

General Information & Requirements



Environmental Requirements & Helpful Tips:

SBA environmental requirements for its various Loan programs, may differ from your own policies. Here are some tips to make the process work effectively:

The Approval Process:

- ✓ Before an SBA 504 Loan can be disbursed, SBA and CDC must agree either that there is no risk of environmental contamination at the Property or that the risk has been sufficiently minimized, based on the Environmental Report.
- ✓ Order the appropriate Environmental Investigation and share the results with us.
 - If we conclude that no further investigation is required, then we will submit the Environmental Investigation to SBA with the recommendation that it be approved. SBA, however, retains the final decision on whether there is a need for additional investigation.
 - If we or SBA conclude that further investigation is required, then we will work with you and the applicant to obtain what is needed.

Tips for Timing of Environmental Investigation:

- ✓ The 504 Loan application and SBA Loan Approval can occur *prior* to receipt and review of the Environmental Investigation, but we do want to address any environmental concerns as early as possible in the process.
- ✓ It is strongly recommend that you work with us to have SBA approve the Environmental Investigation *before you close and disburse your Interim and/or Third Party Loans.*
- ✓ We want to make certain that SBA has no further requirements before you are committed to your loan. In addition, early attention to environmental issues will protect both you and the small business applicant from getting stuck with an environmentally-contaminated Property.

Which Environmental Investigation is Required:

Under SBA's policy, the first step in deciding which Environmental Investigation to order is whether the Property is a *unit in a multi-unit building* such as an office condominium or, for any other type of Property, determining the NAICS Code for *all present and former known uses* of that Property.

- ✓ If any of the NAICS Codes are a match for an “environmentally sensitive” industry as defined on the included list, then a Phase I Environmental Site Assessment is required. Certain uses – gas stations, dry cleaners, buildings constructed prior to 1978, etc. – have additional requirements which we will be glad to discuss with you. (For example, equipment testing is required for gas station properties and Phase II testing is required for on-site dry cleaners that are five or more years old.)
- ✓ If there is no NAICS Code match or the Property is a unit in a multi-unit building, then for loans over \$150,000, you may be able to proceed with an Environmental Questionnaire, a Records Search with Risk Assessment. SBA also has certain minimum requirements for Environmental Questionnaires, including that the current (pre-Project) owner or operator of the site, the applicant and the lender sign the questionnaire. ***Please contact us to discuss the details before ordering your Environmental Investigation.***

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Ordering the Environmental Investigation:

When you commission an Environmental Investigation, please make sure that the Environmental Professional adds the following parties as addressees of the report:

Indiana Statewide Certified Development Corp. and U.S. Small Business Administration
4181 E. 96th Street, Ste. 200
Indianapolis, IN 46240

Environmental Professionals:

Any Environmental Investigation other than an Environmental Questionnaire requires an impartial Environmental Professional who meets the educational and experiential requirements of EPA's AAI regulation. Most Environmental Professionals on your approved list will be acceptable to SBA, but we also can recommend professionals who are familiar with SBA procedures and can address SBA issues effectively.

✓ For a Phase I or Phase II, the Environmental Professional must provide the **SBA Reliance Letter*** and evidence of errors & omissions liability insurance of at least \$1 million per claim or occurrence.

Needed Conclusion:

For all Environmental Investigations including an Environmental Questionnaire and Records Search with Risk Assessment, the Environmental Professional will need to conclude in writing either

- The Property has a minimal or low risk of contamination and no further investigation is warranted
- There is risk of contamination sufficient to warrant additional investigation.

In the latter situation, the Environmental Professional will need to provide recommendations as to further investigation. Again SBA has requirements for what areas the Environmental Professional must document.

Handling Miscellaneous Recommendations:

Environmental Professionals may offer recommendations on changes to the Property that do *not* require further investigation; for example, they may recommend the removal of old tanks or 55-gallon barrels. The SBA requires confirmation that the applicant has addressed these recommendations prior to approving the report.

More Involved Situations:

If the Property is a gas station or the Environmental Investigation shows contamination in excess of actionable or reportable levels, the need for additional testing, or other situations where there could be potential liability for environmental cleanup, please contact us **immediately**. Each situation will present different issues and have different solutions. Approval and disbursement of the 504 Loan is possible even when there is contamination which is or will be remediated, but we will need to work closely with you and the Environmental Professional to develop possible solutions and prepare recommendations for SBA.

It is our job to help you and the 504 Loan applicant to understand and address SBA's environmental requirements. Please do not hesitate to contact us if you need further guidance or have any questions whatsoever about these requirements or environmental conditions at the Property.