

Environmental Questionnaires – Just the Tip of the Iceberg

Environmental questionnaires (EQ) from property owners are often relied on for fast and easy assessment of property conditions. While cost-effective, they can be somewhat biased or subjective.

This infographic shows how relying on environmental questionnaires in transactions can cause challenges. It also demonstrates how the CREtelligent’s Environmental PreScreen provides property insights that help you better anticipate these challenges.

Project Challenge: 4903 Forest Drive

In 2014, a new commercial loan request was made, with 4903 Forest Drive being held as collateral. The small balance loan required an environmental questionnaire from the owner to support underwriting.



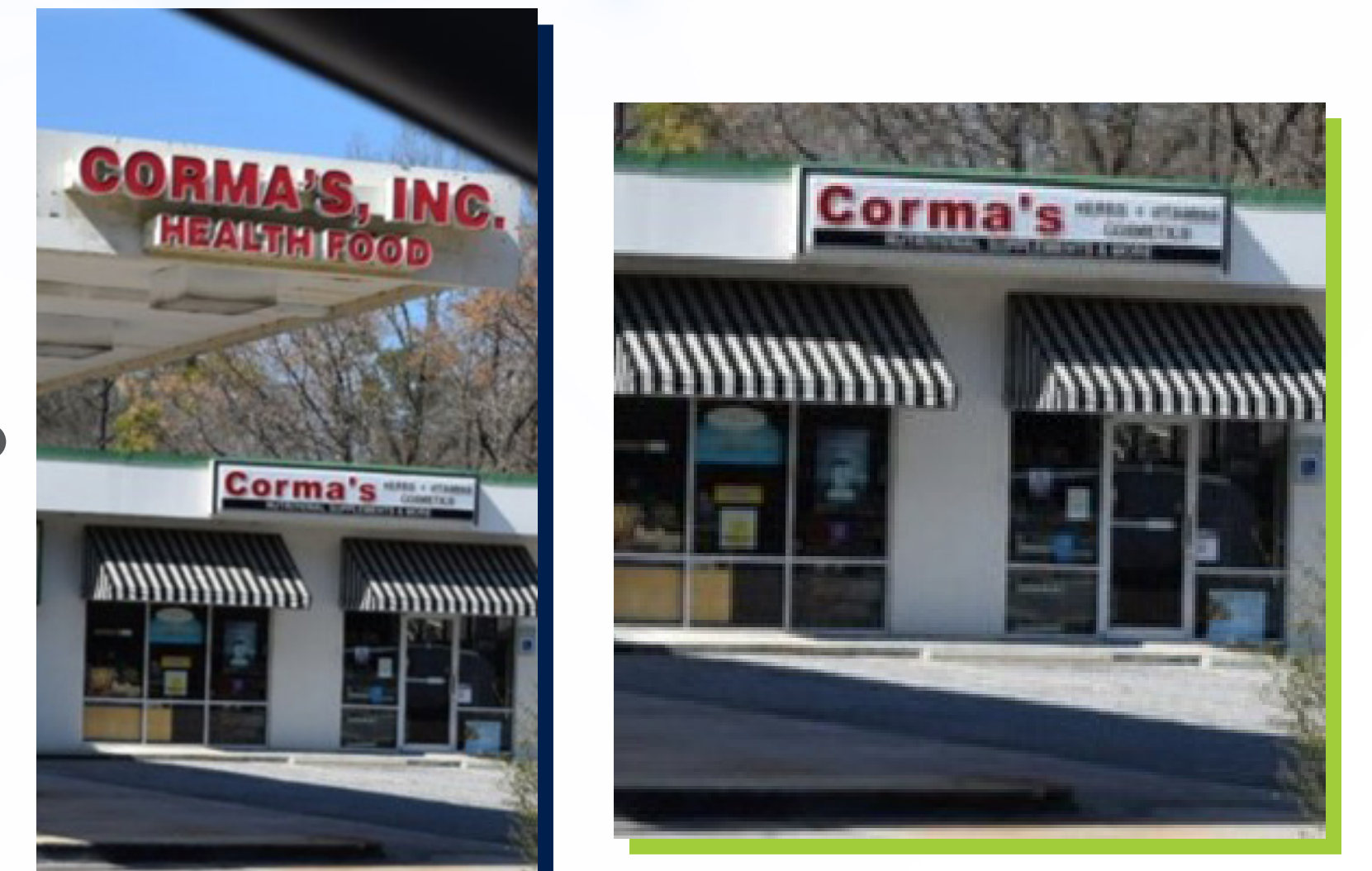
The Due Diligence Journey Begins

An Environmental Questionnaire provided by the owner claimed property use as a Health Food Store. Photographs provided with the EQ supported the property’s use as a Health Food Store.

Supporting Photographs

Photos accompanying the EQ showed only a portion of the store:

- The building was cut off
- Did not show entire property
- Large windows in front looked like service bay doors



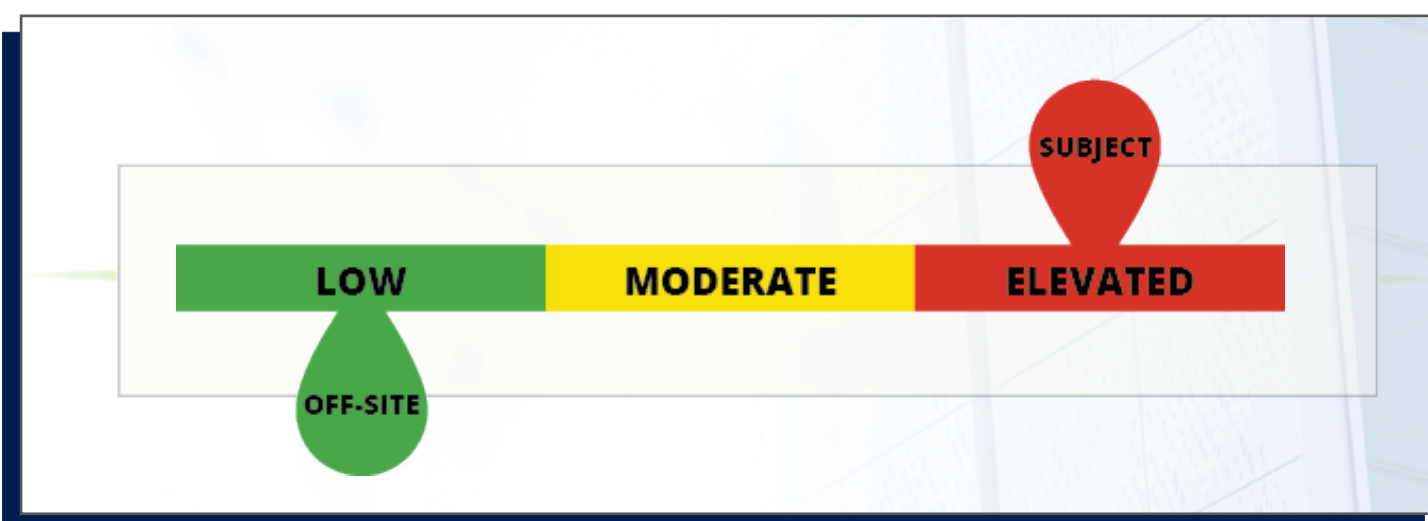
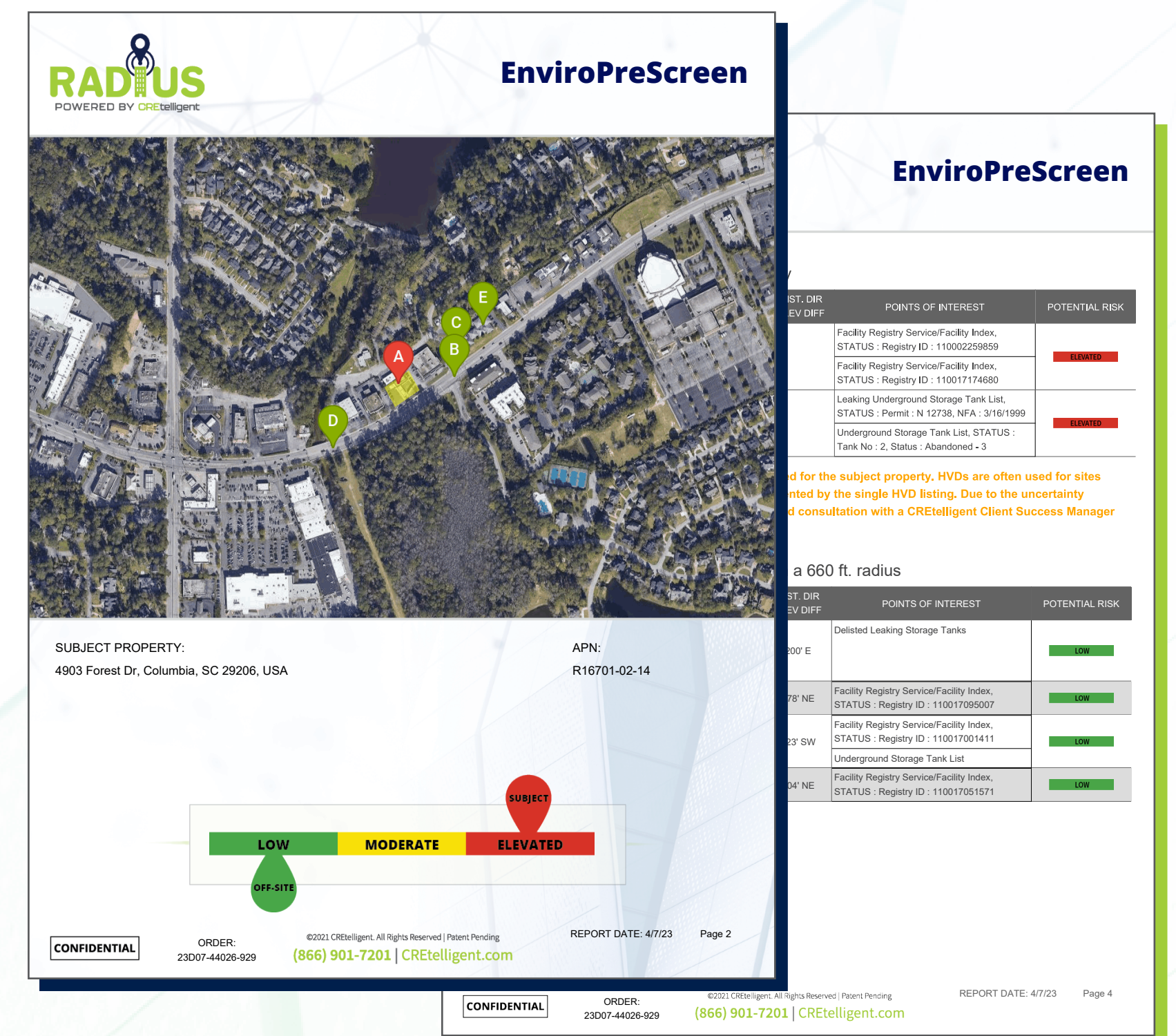
Additional Site Visit Commissioned

New photographs showed:

- A former gas station with pump islands and a canopy
- Large windows confirmed as former service bay doors
- An on-site dry cleaner

Instant Insights: The Environmental PreScreen

We took 4903 Forest Drive and put it to the test against CREtelligent’s Environmental PreScreen (EPS) report. The EPS exposes potential risks based on incidents reported to regulatory agencies. It also provides a risk rating on the subject property and neighboring sites.



POINTS OF INTEREST	POTENTIAL RISK
Facility Registry Service/Facility Index, STATUS : Registry ID : 110002259859	ELEVATED
Facility Registry Service/Facility Index, STATUS : Registry ID : 110017174680	ELEVATED
Leaking Underground Storage Tank List, STATUS : Permit : N 12738, NFA : 3/16/1999	ELEVATED
Underground Storage Tank List, STATUS : Tank No : 2, Status : Abandoned - 3	ELEVATED



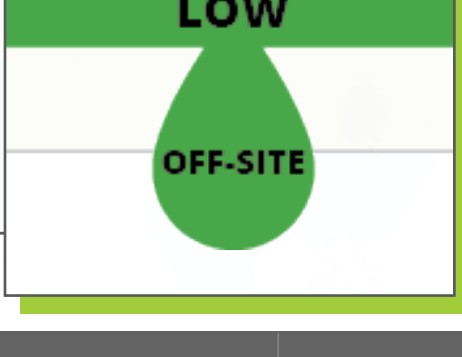
The EPS findings

The EPS indicated a high risk potential for the subject property and low risk for adjacent sites. It also showed following on the subject property:

- Former Service Station
- Underground Storage Tank (UST) Facility
- Leaking UST Incident granted closure in 1999
- Two Facility Registry Listings and IDs

Know Thy Neighbor

The EPS report also provides insight and risk rating for adjacent properties. In this case, neighboring properties were identified as low risk, while the type of business operation at each is noteworthy.

Regulatory Summary Properties within a 660 ft. radius				
SITE NAME	ADDRESS	DIST. DIR ELEV. DIFF	POINTS OF INTEREST	POTENTIAL RISK
DOMINION ENERGY SOUTH CAROLINA INC SUBSTATION FOREST DRIVE	Forest Dr & Gregg Pkwy, Forest Acres, SC 29206, USA	200' E	Detached Leaking Storage Tanks	LOW
CAROLINA DENTAL ASSOCIATES PA	5101 Forest Dr, Columbia, SC 29206, USA	278' NE	Facility Registry Service/Facility Index, STATUS : Registry ID : 110017095007	LOW
BROWERS TEXACO	4900 Forest Dr, Columbia, SC 29206, USA	423' SW	Facility Registry Service/Facility Index, STATUS : Registry ID : 110017001411 Underground Storage Tank List	LOW
DAVID M LOVIT DMD	5115 Forest Dr c, Columbia, SC 29206, USA	504' NE	Facility Registry Service/Facility Index, STATUS : Registry ID : 110017051571	LOW



4903 Today

Fast forward, today the property is A Freshe Poke restaurant with the former gas dispenser canopy as a shelter for outdoor seating.

As retail properties nationwide are repurposed, having accurate insights into past uses is critical. Without the insights that the EPS provides, a lender might easily overlook potential risks associated with the property.

Conclusion

While cost-effective, relying on environmental questionnaires from property owners may not reveal conditions that will likely surface when underwriting the transaction.

In the case of 4903 Forest Drive, the EQ provided very little insight as to the property’s past use. However, when the property address was cleared through the EPS, which is delivered instantly and used very early in a transaction, there was clear evidence of its prior use as a environmentally sensitive industry.