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Impact of dry cleaners on commercial property transactions

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As an environmental professional who works with real estate developers, I am frequently asked about the impact of dry cleaners on commercial property transactions. Before I address this question, let's take a look at the history of perchloroethylene or "perc", the most common dry cleaning solvent. For more than 60 years, U.S. neighborhood dry cleaners have used perc, and today, approximately 80% still use it. So what is the concern? In 1993, the EPA imposed restrictions on perc usage based upon evidence of health effects and environmental impacts from releases. As things progressed, a voluntary phase out of the most problematic dry cleaning equipment began. In 2006, the EPA announced rules for reduction of perc usage by dry cleaners. States also have dry cleaner regulations and some have clean up funds for impacted sites.

Now, back to the question at hand, are all dry cleaners "deal killers?" Not necessarily. Recent changes related to "green" initiatives can play a role. These include a small number of newer installations that may use soap/water, liquid carbon dioxide or silicone instead of perc. Since they do not use hazardous substances, they are not an environmental concern unless there was perc usage on the premises in the past. There are also new petroleum solvents being used as an alternative to perc. These are generally considered "less toxic." So not all dry cleaners should be automatically assumed to be deal killers. The key is to conduct appropriate environmental due diligence. It is important to investigate the potential for releases of perc and other regulated substances prior to acquisition of a commercial property.

The vast majority of dry cleaner properties have current or historical perc usage. What about them? Based on my knowledge of subsurface investigations, it is safe to assume that a typical onsite perc dry cleaner is likely to have some level of release on the property. During due diligence, it is important to determine whether or not the release is likely to be significant enough to pose a threat to human health or trigger an enforcement action if known by regulators. The problem during the initial stages of environmental assessment (Phase I) is there are numerous variables for which there usually is insufficient data based on visual observations, interviews and record review, for instance, the term of dry cleaner operation, type of equipment and work practices of operators and the location and quantity of releases. These issues can be hidden, covered-up or simply be unknown to a current operator.

For this reason, many buyers choose to conduct a Phase II subsurface investigation of soil and groundwater beneath a dry cleaner to evaluate the severity of a perc release. The Phase II investigation may provide sufficient data to conclude whether or not the conditions beneath a property are a "deal killer" before acquisition. Even if a significant release is identified, some states have programs for voluntary clean up that can reduce the risk for buyers and resuscitate an otherwise dead deal.

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