

ENVIRONMENTAL/ ENGINEERING GEOLOGISTS

Liability and Market Value of Real Estate as Impacted by Environmental Problems.

by **Jim Perryman**

**HGS Environmental/Engineering Committee Evening Meeting
October 13, 1993, Social - 6:30 p.m. Program - 7:00 to 8:00 p.m.
Houston Engineering and Scientific Society (HESS) Bldg.
3121 Buffalo Speedway**

Environmental issues can adversely affect any commercial or residential real estate property value. The environmental condition of a property and/or the environmental practices of individuals and companies operating on properties are of real concern to any company with financial investment or liability linked to the property. Corporations, insurance companies, banks and any other lenders involved in the closing or providing financing for real estate loans can all be impacted by environmental problems.

Many lenders have found themselves potentially liable for cleanup of environmental problems associated with properties upon which they have foreclosed in the past. Even though a lender may be able to avoid direct liability, the borrower

may not be capable of repaying a loan because of their environmental problems. Similarly, the real estate lender does not want to find himself relying upon collateral, i.e. land and improvements, that have diminished market value because of some sort of contamination on or in proximity to the property.

Since the creation of the Endangered Species Act twenty years ago, numerous regulations have been promulgated to protect wildlife and their habitats in this country. Due to these environmental regulations, significant parcels of land have become restricted from development. The land developer, corporation, real estate owner or private citizen may find their land value effected by designation as habitat for endangered species or

as a jurisdictional wetlands.

A Phase I environmental site audit allows the lender, in addition the purchaser of the property, the opportunity to detect environmental traps or to build an Innocent Landowner Defense. Lenders will soon require Phase I audits in order to perform an appropriate level of environmental due diligence on most property transfers. Requests by the lender for Phase I audits are also becoming common when some properties are being refinanced. ASTM standards for conducting Phase I audits have now been adopted by the National Association of Environmental Professionals to bring about a consistent level of analyses across all industries. Similarly, standards are being developed for Wetlands audits.

JAMES D. PERRYMAN -

Biographical Sketch

Jim Perryman is the Chief Executive Officer of Forest America Group, Inc. Originally serving as a Chemical Warfare Specialist with the U.S. Army, Mr. Perryman later joined Occidental Chemical and Standard Oil as a developer and marketer of pesticides and fertilizers. In the early 1970's, he made a break away from the Oil & Gas industry to pursue a career in the timber management industry.

Mr. Perryman has been involved in numerous timber projects in North and South America, including the perfecting of selective timber harvesting in Brazil to protect the rain forests. He also developed and field tested a method for the U.S. Forest Service to dispose of municipal sewage wastes in forests to lock up

toxic metal and avoid affecting the human food chain. Through the workings of Forest America Group, Mr. Perryman has worked to effectively manage the nation's timber resources.

With the enactment of the Endangered Species Act, Jim Perryman has broadened his work into the environmental assessment and monitoring business. Through the National Association of Corporate Realtors, he has worked to set up environmental institutes to assist the nation's largest landowners in handling their environmental concerns. Through the National Association of Environmental Professionals, Mr. Perryman has been involved in establishing nationwide ASTM standards for environmental Phase I audits, compliance

and monitoring of real estate properties. The focus of his company is to provide comprehensive management of real property, assisting in areas of timber, wetlands, endangered species and environmental concerns.