

# WILDFIRE RISK

## PART 1: EXPANDING THE SCOPE OF ENVIRONMENTAL DUE DILIGENCE

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Wildfire property losses have [increased dramatically](#) over the past several decades in the United States. That's largely due to [urban sprawl](#), with increased construction near fire-prone wildlife areas, and [climate change](#) extending fire seasons and intensifying drought conditions that have turned certain regions into tinderboxes. Wildfires in urban settings can [trigger](#) the release of hazardous materials from buildings, like asbestos, PFAS, and heavy metals.

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**“Wildfires in urban settings can TRIGGER THE RELEASE OF HAZARDOUS MATERIALS FROM BUILDINGS—like asbestos, PFAS, and heavy metals—turning recovery into a complex environmental cleanup.”**

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[Structural wildfire debris](#) typically consists of ash, contaminated soils, metals, concrete, and hazardous household items like plastics, paints, batteries, cleaners, and pesticides. Studies [suggest](#) that the materials burned in urban wildfires contain more toxic chemicals than wildfires that consume wood and other natural materials. For example, [burning plastic waste](#) generates 20 times more particulate matter than other burned materials, causing inflammation and respiratory illnesses.



### Considering Wildfire Risk in Site Assessments

The release of these hazardous materials demonstrates the need for fire-specific property evaluations. In fact, there is a [growing trend](#) to incorporate natural disaster risks, such as wildfires, into environmental site assessments.


Evaluating wildfire risk is tricky. While the [ASTM E1527-21 standard](#) for Phase I Environmental Site Assessments does not explicitly consider wildfires a “recognized environmental condition” (REC) that requires investigation due to the potential contamination following these events, real estate professionals should strongly consider wildfire risk during environmental due diligence in regions of the country impacted by wildfires.

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**“While the ASTM E1527-21 standard for Phase I Environmental Site Assessments DOES NOT EXPLICITLY CONSIDER WILDFIRES A RECOGNIZED ENVIRONMENTAL CONDITION, the growing frequency and severity of these events make wildfire risk an increasingly critical factor in due diligence.”**

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As the frequency and severity of wildfires increase, consultants can use [localized risk](#) information on hazards linked to climate change to clarify their expectations and inform decision-making. Another crucial question for



consultants to consider is property use, which could pinpoint specific wildfire release risks. The type of contaminants present on the property should guide the environmental site assessment.

### Increased Liability Concerns

Urban property owners [face increased liability](#) in wildfire-prone areas due to the high risk of releasing hazardous substances into soil and water bodies. Some industries are particularly impacted by increased wildfire risks, especially construction contractors, environmental contractors, and utility and energy companies. [Determining responsibility](#) largely depends on who or what caused the fire. However, property owners can [still be held responsible](#) for pollution from their burning building, even if they did not start the fire.

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**“PROPERTY OWNERS CAN BE HELD RESPONSIBLE for pollution from their burning buildings—even if they did not start the fire.”**

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It's also important to keep in mind that contamination is not limited to the footprint of the burned structures; smoke and ash can easily spread contaminants across property lines, creating broader liability concerns. Soil sampling after a wildfire can help identify these issues.

### Wildfire Response and Remediation

FEMA is the lead federal agency for wildfire response under the [Stafford Act](#), coordinating recovery and debris removal efforts. Through its [Public Assistance Program](#), FEMA provides funding for wildfire debris cleanup and related activities. It issues mission assignments to federal partners such as the EPA and U.S. Army Corps of Engineers (USACE) to carry out specialized roles, including hazardous material removal and debris management. FEMA also sets eligibility rules that determine what wildfire debris removal costs are reimbursable, including distinctions between residential and commercial coverage.

Wildfire cleanup follows a two-phase model under [FEMA's Public Assistance Program](#).

- Phase 1 involves household hazardous waste removal, including batteries, propane tanks, solvents, and asbestos-containing materials. EPA usually leads when mission-assigned by FEMA, but state agencies such as California's Department of Toxic Substances Control (DTSC) often provide support. For smaller events, state

environmental agencies may take the lead.

- Phase 2 involves debris removal, structural demolition, contaminated soil scraping, hazard tree removal, and confirmation sampling. The U.S. Army Corps of Engineers typically takes the lead, often with support from the state.

The 2025 Los Angeles wildfires resulted in [the largest wildfire hazardous materials cleanup](#) in EPA's history. However, following the 2025 Los Angeles wildfires, [FEMA did not agree to conduct additional soil testing](#), and the California government [has not stepped in](#) to fill that need. This reflects an ongoing tension surrounding state and federal emergency management jurisdiction, highlighting the importance of environmental due diligence for properties involved in or near wildfire events.

### Cleanup Standards and Protocols

Federal standards guiding wildfire remediation include:

- [EPA Natural Disaster Debris Planning Guidance](#): outlines how communities should plan for managing debris after natural disasters, including wildfires.
- [NESHAP Asbestos \(40 C.F.R. Part 61, Subpart M\)](#): governs demolition and renovation practices to prevent asbestos emissions.
- [OSHA HAZWOPER \(29 C.F.R. §1910.120\)](#): sets worker health and safety requirements for hazardous waste cleanup operations.
- [RCRA hazardous waste determination, manifests, and TSDF requirements](#): establishes how to classify, track, and dispose of hazardous wastes.
- [TSCA \(40 C.F.R. Part 761\) for PCB-containing materials](#): regulates the use, cleanup, and disposal of PCBs.
- [EPA Interim Guidance on Destruction and Disposal of PFAS-Containing Materials](#): provides recommendations for handling PFAS wastes, including incineration and landfilling.
- EPA's Risk Management Program ([40 C.F.R. Part 68](#)): requires facilities with hazardous substances to develop plans to prevent and mitigate accidental releases.

California provides an example of state-level coordination, with CalRecycle overseeing debris removal, DTSC establishing soil screening levels, and local agencies requiring air monitoring and erosion controls.

These frameworks outline the procedures for characterizing, handling, and disposing of debris and hazardous substances

to ensure regulatory compliance. Experts, including experienced environmental professionals, can assist owners in safely removing and disposing of hazardous materials from their property. Note that it's difficult to assess the costs of removal and disposal of fire debris.

### Cleanup Costs – Who Pays?

While wildfire cleanup costs vary depending on property type, debris volume, and the presence of hazardous materials, California offers some examples. Cleanup after the [2018 Camp Fire exceeded \\$1.35 billion](#), with contracts projecting nearly [\\$1.7 billion for 14,700](#) parcels. More recently, estimates for the 2025 Los Angeles wildfires place total damages, including cleanup and rebuilding, at [\\$250 to \\$275 billion](#).

While residential cleanup is often funded through FEMA and state partners like CalRecycle, at no direct cost to homeowners who opt in, commercial properties are generally excluded from some aspects of cleanup (as it is expected they have insurance to cover wildfire-related costs). For example, FEMA notes that demolition of commercial structures is “[generally ineligible](#)”. Los Angeles County confirmed that [commercial sites must arrange for private cleanup](#).

However, California secured limited federal approval for some mixed-use properties. Specifically, FEMA agreed to include small businesses and multi-family residential properties in the U.S. Army Corps of Engineers (USACE) debris removal program on a [case-by-case](#) basis.

But the governor’s office reiterated that commercial cleanup is “[typically the responsibility of property owners](#).”

For lenders, developers, and property owners, this means that hazardous materials remediation is often a direct cost exposure and one that is not always offset by insurance, which frequently excludes environmental liabilities. This is especially true given that wildfire cleanup issues, including

debris removal and remediation, have [changed the way underwriters assess risks](#) in fire-prone areas. In addition, these at-risk properties are [becoming increasingly difficult to insure](#).

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“Wildfires are NOT YET FORMALLY PART OF STANDARD ENVIRONMENTAL ASSESSMENTS, but their ability to release hazardous substances and create costly cleanup obligations is reshaping how lenders, developers, and insurers view property risk.”

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### The New Realities of Wildfire Risk

While wildfires are not explicitly a recognized environmental condition in standard site assessments, their potential to release hazardous substances and create costly cleanup obligations makes them a growing concern in property transactions. For owners, buyers, lenders, and developers, considering wildfire risk, site history, and cleanup records offers a clearer picture of potential liabilities and helps avoid unexpected liability and financial exposure. As wildfire events become more frequent and severe, incorporating these factors into due diligence is not yet standard practice, but it is an increasingly prudent safeguard in acquisition, financing, and redevelopment decisions. 🏡

#### COMING SOON - PART 2

*Identifying the potential liabilities is only the first step. Equally critical is understanding how resilience measures, regulatory frameworks, and redevelopment strategies can reduce risk and support long-term recovery and resilience. These issues, including wildfire-related building codes, resilience planning, and industry best practices, will be the focus of Part 2 in the series.*



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