

Technology Drives Site Assessments, Survey Says

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New regulatory requirements, an emphasis on property values and faster transactions are moving consultants to turn toward new technologies to speed up environmental site assessments, according to a benchmarking survey by **Environmental Data Resources Inc.**, Milford, Conn.

The **Environmental Protection Agency's** development of the "All Appropriate Inquiries" (AAI) rule will change the rules governing the Phase I ESA process, and many consultants are already preparing themselves and their clients for the new requirements, the survey said.

Dianne Crocker, senior economist and managing director at EDR, said the EPA expected enforcement of the rule in late 2005 but there is some talk about early 2006. "That's what's really fueling the increasing use of technology," Crocker said.

Purchasers of commercial real estate who seek environmental liability protection under CERCLA will, for the first time, be required to follow federal guidelines for property screening or risk losing liability protection. With implications for every commercial real estate transaction, the proposed AAI rule has environmental professionals who conduct ESAs gearing up for change.

Regulatory change is only one of the major challenges faced by environmental consultants performing Phase I ESAs on commercial real estate transactions, according to the report. In response to a growing awareness of the impact environmental issues can have on property values, purchasers of commercial property are increasingly requesting add-on assessment services, such as asbestos and lead-based paint screenings, the survey said. Mold assessments in particular are on the rise, with 66 percent of survey respondents reporting greater demand today than just one year ago.

Three out of four environmental consultants in the survey predict that the AAI rule will require a greater level of effort compared to current Phase I ESA practices. One in seven consultants, according to the report, falls short of EPA's definition of "environmental professional." By shrinking the pool of qualified consultants and adding new research and documentation requirements, 85 percent of environmental consultants predict the AAI rule, if finalized in its draft form, will drive up prices for Phase I ESAs. Nine percent predict a jump of 20 percent or more.

"Growing pressure from clients to do more in less time and the proposed requirements of the federal AAI rule are converging to create an intensely challenging market for Phase I ESA providers," Crocker said. "Consultants who are preparing now for the new requirements and keeping abreast of technological developments have a distinct competitive edge."

Crocker said environmental specialists speed the process using handheld computers, or personal data assistants (PDAs), and a report-writing platform. Environmental specialists visit a property, pull down menus on the handheld, wireless PDA, survey the property, enter the data, beam it back in real time to their home office and drop it directly into the report. "That saves them a significant amount of time versus the old days when they entered data as soon as they went back to the office," Crocker said.

One in 10 respondents to the survey said they shaved hours off the most time consuming aspects of writing up the report using an automated report-writing platform. "Again, they're harnessing technology to be more responsive to the demands clients are placing on them," she said.

The survey also said nearly half of the environmental consultants (47 percent) not using the two technologies expect to do so in the future and a total of 17 percent in the next two years. "That is telling us that we are in the second stage of adoption here. Right out of the gate, we had the early adopters and now we are in the second phase," Crocker said. "[Environmental consultants] are starting to realize that if they don't harness these new technologies, their competitors will and they will be left behind."

The majority of respondents to the survey are optimistic about the near-term future of the Phase I ESA marketplace, particularly in the areas of traditional commercial real estate (buyer due diligence), commercial lending (banks' environmental due diligence), corporate real estate transactions and brownfields redevelopment. "That optimism stems from optimism about commercial real estate markets in general," Crocker said. "There are many more investment dollars steered into commercial real estate properties and that's driving more demand for property turnover and, therefore, site assessments."

The survey was open to environmental consultants on EDR's website from August 12 to September 3, 2004. Nearly 360 environmental consultants at 283 unique companies responded, representing companies of all sizes in all geographic regions of the country, EDR said.