal, State, and Local Environmental Laws*—This practice does not address requirements of any state or local laws or of any federal laws other than the appropriate inquiry provisions of CERCLA’s *innocent landowner defense*. *Users* are cautioned that federal, state, and local laws may impose environmental assessment obligations that are beyond the scope of this practice. *Users* should also be aware that there are likely to be other legal obligations with regard to *hazardous substances* or *petroleum products* discovered on *property* that are not addressed in this practice and that may pose risks of civil and/or criminal sanctions for non-compliance.

1.1.6 *Documentation*—The scope of this practice includes research and reporting requirements that support the user’s ability to qualify for the *innocent landowner defense*. As such, sufficient documentation of all sources, records, and resources utilized in conducting the inquiry required by this practice must be provided in the written report (refer to 7.1.8 and 11.2).

1.2 *Objectives*—Objectives guiding the development of this practice and Practice E 1528 are (1) to synthesize and put in writing good commercial and customary practice for *environmental site assessments* for *commercial real estate*, (2) to facilitate high quality, standardized *environmental site assessments*, (3) to ensure that the standard of *appropriate inquiry* is practical and reasonable, and (4) to clarify an industry standard for *appropriate inquiry* in an effort to guide legal interpretation of CERCLA’s *innocent landowner defense*.

1.3 *Considerations Beyond Scope*—The use of this practice is strictly limited to the scope set forth in this section. Section 12 of this practice, identifies, for informational purposes, certain environmental conditions (not an all-inclusive list) that may exist on a *property* that are beyond the scope of this practice but may warrant consideration by parties to a *commercial real estate* transaction. The need to include an investigation of any such conditions in the environmental professional’s scope of services should be evaluated based upon, among other factors, the nature of the property and the reasons for performing the assessment (for example, a more comprehensive evaluation of *business environmental risk*) and should be agreed upon between the *user* and *environmental professional* as additional services beyond the scope of this practice prior to initiation of the *Environmental Site Assessment* process.

1.4 *Organization of This Practice*—This practice has several parts and two appendixes. Section 1 is the Scope. Section 2 is Referenced Documents. Section 3, Terminology, has definitions of terms not unique to this practice and descriptions of terms unique to this practice and acronyms. Section 4 is Significance and Use of this practice. Section 5 describes User’s Responsibilities. Sections 6-11 are the main body of the Phase I Environmental Site Assessment, including evaluation and report preparation. Section 12 provides additional information regarding non-scope considerations (see 1.3). The appendixes are included for information and are not part of the procedures prescribed in either this practice or Practice E 1528. Appendix X1 explains the

² All definitions, descriptions of terms, and acronyms are defined in Section 3. Whenever terms defined in 3.2 or described in 3.3 are used in this practice, they are in *italics*.

liability and defense provisions of CERCLA that will assist the user in understanding the user's responsibilities under CERCLA; it also contains other important information regarding CERCLA and this practice. Appendix X2 provides a recommended table of contents and report format for a Phase I Environmental Site Assessment Report. Appendix X3 includes guidance to assist users in the preparation for, and selection of, an environmental professional to conduct a Phase I Environmental Site Assessment.

1.5 *This standard does not purport to address all of the safety concerns, if any, associated with its use. It is the responsibility of the user of this standard to establish appropriate safety and health practices and determine the applicability of regulatory limitations prior to use.*

1.6 *This practice offers a set of instructions for performing one or more specific operations and should be supplemented by education, experience and professional judgment. Not all aspects of this practice may be applicable in all circumstances. This ASTM standard practice does not necessarily represent the standard of care by which the adequacy of a given professional service must be judged, nor should this document be applied without consideration of a project's unique aspects. The word "standard" in the title means only that the document has been approved through the ASTM consensus process.*

2. Referenced Documents

2.1 ASTM Standards:

E 1528 Practice for Environmental Site Assessments: Transaction Screen Process³

3. Terminology

3.1 This section provides definitions, descriptions of terms, and a list of acronyms for many of the words used in this practice and Practice E 1528. The terms are an integral part of both practices and are critical to an understanding of the practices and their use.

3.2 Definitions:

3.2.1 activity and uses limitations—~~six naturally occurring fibrous minerals found~~—legal or physical restrictions or limitations on the use of, or access to, a site or facility: (1) to reduce or eliminate potential exposure to hazardous substances in certain types of rock formations. Of the six, soil or ground water on the minerals chrysotile, amosite, and crocidolite have been most commonly used property, or (2) to prevent activities that could interfere with the effectiveness of a response action, in building products. When mined and processed, asbestos is typically separated into very thin fibers. Because asbestos is strong, incombustible, and corrosion-resistant, asbestos was used order to ensure maintenance of a condition of no significant risk to public health or the environment. These legal or physical restrictions, which may include institutional and/or engineering controls, are intended to prevent adverse impacts to individuals or populations that may be exposed to hazardous substances in many commercial products beginning early in this century and peaking in the period from World War II into soil or ground water on the 1970s. When inhaled in sufficient quantities, asbestos fibers can cause serious health problems.^{4,5} property.

3.2.2 asbestos containing material (ACM)—any material or product that contains more than 1 % asbestos.⁴

3.2.3 Comprehensive Environmental Response, Compensation, and Liability Information System (CERCLIS)—the list of sites compiled by EPA that EPA has investigated or is currently investigating for potential hazardous substance contamination for possible inclusion on the National Priorities List.

3.2.4 construction debris—concrete, brick, asphalt, and other such building materials discarded in the construction of a building or other improvement to property.

3.2.5 contaminated public wells—public wells used for drinking water that have been designated by a government entity as contaminated by toxic substances (for example, chlorinated solvents), or as having water unsafe to drink without treatment.

3.2.6 CORRACTS list—environmental protection agencies (EPA's) list—list of hazardous waste treatment, storage, or disposal facilities subject and other RCRIS facilities (due to past interim status or storage of hazardous waste beyond 90 days) who have been notified by the U.S. Environmental Protection Agency to undertake corrective action under RCRA.

3.2.7 demolition debris—concrete, brick, asphalt, and other such building materials discarded in the demolition of a building or other improvement to property.

3.2.8 drum—a container (typically, but not necessarily, holding 55 gal (208 L) of liquid) that may be used to store hazardous substances or petroleum products.

3.2.9 dry wells—underground areas where soil has been removed and replaced with pea gravel, coarse sand, or large rocks. Dry wells are used for drainage, to control storm runoff, for the collection of spilled liquids (intentional and non-intentional) and wastewater disposal (often illegal).

³ Annual Book of ASTM Standards, Vol 11.04.

⁴ See EPA, *Managing Asbestos in Place, A Building Owner's Guide to Operations and Maintenance Programs for Asbestos-Containing Materials*

⁴ *Standard Definitions of Petroleum Statistics*, July 1990, p. 2; American Petroleum Institute, Fourth Edition, 1988.

⁵ See also, for an additional definition

⁵ 42 USC §9607(a). (All statutory references are to Title 42 of the United States Code, unless otherwise specified.) See *United States versus Aceto Agricultural Chemicals Corp.*, 872 F.2d 1373 (8th Cir. 1989). Private plaintiffs, as well as the government, may seek response costs under Superfund from defendants. While many users of these ASTM-STP 834, ASTM practices or other private parties may think in terms of how to defend against Superfund liability, they should recognize that they may decide to conduct cleanup actions and seek response costs from other parties.

3.2.109 *dwelling*—structure or portion thereof used for residential habitation.

3.2.10 *engineering controls*—physical modifications to a site or facility (for example, capping, slurry walls, or point of use water treatment) to reduce or eliminate the potential for exposure to hazardous substances in the soil or ground water on the property.

3.2.11 *environmental lien*—a charge, security, or encumbrance upon title to a *property* to secure the payment of a cost, damage, debt, obligation, or duty arising out of response actions, cleanup, or other remediation of *hazardous substances* or *petroleum products* upon a *property*, including (but not limited to) liens imposed pursuant to CERCLA 42 USC § 9607(1) and similar state or local laws.

3.2.12 *ERNS list*—EPA’s emergency response notification system list of reported CERCLA hazardous substance releases or spills in quantities greater than the reportable quantity, as maintained at the National Response Center. Notification requirements for such releases or spills are codified in 40 CFR Parts 302 and 355.

3.2.13 *Federal Register, (FR)*—publication of the United States government published daily (except for federal holidays and weekends) containing all proposed and final regulations and some other activities of the federal government. When regulations become final, they are included in the Code of Federal Regulations (CFR), as well as published in the Federal Register.

3.2.14 *fire insurance maps*—maps produced for private fire insurance map companies that indicate uses of properties at specified dates and that encompass the property. These maps are often available at local libraries, historical societies, private resellers, or from the map companies who produced them. See Question 23 of the transaction screen process in Practice E 1528 and 7.3.4.2 of this practice.

3.2.15 *hazardous substance*—A substance defined as a hazardous substance pursuant to CERCLA 42 USC § 9601(14), as interpreted by EPA regulations and the courts: “(A) any substance designated pursuant to section 1321(b)(2)(A) of Title 33, (B) any element, compound, mixture, solution, or substance designated pursuant to section 9602 of this title, (C) any hazardous waste having the characteristics identified under or listed pursuant to section 3001 of the Solid Waste Disposal Act (42 USC § 6921) (but not including any waste the regulation of which under the Solid Waste Disposal Act (42 USC § 6901 *et seq.*) has been suspended by Act of Congress), (D) any toxic pollutant listed under section 1317(a) of Title 33, (E) any hazardous air pollutant listed under section 112 of the Clean Air Act (42 USC § 7412), and (F) any imminently hazardous chemical substance or mixture with respect to which the Administrator (of EPA) has taken action pursuant to section 2606 of Title 15. The term does not include petroleum, including crude oil or any fraction thereof which is not otherwise specifically listed or designated as a hazardous substance under subparagraphs (A) through (F) of this paragraph, and the term does not include natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas).” (See Appendix X1.)

3.2.16 *hazardous waste*—any hazardous waste having the characteristics identified under or listed pursuant to section 3001 of the Solid Waste Disposal Act (42 USC § 6921) (but not including any waste the regulation of which under the Solid Waste Disposal Act (42 USC § 6901 *et seq.*) has been suspended by Act of Congress). The Solid Waste Disposal Act of 1980 amended RCRA. RCRA defines a hazardous waste, in 42 USC § 6903, as: “a solid waste, or combination of solid wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may—(A) cause, or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness; or (B) pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, or disposed of, or otherwise managed.”

3.2.17 *institutional controls*—a legal or administrative restriction (for example, deed restriction, restrictive zoning) on the use of, or access to, a site or facility to reduce or eliminate potential exposure to hazardous substances in the soil or ground water on the property.

3.2.18 *landfill*—a place, location, tract of land, area, or premises used for the disposal of solid wastes as defined by state solid waste regulations. The term is synonymous with the term *solid waste disposal site* and is also known as a garbage dump, trash dump, or similar term.

3.2.189 *local street directories*—directories published by private (or sometimes government) sources that show ownership, occupancy, and/or use of sites by reference to street addresses. Often local street directories are available at libraries of local governments, colleges or universities, or historical societies. See 7.3.4.6 of this practice.

3.2.1920 *material safety data sheet (MSDS)*—written or printed material concerning a hazardous substance which is prepared by chemical manufacturers, importers, and employers for hazardous chemicals pursuant to OSHA’s Hazard Communication Standard, 29 CFR 1910.1200.

3.2.201 *National Contingency Plan (NCP)*—the National Oil and Hazardous Substances Pollution Contingency Plan, found at 40 CFR § 300, that is the EPA’s blueprint on how hazardous substances are to be cleaned up pursuant to CERCLA.

3.2.212 *National Priorities List (NPL)*—list compiled by EPA pursuant to CERCLA 42 USC § 9605(a)(8)(B) of properties with the highest priority for cleanup pursuant to EPA’s Hazard Ranking System. See 40 CFR Part 300.

3.2.223 *occupants*—those tenants, subtenants, or other persons or entities using the *property* or a portion of the *property*.

3.2.234 *owner*—generally the fee owner of record of the *property*.

3.2.24 *petroleum exclusion*—The exclusion from CERCLA liability provided in 42 USC § 9601(14), as interpreted by the courts and EPA: “The term (hazardous substance) does not include petroleum, including crude oil or any fraction thereof which is not otherwise specifically listed or designated as a hazardous substance under subparagraphs (A) through (F) of this paragraph, and

the term does not include natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas).”

3.2.25 *petroleum exclusion*—The exclusion from CERCLA liability provided in 42 USC § 9601(14), as interpreted by the courts and EPA: “The term (hazardous substance) does not include petroleum, including crude oil or any fraction thereof which is not otherwise specifically listed or designated as a hazardous substance under subparagraphs (A) through (F) of this paragraph, and the term does not include natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas).”

3.2.26 *petroleum products*—those substances included within the meaning of the *petroleum exclusion* to CERCLA, 42 USC § 9601(14), as interpreted by the courts and EPA, that is: petroleum, including crude oil or any fraction thereof which is not otherwise specifically listed or designated as a hazardous substance under Subparagraphs (A) through (F) of 42 USC § 9601(14), natural gas, natural gas liquids, liquefied natural gas, and synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas). (The word fraction refers to certain distillates of crude oil, including gasoline, kerosene, diesel oil, jet fuels, and fuel oil, pursuant to *Standard Definitions of Petroleum Statistics*.⁶)

3.2.267 *Phase I Environmental Site Assessment*—the process described in this practice.

3.2.278 *pits, ponds, or lagoons*—man-made or natural depressions in a ground surface that are likely to hold liquids or sludge containing *hazardous substances* or *petroleum products*. The likelihood of such liquids or sludge being present is determined by evidence of factors associated with the pit, pond, or lagoon, including, but not limited to, discolored water, distressed vegetation, or the presence of an obvious wastewater discharge.

3.2.289 *property*—the real property that is the subject of the *environmental site assessment* described in this practice. Real property includes buildings and other fixtures and improvements located on the property and affixed to the land.

3.2.2930 *property tax files*—the files kept for property tax purposes by the local jurisdiction where the property is located and includes records of past ownership, appraisals, maps, sketches, photos, or other information that is reasonably ascertainable and pertaining to the property. See 7.3.4.3.

3.2.301 *RCRA generators*—those persons or entities that generate hazardous wastes, as defined and regulated by RCRA.

3.2.312 *RCRA generators list*—list kept by EPA of those persons or entities that generate hazardous wastes as defined and regulated by RCRA.

3.2.323 *RCRA TSD facilities*—those facilities on which treatment, storage, and/or disposal of hazardous wastes takes place, as defined and regulated by RCRA.

3.2.334 *RCRA TSD facilities list*—list kept by EPA of those facilities on which treatment, storage, and/or disposal of hazardous wastes takes place, as defined and regulated by RCRA.

3.2.345 *recorded land title records*—records of fee ownership, leases, land contracts, easements, liens, and other encumbrances on or of the property recorded in the place where land title records are, by law or custom, recorded for the local jurisdiction in which the *property* is located. (Often such records are kept by a municipal or county recorder or clerk.) Such records may be obtained from title companies or directly from the local government agency. Information about the title to the property that is recorded in a U.S. district court or any place other than where land title records are, by law or custom, recorded for the local jurisdiction in which the property is located, are not considered part of recorded land title records. See 7.3.4.4.

3.2.356 *records of emergency release notifications (SARA § 304)*—Section 304 of EPCRA or Title III of SARA requires operators of facilities to notify their local emergency planning committee (as defined in EPCRA) and state emergency response commission (as defined in EPCRA) of any release beyond the facility’s boundary of any reportable quantity of any extremely hazardous substance. Often the local fire department is the local emergency planning committee. Records of such notifications are “Records of Emergency Release Notifications” (SARA § 304).

3.2.367 *report*—the written record of a transaction screen process as required by Practice E 1528 or the written report prepared by the environmental professional and constituting part of a “Phase I Environmental Site Assessment,” as required by this practice.

3.2.378 *solid waste disposal site*—a place, location, tract of land, area, or premises used for the disposal of solid wastes as defined by state solid waste regulations. The term is synonymous with the term *landfill* and is also known as a garbage dump, trash dump, or similar term.

3.2.389 *solvent*—a chemical compound that is capable of dissolving another substance and may itself be a *hazardous substance*, used in a number of manufacturing/industrial processes including but not limited to the manufacture of paints and coatings for industrial and household purposes, equipment clean-up, and surface degreasing in metal fabricating industries.

3.2.3940 *state registered USTs*—state lists of underground storage tanks required to be registered under Subtitle I, Section 9002 of RCRA.

3.2.401 *sump*—a pit, cistern, cesspool, or similar receptacle where liquids drain, collect, or are stored.

3.2.412 *TSD facility*—treatment, storage, or disposal facility (see *RCRA TSD facilities*).

3.2.423 *underground storage tank (UST)*—any tank, including underground piping connected to the tank, that is or has been used to contain *hazardous substances* or *petroleum products* and the volume of which is 10 % or more beneath the surface of the ground.

3.2.434 *USGS 7.5 Minute Topographic Map*—the map (if any) available from or produced by the United States Geological Survey, entitled “USGS 7.5 Minute Topographic Map,” and showing the property. See 7.3.4.5.

3.2.445 *wastewater*—water that (1) is or has been used in an industrial or manufacturing process, (2) conveys or has conveyed sewage, or (3) is directly related to manufacturing, processing, or raw materials storage areas at an industrial plant. Wastewater does not include water originating on or passing through or adjacent to a site, such as stormwater flows, that has not been used in industrial or manufacturing processes, has not been combined with sewage, or is not directly related to manufacturing, processing, or raw materials storage areas at an industrial plant.

3.2.456 *zoning/land use records*—those records of the local government in which the *property* is located indicating the uses permitted by the local government in particular zones within its jurisdiction. The records may consist of maps and/or written records. They are often located in the planning department of a municipality or county. See 7.3.4.8.

3.3 Definitions of Terms Specific to This Standard:

3.3.1 *actual knowledge*—the knowledge actually possessed by an individual who is a real person, rather than an entity. Actual knowledge is to be distinguished from constructive knowledge that is knowledge imputed to an individual or entity.

3.3.2 *adjoining properties*—any real property or properties the border of which is contiguous or partially contiguous with that of the property, or that would be contiguous or partially contiguous with that of the property but for a street, road, or other public thoroughfare separating them.

3.3.3 *aerial photographs*—photographs taken from an airplane or helicopter (from a low enough altitude to allow identification of development and activities) of areas encompassing the property. Aerial photographs are often available from government agencies or private collections unique to a local area. See 7.3.4.1 of this practice.

3.3.4 *appropriate inquiry*—that inquiry constituting ^{“all”} ~~“all”~~ “all appropriate inquiry into the previous ownership and uses of the property consistent with good commercial or customary practice” as defined in CERCLA, 42 USC § 9601(35)(B), that will give a party to a *commercial real estate* transaction the *innocent landowner defense* to CERCLA liability (42 USC § 9601(A) and (B) and § 9607(b)(3)), assuming compliance with other elements of the defense. See Appendix X1.

3.3.5 *approximate minimum search distance*—the area for which records must be obtained and reviewed pursuant to Section 7 subject to the limitations provided in that section. This may include areas outside the *property* and shall be measured from the nearest *property* boundary. This term is used in lieu of radius to include irregularly shaped properties.

3.3.6 *building department records*—those records of the local government in which the property is located indicating permission of the local government to construct, alter, or demolish improvements on the property. Often building department records are located in the building department of a municipality or county. See 7.3.4.7.

3.3.7 ~~*commercial real estate business environmental risk*~~—~~any real property except a risk which can have a dwelling material environmental or property environmentally-driven impact on the business associated with no more than four dwelling units exclusively for residential use (except that a dwelling the current or property with no more than four dwelling units exclusively for residential planned use is included in this term when it has of a commercial function, as in the building parcel of such dwellings for profit). This term includes but is commercial real estate, not necessarily limited to undeveloped real property and real property used for industrial, retail, office, agricultural, other commercial, medical, those environmental issues required to be investigated in this practice. Consideration of business environmental risk issues may involve addressing one or educational purposes; property used for residential purposes that has more than four residential dwelling units; and property with no more than four dwelling units for residential use when it has a commercial function, as in the building non-scope considerations, some of such dwellings for profit, which are identified in Section 12.~~

3.3.8 ~~*commercial real estate*~~—~~any real property except a dwelling or property with no more than four dwelling units exclusively for residential use (except that a dwelling or property with no more than four dwelling units exclusively for residential use is included in this term when it has a commercial function, as in the building of such dwellings for profit). This term includes but is not limited to undeveloped real property and real property used for industrial, retail, office, agricultural, other commercial, medical, or educational purposes; property used for residential purposes that has more than four residential dwelling units; and property with no more than four dwelling units for residential use when it has a commercial function, as in the building of such dwellings for profit.~~

3.3.9 *commercial real estate transaction*—a transfer of title to or possession of real property or receipt of a security interest in real property, except that it does not include transfer of title to or possession of real property or the receipt of a security interest in real property with respect to an individual dwelling or building containing fewer than five dwelling units, nor does it include the purchase of a lot or lots to construct a dwelling for occupancy by a purchaser, but a commercial real estate transaction does include real property purchased or leased by persons or entities in the business of building or developing dwelling units.

3.3.910 *due diligence*—the process of inquiring into the environmental characteristics of a parcel of *commercial real estate* or other conditions, usually in connection with a commercial real estate transaction. The degree and kind of due diligence vary for different properties and differing purposes. See Appendix X1.

3.3.101 *environmental audit*—the investigative process to determine if the operations of an existing facility are in compliance with applicable environmental laws and regulations. This term should not be used to describe Practice E 1528 or this practice, although an environmental audit may include an *environmental site assessment* or, if prior audits are available, may be part of an environmental site assessment. See Appendix X1.

3.3.112 *environmental professional*—a person possessing sufficient training and experience necessary to conduct a *site reconnaissance*, *interviews*, and other activities in accordance with this practice, and from the information generated by such

activities, having the ability to develop opinions and conclusions regarding *recognized environmental conditions* in connection with the *property* in question. An individual's status as an environmental professional may be limited to the type of assessment to be performed or to specific segments of the assessment for which the professional is responsible. The person may be an independent contractor or an employee of the *user*.

3.3.123 *environmental site assessment (ESA)*—the process by which a person or entity seeks to determine if a particular parcel of real *property* (including improvements) is subject to *recognized environmental conditions*. At the option of the user, an environmental site assessment may include more inquiry than that constituting *appropriate inquiry* or, if the user is not concerned about qualifying for the *innocent landowner defense*, less inquiry than that constituting *appropriate inquiry*. See Appendix X1. An environmental site assessment is both different from and less rigorous than an *environmental audit*.

3.3.134 *fill dirt*—dirt, soil, sand, or other earth, that is obtained off-site, that is used to fill holes or depressions, create mounds, or otherwise artificially change the grade or elevation of real property. It does not include material that is used in limited quantities for normal landscaping activities.

3.3.145 *hazardous waste/contaminated sites*—sites on which a release has occurred, or is suspected to have occurred, of any *hazardous substance*, *hazardous waste*, or *petroleum products*, and that release or suspected release has been reported to a government entity.

3.3.156 *historical recognized environmental condition*—environmental condition which in the past would have been considered a *recognized environmental condition*, but which may or may not be considered a *recognized environmental condition* currently. The final decision rests with the *environmental professional* and will be influenced by the current impact of the *historical recognized environmental condition* on the property. If a past release of any hazardous substances or petroleum products has occurred in connection with the property and has been remediated, with such remediation accepted by the responsible regulatory agency (for example, as evidenced by the issuance of a no further action letter or equivalent), this condition shall be considered an *historical recognized environmental condition* and included in the findings section of the Phase I *Environmental Site Assessment* report. The *environmental professional* shall provide an opinion of the current impact on the property of this *historical recognized environmental condition* in the opinion section of the report. If this *historical recognized environmental condition* is determined to be a *recognized environmental condition* at the time the Phase I *Environmental Site Assessment* is conducted, the condition shall be identified as such and listed in the conclusions section of the report.

3.3.17 *innocent landowner defense*—that defense to CERCLA liability provided in 42 USC § 9601(35) and § 9607(b)(3). One of the requirements to qualify for this defense is that the party make “all appropriate inquiry into the previous ownership and uses of the property consistent with good commercial or customary practice.” There are additional requirements to qualify for this defense. See Appendix X1.

3.3.168 *interviews*—those portions of this practice that are contained in Section 9 and 10 thereof and address questions to be asked of *owners* and *occupants* of the *property* and questions to be asked of local government officials.

3.3.179 *key site manager*—the person identified by the *owner* of a *property* as having good knowledge of the uses and physical characteristics of the *property*. See 9.5.1.

3.3.1820 *local government agencies*—those agencies of municipal or county government having jurisdiction over the *property*. Municipal and county government agencies include but are not limited to cities, parishes, townships, and similar entities.

3.3.219 *LUST sites*—state lists of leaking underground storage tank sites. Section 9003 (h) of Subtitle I of RCRA gives EPA and states, under cooperative agreements with EPA, authority to clean up releases from UST systems or require owners and operators to do so.

3.3.202 *major occupants*—those tenants, subtenants, or other persons or entities each of which uses at least 40 % of the leasable area of the *property* or any anchor tenant when the *property* is a shopping center.

3.3.243 *material threat*—a physically observable or obvious threat which is reasonably likely to lead to a release that, in the opinion of the *environmental professional*, is threatening and might result in impact to public health or the environment. An example might include an aboveground storage tank that contains a hazardous substance and which shows evidence of damage. The damage would represent a material threat if it is deemed serious enough that it may cause or contribute to tank integrity failure with a release of contents to the environment.

3.3.24 *obvious*—that which is plain or evident; a condition or fact that could not be ignored or overlooked by a reasonable observer while *visually or physically observing the property*.

3.3.225 *other historical sources*—any source or sources other than those designated in 7.3.4.1- through 7.3.4.8 that are credible to a reasonable person and that identify past uses of the property. The term includes, but is not limited to: miscellaneous maps, newspaper archives, and records in the files and/or personal knowledge of the *property owner* and/or *occupants*. See 7.3.4.9.

3.3.236 *physical setting sources*—sources that provide information about the geologic, hydrogeologic, hydrologic, or topographic characteristics of a *property*. See 7.2.3.

3.3.247 *practically reviewable*—information that is practically reviewable means that the information is provided by the source in a manner and in a form that, upon examination, yields information relevant to the *property* without the need for extraordinary analysis of irrelevant data. The form of the information shall be such that the user can review the records for a limited geographic area. Records that cannot be feasibly retrieved by reference to the location of the *property* or a geographic area in which the *property* is located are not generally *practically reviewable*. Most databases of public records are *practically reviewable* if they can

be obtained from the source agency by the county, city, zip code, or other geographic area of the facilities listed in the record system. Records that are sorted, filed, organized, or maintained by the source agency only chronologically are not generally practically reviewable. Listings in publicly available records which do not have adequate address information to be located geographically are not generally considered practically reviewable. For large databases with numerous facility records (such as RCRA hazardous waste generators and registered underground storage tanks), the records are not *practically reviewable* unless they can be obtained from the source agency in the smaller geographic area of zip codes. Even when information is provided by zip code for some large databases, it is common for an unmanageable number of sites to be identified within a given zip code. In these cases, it is not necessary to review the impact of all of the sites that are likely to be listed in any given zip code because that information would not be *practically reviewable*. In other words, when so much data is generated that it cannot be feasibly reviewed for its impact on the *property*, it is not *practically reviewable*.

3.3.258 *preparer*—the person preparing the *transaction screen questionnaire* pursuant to Practice E 1528, who may be either the user or the person to whom the user has delegated the preparation of the *transaction screen questionnaire*.

3.3.269 *publicly available*—information that is publicly available means that the source of the information allows access to the information by anyone upon request.

3.3.2730 *reasonably ascertainable*—for purposes of both this practice and Practice E 1528, information that is (1) *publicly available*, (2) obtainable from its source within reasonable time and cost constraints, and (3) *practically reviewable*.

3.3.2831 *recognized environmental conditions*—the presence or likely presence of any *hazardous substances* or *petroleum products* on a *property* under conditions that indicate an existing release, a past release, or a material threat of a release of any *hazardous substances* or *petroleum products* into structures on the *property* or into the ground, ground water, or surface water of the *property*. The term includes *hazardous substances* or *petroleum products* even under conditions in compliance with laws. The term is not intended to include *de minimis* conditions that generally do not present a material risk of harm to public health or the environment and that generally would not be the subject of an enforcement action if brought to the attention of appropriate governmental agencies. Conditions determined to be *de minimis* are not *recognized environmental conditions*.

3.3.329 *records review*—that part that is contained in Section 7 of this practice addresses which records shall or may be reviewed.

3.3.303 *site reconnaissance*—that part that is contained in Section 8 of this practice and addresses what should be done in connection with the *site visit*. The site reconnaissance includes, but is not limited to, the *site visit* done in connection with such a Phase I Environmental Site Assessment.

3.3.314 *site visit*—the visit to the property during which observations are made constituting the *site reconnaissance* section of this practice and the *site visit* requirement of Practice E 1528.

3.3.325 *standard environmental record sources*— those records specified in 7.2.1.1.

3.3.336 *standard historical sources*—those sources of information about the history of uses of property specified in 7.3.4.

3.3.347 *standard physical setting source*—a current USGS 7.5 minute topographic map (if any) showing the area on which the property is located. See 7.2.3.

3.3.358 *standard practice(s)*—the activities set forth in either and both this practice and Practice E 1528.

3.3.369 *standard sources*—sources of environmental, physical setting, or historical records specified in Section 7 of this practice.

3.3.3740 *transaction screen process*—the process described in Practice E 1528.

3.3.3841 *transaction screen questionnaire*—the questionnaire provided in Section 6 of Practice E 1528.

3.3.3942 *user*—the party seeking to use Practices E 1527 or E 1528 to perform an *environmental site assessment* of the *property*. A user may include, without limitation, a purchaser of *property*, a potential tenant of *property*, an *owner* of *property*, a lender, or a property manager.

3.3.403 *visually and/or physically observed*—during a *site visit* pursuant to Practice E 1528, or pursuant to this practice, this term means observations made by vision while walking through a *property* and the structures located on it and observations made by the sense of smell, particularly observations of noxious or foul odors. The term “walking through” is not meant to imply that disabled persons who cannot physically walk may not conduct a *site visit*; they may do so by the means at their disposal for moving through the *property* and the structures located on it.

3.4 *Acronyms:Acronyms:*

3.4.1 *CERCLA*—Comprehensive Environmental Response, Compensation and Liability Act of 1980 (as amended, 42 USC § 9601 *et seq.*).

3.4.2 *CERCLIS*—Comprehensive Environmental Response, Compensation and Liability Information System (maintained by EPA).

3.4.3 *CFR*—Code of Federal Regulations.

3.4.4 *CORRACTS*—TSDF facilities subject to Corrective Action under RCRA.

3.4.5 *EPA*—United States Environmental Protection Agency.

3.4.6 *EPCRA*—Emergency Planning and Community Right to Know Act ((also known as SARA Title III), 42 USC § 11001 *et seq.*).

3.4.7 *ERNS*—emergency response notification system.

- 3.4.8 *ESA*—environmental site assessment (different than an *environmental audit*; see 3.3.123).
- 3.4.9 *FOIA*—U.S. Freedom of Information Act (5 USC 552 *et seq.*).
- 3.4.10 *FR*—Federal Register.
- 3.4.11 *LUST*—leaking underground storage tank.
- 3.4.12 *MSDS*—material safety data sheet.
- 3.4.13 *NCP*—National Contingency Plan.
- 3.4.14 *NFRAP*—former CERCLIS sites where no further remedial action is planned under CERCLA.
- 3.4.15 *NPDES*—national pollutant discharge elimination system.
- 3.4.156 *NPL*—national priorities list.
- 3.4.167 *PCBs*—polychlorinated biphenyls.
- 3.4.178 *PRP*—potentially responsible party (pursuant to CERCLA 42 USC § 9607(a)).
- 3.4.189 *RCRA*—Resource Conservation and Recovery Act (as amended, 42 USC§ 6901 *et seq.*).
- 3.4.1920 *SARA*—Superfund Amendments and Reauthorization Act of 1986 (amendment to CERCLA).
- 3.4.201 *TSDf*—hazardous waste treatment, storage or disposal facility.
- 3.4.22 *USC*—United States Code.
- 3.4.243 *USGS*—United States Geological Survey.
- 3.4.224 *UST*—underground storage tank.

4. Significance and Use

4.1 *Uses*—This practice is intended for use on a voluntary basis by parties who wish to assess the environmental condition of *commercial real estate*. While use of this practice is intended to constitute *appropriate inquiry* for purposes of CERCLA’s *innocent landowner defense*, it is not intended that its use be limited to that purpose. This practice is intended primarily as an approach to conducting an inquiry designed to identify *recognized environmental conditions* in connection with a *property*, and *environmental site assessments* that are both more and less comprehensive than this practice (including, in some instances, no *environmental site assessment*) may be appropriate in some circumstances. Further, no implication is intended that a person must use this practice in order to be deemed to have conducted inquiry in a commercially prudent or reasonable manner in any particular transaction. Nevertheless, this practice is intended to reflect a commercially prudent and reasonable inquiry.

4.2 Clarifications on Use:

4.2.1 *Use Not Limited to CERCLA*—This practice and Practice E 1528 are designed to assist the *user* in developing information about the environmental condition of a *property* and as such has utility for a wide range of persons, including those who may have no actual or potential CERCLA liability and/or may not be seeking the *innocent landowner defense*.

4.2.2 *Residential Tenants/Purchasers and Others*—No implication is intended that it is currently customary practice for residential tenants of multifamily residential buildings, tenants of single-family homes or other residential real estate, or purchasers of dwellings for one’s own residential use, to conduct an *environmental site assessment* in connection with these transactions. Thus, these transactions are not included in the term commercial real estate transactions, and it is not intended to imply that such persons are obligated to conduct an *environmental site assessment* in connection with these transactions for purposes of *appropriate inquiry* or for any other purpose. In addition, no implication is intended that it is currently customary practice for *environmental site assessments* to be conducted in other unenumerated instances (including but not limited to many commercial leasing transactions, many acquisitions of easements, and many loan transactions in which the lender has multiple remedies). On the other hand, anyone who elects to do an *environmental site assessment* of any *property* or portion of a property may, in such person’s judgment, use either this practice or Practice E 1528.

4.2.3 *Site-Specific*— This practice is site-specific in that it relates to assessment of environmental conditions on a specific parcel of *commercial real estate*. Consequently, this practice does not address many additional issues raised in transactions such as purchases of business entities, or interests therein, or of their assets, that may well involve environmental liabilities pertaining to properties previously owned or operated or other off-site environmental liabilities.

4.3 *Two Related Practices*—This practice sets forth one procedure for an *environmental site assessment* known as a “Phase I Environmental Site Assessment” or a “Phase I ESA” or simply a “Phase I.” This practice is a companion to Practice E 1528. These practices are each intended to meet the standard of *appropriate inquiry* necessary to qualify for the *innocent landowner defense*. It is essential to consider that these practices, taken together, provide for two alternative practices of *appropriate inquiry*.

4.3.1 *Election to Commence with Either Practice*—The *user* may commence inquiry to identify *recognized environmental conditions* in connection with a *property* by performing either the *transaction screen process*, or the Phase I Environmental Site Assessment given in this practice.

4.3.2 *Who May Conduct*— The *transaction screen process* may be conducted either by the *user* (including an agent or employee of the user) or wholly or partially by an *environmental professional*. The *transaction screen process* does not require the judgment of an *environmental professional*. Whenever a Phase I Environmental Site Assessment is conducted, it must be performed by an *environmental professional* to the extent specified in 6.5.1. Further, at the Phase I Environmental Site Assessment level, no practical standard can be designed to eliminate the role of judgment and the value and need for experience in the party performing the inquiry. The professional judgment of an *environmental professional* is, consequently, vital to the performance of *appropriate inquiry* at the Phase I Environmental Site Assessment level.

4.4 *Additional Services*—As set forth in 11.9, additional services may be contracted for between the *user* and the *environmental professional*. Such additional services may include *business environmental risk* issues not included within the scope of this practice, examples of which are identified in 12.1.4 under Non-Scope Considerations.

4.5 *Principles*—The following principles are an integral part of both practices and are intended to be referred to in resolving any ambiguity or exercising such discretion as is accorded the *user* or *environmental professional* in performing an *environmental site assessment* or in judging whether a *user* or *environmental professional* has conducted *appropriate inquiry* or has otherwise conducted an adequate *environmental site assessment*.

4.5.1 *Uncertainty Not Eliminated*—No *environmental site assessment* can wholly eliminate uncertainty regarding the potential for *recognized environmental conditions* in connection with a *property*. Performance of this practice or E 1528 is intended to reduce, but not eliminate, uncertainty regarding the potential for *recognized environmental conditions* in connection with a *property*, and both practices recognize reasonable limits of time and cost.

4.5.2 *Not Exhaustive*—*Appropriate inquiry* does not mean an exhaustive assessment of a clean *property*. There is a point at which the cost of information obtained or the time required to gather it outweighs the usefulness of the information and, in fact, may be a material detriment to the orderly completion of transactions. One of the purposes of this practice is to identify a balance between the competing goals of limiting the costs and time demands inherent in performing an *environmental site assessment* and the reduction of uncertainty about unknown conditions resulting from additional information.

4.5.3 *Level of Inquiry Is Variable*—Not every *property* will warrant the same level of assessment. Consistent with good commercial or customary practice, the appropriate level of *environmental site assessment* will be guided by the type of *property* subject to assessment, the expertise and risk tolerance of the *user*, and the information developed in the course of the inquiry.

4.5.4 *Comparison With Subsequent Inquiry*—It should not be concluded or assumed that an inquiry was not *appropriate inquiry* merely because the inquiry did not identify *recognized environmental conditions* in connection with a *property*. *Environmental site assessments* must be evaluated based on the reasonableness of judgments made at the time and under the circumstances in which they were made. Subsequent *environmental site assessments* should not be considered valid standards to judge the appropriateness of any prior assessment based on hindsight, new information, use of developing technology or analytical techniques, or other factors.

4.6 *Continued Viability of Environmental Site Assessment*—An *environmental site assessment* meeting or exceeding either Practice E 1528 or this practice and completed less than 180 days previously is presumed to be valid. An *environmental site assessment* meeting or exceeding either practice and completed more than 180 days previously may be used to the extent allowed by 4.7-4.7.5.

4.7 *Prior Assessment Usage*—Both Practice E 1528 and this practice recognize that *environmental site assessments* performed in accordance with these practices will include information that subsequent *users* may want to use to avoid undertaking duplicative assessment procedures. Therefore, the practices describe procedures to be followed to assist users in determining the appropriateness of using information in *environmental site assessments* performed previously. The system of prior assessment usage is based on the following principles that should be adhered to in addition to the specific procedures set forth elsewhere in these practices:

4.7.1 *Use of Prior Information*—Subject to 4.7.4, *users* and *environmental professionals* may use information in prior *environmental site assessments* provided such information was generated as a result of procedures that meet or exceed the requirements of this practice or Practice E 1528 and then only provided that the specific procedures set forth in the appropriate practice are met.

4.7.2 *Prior Assessment Meets or Exceeds*—Subject to 4.7.4, a prior *environmental site assessment* may be used in its entirety, without regard to the specific procedures set forth in these practices, if, in the reasonable judgment of the *user*: the prior *environmental site assessment* meets or exceeds the requirements of Practice E 1528 or this practice and the conditions at the *property* likely to affect *recognized environmental conditions* in connection with the *property* are not likely to have changed materially since the prior *environmental site assessment* was conducted. In making this judgment, the *user* should consider the type of *property* assessed and the conditions in the area surrounding the *property*.

4.7.3 *Current Investigation*—Except as provided in 4.7.2 and 4.7.2 of Practice E 1528 prior *environmental site assessments* should not be used without current investigation of conditions likely to affect *recognized environmental conditions* in connection with the *property* that may have changed materially since the prior *environmental site assessment* was conducted. At a minimum, for a Phase I Environmental Site Assessment consistent with this practice, a new *site reconnaissance*, interviews, and an update of the *records review* should be performed.

4.7.4 *Actual Knowledge Exception*—If the *user* or *environmental professional(s)* conducting an *environmental site assessment* has *actual knowledge* that the information being used from a prior *environmental site assessment* is not accurate or if it is *obvious*, based on other information obtained by means of the *environmental site assessment* or known to the person conducting the *environmental site assessment*, that the information being used is not accurate, such information from a prior *environmental site assessment* may not be used.

4.7.5 *Contractual Issues Regarding Prior Assessment Usage*—The contractual and legal obligations between prior and subsequent *users* of *environmental site assessments* or between *environmental professionals* who conducted prior *environmental site assessments* and those who would like to use such prior *environmental site assessments* are beyond the scope of this practice.

4.8 *Rules of Engagement*—The contractual and legal obligations between an *environmental professional* and a *user* (and other parties, if any) are outside the scope of this practice. No specific legal relationship between the *environmental professional* and the *user* is necessary for the *user* to meet the requirements of this practice.

5. User’s Responsibilities

5.1 *Scope*—The purpose of this section is to describe tasks that will help identify the possibility of *recognized environmental conditions* in connection with the *property*. These tasks do not require the technical expertise of an *environmental professional* and are generally not performed by *environmental professionals* performing a Phase I Environmental Site Assessment. They may be performed by the *user*.

5.2 *Checking Title Records for Environmental Liens or Activity and Land Use Limitations*—*Reasonably ascertainable recorded land title records* (see 7.3.4.4) should be checked to identify *environmental liens or activity and use limitations*, if any, that are currently recorded against the *property*. Any *environmental liens or activity and use limitations* so identified shall be reported to the *environmental professional* conducting a Phase I Environmental Site Assessment. This practice does not impose on the *environmental professional* the responsibility to check for recorded *environmental liens or activity and use limitations*. Rather the *user* should check or engage a title company or title professional to check *reasonably ascertainable recorded land title records* for *environmental liens or activity and use limitations* currently recorded against the *property*.

5.2.1 *Reasonably Ascertainable*—*Environmental liens or activity and use limitations* that are unrecorded or are recorded any place other than *recorded land title records* are not considered to be in *recorded land title records* that are *reasonably ascertainable*. *Recorded land title records* need not be checked if they otherwise do not meet the definition of the term *reasonably ascertainable*.

5.3 *Specialized Knowledge or Experience of the User*—If the *user* is aware of any specialized knowledge or experience that is material to *recognized environmental conditions* in connection with the *property*, it is the *user’s* responsibility to communicate any information based on such specialized knowledge or experience to the *environmental professional*. The *user* should do so before the *environmental professional* does the *site reconnaissance*.

5.4 *Reason for Significantly Lower Purchase Price*—In a transaction involving the purchase of a parcel of *commercial real estate*, if a *user* has *actual knowledge* that the purchase price of the *property* is significantly less than the purchase price of comparable properties, the *user* should try to identify an explanation for the lower price and to make a written record of such explanation. Among the factors to consider will be the information that becomes known to the *user* pursuant to the Phase I Environmental Site Assessment.

5.5 *Other*—Either the *user* shall make known to the *environmental professional* the reason why the *user* wants to have the Phase I *Environmental Site Assessment* performed or, if the *user* does not identify the purpose of the Phase I *Environmental Site Assessment*, the *environmental professional* shall assume the purpose is to qualify for the innocent landowner defense to CERCLA liability and state this in the report. In addition to satisfying one of the requirements to qualify for the innocent landowner defense to CERCLA liability, another reason for performing a Phase I *Environmental Site Assessment* might include the need to understand potential environmental conditions that could materially impact the operation of the business associated with the parcel of *commercial real estate*. The *user* and the *environmental professional* may also need to modify the scope of services performed under this practice for special circumstances, including, but not limited to, operating industrial facilities or large tracts of land (large areas or corridors).

6. Phase I Environmental Site Assessment

6.1 *Objective*—The purpose of this Phase I Environmental Site Assessment is to identify, to the extent feasible pursuant to the processes prescribed herein, recognized environmental conditions in connection with the *property*. (See 1.1.1.)

6.2 *Four Components*— A Phase I Environmental Site Assessment shall have four components, as described as follows:

6.2.1 *Records Review*— Review of records; see Section 7,

6.2.2 *Site Reconnaissance*, A visit to the *property*; see Section 8,

6.2.3 *Interviews*:

6.2.3.1 Interviews with current *owners* and *occupants* of the *property*; see Section 9, and

6.2.3.2 Interviews with local government officials; see Section 10, and

6.2.4 *Report*—Evaluation and report; see Section 11.

6.3 *Coordination of Parts*:

6.3.1 *Parts Used in Concert*—The *records review*, *site reconnaissance*, and *interviews* are intended to be used in concert with each other. If information from one source indicates the need for more information, other sources may be available to provide information. For example, if a previous use of the *property* as a gasoline station is identified through the *records review*, but the present *owner* and *occupants* interviewed report no knowledge of an underground storage tank, the person conducting the *site reconnaissance* should be alert for signs of the presence of an underground storage tank.

6.3.2 *User Obligations*— The *environmental professional* shall note in the report whether or not the *user* has reported to the *environmental professional* any *environmental liens* encumbering the *property* or any specialized knowledge or experience of the *user* that would provide important information about previous ownership or uses of the *property* that may be material to identifying *recognized environmental conditions*.

6.4 *No Sampling*— This practice does not include any testing or sampling of materials (for example, soil, water, air, building materials).

6.5 *Who May Conduct a Phase I:*

6.5.1 *Environmental Professional's Duties*—The *interviews* and *site reconnaissance*, as well as review and interpretation of information upon which the report is based and overseeing the writing of the report, are all portions of a Phase I Environmental Site Assessment that shall be performed by an *environmental professional* or *environmental professionals*. If more than one environmental professional is involved in these tasks, they shall coordinate their efforts.

6.5.2 *Environmental Professional Supervision*—Information for the *records review* needed for completion of a Phase I Environmental Site Assessment may be provided by a number of parties including government agencies, third-party vendors, the *user*, and present and past *owners* and *occupants* of the *property*, provided that the information is obtained by or under the supervision of an *environmental professional* or is obtained by a third-party vendor specializing in retrieval of the information specified in Section 7. Prior assessments may also contain information that will be appropriate for usage in a current *environmental site assessment* provided the prior usage procedures set forth in Sections 7, 8, and 9 are followed. The *environmental professional(s)* participating in the *site reconnaissance* and responsible for the report shall review all of the information provided.

6.5.2.1 *Reliance*—An environmental professional is not required to verify independently the information provided but may rely on information provided unless he or she has *actual knowledge* that certain information is incorrect or unless it is *obvious* that certain information is incorrect based on other information obtained in the Phase I Environmental Site Assessment or otherwise actually known to the *environmental professional*.

7. Records Review

7.1 *Introduction:*

7.1.1 *Objective*—The purpose of the *records review* is to obtain and review records that will help identify *recognized environmental conditions* in connection with the *property*.

7.1.2 *Approximate Minimum Search Distance*—Some records to be reviewed pertain not just to the *property* but also pertain to properties within an additional *approximate minimum search distance* in order to help assess the likelihood of problems from migrating *hazardous substances* or *petroleum products*. When the term *approximate minimum search distance* includes areas outside the *property*, it shall be measured from the nearest *property* boundary. The term *approximate minimum search distance* is used in lieu of radius in order to include irregularly shaped properties.

7.1.2.1 *Reduction of Approximate Minimum Search Distance*—When allowed by 7.2.1.1, the *approximate minimum search distance* for a particular record may be reduced in the discretion of the environmental professional. Factors to consider in reducing the *approximate minimum search distance* include: (1) the density (for example, urban, rural, or suburban) of the setting in which the *property* is located; (2) the distance that the *hazardous substances* or *petroleum products* are likely to migrate based on local geologic or hydrogeologic conditions; and (3) other reasonable factors. The justification for each reduction and the *approximate minimum search distance* actually used for any particular record shall be explained in the report. If the *approximate minimum search distance* is specified as “property only,” then the search shall be limited to the *property* and may not be reduced unless the particular record is not *reasonably ascertainable*.

7.1.3 *Accuracy and Completeness*—Accuracy and completeness of record information varies among information sources, including governmental sources. Record information is often inaccurate or incomplete. The *user* or *environmental professional* is not obligated to identify mistakes or insufficiencies in information provided. However, the *environmental professional* reviewing records shall make a reasonable effort to compensate for mistakes or insufficiencies in the information reviewed that are *obvious* in light of other information of which the *environmental professional* has *actual knowledge*.

7.1.4 *Reasonably Ascertainable/Standard Sources*—Availability of record information varies from information source to information source, including governmental jurisdictions. The *user* or *environmental professional* is not obligated to identify, obtain, or review every possible record that might exist with respect to a *property*. Instead, this practice identifies record information that shall be reviewed from standard sources, and the *user* or *environmental professional* is required to review only record information that is reasonably ascertainable from those standard sources. Record information that is *reasonably ascertainable* means (1) information that is publicly available, (2) information that is obtainable from its source within reasonable time and cost constraints, and (3) information that is *practically reviewable*.

7.1.4.1 *Publicly Available*—Information that is *publicly available* means that the source of the information allows access to the information by anyone upon request.

7.1.4.2 *Reasonable Time and Cost*—Information that is obtainable within reasonable time and cost constraints means that the information will be provided by the source within 20 calendar days of receiving a written, telephone, or in-person request at no more than a nominal cost intended to cover the source's cost of retrieving and duplicating the information. Information that can only be reviewed by a visit to the source is *reasonably ascertainable* if the visit is permitted by the source within 20 days of request.

7.1.4.3 *Practically Reviewable*—Information that is *practically reviewable* means that the information is provided by the source in a manner and in a form that, upon examination, yields information relevant to the *property* without the need for extraordinary analysis of irrelevant data. The form of the information shall be such that the *user* can review the records for a limited geographic area. Records that cannot be feasibly retrieved by reference to the location of the *property* or a geographic area in which the *property* is located are not generally *practically reviewable*. Most databases of public records are practically reviewable if they can

be obtained from the source agency by the county, city, zip code, or other geographic area of the facilities listed in the record system. Records that are sorted, filed, organized, or maintained by the source agency only chronologically are not generally *practically reviewable*. Listings in publicly available records which do not have adequate address information to be located geographically are not generally considered *practically reviewable*. For large databases with numerous facility records (such as RCRA generators and registered USTs), the records are not *practically reviewable* unless they can be obtained from the source agency in the smaller geographic area of zip codes. Even when information is provided by zip code for some large databases, it is common for an unmanageable number of sites to be identified within a given zip code. In these cases, it is not necessary to review the impact of all of the sites that are likely to be listed in any given zip code because that information would not be *practically reviewable*. In other words, when so much data is generated that it cannot be feasibly reviewed for its impact on the *property*, it is not required to be reviewed.

7.1.5 *Alternatives to Standard Sources*—Alternative sources may be used instead of standard sources if they are of similar or better reliability and detail, or if a *standard source* is not *reasonably ascertainable*.

7.1.6 *Coordination*— If records are not *reasonably ascertainable* from *standard sources* or alternative sources, the *environmental professional* shall attempt to obtain the requested information by other means specified in this practice such as questions posed to the current *owner* or *occupant(s)* of the *property* or appropriate persons available at the source at the time of the request.

7.1.7 *Sources of Standard Source Information*—*Standard source* information or other record information from government agencies may be obtained directly from appropriate government agencies or from commercial services. Government information obtained from nongovernmental sources may be considered current if the source updates the information at least every 90 days or, for information that is updated less frequently than quarterly by the government agency, within 90 days of the date the government agency makes the information available to the public.

7.1.8 *Documentation of Sources Checked*—The report shall document each source that was used, even if a source revealed no findings. Sources shall be sufficiently documented, including name, date request for information was filled, date information provided was last updated by source, date information was last updated by original source (if provided other than by original source; see 7.1.7)-s. Supporting documentation shall be included in the report or adequately referenced to facilitate reconstruction of the assessment by an environmental professional other than the environmental professional who conducted it.

7.1.9 *Significance*—If a standard *environmental record source* (or other sources in the course of conducting the *Phase I Environmental Site Assessment*) identifies the *property* or another site within the *approximate minimum search distance*, the report shall include the *environmental professional's* judgment about the significance of the listing to the analysis of *recognized environmental conditions* in connection with the *property* (based on the data retrieved pursuant to 7.2, additional information from the government source, or other sources of information). In doing so, the *environmental professional* may make statements applicable to multiple sites (for example, a statement to the effect that none of the sites listed is likely to have a negative impact on the *property* except ...).

7.2 *Environmental Information:*

7.2.1 *Standard Environmental Sources*— The following *standard environmental record sources* shall be reviewed, subject to the conditions of 7.1.1- through 7.1.7:

7.2.1.1 *Standard Environmental Record Sources: Federal and State*—The *approximate minimum search distance* may be reduced, pursuant to 7.1.2.1, for any of these *standard environmental record sources* except the Federal NPL site list and Federal RCRA TSD list.

	Approximate Minimum Search Distance, miles (kilometres)
Federal NPL site list	1.0 (1.6)
Federal CERCLIS list	0.5 (0.8)
Federal CERCLIS NFRAP site list	<u>property and adjoining properties</u>
Federal RCRA CORRACTS TSD facilities list	1.0 (1.6)
Federal RCRA CORRACTS facilities list	1.0 (1.6)
Federal RCRA non-CORRACTS TSD facilities list	0.5 (0.8)
Federal RCRA generators list	<u>property and adjoining properties</u>
Federal ERNS list	property only
State lists of hazardous waste sites identified for investigation or remediation:	
<u>State lists of hazardous waste sites identified for investigation or remediation:</u>	
State-equivalent NPL	1.0 (1.6)
State-equivalent CERCLIS	0.5 (0.8)
State landfill and/or solid waste disposal site lists	-0.5 (0.8)

State landfill and/or solid waste disposal
 site lists
 State leaking UST lists
 State registered UST lists

0.5 (0.8)
 0.5 (0.8)
 property and adjoining properties

7.2.2 *Additional Environmental Record Sources: State or Local*—One or more additional state sources or local sources of environmental records may be checked, in the discretion of the *environmental professional*, to enhance and supplement federal and state sources identified above. Factors to consider in determining which local or additional state records, if any, should be checked include (1) whether they are *reasonably ascertainable*, (2) whether they are sufficiently useful, accurate, and complete in light of the objective of the *records review* (see 7.1.1), and (3) whether they are generally obtained, pursuant to local good commercial or customary practice, in initial *environmental site assessments* in the type of *commercial real estate* transaction involved. To the extent additional state sources or local sources are used to supplement the same record types listed above, *approximate minimum search distances* should not be less than those specified above (adjusted as provided in 7.2.1.1 and 7.1.2.1). Some types of records and sources that may be useful include:

Types of Local Records

Brownfield Sites
 Lists of Landfill/Solid Waste Disposal Sites
 Lists of Hazardous Waste/Contaminated Sites
 Lists of Registered Underground Storage Tanks
Local Land Records (for activity and use limitations)
 Records of Emergency Release Reports (SARA § 304)
 Records of Contaminated Public Wells

Local Sources

Department of Health/Environmental Division
 Fire Department
 Planning Department
 Building Permit/Inspection Department
 Local/Regional Pollution Control Agency
 Local/Regional Water Quality Agency
 Local Electric Utility Companies (for records relating to PCBs)

7.2.3 *Physical Setting Sources*—A current USGS 7.5 Minute Topographic Map (or equivalent) showing the area on which the *property* is located shall be reviewed, provided it is *reasonably ascertainable*. It is the only *standard physical setting source* and the only *physical setting source* that is required to be obtained (and only if it is *reasonably ascertainable*). One or more additional *physical setting sources* may be obtained in the discretion of the *environmental professional*. Because such sources provide information about the geologic, hydrogeologic, hydrologic, or topographic characteristics of a site, discretionary *physical setting sources* shall be sought when (1) conditions have been identified in which *hazardous substances* or *petroleum products* are likely to migrate to the *property* or from or within the *property* into the ground water or soil and (2) more information than is provided in the current USGS 7.5 Minute Topographic Map (or equivalent) is generally obtained, pursuant to local good commercial or customary practice in initial *environmental site assessments* in the type of *commercial real estate transaction* involved, in order to assess the impact of such migration on *recognized environmental conditions* in connection with the *property*.

Mandatory Standard Physical Setting Source

USGS—Current 7.5 Minute Topographic Map (or equivalent)

Discretionary and Non-Standard Physical Setting Sources

USGS and/or State Geological Survey—Groundwater Maps
 USGS and/or State Geological Survey—Bedrock Geology Maps
 USGS and/or State Geological Survey—Surficial Geology Maps
 Soil Conservation Service—Soil Maps
 Other Physical Setting Sources that are reasonably credible (as well as reasonably ascertainable)

7.3 *Historical Use Information:*

7.3.1 *Objective*—The objective of consulting historical sources is to develop a history of the previous uses of the *property* and surrounding area, in order to help identify the likelihood of past uses having led to *recognized environmental conditions* in connection with the *property*.

7.3.2 *Uses of the Property*—All *obvious* uses of the *property* shall be identified from the present, back to the *property's obvious* first developed use, or back to 1940, whichever is earlier. This task requires reviewing only as many of the *standard historical sources* in 7.3.4.1- through 7.3.4.8 as are necessary and both *reasonably ascertainable* and likely to be useful (as defined under *Data Failure* in 7.3.2.3). For example, if the *property* was developed in the 1700's, it might be feasible to identify uses back to the early 1900's, using sources such as *fire insurance maps* or *USGS 7.5 minute topographic maps* (or equivalent). Although other sources such as *recorded land title records* might go back to the 1700's, it would not be required to review them unless they were both *reasonably ascertainable* and likely to be useful. As another example, if the *property* was reportedly not developed until 1960, it would still be necessary to confirm that it was undeveloped back to 1940. Such confirmation may come from one or more of the *standard historical sources* specified in 7.3.4.1- through 7.3.4.8, or it may come from *other historical sources* (such as someone

with personal knowledge of the *property*; see 7.3.4.9). However, checking other historical sources (see 7.3.4.9) would not be required. For purposes of 7.3.2, the term “developed use” includes agricultural uses and placement of fill. The report shall describe all identified uses, justify the earliest date identified (for example, records showed no development of the *property* prior to the specific date), and explain the reason for any gaps in the history of use (for example, *data failure*).

7.3.2.1 –Intervals—Review of standard historical sources at less than approximately five year intervals is not required by this practice (for example, if the *property* had one use in 1950 and another use in 1955, it is not required to check for a third use in the intervening period). If the specific use of the *property* appears unchanged over a period longer than five years, then it is not required by this practice to research the use during that period (for example, if *fire insurance maps* show the same apartment building in 1940 and 1960, then the period in between need not be researched).

7.3.2.2 General Type of Use—In identifying previous uses, more specific information about uses is more helpful than less specific information, but it is sufficient, for purposes of 7.3.2, to identify the general type of use (for example: office, retail, and residential) unless it is obvious from the source(s) consulted that the use may be more specifically identified. However, if the general type of use is industrial or manufacturing (for example, zoning/land use records show industrial zoning), then additional standard historical sources should be reviewed if they are likely to identify a more specific use and are reasonably ascertainable, subject to the constraints of data failure (see 7.3.2.3).

7.3.2.3 Data Failure—A standard historical source may be excluded (1) if the source is not reasonably ascertainable, or (2) if past experience indicates that the source is not likely to be sufficiently useful, accurate, or complete in terms of satisfying 7.3.2. Other historical sources specified in 7.3.4.9 may be used to satisfy 7.3.2, 7.3.2.1, and 7.3.2.2, but are not required to comply with this practice. Whatever history of previous uses is derived from checking the standard historical sources specified in 7.3.4.1-through 7.3.4.8 (except those excluded by (1) and (2) of 7.3.2.3) shall be deemed sufficient historical use information to comply with this practice.

7.3.3 *Uses of Properties in Surrounding Area*—Uses in the area surrounding the *property* shall be identified in the report, but this task is required only to the extent that this information is revealed in the course of researching the *property* itself (for example, an *aerial photograph* or *fire insurance map* of the *property* will usually show the surrounding area). If the *environmental professional* uses sources that include the surrounding area, surrounding uses should be identified to a distance determined at the discretion of the *environmental professional* (for example, if an aerial photo shows the area surrounding the *property*, then the *environmental professional* shall determine how far out from the *property* the photo should be analyzed). Factors to consider in making this determination include, but are not limited to: the extent to which information is *reasonably ascertainable*; the time and cost involved in reviewing surrounding uses (for example, analyzing *aerial photographs* is relatively quick, but reviewing *property tax files* for adjacent properties or reviewing *local street directories* for more than the few streets that surround the site is typically too time-consuming); the extent to which information is useful, accurate, and complete in light of the purpose of the records review (see 7.1.1); the likelihood of the information being significant to *recognized environmental conditions* in connection with the *property*; the extent to which potential concerns are *obvious*; known hydrogeologic/geologic conditions that may indicate a high probability of *hazardous substances* or *petroleum products* migration to the *property*; how recently local development has taken place; information obtained from *interviews* and other sources; and local good commercial or customary practice.

7.3.4 *Standard Historical Sources*:

7.3.4.1 *Aerial Photographs*—The term “aerial photographs” means photographs taken from an airplane or helicopter (from a low enough altitude to allow identification of development and activities) of areas encompassing the *property*. Aerial photographs are often available from government agencies or private collections unique to a local area.

7.3.4.2 *Fire Insurance Maps*—The term *fire insurance maps* means maps produced by private fire insurance map companies that indicate uses of properties at specified dates and that encompass the *property*. These maps are often available at local libraries, historical societies, private resellers, or from the map companies who produced them.

7.3.4.3 *Property Tax Files*—The term *property tax files* means the files kept for property tax purposes by the local jurisdiction where the *property* is located and includes records of past ownership, appraisals, maps, sketches, photos, or other information that is *reasonably ascertainable* and pertaining to the *property*.

7.3.4.4 *Recorded Land Title Records*—The term *recorded land title records* means records of fee ownership, leases, land contracts, easements, liens, and other encumbrances on or of the *property* recorded in the place where land title records are, by law or custom, recorded for the local jurisdiction in which the *property* is located. (Often such records are kept by a municipal or county recorder or clerk.) Such records may be obtained from title companies or directly from the local government agency. Information about the title to the *property* that is recorded in a U.S. district court or any place other than where land title records are, by law or custom, recorded for the local jurisdiction in which the *property* is located, are not considered part of recorded land title records, because often this source will provide only names of previous owners, lessees, easement holders, etc. and little or no information about uses or occupancies of the *property*, but when employed in combination with another source recorded land title records may provide helpful information about uses of the *property*. *This source cannot be the sole historical source consulted. If this source is consulted, at least one additional standard historical source must also be consulted.*

7.3.4.5 *USGS 7.5 Minute Topographic Maps*—The term *USGS 7.5 Minute Topographic Maps* means the map (if any) available from or produced by the United States Geological Survey, entitled “USGS 7.5 minute topographic map,” and showing the *property*.

7.3.4.6 *Local Street Directories*—The term *local street directories* means directories published by private (or sometimes

government) sources and showing ownership and/or use of sites by reference to street addresses. Often local street directories are available at libraries of local governments, colleges or universities, or historical societies.

7.3.4.7 *Building Department Records*—The term *building department records* means those records of the local government in which the property is located indicating permission of the local government to construct, alter, or demolish improvements on the property. Often building department records are located in the *building department* of a municipality or county.

7.3.4.8 *Zoning/Land Use Records*—The term *zoning/land use records* means those records of the local government in which the property is located indicating the uses permitted by the local government in particular zones within its jurisdiction. The records may consist of maps and/or written records. They are often located in the *planning department* of a municipality or county.

7.3.4.9 *Other Historical Sources*—The term *other historical sources* means any source or sources other than those designated in 7.3.4.1- through 7.3.4.8 that are credible to a reasonable person and that identify past uses of the *property*. This category includes, but is not limited to: miscellaneous maps, newspaper archives, and records in the files and/or personal knowledge of the *property owner* and/or *occupants*.

7.4 *Prior Assessment Usage*—*Standard historical sources* reviewed as part of a prior *environmental site assessment* do not need to be searched for or reviewed again, but uses of the *property* since the prior *environmental site assessment* should be identified either through *standard historical sources* (as specified in 7.3) or by alternatives to *standard historical sources*, to the extent such information is reasonably ascertainable. (See 4.7.)

8. Site Reconnaissance

8.1 *Objective*—The objective of the *site reconnaissance* is to obtain information indicating the likelihood of identifying *recognized environmental conditions* in connection with the *property*.

8.2 *Observation*—On a visit to the *property* (the *site visit*), the *environmental professional* shall *visually and physically* observe the *property* and any structure(s) located on the *property* to the extent not obstructed by bodies of water, adjacent buildings, or other obstacles.

8.2.1 *Exterior*—The periphery of the *property* shall be *visually and/or physically observed*, as well as the periphery of all structures on the *property*, and the *property* should be viewed from all adjacent public thoroughfares. If roads or paths with no apparent outlet are observed on the *property*, the use of the road or path should be identified to determine whether it was likely to have been used as an avenue for disposal of *hazardous substances* or *petroleum products*.

8.2.2 *Interior*—On the interior of structures on the *property*, accessible common areas expected to be used by *occupants* or the public (such as lobbies, hallways, utility rooms, recreation areas, etc.), maintenance and repair areas, including boiler rooms, and a representative sample of *occupant* spaces, should be *visually and/or physically observed*. It is not necessary to look under floors, above ceilings, or behind walls.

8.2.3 *Methodology*—The *environmental professional* shall document, in the report, the method used (for example, grid patterns or other systematic approaches used for large properties, which spaces for *owner* or *occupants* were observed) to observe the *property*.

8.2.4 *Limitations*—The *environmental professional* shall document, in the report, general limitations and bases of review, including limitations imposed by physical obstructions such as adjacent buildings, bodies of water, asphalt, or other paved areas, and limiting conditions (for example, snow, rain).

8.2.5 *Frequency*—It is not expected that more than one visit to the *property* shall be made by the *environmental professional* in connection with a *Phase I Environmental Site Assessment*. The one visit constituting part of the *Phase I Environmental Site Assessment* may be referred to as the *site visit*.

8.3 *Prior Assessment Usage*—The information supplied in connection with the *site reconnaissance* portion of a prior *environmental site assessment* may be used for guidance but shall not be relied upon without determining through a new *site reconnaissance* whether any conditions that are material to *recognized environmental conditions* in connection with the *property* have changed since the prior *environmental site assessment*.

8.4 *Uses and Conditions*—The *environmental professional(s)* conducting the *site reconnaissance* should note the uses and conditions specified in 8.4.1 through 8.4.4.8 to the extent *visually and/or physically observed* during the *site visit*. The uses and conditions specified in 8.4.4 through 8.4.4.8 should also be the subject of questions asked as part of *interviews* of *owners* and *occupants* (see Section 9). Uses and conditions to be noted shall be recorded in field notes of the *environmental professional(s)* conducting the *site reconnaissance* but are only required to be described in the report to the extent specified in 8.4.1 through 8.4.4.8. The *environmental professional(s)* performing the *Phase I Environmental Site Assessment* are obligated to identify uses and conditions only to the extent that they may be *visually and/or physically observed* on a *site visit*, as described in this practice, or to the extent that they are identified by the *interviews* (see Sections 9 and 10) or *record review* (see Section 7) processes described in this practice.

8.4.1 General Site Setting:

8.4.1.1 *Current Use(s) of the Property*—The current use(s) of the *property* shall be identified in the report. Any current uses likely to involve the use, treatment, storage, disposal, or generation of *hazardous substances* or *petroleum products* shall be identified in the report. Unoccupied occupant spaces should be noted. In identifying current uses of the *property*, more specific information is more helpful than less specific information. (For example, it is more useful to identify uses such as a hardware store, a grocery store, or a bakery rather than simply retail use.)

8.4.1.2 *Past Use(s) of the Property*—To the extent that indications of past uses of the *property* are *visually and/or physically observed* on the *site visit*, or are identified in the *interviews* or *record review*, they shall be identified in the report, and past uses so identified shall be described in the report if they are likely to have involved the use, treatment, storage, disposal, or generation of *hazardous substances* or *petroleum products*. (For example, there may be signs indicating a past use or a structure indicating a past use.)

8.4.1.3 *Current Uses of Adjoining Properties*—To the extent that current uses of *adjoining properties* are *visually and/or physically observed* on the *site visit*, or are identified in the *interviews* or *records review*, they shall be identified in the report, and current uses so identified shall be described in the report if they are likely to indicate *recognized environmental conditions* in connection with the *adjoining properties* or the *property*.

8.4.1.4 *Past Uses of Adjoining Properties*— To the extent that indications of past uses of *adjoining properties* are *visually and/or physically observed* on the *site visit*, or are identified in the *interviews* or *record review*, they shall be noted by the *environmental professional*, and past uses so identified shall be described in the report if they are likely to indicate *recognized environmental conditions* in connection with the *adjoining properties* or the *property*.

8.4.1.5 *Current or Past Uses in the Surrounding Area*—To the extent that the general type of current or past uses (for example, residential, commercial, industrial) of properties surrounding the *property* are *visually and/or physically observed* on the *site visit* or going to or from the *property* for the *site visit*, or are identified in the *interviews* or *record review*, they shall be noted by the *environmental professional*, and uses so identified shall be described in the report if they are likely to indicate *recognized environmental conditions* in connection with the *property*.

8.4.1.6 *Geologic, Hydrogeologic, Hydrologic, and Topographic Conditions*—The topographic conditions of the *property* shall be noted to the extent *visually and/or physically observed* or determined from *interviews*, as well as the general topography of the area surrounding the *property* that is *visually and/or physically observed* from the periphery of the *property*. If any information obtained shows there are likely to be *hazardous substances* or *petroleum products* on the property or on nearby properties and those *hazardous substances* or *petroleum products* are of a type that may migrate, topographic observations shall be analyzed in connection with geologic, hydrogeologic, hydrologic, and topographic information obtained pursuant to *records review* (see 7.2.3) and *interviews* to evaluate whether *hazardous substances* or *petroleum products* are likely to migrate to the *property*, or within or from the *property*, into ground water or soil.

8.4.1.7 *General Description of Structures*— The report shall generally describe the structures or other improvements on the *property*, for example: number of buildings, number of stories each, approximate age of buildings, ancillary structures (if any), etc.

8.4.1.8 *Roads*—Public thoroughfares adjoining the *property* shall be identified in the report and any roads, streets, and parking facilities on the *property* shall be described in the report.

8.4.1.9 *Potable Water Supply*—The source of potable water for the *property* shall be identified in the report.

8.4.1.10 *Sewage Disposal System*—The sewage disposal system for the *property* shall be identified in the report. Inquiry shall be made as to the age of the system as part of the process under Sections 7, 9, or 10.

8.4.2 *Interior and Exterior Observations:*

8.4.2.1 *Current Use(s) of the Property*— The current use(s) of the *property* shall be identified in the report. Any current uses likely to involve the use, treatment, storage, disposal, or generation of *hazardous substances* or *petroleum products* shall be identified in the report. Unoccupied *occupant* spaces should be noted. In identifying current uses of the *property*, more specific information is more helpful than less specific information. (For example, it is more useful to identify uses such as a hardware store, a grocery store, or a bakery rather than simply retail use.)

8.4.2.2 *Past Use(s) of the Property*—To the extent that indications of past uses of the *property* are *visually and/or physically observed* on the *site visit*, or are identified in the *interviews* or *records review*, they shall be identified in the report, and past uses so identified shall be described in the report if they are likely to have involved the use, treatment, storage, disposal, or generation of *hazardous substances* or *petroleum products*. (For example, there may be signs indicating a past use or a structure indicating a past use.)

8.4.2.3 *Hazardous Substances and Petroleum Products in Connection with Identified Uses*—To the extent that present uses are identified that use, treat, store, dispose of, or generate *hazardous substances* and *petroleum products* on the *property*: (1) the *hazardous substances* and *petroleum products* shall be identified or indicated as unidentified in the report, and (2) the approximate quantities involved, types of containers (if any) and storage conditions shall be described in the report. To the extent that past uses are identified that used, treated, stored, disposed of, or generated *hazardous substances* and *petroleum products* on the *property*, the information shall be identified to the extent it is *visually and/or physically observed* during the *site visit* or identified from the *interviews* or the *records review*.

8.4.2.4 *Storage Tanks*—Above ground storage tanks, or underground storage tanks or vent pipes, fill pipes or access ways indicating underground storage tanks shall be identified (for example, content, capacity, and age) to the extent *visually and/or physically observed* during the *site visit* or identified from the *interviews* or *records review*.

8.4.2.5 *Odors*—Strong, pungent, or noxious odors shall be described in the report and their sources shall be identified in the report to the extent *visually and/or physically observed* or identified from the *interviews* or *records review*.

8.4.2.6 *Pools of Liquid*—Standing surface water shall be noted. Pools or *sumps* containing liquids likely to be *hazardous*

substances or petroleum products shall be described in the report to the extent *visually and/or physically observed* or identified from the interviews or records review.

8.4.2.7 *Drums*—To the extent *visually and/or physically observed* or identified from the interviews or records review, drums shall be described in the report, whether or not they are leaking, unless it is known that their contents are not *hazardous substances* or *petroleum products* (in that case the contents should be described in the report). *Drums* often hold 55 gal (208 L) of liquid, but containers as small as 5 gal (19 L) should also be described.

8.4.2.8 *Hazardous Substance and Petroleum Products Containers (Not Necessarily in Connection With Identified Uses)*—When containers identified as containing *hazardous substances* or *petroleum products* are *visually and/or physically observed* on the property and are or might be a *recognized environmental condition*: the *hazardous substances* or *petroleum products* shall be identified or indicated as unidentified in the report, and the approximate quantities involved, types of containers, and storage conditions shall be described in the report.

8.4.2.9 *Unidentified Substance Containers*— When open or damaged containers containing unidentified substances suspected of being *hazardous substances* or *petroleum products* are *visually and/or physically observed* on the property, the approximate quantities involved, types of containers, and storage conditions shall be described in the report.

8.4.2.10 *PCBs*—Electrical or hydraulic equipment known to contain PCBs or likely to contain PCBs shall be described in the report to the extent *visually and/or physically observed* or identified from the interviews or records review. Fluorescent light ballast likely to contain PCBs does not need to be noted.

8.4.3 *Interior Observations:*

8.4.3.1 *Heating/Cooling*—The means of heating and cooling the buildings on the property, including the fuel source for heating and cooling, shall be identified in the report (for example, heating oil, gas, electric, radiators from steam boiler fueled by gas).

8.4.3.2 *Stains or Corrosion*—To the extent *visually and/or physically observed* or identified from the interviews, stains or corrosion on floors, walls, or ceilings shall be described in the report, except for staining from water.

8.4.3.3 *Drains and Sumps*—To the extent *visually and/or physically observed* or identified from the interviews, floor drains and sumps shall be described in the report.

8.4.4 *Exterior Observations:*

8.4.4.1 *Pits, Ponds, or Lagoons*—To the extent *visually and/or physically observed* or identified from the interviews or records review, pits, ponds, or lagoons on the property shall be described in the report, particularly if they have been used in connection with waste disposal or waste treatment. *Pits, ponds, or lagoons* on properties adjoining the property shall be described in the report to the extent they are *visually and/or physically observed* from the property or identified in the interviews or records review.

8.4.4.2 *Stained Soil or Pavement*—To the extent *visually and/or physically observed* or identified from the interviews, areas of stained soil or pavement shall be described in the report.

8.4.4.3 *Stressed Vegetation*—To the extent *visually and/or physically observed* or identified from the interviews, areas of stressed vegetation (from something other than insufficient water) shall be described in the report.

8.4.4.4 *Solid Waste*—To the extent *visually and/or physically observed* or identified from the interviews or records review, areas that are apparently filled or graded by non-natural causes (or filled by fill of unknown origin) suggesting trash or other solid waste disposal, or mounds or depressions suggesting trash or other solid waste disposal, shall be described in the report.

8.4.4.5 *Waste Water*—To the extent *visually and/or physically observed* or identified from the interviews or records review, waste water or other liquid (including storm water) or any discharge into a drain, ditch, or stream on or adjacent to the property shall be described in the report.

8.4.4.6 *Wells*—To the extent *visually and/or physically observed* or identified from the interviews or records review, all wells (including dry wells, irrigation wells, injection wells, abandoned wells, or other wells) shall be described in the report.

8.4.4.7 *Septic Systems*—To the extent *visually and/or physically observed* or identified from the interviews or records review, indications of on-site septic systems or cesspools should be described in the report.

9. Interviews With Owners and Occupants

9.1 *Objective*—The objective of interviews is to obtain information indicating *recognized environmental conditions* in connection with the property.

9.2 *Content*—Interviews with owners and occupants consist of questions to be asked in the manner and of persons as described in this section. The content of questions to be asked shall attempt to obtain information about uses and conditions as described in Section 8, as well as information described in 9.8 and 9.9.

9.3 *Medium*—Questions to be asked pursuant to this section may be asked in person, by telephone, or in writing, in the discretion of the *environmental professional*.

9.4 *Timing*—Except as specified in 9.8 and 9.9, it is in the discretion of the *environmental professional* whether to ask questions before, during, or after the *site visit* described in Section 8, or in some combination thereof.

9.5 *Who Should be Interviewed:*

9.5.1 *Key Site Manager*—Prior to the *site visit*, the owner should be asked to identify a person with good knowledge of the uses and physical characteristics of the property (the *key site manager*). Often the *key site manager* will be the property manager, the chief physical plant supervisor, or head maintenance person. (If the user is the current property owner, the user has an obligation to identify a *key site manager*, even if it is the user himself or herself.) If a *key site manager* is identified, the person conducting

the *site visit* shall make at least one reasonable attempt (in writing or by telephone) to arrange a mutually convenient appointment for the *site visit* when the *key site manager* agrees to be there. If the attempt is successful, the *key site manager* shall be interviewed in conjunction with the *site visit*. If such an attempt is unsuccessful, when conducting the *site visit*, the *environmental professional* shall inquire whether an identified *key site manager* (if any) or if a person with good knowledge of the uses and physical characteristics of the *property* is available to be interviewed at that time; if so, that person shall be interviewed. In any case, it is within the discretion of the *environmental professional* to decide which questions to ask before, during, or after the *site visit* or in some combination thereof.

9.5.2 *Occupants*—A reasonable attempt shall be made to interview a reasonable number of *occupants* of the *property*.

9.5.2.1 *Multi-Family Properties*—For multi-family residential properties, residential *occupants* do not need to be interviewed, but if the *property* has nonresidential uses, interviews should be held with the nonresidential *occupants* based on criteria specified in 9.5.2.2.

9.5.2.2 *Major Occupants*—Except as specified in 9.5.2.1, if the *property* has five or fewer current *occupants*, a reasonable attempt shall be made to interview a representative of each one of them. If there are more than five current *occupants*, a reasonable attempt shall be made to interview the *major occupant(s)* and those other *occupants* whose operations are likely to indicate *recognized environmental conditions* in connection with the *property*.

9.5.2.3 *Reasonable Attempts to Interview*—Examples of reasonable attempts to interview those *occupants* specified in 9.5.2.2 include (but are not limited to) an attempt to interview such *occupants* when making the *site visit* or calling such *occupants* by telephone. In any case, when there are several *occupants* to interview, it is not expected that the *site visit* must be scheduled at a time when they will all be available to be interviewed.

9.5.2.4 *Occupant Identification*—The report shall identify the *occupants* interviewed and the duration of their occupancy.

9.5.3 *Prior Assessment Usage*—Persons interviewed as part of a prior *Phase I Environmental Site Assessment* consistent with this practice do not need to be questioned again about the content of answers they provided at that time. However, they should be questioned about any new information learned since that time, or others should be questioned about conditions since the prior *Phase I Environmental Site Assessment* consistent with this practice.

9.6 *Quality of Answers*—The person(s) interviewed should be asked to be as specific as reasonably feasible in answering questions. The person(s) interviewed should be asked to answer in good faith and to the extent of their knowledge.

9.7 *Incomplete Answers*—While the person conducting the interview(s) has an obligation to ask questions, in many instances the persons to whom the questions are addressed will have no obligation to answer them.

9.7.1 *User*—If the person to be interviewed is the user (the person on whose behalf the *Phase I Environmental Site Assessment* is being conducted), the *user* has an obligation to answer all questions posed by the person conducting the interview, in good faith, to the extent of his or her *actual knowledge* or to designate a *key site manager* to do so. If answers to questions are unknown or partially unknown to the *user* or such *key site manager*, this *interview* section of the *Phase I Environmental Site Assessment* shall not thereby be deemed incomplete.

9.7.2 *Non-user*—If the person conducting the interview(s) asks questions of a person other than a user but does not receive answers or receives partial answers, this section of the *Phase I Environmental Site Assessment* shall not thereby be deemed incomplete, provided that (1) the questions have been asked (or attempted to be asked) in person or by telephone and written records have been kept of the person to whom the questions were addressed and the responses, or (2) the questions have been asked in writing sent by first class mail or by private, commercial carrier and no answer or incomplete answers have been obtained and at least one reasonable follow up (telephone call or written request) was made again asking for responses.

9.8 *Questions About Helpful Documents*—Prior to the *site visit*, the *property owner*, *key site manager* (if any is identified), and *user* (if different from the *property owner*) shall be asked if they know whether any of the documents listed in 9.8.1 exists and, if so, whether copies can and will be provided to the *environmental professional* within reasonable time and cost constraints. Even partial information provided may be useful. If so, the *environmental professional* conducting the *site visit* shall review the available documents prior to or at the beginning of the *site visit*.

9.8.1 *Helpful Documents*:

9.8.1.1 Environment site assessment reports,

9.8.1.2 Environment audit reports,

9.8.1.3 Environmental permits (for example, solid waste disposal permits, hazardous waste disposal permits, wastewater permits, NPDES permits),

9.8.1.4 Registrations for underground and above-ground storage tanks,

9.8.1.5 Material safety data sheets,

9.8.1.6 Community right-to-know plan,

9.8.1.7 Safety plans; preparedness and prevention plans; spill prevention, countermeasure, and control plans; etc.,

9.8.1.8 Reports regarding hydrogeologic conditions on the property or surrounding area,

9.8.1.9 Notices or other correspondence from any government agency relating to past or current violations of environmental laws with respect to the property or relating to environmental liens encumbering the property,

9.8.1.10 Hazardous waste generator notices or reports, and

9.8.1.11 Geotechnical studies.

9.9 *Proceedings Involving the Property*—Prior to the *site visit*, the *property owner*, *key site manager* (if any is identified), and *user* (if different from the *property owner*) shall be asked whether they know of: (1) any pending, threatened, or past litigation relevant to *hazardous substances* or *petroleum products* in, on, or from the *property*; (2) any pending, threatened, or past administrative proceedings relevant to *hazardous substances* or *petroleum products* in, on or from the *property*; and (3) any notices from any governmental entity regarding any possible violation of environmental laws or possible liability relating to *hazardous substances* or *petroleum products*.

10. Interviews With Local Government Officials

10.1 *Objective*—The objective of *interviews* with *local government officials* is to obtain information indicating *recognized environmental conditions* in connection with the *property*.

10.2 *Content*—Interviews with *local government officials* consist of questions to be asked in the manner and of persons as described in this section. The content of questions to be asked shall be decided in the discretion of the *environmental professional(s)* conducting the *Phase I Environmental Site Assessment*, provided that the questions shall generally be directed towards identifying *recognized environmental conditions* in connection with the *property*.

10.3 *Medium*—Questions to be asked may be asked in person or by telephone, in the discretion of the *environmental professional*.

10.4 *Timing*—It is in the discretion of the *environmental professional* whether to ask questions before or after the *site visit* described in Section 8, or in some combination thereof.

10.5 *Who Should Be Interviewed*:

10.5.1 *Local Agency Officials*—A reasonable attempt shall be made to interview at least one staff member of any one of the following types of local government agencies:

10.5.1.1 Local fire department that serves the *property*,

10.5.1.2 Local health agency or local/regional office of state health agency serving the area in which the *property* is located, or

10.5.1.3 Local agency or local/regional office of state agency having jurisdiction over hazardous waste disposal or other environmental matters in the area in which the *property* is located.

10.6 *Prior Assessment Usage*—Persons interviewed as part of a prior *Phase I Environmental Site Assessment* consistent with this practice do not need to be questioned again about the content of answers they provided at that time. However, they should be questioned about any new information learned since that time, or others should be questioned about conditions since the prior *Phase I Environmental Site Assessment* consistent with this practice.

10.7 *Quality of Answers*—The person(s) interviewed should be asked to be as specific as reasonably feasible in answering questions. The person(s) interviewed should be asked to answer in good faith and to the extent of their knowledge.

10.8 *Incomplete Answers*—While the person conducting the *interview(s)* has an obligation to ask questions, in many instances the persons to whom the questions are addressed will have no obligation to answer them. If the person conducting the *interview(s)* asks questions but does not receive answers or receives partial answers, this section shall not thereby be deemed incomplete, provided that questions have been asked (or attempted to be asked) in person or by telephone and written records have been kept of the person to whom the questions were addressed and their responses.

11. Evaluation and Report Preparation

11.1 *Report Format*—The report of findings for the *Phase I Environmental Site Assessment* should generally follow the recommended report format attached as Appendix X2 unless otherwise required by the user.

11.2 *Documentation*—The findings, opinions and conclusions in the Phase I Environmental Site Assessment report should include documentation (for example, references, key exhibits) shall be supported by documentation. If the environmental professional has chosen to support exclude certain documentation from the analysis, opinions, and conclusions found report, the environmental professional shall identify in the report. All sources, including those that revealed no findings, should report the reasons for doing so (for example, a confidentiality agreement). Supporting documentation shall be sufficiently documented included in the report or adequately referenced to facilitate reconstruction of the assessment by an environmental professional other than the environmental professional who conducted it. Sources that revealed no findings also shall be documented.

11.3 *Contents of Report*—The report shall include those matters required to be included in the report pursuant to various provisions of this practice. In addition, the report shall state whether the *user* reported to the *environmental professional* any information pursuant to the user’s responsibilities described in Section 5 of this practice (for example, an *environmental lien* encumbering the *property* or any relevant specialized knowledge or experience of the user).

11.4 *Credentials/Scope of Services*—~~The report shall name the environmental professional(s) involved describe all services performed in conducting the Phase I Environmental Site Assessment. One of two options shall be available sufficient detail to address qualifications of those persons involved in conducting the Phase I Environmental Site Assessment : (1) the report shall include a qualifications statement of the environmental professional(s) responsible for the Phase I Environmental Site Assessment and preparation of the report, and the qualifications statement shall include relevant individual and corporate qualifications; or (2) a written qualifications statement of the environmental professional(s) responsible for the Phase I Environmental Site Assessment~~

and preparation of the report, including relevant individual and corporate qualifications, shall be delivered permit another party to reconstruct the user work performed.

11.5 *Findings*—The report shall have a findings section which summarizes known or suspect environmental conditions associated with the property, and which may include *recognized environmental conditions, historical recognized environmental conditions and de minimis conditions*, among other environmental conditions.

11.6 *Opinion*—~~A~~The report shall include the *environmental professional's opinion(s) of recognized the impact on the property of known or suspect environmental conditions identified in the findings section. The logic and reasoning used by the environmental professional in evaluating information collected during the course of the investigation related to known or suspect environmental conditions shall be described in full, discussed. The report opinion shall specifically include the environmental professional's rationale for concluding that a known or suspect environmental condition is or is not currently a recognized environmental condition. Known or suspect environmental conditions identified by the impact of environmental professional as recognized environmental conditions in connection with currently shall be listed in the property.*

~~11.6 Findings and Conclusions conclusions section of the report.~~

11.7 *Conclusions*—The report shall ~~have~~ include a ~~findings and~~ conclusions section that summarizes all *recognized environmental conditions* connected with the property and the impact of these *recognized environmental conditions* on the property. The report shall include one of the following statements:

11.67.1 “We have performed a Phase I *Environmental Site Assessment* in conformance with the scope and limitations of ASTM Practice E 1527 of [insert address or legal description], the *property*. Any exceptions to, or deletions from, this practice are described in Section [] of this report. This assessment has revealed no evidence of *recognized environmental conditions* in connection with the property,” or

11.67.2 “We have performed a Phase I *Environmental Site Assessment* in conformance with the scope and limitations of ASTM Practice E 1527 of [insert address or legal description], the *property*. Any exceptions to, or deletions from, this practice are described in Section [] of this report. This assessment has revealed no evidence of *recognized environmental conditions* in connection with the *property* except for the following: (list).”

11.78 *Deviations*—All deletions and deviations from this practice (if any) shall be listed individually and in detail and all additions should be listed.

11.8 *Signature*—The environmental professional(s) responsible for the *Phase I Environmental Site Assessment* shall sign the report.

11.9 *Additional Services*—Any additional services contracted for between the *user* and the *environmental professional(s)*, including a broader scope of assessment, more detailed conclusions, liability/risk evaluations, recommendation for Phase II testing, remediation techniques, etc., are beyond the scope of this practice, and should only be included in the report if so specified in the terms of engagement between the *user* and the *environmental professional*.

11.10 *References*—The report shall include a references section to identify published referenced sources relied upon in preparing the *Phase I Environmental Site Assessment*. Each referenced source shall be adequately annotated to facilitate retrieval by another party.

11.11 *Signature*—The *environmental professional(s)* responsible for the *Phase I Environmental Site Assessment* shall sign the report.

11.12 *Qualifications*—The report shall include a qualifications statement of the *environmental professional(s)* responsible for conducting the *Phase I Environmental Site Assessment* and preparation of the report.

11.13 *Appendices*—The report shall include an appendix section containing supporting documentation.

12. Non-Scope Considerations

12.1 General:

12.1.1 *Additional Issues*—There may be environmental issues or conditions at a property that parties may wish to assess in connection with *commercial real estate* that are outside the scope of this practice (the non-scope considerations). As noted by the legal analysis in Appendix X1 of this practice, some substances may be present on a property in quantities and under conditions that may lead to contamination of the property or of nearby properties but are not included in CERCLA's definition of hazardous substances (42 USC § 9601(14)) or do not otherwise present potential CERCLA liability. In any case, they are beyond the scope of this practice.

12.1.2 *Outside Standard Practices*—Whether or not a *user* elects to inquire into non-scope considerations in connection with this practice or any other environmental site assessment, no assessment of such non-scope considerations is required for appropriate inquiry as defined by this practice.

12.1.3 *Other Standards*—There may be standards or protocols for assessment of potential hazards and conditions associated with non-scope conditions developed by governmental entities, professional organizations, or other private entities.

12.1.4 *List of Additional Issues*—Following are several non-scope considerations that persons may want to assess in connection with commercial real estate. No implication is intended as to the relative importance of inquiry into such non-scope considerations, and this list of non-scope considerations is not intended to be all-inclusive:

12.1.4.1 Asbestos-Containing Materials,

12.1.4.2 Radon,

- 12.1.4.3 Lead-Based Paint,
- 12.1.4.4 Lead in Drinking Water,
- 12.1.4.5 Wetlands,
- 12.1.4.56 ~~W~~Regulatory compliance,
- 12.1.4.7 Cultural and historic resources,
- 12.1.4.8 Industrial hygiene,
- 12.1.4.9 Health and safety,
- 12.1.4.10 Ecological resources,
- 12.1.4.11 Endangered species,
- 12.1.4.12 Indoor air quality, and
- 12.1.4.13 High voltage powerlines.

APPENDIXES

(Nonmandatory Information)

X1. LEGAL BACKGROUND TO FEDERAL LAW AND THE PRACTICES ON ENVIRONMENTAL ASSESSMENTS IN COMMERCIAL REAL ESTATE TRANSACTIONS

INTRODUCTION

The legal section of Subcommittee E50.02 on Environmental Assessments In Commercial Real Estate Transactions provides the following background to the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), as amended including amended by the Superfund Amendments and Reauthorization Act (SARA), 42 USC § 9601 *et seq.* The background to CERCLA, commonly known as the Superfund law, outlines the potential liability for the cleanup of hazardous substances, available defenses to such liability, appropriate inquiry under Superfund, statutory definition of hazardous substances, petroleum products and petroleum exclusion to CERCLA, and reasons why certain environmental-hazards are excluded from the scope of Superfund and this practice and Practice E 1528.

There are several elements of Superfund liability and the commonly termed “innocent purchaser” defense, that arises out of the statutory third-party defense, that may impact on the development and understanding of this practice and Practice E 1528.

X1.1 *Superfund Liability:*

X1.1.1 All of the following elements of liability under Superfund must be established by a plaintiff before a defendant will be held liable under superfund for a *government’s* response costs:⁵

X1.1.1.1 The site is a facility, as defined at § 9601(9),

X1.1.1.2 A release or threatened release of a hazardous substance from the site occurred (release is defined at § 9601(22) as *any amount of any hazardous substance*; “hazardous substance” is defined at § 9601(14) (see statutory definition of “hazardous substance”)),

X1.1.1.3 A release or threatened release caused the plaintiff to incur response costs. Response costs are defined at § 9601(25) to mean costs related to both removal actions (§ 9601(23)) and remedial actions (§ 9601(24)), and

X1.1.1.4 Defendants fall within at least one of the four classes of responsible parties.⁷

X1.1.2 In order to recover response costs, a government plaintiff must prove that the costs were not inconsistent with the National Oil and Hazardous Substances Pollution Contingency Plan (commonly referred to as the National Contingency Plan or

Standard Definitions

⁷ The four classes of potentially responsible parties (PRPs) are listed as § 9607(a) as follows:

(1) Owner and operator of a facility (See § 9601 (20)(A): the term “owner or operator” does not include a person, who, without participating in the management of a facility, holds indicia of ownership primarily to protect his security interest in the facility. In *re: Bergsoe Metal Corporation*, 910 F.2d 668 (9th Cir. Aug. 9, 1990); *Guidice versus BFG Electroplating and Manufacturing Co.*, 732 F. Supp. 556 (W.D.Pa. 1989); *United States v. Mirabile*, 23 ERC 1511 (E.D.Pa. 1985). But see *United States versus Fleet Factors Corp.*, 901 F.2d 1550 (11th Cir. 1990); *United States versus Maryland Bank and Trust Co.*, 632 F. Supp. 573 (D. Md. 1986). For clarification of the security interest exclusion, see EPA’s rule on lender liability under CERCLA, 57 Federal Register 18344 (April 29, 1992).

(2) Any person who at the time of disposal of any hazardous substance owned or operated any facility at which such hazardous substances were disposed of,

(3) Any person who by contract, agreement, or otherwise arranged for disposal or treatment or transport of hazardous substances, ~~1988~~ and

(4) Any person who accepts hazardous substances for transport to a facility selected by such person.

NCP), 40 CFR § 300.⁸ A private plaintiff must prove its costs were necessary costs of response and that the response action was consistent with the NCP. 42 USC § 9607 (a).⁹

X1.1.3 If there is a release or threatened release of hazardous substances on a site, private parties, even if they are not PRPs, may decide to incur response costs and seek recovery from other private parties, and PRPs may seek contribution from other PRPs.

X1.1.4 There is an important difference between government’s burden to show that its response costs are “not inconsistent with the NCP” and the burden a private party bears to show that its response costs are “consistent with the NCP”. See § 9607 (a)(4)(A) and (B). Courts have interpreted this statutory difference to give the government a rebuttable presumption that its response costs are consistent with the NCP, whereas a private party who undertakes response costs and seeks recovery from responsible parties bears the burden of proving its response was consistent with the NCP.¹⁰ The EPA takes the position that a private party who undertakes a response action must be only in “substantial compliance”, rather than strict technical compliance, with the NCP, as long as a CERCLA-quality cleanup is achieved. The NCP requirements for a private party response-action are set forth at 40 CFR § 300.700.

X1.2 Defenses to Liability:

X1.2.1 Assuming all the elements of liability exist, a party may avoid liability only by meeting one of the defenses listed in § 9607(b). These listed defenses are exclusive of all others.¹¹ Section 9607(b) states (*emphasis added*):

“There shall be no liability under subsection (a) for a person otherwise liable who can establish by a preponderance of the evidence [the lowest evidentiary standard available, meaning more probable than not] that the release or threat of release of a hazardous substance and the damages resulting therefrom were *caused solely by—*

- 1) an act of God;
- 2) an act of war;

3) *an act or omission of a third party other than an employee or agent of the defendant, or than one whose act or omission occurs in connection with a contractual relationship* [see the definition of “contractual relationship” in X1.2.2], existing directly or indirectly, with the defendant ..., if the defendant establishes by a preponderance of the evidence that (a) he exercised due care with respect to the hazardous substance concerned ..., and (b) he took precautions against foreseeable acts or omissions of any such third party and the consequences that could foreseeably result from such actions or omissions.”

3) *an act or omission of a third party other than an employee or agent of the defendant, or than one whose act or omission occurs in connection with a contractual relationship* [see the definition of “contractual relationship” in X1.2.2], existing directly or indirectly, with the defendant ..., if the defendant establishes by a preponderance of the evidence that (a) he exercised due care with respect to the hazardous substance concerned ..., and (b) he took precautions against foreseeable acts or omissions of any such third party and the consequences that could foreseeably result from such actions or omissions.”

X1.2.2 Under § 9601(35)(A), a contractual relationship “includes, but is not limited to, land contracts, deeds, or other instruments transferring title or possession ...”. These contractual relationships with third parties eliminate the defense to liability unless the defendant is an innocent purchaser. Or as stated by the statute at § 9601(35) (A)(*emphasis added*), a contractual relationship with the third party defeats the defense.

⁸ 42 USC §9607(a). (All statutory references are to Title 42 of

⁸ The National Contingency Plan is the United States Code, unless otherwise specified.) See *United States versus Aceto Agricultural Chemicals Corp.*, 872 F.2d 1373 (8th Cir. 1989). Private plaintiffs, as well as the government, may seek response costs under Superfund from defendants. While many users of these ASTM practices or other private parties may think in terms of federal government’s blueprint on how hazardous substances are to be cleaned up pursuant to CERCLA, they should recognize that they may decide to conduct cleanup actions and seek response costs from other parties: CERCLA.

⁹ The four classes of potentially responsible parties (PRPs) are listed as § 9607(a) as follows:

— (1) Owner and operator of a facility (See § 9601 (20)(A): the term “owner or operator” does not include a person, who, without participating in the management of a facility, holds indicia of ownership primarily to protect his security interest in the facility. In

⁹ See *re: Bergsoe Metal Corporation/Dedham Water Co. versus Cumberland Farms Dairy, Inc.*, 940 889 F.2d 668 (9th 1146 (1st Cir. Aug. 9, 1990); *Guidice versus BFG Electroplating and Manufacturing Co.*, 732 F.Supp. 556 (W.D.Pa. 1989); other cases cited at ABA, *United States v. Mirabile*, 23 ERC 1511 (E.D.Pa. 1985). But see *United States versus Fleet Factors Corp.*, 901 F.2d 1550 (11th Cir. 1990); *United States versus Maryland Bank/Natural Resources, Energy, and Trust Co.*, 632 F. Supp. 573 (D. Md. 1986). For clarification of the security interest exclusion, see EPA’s rule on tender liability under CERCLA, 57 Federal Register 18344 (April 29, 1992);

(2) Any person who at the time of disposal of any hazardous substance owned or operated any facility at which such hazardous substances were disposed of;

(3) Any person who by contract, agreement, or otherwise arranged for disposal or treatment or transport of hazardous substances, and

(4) Any person who accepts hazardous substances for transport to a facility selected by such person. Environmental Law: 1989 The Year In Review, p. 215, Note 155.

¹⁰ The National Contingency Plan is the federal government’s blueprint

¹⁰ *Amland Properties Corp. versus Aluminum Co. of America*, 711 F. Supp. 784, 794 (D. N.J. 1989); *Artesian Water Co. versus New Castle County*, 659 F. Supp. 1269, 1291 (D. Del. 1987); *United States versus Northeastern Pharmaceutical and Chemical Co.*, 579 F. Supp. 823 (W.D. Mo. 1984), *aff’d in part, rev’d on how hazardous substances are to be cleaned up pursuant to CERCLA: other grounds*, 810 F.2d 726 (8th Cir. 1986).

¹¹ See *Dedham Water Co.*

¹¹ *United States versus Cumberland Farms Dairy, Inc.*, 889 Aceto Agricultural Chemicals Corp., 872 F.2d 1146 (1st 1373 (8th Cir. 1989); other cases cited at ABA, 1989). But see *Natural Resources, Energy, and Environmental Law: 1989 The Year In Review United States versus Marisol, Inc.*, p. 215, Note 155: 725 F. Supp. 833 (M.D. Pa. 1989) (*equitable defenses under CERCLA may be available after the development of a factual record*).

“unless the real property on which the facility is located was acquired by the defendant after disposal or placement of the hazardous substance ... and one or more of the following circumstances is also established by the defendant by a preponderance of the evidence:

(i) At the time the defendant acquired the facility the defendant *did not know and had no reason to know* that any hazardous substance which is the subject of the release or threatened release was disposed of on, in, or at the facility.

(ii) The defendant is the government ...

(iii) The defendant acquired the facility by inheritance or bequest.”

X1.2.3 Therefore, the so-called innocent purchaser defense arises out of the third-party defense of § 9607(b)(3). Restated, this defense to Superfund liability is available only if the defendant shows the following:

X1.2.3.1 The release or threat of release was caused solely by a third party,

X1.2.3.2 The third party is not an employee or agent of the defendant,

X1.2.3.3 The acts or omissions of the third party did not occur in connection with a direct or indirect contractual relationship to the defendant, or if there was a contractual relationship, the defendant acquired the property after disposal or placement of the hazardous substance, and at the time the defendant acquired the facility the defendant *did not know and had no reason to know* that any hazardous substance that is the subject of the release or threatened release was disposed of on, in, or at the facility, and

X1.2.3.4 The defendant exercised due care with respect to the hazardous substances and took precautions against foreseeable acts or omissions of the third party.

X1.2.4 The statute then states at § 9601(35)(B) (*emphasis added*):

“To establish that the defendant had no reason to know, as provided [above], the defendant must have undertaken, at the time of acquisition, all appropriate inquiry into the previous ownership and uses of the property consistent with good commercial or customary practice in an effort to minimize liability... .

[T]he court shall take into account any specialized knowledge or experience on the part of the defendant, the relationship of the purchase price to the value of the property if uncontaminated, commonly known or reasonably ascertainable information about the property, the obviousness of the presence or likely presence of contamination at the property, and the ability to detect such contamination by appropriate inspection.”

X1.3 *Appropriate Inquiry in Commercial Real Estate Transactions:*

X1.3.1 One of the major questions that parties to commercial real estate transactions face when considering their potential Superfund liability is, “What level of inquiry into the previous ownership and uses of the property is appropriate to establish the innocent purchaser defense to Superfund liability?” These practices are structured to articulate the level of inquiry under Superfund that is appropriate for different situations.

X1.3.2 *The Appropriate Level of Inquiry:*

X1.3.2.1 The level of environmental inquiry that is appropriate under Superfund cannot be the same for every property or every party to a real estate transaction. The level of inquiry, in fact, will change depending on the particular property or party involved in a transaction. The statutory language, Congressional history, and common sense support this conclusion.

X1.3.2.2 First, it must be noted that little case law exists to serve as guidance about the minimum level of inquiry that will be deemed appropriate for the innocent purchaser defense. See, for example, *United States versus Serafini*, 706 F. Supp. 346 (M.D. Pa. 1988), and 1990 U.S. Dist. LEXIS 18466 (M.D. Pa. 1990) (By entertaining disputed facts as to the custom and practice of viewing land prior to purchase, the court implied that appropriate inquiry necessarily varies on a site-by-site basis); *United States versus Pacific Hide and Fur Depot, Inc.*, 716 F. Supp. 1341 (D. Idaho 1989) (No inquiry was required by those who received an ownership interest in property via corporate stock transfer and warranty deed under the facts of this case); *International Clinical Laboratories, Inc. versus Stevens*, 30 ERC 2066, 20 ELR 20,560 (E.D.N.Y. 1990). (Despite a long history of toxic wastewater disposal and presence of the site on the state’s hazardous waste disposal site list, the purchaser established the innocent purchaser defense since there were no visible environmental problems at the site, the defendant had no knowledge of environmental problems at the site and the purchase price did not reflect a reduction on account of the problem.)

X1.3.2.3 While the statute does not specifically distinguish certain types of properties and uses from others, or certain types of parties from others, it does list certain factors courts should consider in determining whether one’s inquiry under the circumstances is appropriate. The statute, as explained in X1.2, requires a court to consider a party’s specialized knowledge or experience. The statute further mandates a court to consider what is “*reasonably* ascertainable information about the property”, what contamination is *obviously* present, and the *party’s* “ability to detect such contamination”. The very use of terms such as “appropriate” and “reasonably”, and the use of “specialized knowledge and experience” and “ability” in conjunction with the specific person attempting to utilize the defense signifies that Congress did not intend the appropriateness of the inquiry be judged by a bright line standard. If it so intended, Congress would have stated, but did not, that the same inquiry should be made in every case.

X1.3.2.4 What is reasonable and obvious to one party may not be so to other parties, and ability, by necessity, varies among all parties. The statute, therefore, recognizes that different properties and parties must be treated differently. That is, different parties may conduct different levels of inquiry appropriate to their circumstances.

X1.3.2.5 The statutory standard of “appropriate inquiry” suggests the level of inquiry will depend on the circumstances and the

underlying facts. Since the facts are almost always different, the level of inquiry must change with them. The legislative history on this particular issue demonstrates that Congress intended that the level of inquiry changes with the type of property and party.¹²

The duty to inquire under this provision shall be judged as of the time of acquisition. Defendants shall be held to a higher standard as public awareness of the hazards associated with hazardous releases has grown, as reflected by this Act, the 1980 Act [CERCLA] and other Federal and State statutes. Moreover, good commercial or customary practice with respect to inquiry in an effort to minimize liability shall mean that a reasonable inquiry must have been made in all circumstances, in light of best business and land transfer principles. Those engaged in commercial transactions should, however, be held to a higher standard than those who are engaged in private residential transactions.

X1.3.2.6 Because few cases address the standard of inquiry in the innocent purchaser defense and the legislative history describing Congressional intent is sparse, common sense is a useful guide in interpreting statutory language. If CERCLA mandated that the level of inquiry be the same for every property or potential defendant, then a lay consumer (renter or buyer) of a home, a purchaser of a small environmentally benign business, and a multinational corporate buyer of an industrial complex would have to conduct the same environmental site assessment (ESA) of the different properties in question. Additionally, the statute makes no mention of a Phase I ESA or any other specific type of inquiry one is to conduct in order for the inquiry to be deemed appropriate. If all inquiries had to be at the same level to be “appropriate”, it would be illogical to stop at a Phase I ESA since some commercial or industrial properties routinely undergo, in the exercise of good commercial and customary practices, intrusive sampling (typically a Phase II ESA activity). Therefore, since routinely some properties undergo sampling, an inflexible standard would require sampling of all properties, no matter what its use. This could not have been the intended result of SARA.

X1.3.3 *The Minimum Inquiries to Satisfy All Appropriate Inquiry:*

X1.3.3.1 Recognizing that inquiry changes with the underlying circumstances, the next question concerns that level of inquiry, if any, that Superfund requires to utilize the innocent landowner defense.

X1.3.3.2 As noted above, in some real estate transactions a Phase II ESA is routinely conducted. A Phase I ESA is conducted in these transactions only as a necessary prerequisite to outline the scope of the Phase II ESA. A Phase II ESA typically involves taking soil, water, and air samples to determine their contaminant content or verify that no contaminants are present or likely present. Note, however, that this simplistic outline of the Phase II ESA is misleading since the party can always dig down one foot deeper, take one more sample, or conduct one more test. The problem of how much inquiry is conducted, or at what level a party should begin, involves proving a negative, that is, that no contamination is present.¹³ Since, according to the statute, inquiries should be judged by the circumstances existing at the time of acquisition, then there could be some properties and parties to real estate transactions where it may be appropriate to begin the inquiry with an intrusive Phase II ESA in order to invoke the innocent purchaser defense to liability.

X1.3.3.3 At the other extreme, the minimum level of inquiry that a party would be expected to conduct is found by looking at the least environmentally obtrusive class of property and party from a CERCLA perspective. This transaction likely involves the lay buyer of a home or the renter of an apartment. Assuming these parties meet the other prerequisites for the innocent purchaser defense, what level of environmental inquiry must they conduct to avoid Superfund liability? While there are no recorded court cases on this issue, the answer is probably none, unless a particular residential purchaser or renter has some specialized knowledge about or experience with the property in question that would lead a court to conclude that some questions should have been asked. Beyond these rare situations, it is highly unlikely that Congress intended to saddle housing consumers with the burden of investigating or cleaning up contaminated sites. In fact, EPA has issued a statement of enforcement policy to the effect that it will not generally pursue owners of single family residences pursuant to CERCLA.¹⁴ Therefore, for some properties and parties to real estate transactions, it is appropriate to conduct no environmental inquiry in order to meet one’s innocent purchaser defense to liability.

X1.3.3.4 The minimum level of appropriate inquiry under Superfund, therefore, ranges from no specialized inquiry to conducting an intrusive Phase II ESA. In order to satisfy these practices, to do no specialized inquiry, such as the Transaction

Amland Properties Corp. versus Aluminum Co. of America

¹² H.R. Rep. No. 962, 99th Cong., 2d Sess. 187 (1986), 711 F. Supp. 784, 794 (D. N.J. 1989); *Aristian Water Co. versus New Castle County*, 659 F. Supp. 1269, 1291 (D. Del. 1987); *United States versus Northeastern Pharmaceutical* reprinted at 1986 U.S. Code Cong. and Admin. News 3276, 3280. *United States versus Aceto Agricultural Chemicals Corp.*, 872 F.2d 1373 (8th Cir. 1989). But see *United States versus Marisol, Inc.*, 725 F. Supp. 833 (M.D. Pa. 1989) (equitable defenses)

¹³ The inability to prove a negative creates a dilemma for the potential defendant. If the party’s inquiry discovers contamination, then under CERCLA may the statute the party will not be available after able to avail itself of the innocent purchaser defense. If the inquiry does not discover contamination, EPA or another private party can argue in a response action that the inquiry was not “appropriate” and, therefore, the defendant can have no defense. This dilemma is explicitly recognized by the Subcommittee E50.02 as beyond any reasonable interpretation of Congressional intent. The scope of the E50.02 Standard Practices resolves the party’s dilemma in the only reasonable way by stating: “It should not be concluded or assumed that the inquiry was not appropriate inquiry merely because the inquiry did not identify existing recognized environmental conditions in connection with a factual record; property. Environmental site assessments must be evaluated based on the reasonableness of the judgments made at the time and under the circumstances in which they were made.” See 4.5.4.

¹⁴ H.R. Rep. No. 962, 99th Cong., 2d Sess. 187 (1986);

¹⁴ EPA, *Policy Towards Owners of Residential Property at 1986 U.S. Code Cong. and Admin. News 3276, 3280: Superfund Sites*, OSWER Directive No. 9834.6, July 3, 1991.

Screen or Phase I ESA, is not enough for commercial real estate transactions. Under current commercial and customary practice and in light of best business and land transfer principles, however, no environmental site assessments are conducted in many real estate transactions, particularly those involving smaller properties, vacant land, or transactions of low monetary value. This practice and Practice E 1528 and the minimum level of inquiry under these practices, actually raises the average level of inquiry that should be performed where the parties want to come within the protection of the innocent landowner defense.

X1.3.3.5 The burden of proof is on the defendant to sustain by a preponderance of the evidence, the innocent purchaser defense. This is the least onerous burden of proof available to a party in litigation. The defendant must show only that the evidence offered to support the level of inquiry that was taken at the time of acquisition is of greater weight or more convincing than the evidence offered in opposition to it. In other words, the evidence on the inquiry issue taken as a whole shows that the fact sought to be proved is more probable than not. There may be technical or business judgments on whether the inquiry conducted or any other fact in a particular case is sufficient to meet the needs or concerns of a party to the real estate transaction. The bottom line, however, is that the judgment on whether the specific facts of a case, in light of statutory language, are sufficient to produce liability or a viable defense to liability is a legal one and such judgments constitute the practice of law.

X1.3.3.6 Practice E 1528 is designed as the minimum level of inquiry to satisfy the practice from which a party to a commercial real estate transaction should proceed, recognizing that some parties to some commercial real estate transactions may wish to proceed by beginning with a Phase I or a Phase II ESA.

X1.4 *Statutory Definition of Hazardous Substance:*

X1.4.1 The statute at 42 USC § 9601(14)(A – F) defines hazardous substance by referring to five other statutes as well as to Superfund's own § 9602. The following is a description of the relevant portions of the other statutes and § 9602 of Superfund:

42 USC § 9601(14)(A):“ [A]ny substance designated pursuant to section 1321(b)(2)(A) of Title 33.” Title 33 USC § 1321 lies within the Clean Water Act and refers to, among other things, hazardous substance liability. 33 USC § 1321(b)(2)(A) states that the EPA shall develop, “as may be appropriate, regulations designating as hazardous substances, other than oil as defined in this section, such elements and compounds which, when discharged in any quantity into” the navigable waters of the United States ..., present an imminent and substantial danger to the public ... health or welfare, including, but not limited to, fish, shellfish, wildlife, shorelines, and beaches.”

42 USC § 9601(14)(B):“ [A]ny element, compound, mixture, solution, or substance designated pursuant to section 9602 of this title.” Section 9602 gives EPA the authority to designate as a hazardous substance “such elements, compounds, mixtures, solutions, and substances which, when released into the environment may present substantial danger to the public health or welfare or the environment...”

42 USC § 9601(14)(C):“ [A]ny hazardous waste having the characteristics identified under or listed pursuant to section 3001 of the Solid Waste Disposal Act [42 USC § 6921] (but not including any waste the regulation of which under the Solid Waste Disposal Act [42 USC § 6901 et seq.] has been suspended by Act of Congress).” The Solid Waste Disposal Act of 1980 amended the Resource Conservation and Recovery Act (RCRA). 42 USC § 6921 of RCRA provides authority to the EPA to develop criteria for identifying characteristics of hazardous waste and for listing particular hazardous wastes within the meaning of 42 USC § 6903 (5) of RCRA. RCRA, § 6903(5), defines hazardous waste to mean

“a solid waste, or combination of solid wastes, which because of its quantity, concentration, or physical, chemical, or infectious characteristics may—

(A) cause, or significantly contribute to an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness; or

(B) pose a substantial present or potential hazard to human health or the environment when improperly treated, stored, transported, or disposed of, or otherwise managed.”

For the identification and listing of hazardous wastes under RCRA, see 40 CFR §§ 261.1 et seq.

42 USC § 9601(14)(D):“ [A]ny toxic pollutant listed under Section 1317(a) of Title 33.” Section 1317(a) of Title 33 refers to toxic and pretreatment effluent standards under the Clean Water Act. The EPA is charged in this section with publishing and revising from time to time a list of toxic pollutants, taking “into account toxicity of the pollutant, its persistence, degradability, the usual or potential presence of the affected organisms in any waters, the importance of the affected organisms, and the nature and extent of the effect of the toxic pollutant on such organisms.” Each toxic pollutant listed according to this section shall be subject to effluent limitations. For toxic pollutant effluent standards, see 40 CFR §§ 129.1 et seq.

42 USC § 9601(14)(E):“ [A]ny hazardous air pollutant listed under Section 112 of the Clean Air Act [42 USCA § 7412].” Section 7412 of Title 42 deals with national emission standards for hazardous air pollutants. The EPA is charged here with publishing and revising from time to time “a list which includes each hazardous air pollutant for which [it] intends to establish an emission standard under this section.” The term “hazardous air pollutant” means an air pollutant that in EPA’s judgment “causes, or contributes to, air pollution which may reasonably be anticipated to result in an increase in mortality or an increase in serious irreversible, or incapacitating reversible, illness.” For emission standards for hazardous pollutants, see 40 CFR § 61.01 et seq.

42 USC § 9601(14)(F):“ [A]ny imminently hazardous chemical substance or mixture with respect to which the [EPA] has taken action pursuant to Section 2606 of Title 15.” Section 2606 of Title 15 deals with imminent hazards under the Toxic Substances Control Act (TSCA). The EPA is authorized under 15 USC § 2606 to seize an imminently hazardous chemical substance or mixture or seek other relief, such as requiring notice to users of the chemical substance or public notice of the risk associated with the substance or mixture. The term “ ‘imminently hazardous chemical substance or mixture’ means a chemical substance or mixture which presents an imminent and unreasonable risk of serious or widespread injury to health or the environment.”

X1.4.2 After Subsections A–F, outlined above, the Superfund definition of “hazardous substance” in § 9601(14) then goes on to state:

“The term does not include petroleum, including crude oil or any fraction thereof which is not otherwise specifically listed or designated as a hazardous substance under Subparagraphs (A) through (F) of this paragraph, and the term does not include natural gas, natural gas liquids, liquefied natural gas, or synthetic gas usable for fuel (or mixtures of natural gas and such synthetic gas).”

X1.4.3 The EPA has collected a list of “those substances in the statutes referred to in Section 101(14) of the Act [42 USC § 9601(14)]” 40 CFR § 302.1 (1989) (“List of Hazardous Substances And Reportable Quantities,” 40 CFR Part 302). This list changes with notices in the Federal Register. Also, any time a new hazardous waste is listed, the waste automatically becomes a hazardous substance.

X1.5 *Petroleum Products:*

X1.5.1 Under the petroleum exclusion of CERCLA (42 USC § 9601(14)), petroleum and crude oil have been explicitly excluded from the definition of hazardous substances under CERCLA. Nevertheless, petroleum products are included within the scope of both practices because they are of concern in many commercial real estate transactions and current custom and usage is to include an inquiry into the presence of petroleum products in an environmental site assessment. Inclusion of petroleum products within the scope of the practices is not based upon the applicability, if any, of CERCLA to petroleum products.

X1.5.2 One reason to include petroleum products within the scope of the practices is because to do so reflects custom and usage: when environmental assessments are conducted in connection with commercial real estate transactions, they customarily include an assessment of the presence or likely presence of petroleum products under conditions that may lead to contamination. For example, environmental assessments ordinarily seek to assess whether there may be underground or above-ground storage tanks that may be leaking, whether those tanks contain petroleum products or some other product.

X1.5.3 In addition, although CERCLA may exclude petroleum products, other laws require cleanup of releases or spills of petroleum products. For example, petroleum products sometimes (for example, when they cannot be reclaimed from soil) become hazardous wastes subject to RCRA Subtitle C (42 USC § 6921 *et seq.*), must be cleaned up if released from underground storage tanks pursuant to RCRA Subtitle I (42 USC § 6991 *et seq.*), must be cleaned up pursuant to the Oil Pollution Act of 1990 (33 USC § 1321 *et seq.*), and must be cleaned up if released into the navigable waters of the United States pursuant to the Clean Water Act (33 USC § 1251 *et seq.*).

X1.5.4 Moreover, case law and EPA interpretations of the petroleum exclusion require an analysis of the facts of each case to determine whether a particular petroleum product is included in CERCLA’s petroleum exclusion. The exclusion has been broadly interpreted to exclude gasoline and leaded gasoline from CERCLA’s definition of hazardous substances regardless of the fact that gasoline and leaded gasoline contain certain indigenous components and additives which have themselves been designated as hazardous pursuant to CERCLA. See *Wilshire Westwood Associates versus Atlantic Richfield Corporation*, 881 F.2d 801 (9th Cir. 1989). The interpretation was narrowed when a judicial distinction was made between petroleum fractions produced by distillation processes and waste products resulting from contaminated tank scale. See *United States versus Western Processing Co.*, 761 F. Supp. 713 (W.D. Wash. 1991). Another decision narrowly interpreted CERCLA’s petroleum exclusion to be inapplicable to oil-related wastes containing hazardous substances because the primary purpose of the exclusion is to remove “spills or other releases strictly of oil” from the scope of CERCLA response and liability (not releases of hazardous substances mixed with oil). See *City of New York versus Exxon Corporation*, 744 F. Supp. 474 (S.D.N.Y. 1990). For additional discussion, see EPA Memorandum entitled, “The Petroleum Exclusion Under the Comprehensive Environmental Response Compensation and Liability Act,” issued by EPA’s General Counsel, Francis S. Blake, July 31, 1987.

X1.6 *Exclusion of Certain Hazards From Superfund:*

X1.6.1 The information that follows is provided to explain why these potential environmental hazards are not covered by Superfund’s appropriate inquiry responsibilities:

X1.6.2 As a preliminary matter, it should be noted that an environmental site assessment that does not address substances excluded from CERCLA (whether those substances are excluded because they are petroleum products or by virtue of other characteristics) but that otherwise constitutes “all appropriate inquiry into the previous ownership and uses of the property consistent with good commercial or customary practice” should nevertheless entitle the user to the innocent purchaser defense, assuming that other requirements of the defense are met.

X1.6.3 *Radon:*

X1.6.3.1 A case discussing Superfund and radon is *Amoco Oil Company versus Borden, Inc.*, 889 F.2d 664 (5th Cir. 1989). This case dealt with a private cost recovery action by the buyer of a site against the seller for response costs relating to radiation from phosphogypsum wastes left on the site. Radon emanated from these radioactive wastes. The case points out that the “EPA has designated radionuclides as hazardous substances under § 9602(a) of CERCLA... . Additionally, the ... EPA under § 112 of the Clean Air Act ... list radionuclides as a hazardous air pollutant. Radon and its daughter products are considered radionuclides, which are defined as ‘any nuclide that emits radiation.’ ” Therefore, radon is a CERCLA hazardous substance. Also, when discussing what constitutes a release of a hazardous substance under the statute, the statute is plain that there is no quantitative requirement and that a release, broadly defined at 42 USC § 9601(22), of *any* amount constitutes a CERCLA release.

X1.6.3.2 Liability under Superfund depends on several factors, as noted in X1.1. Only one of four factors is the release or threatened release of a hazardous substance. The other three factors are (1) the site is a facility, (2) the defendant falls within at least one of four classes of potentially responsible parties (PRPs), and (3) the release or threatened release *caused* the plaintiff (that can be the government or another private party) to incur response costs. Further, response costs must not be inconsistent with the National Contingency Plan (NCP), *and must not be limited by § 9604(a)(3)*. And, of course, there is no need to raise the innocent purchaser defense and its appropriate inquiry requirements unless the elements of liability will be met.

X1.6.3.3 Where radon from any source occurs in a building, three of the liability elements under CERCLA are met. There is a release of a hazardous substance, the building is a facility, and we can assume the defendant is a PRP. However, under 42 USC § 9604(a)(3)(A), “[r]emedial actions taken in response to hazardous substances as they occur naturally are specifically excluded from the NCP and are therefore not recoverable.” *Amoco Oil Company versus Borden, Inc.*, 889 F.2d at 570. The statute is plain.¹⁵

“(3) Limitations on response

The President shall not provide for a removal or remedial action under this section in response to a release or threat of release—

(A) of a naturally occurring substance in its unaltered form, or altered solely through naturally occurring processes or phenomena, from a location where it is naturally found;

~~(B) from products which are part of the structure of, and result in exposure within, residential buildings or business or community structures;¹⁷ or~~

(B) from products which are part of the structure of, and result in exposure within, residential buildings or business or community structures;¹⁵ or

~~(C) into public or private drinking water supplies due to deterioration of the system through ordinary use.¹⁸~~

(C) into public or private drinking water supplies due to deterioration of the system through ordinary use.¹⁶

(4) Exception to limitations

Notwithstanding paragraph of this subsection, to the extent authorized by this section, the President may respond to any release or threat of release if in the President’s discretion, it constitutes a public health or environmental emergency and no other person with the authority and capability to respond to the emergency will do so in a timely manner.”

X1.6.3.4 Therefore, no liability under CERCLA attaches for naturally occurring radon. If a party to a real estate transaction wants to look for radon within a building, no amount of radon investigation will have any bearing on one’s innocent purchaser defense under Superfund. Investigation of naturally occurring radon would be included, if at all, in the portion of the practice that deals with non-scope issues.

X1.6.4 *Asbestos:*

X1.6.4.1 The analysis of asbestos is similar to that involving radon. Before considering appropriate inquiry responsibilities, the four elements of CERCLA liability must be satisfied. Once again, as with radon, they are not met.

¹⁵ The inability to prove a negative creates a dilemma for the potential defendant. If the party’s inquiry discovers contamination, then under the statute the party will not be able to avail itself of the innocent purchaser defense. If the inquiry does not discover contamination, EPA or another private party can argue in a response action that the inquiry was not “appropriate” and, therefore, the defendant can have no defense. This dilemma is explicitly recognized by the Subcommittee E50.02 as beyond any reasonable interpretation of Congressional intent. The scope of the E50.02 Standard Practices resolves the party’s dilemma in the only reasonable way by stating: “It should not be concluded or assumed that the inquiry was not appropriate inquiry merely because the inquiry did not identify existing recognized environmental conditions in connection with a property. Environmental site assessments must be evaluated based on the reasonableness of the judgments made at the time

¹⁵ 42 USC § 9604(a)(3) and under the circumstances in which they were made.” See 4.5.4: (4) (*emphasis added*).

¹⁶ EPA, *Policy Towards Owners of Residential Property at Superfund Sites*, OSWER Directive No. 9834.6, July 3, 1991.

¹⁶ This provision has implications for asbestos and lead-based paint. See X1.6.4 and X1.6.5.

¹⁷ 42 USC § 9604(a)(3)

¹⁷ This provision has implications for lead from lead pipes and (4) (*emphasis added*): solder. See X1.6.5.

X1.6.4.2 Section 9604(a)(3)(B) of CERCLA prohibits response actions involving a release or threat of release “from products which are part of the structure of, and result in exposure within, residential buildings or business or community structures.” There are a number of cases dealing with asbestos that interpret this statutory language. One such case is *First United Methodist Church of Hyattsville versus United States Gypsum Co.* that cites to other relevant cases.

X1.6.4.3 In *First United* the church brought a private cost recovery action against the manufacturer of asbestos-containing acoustical plaster. In holding that the action was barred by a state statute of repose (a certain time allowed by statute for bringing litigation) and that CERCLA did not preempt the state statute of repose, the court stated that § 9604(a)(3)(B) of CERCLA “represents much more than a procedural limitation on the President’s authority; it is a substantive limitation of the breadth of CERCLA itself.”¹⁸ Therefore, the limitations of § 9604(a)(3) apply to private parties as well.

X1.6.4.4 Citing to the legislative history, the *First United* court concluded, “[i]n view of this clear expression of Congressional intent, we wil[1] not expand CERCLA to encompass asbestos-removal actions.” The court further explained:¹⁹

“In closing, we note that this interpretation of CERCLA fully comports with the most fundamental guide to statutory construction—common sense. To extend CERCLA’s strict liability scheme to all past and present owners of buildings containing asbestos as well as to all persons who manufactured, transported, and installed asbestos products into buildings, would be to shift literally billions of dollars of removal cost liability based on nothing more than an improvident interpretation of a statute that Congress never intended to apply in this context. [FN12] ... Certainly, if Congress had intended for CERCLA to address the monumental asbestos problem, it would have said so more directly when it passed SARA... .

FN12—It is for this reason, that Congress simply did not intend for CERCLA to remedy the asbestos-removal problem, that we decline to follow the reasoning of *Prudential, Knox and Covalt* in rejecting First United’s preemption argument. Instead of recognizing the fact that CERCLA is out of context in this situation, these courts rejected similar attempts to invoke the statute by construing CERCLA’s key terms in a way to exclude asbestos-removal actions. *Covalt*, 860 F.2d [1434] at 1438-39 (defining “environment” to exclude the interior of a workplace); *Knox*, 690 F. Supp at 756-57 (defining “release” in terms of “spills” or “disposal”); *Prudential*, [711 F. Supp 1244] at 1254-55 (defining “disposal” to exclude the sale of a product for consumer use). We find this analysis unsatisfactory because it runs the risk of unnecessarily restricting the scope of CERCLA merely to dispose of claims that the statute was never intended to encompass in the first place. It is far better to simply acknowledge the inapplicability of CERCLA to asbestos-removal claims than to restrict its operative terms.”

X1.6.4.5 Since asbestos that is a part of the structure of, and results in exposure within, residential buildings or business or community structures is excluded from CERCLA liability, it should not be investigated pursuant to a party’s innocent purchaser appropriate inquiry requirements. Like naturally occurring radon, investigation of asbestos-containing materials that are part of the structure of buildings should be included, if at all, in the portion of this practice that deals with non-scope issues. Note, however, if asbestos is disposed of on a site and, therefore, is no longer part of the structure of a building, the cleanup of the disposed asbestos is subject to Superfund response actions. Likewise, if a building is sold with the knowledge that it will be demolished, one court ruled that the sale constitutes a disposal falling under CERCLA’s liability provisions.²⁰

X1.6.5 *Lead in Drinking Water and Lead-Based Paint*

These hazards can be evaluated in terms of the exclusions of 42 USC § 9604(a)(3)(B) and (C), in an analysis similar to the analysis applied above to radon and asbestos. While there is no reported case law on these environmental issues as they relate to Superfund, the statutory language seems clear that these environmental hazards are not encompassed by Superfund’s appropriate inquiry responsibilities. Note, however, like asbestos, where there is a disposal of these substances on the site or in a facility, CERCLA liability may arise.

¹⁸ This provision has implications for asbestos and lead-based paint. See X1.6.4 and X1.6.5.

¹⁸ One such case is *First United Methodist Church of Hyattsville versus United States Gypsum Co.*, 882 F.2d 862 (4th Cir. 1989), that cites to other relevant cases.

¹⁹ This provision has implications for lead from lead pipes and solder.

¹⁹ The same at 869; See ~~X1.6.5~~; also 3550 *Stevens Creek Associates versus Barclays Bank of California*, 915 F.2d 1355 (9th Cir. 1990).

²⁰ One such case is *First United Methodist Church of Hyattsville*

²⁰ *CP Holdings, Inc. versus United States Gypsum Co.*, 882 F.2d 862 (4th Cir. 1989), that cites to other relevant cases: *Goldberg-Zoino & Associates, Inc.*, 769 F. Supp. 432 (D.N.H. 1991).

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X3. GUIDANCE TO ASSIST USERS IN THE PREPARATION FOR, AND SELECTION OF, AN ENVIRONMENTAL PROFESSIONAL TO CONDUCT A PHASE I ENVIRONMENTAL SITE ASSESSMENT

X3.1 User Preparation

X3.1.1 Once a property is identified for which obtaining a Phase I *Environmental Site Assessment* is being considered, certain information should be collected, if available, prior to the selection of an *environmental professional*. This information should be provided to the *environmental professional* selected to conduct the Phase I. The information includes:

- X3.1.1.1 The reason why the Phase I is required,
- X3.1.1.2 The type property and type property transaction, for example, sale, purchase, exchange, etc.,
- X3.1.1.3 The complete and correct address for the property (a map or other documentation showing property location and boundaries is helpful),
- X3.1.1.4 Whether or not there are any environmental liens on the property, or *activity and use limitations* (such as a deed restriction),
- X3.1.1.5 Whether the value of the property has been reduced below comparable properties due at least in part to environmental conditions associated with the property (the *environmental professional* will be concerned with the environmental condition causing the value reduction),
- X3.1.1.6 The scope of services desired for the Phase I (including whether any parties to the property transaction may have a required standard scope of services on whether any considerations beyond the requirements of Practice E 1527 are to be considered),
- X3.1.1.7 Identification of all parties who will rely on the Phase I report,
- X3.1.1.8 Identification of the site contact and how the contact can be reached,

X3.1.1.9 Any special terms and conditions which must be agreed upon by the *environmental professional*,

X3.1.1.10 Any other knowledge or experience with the property that may be pertinent to the *environmental professional* (for example, copies of any available prior environmental site assessment reports, documents, correspondence, etc., concerning the property and its environmental condition).

X3.2 Environmental Professional Selection

X3.2.1 Investigating past uses of a property and the surrounding area, which may result in identifying *recognized environmental conditions*, requires expertise that can only come with training and experience. Selecting an unqualified or inexperienced *environmental professional* to perform the work may present unnecessary risk. In the selection of a qualified *environmental professional* to perform the work, consideration should be given to both the individual(s) conducting the Phase I and the firm (assuming the individual(s) works for a firm).

X3.2.2 *Individual*—Before retaining an *environmental professional* to conduct a Phase I, the technical competence of the individual(s) retained to perform the required scope of services should be evaluated. Consideration should be given to the following:

X3.2.2.1 The formal education of the individual,

X3.2.2.2 Any environmental site assessment training the individual received in the classroom or in the field,

X3.2.2.3 Length of time the individual has been conducting Phase I Environmental Site Assessments,

X3.2.2.4 Experience of the individual in performing the scope of services required for the type of property,

X3.2.2.5 Familiarity of the individual with the current Practice E 1527,

X3.2.2.6 Sample reports prepared by the individual,

X3.2.2.7 References who used the individual's services.

X3.2.3 *Firm*—Assuming the individual works for a firm, consideration should be given to the following in the evaluation process:

X3.2.3.1 Quality assurance/quality control used by the firm in the review of Phase I Environmental Site Assessments conducted by individuals employed by the firm,

X3.2.3.2 The firm's internal risk management program to manage the risk associated with the conduct of Phase I Environmental Site Assessments,

X3.2.3.3 The firm's standard terms and conditions (including any limitations to liability),

X3.2.3.4 The firm's errors and omissions (E&O) professional liability insurance policy (including the amount of coverage, limits, deductibles, and exclusions).

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