



Environmental Issues in Real Estate

Who Are Environmentally Sensitive Tenants?

Many multi-tenant property owners have tenants that are environmentally sensitive without even knowing it! A tenant is considered to be environmentally sensitive if their on-site processes pose a threat of contamination of soil, water, air, or human health. Often times, the tenant that seems benign can turn out to be a contributor to contamination of a property. Dry-cleaners, for instance, use hazardous solvents that can contaminate soil and groundwater if not properly handled. Many other tenants also pose a threat of contamination; some of these include: gasoline stations, engine/body repair shops, retail pool chemical distributors, machine shops, retail pesticide distributors, commercial printing facilities, and painting companies. All of these tenants use and store hazardous and/or regulated materials that have the potential to cause contamination if not properly handled, stored, and disposed. Many of the tenants could require permitting by local municipalities and/or the U.S. Environmental Protection Agency.

Negative Impacts on Property Value

Environmentally sensitive tenants can adversely effect a property in several ways. They can cause contamination that is both costly and time consuming to remediate. They can be charged hefty fines for non-compliance, and they can also cause the property value itself to decrease. In some cases, a property can be contaminated in such a way that a deed use restriction is attached to the property, limiting the future use of the land itself. Contamination also can cause the monetary value of the property to decrease, and while the tenant may be financially responsible for contamination they caused, the property owner is still left with the ultimate obligation of the clean-up.

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Hazardous/Regulated Materials Improperly Stored Can Contaminate Sub-Surface Soils

Some Tenants Reduce Property Value

Contamination caused by a tenant can actually reduce the value of a property and/or cause a deed use restriction to be attached to the property, limiting the future use of the land itself.

How to Protect the Property and the Owner



Compliance Audits Identify If Materials Are Being Stored To Minimize Risk of Contamination

The property and owner have several ways to be protected from the risk associated with environmentally sensitive tenants. Arguably the most important factor is for the owner to be aware of the presence of environmentally sensitive tenants on his/her site. The owner can make modifications to lease agreements so that tenants limit their risk to the property. The owner can also have an environmental professional perform an environmental compliance audit on the facility to ensure the tenants are operating appropriately. A tenant exit audit can also be performed whenever a tenant leaves a property to ensure the property has not been impacted by their previous processes.

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Questions or comments? E-mail us at RBowen@cesaz.com or call 602-230-1471

CES, Inc.
5230 North 16th Street
Phoenix, Arizona 85016
(602) 230-1471 Main
(602) 230-9598 Fax