

EPA Brownfields Grants, CERCLA Liability, and All Appropriate Inquiries



To be eligible for an EPA brownfields grant to address contamination at brownfields properties, eligible entities must demonstrate that they are not liable under CERCLA for the contamination at the site. Accordingly, eligible entities who may be considered “potentially responsible parties” under CERCLA must demonstrate they meet one of the liability protections or defenses set forth in CERCLA by establishing that they are (1) an innocent landowner, (2) a contiguous property owner, (3) a bona fide prospective purchaser, or (4) a government entity that acquired the property involuntarily through bankruptcy, tax delinquency, or abandonment, or by exercising its power of eminent domain.

To claim protection from liability as an innocent landowner, contiguous property owner, or bona fide prospective purchaser, property owners, including state and local governments, must conduct all appropriate inquiries prior to acquiring the property.

What is CERCLA?

The Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), also known as “Superfund,” was established to address abandoned hazardous waste sites. Among other things, CERCLA establishes a liability scheme for determining who can be held accountable for releases of hazardous substances. CERCLA also establishes the authority for EPA’s Brownfields Program and sets forth which entities and properties are eligible for brownfields grants.

Can state and local governments be found liable for contamination at brownfields?

Yes. Under CERCLA, persons (including state and local governments) can be liable by virtue of property ownership, or by virtue of their actions with respect to a particular site. For sites from which there is a release or threatened release of hazardous substances, the categories of “potentially responsible parties” include any person or party who:

- Currently owns or operates the property, or owned or operated the property at the time of disposal of hazardous substances;
- Arranged for hazardous substances to be disposed of or transported to the site for disposal; or
- Transported hazardous substances to the site.

Applicants should note that CERCLA employs a “strict liability” scheme—that means it is without regard to fault. Accordingly, a person who owns a property from which there is a release of hazardous substances can be held liable just by virtue of ownership.

If I am applying for a brownfields grant, do I have to worry about CERCLA liability?

Yes. Brownfields grantees are prohibited from using grant money to pay response costs at a brownfield site for which the grantee is potentially liable under CERCLA.

Therefore, all brownfields grantees who may be potentially liable at the site for which they are seeking funds must demonstrate that they are not liable for the contamination that will be addressed by the grant, subgrant, or loan. Applicants who own or operate the property for which they are seeking funding, or who may have owned or operated the property at the time of disposal of hazardous substances, must demonstrate they fall within one of the liability protections.

Cleanup grant applicants in particular should take note of this prohibition. Because cleanup grantees are required to own a site to receive brownfields funding—and because owners of contaminated property are liable under CERCLA—cleanup grant applicants **must** demonstrate they meet one of the liability protections described above. Some grant applicants who do not own the property for which they are seeking funding, or who are not seeking site-specific grant funds, may not fall within one of the categories of “potentially responsible parties,” and thus may not have to demonstrate they meet a liability protection.

Please contact your Regional Brownfields representative if you are not sure whether you will need to demonstrate a liability protection to be eligible for a grant.

Who may be protected from liability under CERCLA?

The CERCLA statute provides protection from liability for certain parties, provided they comply with specific criteria outlined in the statute. Parties provided protection from CERCLA liability include:

- Innocent landowners (CERCLA §101(35)(A))
- Contiguous property owners (CERCLA §107(q))
- Bona fide prospective purchasers (CERCLA §§101(40) and 107(r))
- Units of state or local government that acquire ownership or control involuntarily through bankruptcy, tax delinquency, or abandonment (CERCLA §101(20)(D))

Government entities that acquire property by eminent domain (CERCLA §101(35)(A)(ii))

- Not be affiliated with any liable party through any familial relationship or any contractual, corporate or financial relationship (other than a relationship created by the instrument by which title to the property is conveyed or financed).

NOTE: Property acquisition includes properties acquired by gifts and zero price transactions.

How can a state or local government demonstrate that it is not liable for contamination at a brownfield?

All state and local governments that may be potentially liable at a site for which they are applying for funding (including site-specific assessment grants, cleanup grants, or subgrants or loans from revolving loan funds), **must** demonstrate that they qualify for one of the CERCLA liability protections. All non-profit entities applying for brownfields cleanup grants also must make this demonstration.



Eastern Manufacturer Brewer, Maine, prior to cleanup (above) and after (right)



What are the conditions for attaining liability protection under CERCLA?

To be eligible for liability protection under CERCLA as an innocent landowner, contiguous property owner or bona fide prospective purchaser, prospective property owners must:

- Conduct All Appropriate Inquiries in compliance with 40 CFR Part 312, prior to acquiring the property;
- Comply with all Continuing Obligations after acquiring the property. (CERCLA §§101(40)(C – G) and §§107(q)(A) (iii – viii)); and

To demonstrate that it qualifies as an innocent landowner, contiguous landowner, or bona fide prospective purchaser, the applicant must:

- Conduct All Appropriate Inquiries prior to acquiring the property, **and**
- Comply with all Continuing Obligations after acquiring the property.

State and local governments that acquired a property involuntarily through bankruptcy, tax delinquency, or abandonment, or by exercising their power of eminent domain, do not have

to conduct all appropriate inquiries prior to acquiring the property, but must exercise “due care” after acquiring the property (CERCLA §101(35)(A) and §§107(b)(3)(a – b)). [Note: One threshold criteria for applicants seeking cleanup grant funding is that a Phase I must be conducted prior to application submission. Accordingly, although state and local governments that acquired property involuntarily are not required to conduct all appropriate inquiries for purposes of establishing a liability protection, they may have to conduct all appropriate inquiries anyway to be eligible for a cleanup grant.]

What is “All Appropriate Inquiries”?

“All Appropriate Inquiries,” or AAI is the process of conducting due diligence or a Phase I Environmental Site Assessment to determine prior uses and ownership of a property and assess conditions at the property that may be indicative of releases or threatened releases of hazardous substances at, on, in, or to the property.

The standards and practices established as comprising “All Appropriate Inquiries” are set forth in regulations promulgated at 40 CFR Part 312.

EPA recognizes two ASTM International Standards as compliant with the AAI requirements: ASTM E1527-05 “Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process” and E2247-08 “Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process for Forestland or Rural Property.”

When must All Appropriate Inquiries be conducted?

- All Appropriate Inquiries must be conducted or updated within one year **prior to acquiring ownership of a property.**
- Certain aspects or provisions of All Appropriate Inquiries (i.e., interviews of current and past owners, the review

of government records, the on-site visual inspection, and searches for environmental cleanup liens) must be conducted or updated **within 180 days prior to acquiring ownership of a property.**

Who can perform All Appropriate Inquiries?

The individual who supervises or oversees the conduct of the AAI investigation and signs the final report required in the AAI regulation must meet the definition of an “Environmental Professional” provided in the AAI Final Rule (40 CFR §312.10).

A person that does not qualify as an “Environmental Professional” as defined in 40 CFR §312.10, may assist in the conduct of the investigation if he or she is under the responsible charge of a person meeting the definition.

What are “Continuing Obligations?”

After acquiring a property, to maintain the liability protections, landowners must comply with “continuing obligations” during their property ownership. The continuing obligations include:

1. Provide all legally required notices with respect to the discovery or release of a hazardous substance;
2. Exercise appropriate care with respect to the hazardous substances by taking reasonable steps to stop or prevent continuing or threatened future releases and exposures, and prevent or limit human and environmental exposure to previous releases;
3. Provide full cooperation, assistance, and access to persons authorized to conduct response actions or natural resource restoration;
4. Comply with land use restrictions and not impede the effectiveness of institutional controls; and
5. Comply with information requests and subpoenas.

Where can I get additional information?

For general information, see the EPA Brownfields website at: www.epa.gov/brownfields

For more information on the AAI requirements, see: <http://www.epa.gov/brownfields/regneg.htm>

For more information on continuing obligations, see:

<http://www.epa.gov/compliance/resources/policies/cleanup/superfund/common-elem-guide.pdf>

Contact Patricia Overmeyer at: Overmeyer.patricia@epa.gov