

## **A Buyer's Guide to Desktop Reviews & Database Searches: What Are They and When Should You Order One?**

By EBI Consulting

John Katze, National Director of Operations – Due Diligence Services

### **DESKTOP REVIEWS**

#### **What is a Desktop Review?**

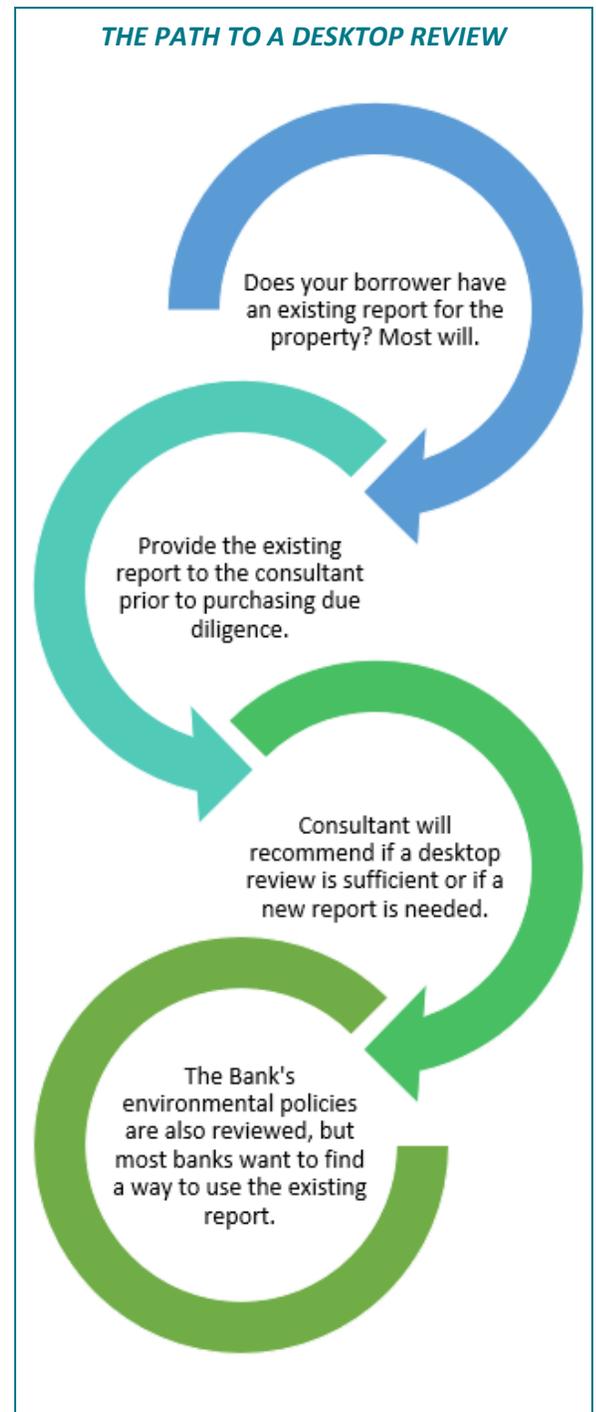
A Desktop Review involves the evaluation of a 3rd party environmental report, such as a Phase I Environmental Site Assessment (ESA), Phase II Report, Regulatory Submittal, or similar by a qualified Senior Technical Reviewer. The Senior Technical Reviewer will provide a conclusion to the client stating whether the report either does or does not comply with ASTM regulatory and/or industry standards, depending on the client's specific scope requirements.

#### **When would someone order a Desktop Review?**

A Desktop Review is ordered to advise the client regarding liability when a recent, in depth due diligence report already exists for the property in question. In order for a Phase I ESA to provide protection from liability under the federal EPA Superfund Law (CERCLA), it must be completed in accordance with standards and practices for conducting all appropriate inquiries (AAI).

Phase I ESAs are completed in accordance with the EPA's guidance at the federal level; however, Phase II Assessments and other Regulatory Submittals are compared to state guidance and regulations, where each state has their own environmental standards and regulatory processes. With Phase II and regulatory Submittals, a consultant's 3rd party review will verify if the investigation was completed in accordance with state regulations and standards.

Due diligence is a highly competitive environment and consultants may cut corners – as such, not all Phase I reports are created equal. For example, a regulatory concern may be dismissed without a review of the appropriate records, the property history may be incomplete, municipal records may not be reviewed, or the soil vapor pathway may not be considered. Any of these omissions can violate AAI or state regulations and negate the value of the report.



## DATABASE SEARCHES

### What is a Database Search?

#### How does it differ from a Desktop Review?

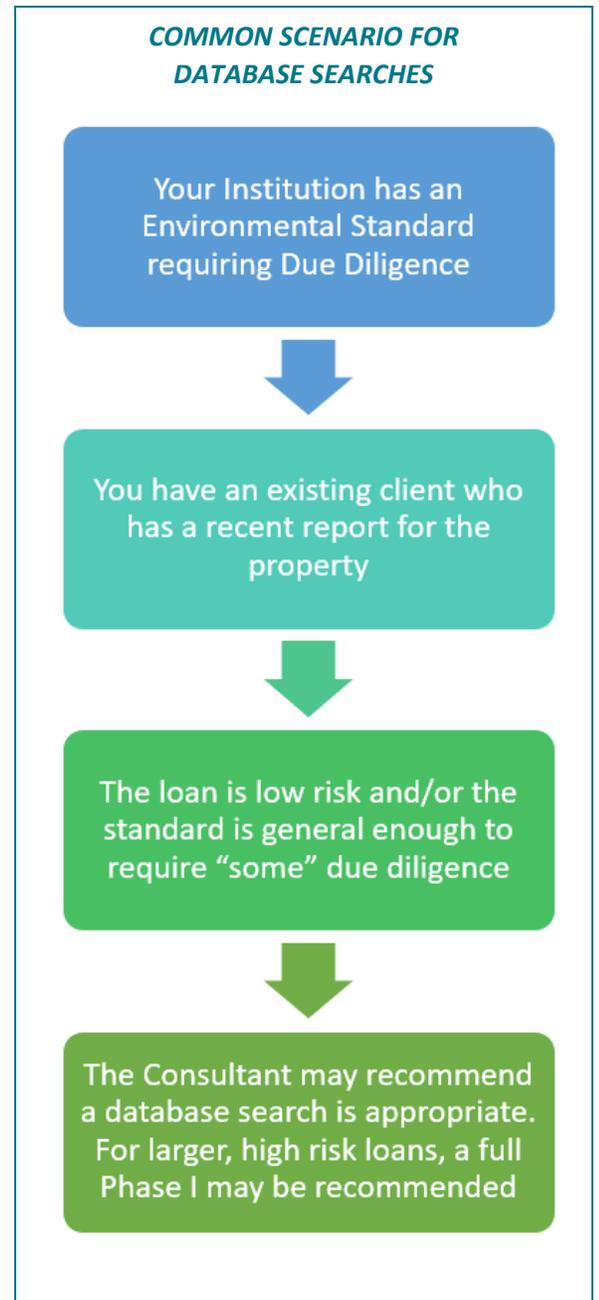
A database search includes a review of standard federal, state, and tribal environmental record sources as defined in ASTM E1527. Additionally, in order to enhance the accuracy of the database search, a consultant will utilize other online and data resources. The key distinction is that a database search will not provide protection from potential liability under CERCLA as an innocent landowner, a contiguous property owner, or a bona fide prospective purchaser.

A database search is often engaged when the bank has an existing borrower with whom they have an established relationship. That borrower will have a recent report for the property in question and the loan value is often small and low risk. This serves as the due diligence the bank requires. In higher risk, high loan value transactions, this is often not enough and a full Phase I ESA must be ordered.

#### What are the limitations of ordering a Database Search?

A database search is a quick turn screening tool and will identify environmentally significant features that have been reported to federal or state agencies. It is most useful in low risk, short turn around time scenarios.

However, a database search may omit features that are not reported such as hazardous materials, aboveground and underground storage tanks, septic systems, and oil-containing equipment. It is important to note that there are many environmental concerns that may be identified in a Phase 1 ESA that are not included in a database search. It is vital to discuss the appropriate level of due diligence with your consultant on a case-by-case basis.



John Katze, National Director of Operations – Due Diligence Services

