

BLOG

When to Start Talking Green

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No, we don't mean money – the green I'm referencing is the range of environmental hazards that may halt, delay or flat-out destroy your next development project. Recently, we've seen a noticeable increase in private equity firms and property managers purchasing sites with potential environmental hurdles. This is good news, because it means that the land will be restored and harmful toxins dealt with, and the buyer will reap the rewards of a high ROI - **so long as they can mitigate the risks.**



Why, then, do development teams typically leave conversations about the state of the property and its land to the end of negotiations? The environmental brokers here at Risk Strategies are all too often receiving panicked calls right before papers are meant to be signed, asking for guidance in assessing the land and developing insurance programs.

We jump into action, of course, but this last-minute fire-drill approach leaves a lot to be desired.

Environmental planning should be part of the due diligence process. This is made easier by having the right team in place. A development team typically consists of the developer, the buyer, the lender and the legal counsel. Choose them wisely – and invest in an environmental lawyer. Even if your general legal counsel is serving you well, environmental regulations are complicated and require an expert.

At some point in the purchase process, environmental testing will be done. But don't be lulled into a false sense of security by the results. It isn't feasible to poke holes in the ground every two feet, so testing is done specifically on areas of the land that have been identified by historical reviews and testing as potential risks. This is efficient, but doesn't capture the whole story. Work with your broker to protect yourself from the unknown risks and your project from the undetected with cost overrun coverage for the known conditions.

The approach of Earth Day seems as good a time as any to start putting environmental considerations first. Reach out to us today if you're embarking on a new project. You can reach the team at environmental@risk-strategies.com.

TAGS:

Environmental