Peritus
ENVIRONMENTAL CONSULTANTS INC.

BUYING · SELLING · FINANCING

Environmental Due Diligence Checklist

For buyers, lenders and their advisors: what to line up on the environmental side before you waive conditions on a property in Ontario.

Build it into your conditional period

A Phase I ESA typically takes a few weeks. If it recommends a Phase II, drilling and lab results add more time. Ask for enough time before you sign, and call us early.

1 Do you need a Phase I ESA?

A. Buying or selling

Commercial, industrial and mixed-use properties, or anywhere with a history of those uses. Buyers and lenders commonly require one before closing.

B. Refinancing

Most lenders ask for a recent Phase I and may need a **reliance letter** so they can rely on the report. Ask what they need up front.

C. Changing the use

Going to a more sensitive use, like residential or parkland, usually needs a **Record of Site Condition**. That needs a Phase One ESA under O. Reg. 153/04 by a Qualified Person.

Good to know: due diligence Phase I ESAs in Canada generally follow CSA Standard Z768. A Phase One for a Record of Site Condition has stricter requirements, so a due diligence report usually can't be reused for an RSC. *If you plan to redevelop, tell us at the start.*

2 Documents to ask the seller for

- ☐ **Previous environmental reports**
  Phase I and II ESAs, remediation reports and any risk assessments, with dates.
- ☐ **Certificate of Property Use**
  If there is one, plus the inspection and monitoring records it requires.
- ☐ **Fuel storage records**
  Tank details, inspections, and removal records for any old tanks.
- ☐ **Spills, orders and complaints**
  Spill reports, Ministry orders or notices, and complaints about the site.
- ☐ **Record of Site Condition**
  If one was filed, a copy and its listing on the Environmental Site Registry.
- ☐ **Environmental approvals**
  ECAs and EASR registrations for current or past operations on the site.
- ☐ **Hazardous waste records**
  Waste generator registrations and disposal records.
- ☐ **Building surveys**
  Designated substance or asbestos surveys for the buildings.

3 Red flags on the site or next door

- [ ] **Gas station, auto repair or dry cleaner**
  Past or present, on the site or on a neighbouring property.
- [ ] **Signs of underground tanks**
  Vent pipes, fill caps, or patched pavement in odd places.
- [ ] **Fill of unknown origin**
  Raised or uneven ground, or debris in the soil.
- [ ] **Old electrical or hydraulic equipment**
  Older transformers and hoists can hold oils or PCBs.
- [ ] **Manufacturing or chemical storage**
  Plating, printing, metal finishing, or bulk chemicals or solvents.
- [ ] **Drums, staining or odours**
  Also stressed vegetation or unusual colours in soil or water.
- [ ] **Older buildings**
  Possible asbestos, lead paint and other designated substances.
- [ ] **Rail lines or former industry nearby**
  Contamination can move onto a site from next door.

4 Before you waive conditions

- [ ] **Phase I ESA completed**
  By a qualified consultant, and recent enough for your lender.
- [ ] **Reliance letter in hand**
  If the report was prepared for someone else, you and your lender may need one.
- [ ] **Future plans checked**
  Redeveloping? Confirm whether you'll need an RSC and budget the time.
- [ ] **Recommendations understood**
  If a Phase II is recommended, decide in time: sample, renegotiate or walk away.
- [ ] **Environmental terms reviewed**
  Ask your lawyer about representations, warranties and indemnities.
- [ ] **Ongoing obligations known**
  Any CPU conditions, monitoring or approvals you'll take over as owner.

5 Phase I vs. Phase II at a glance

Phase I ESA

Site history, records (aerial photos, fire insurance plans, directories, government databases), a site visit and interviews. **No sampling.** Tells you whether contamination may be present.

Phase II ESA

Sampling soil and groundwater (and sometimes soil vapour) where the Phase I found potential concerns. Lab results are compared to Ontario's standards.

Looking at a property? Talk to us before you sign.

Phase I and II ESAs, Records of Site Condition and Certificates of Property Use.

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General guidance only, not legal advice. Requirements depend on the property, its history and your lender.