

GAS STATION OWNERSHIP An Exit Strategy

BY: Marc E. Eichenholtz, P.G.
Director of Environmental Services
Advanced Environmental Technologies
Tampa, Florida

OVERVIEW

At the end of 2009, it is estimated that 20% of the currently existing gas station/convenience stores may close their doors and hand the keys to the bank. The reason for this is the mandated upgrade schedule for all underground storage tanks (USTs) and associated product piping.

By the end of 2009, only 16 months away, those station owners who currently have single walled USTs or single walled piping must be upgraded or shut their stations down.

Sounds easy, guess again. The cost of the average upgrade is over \$220,000, whether you line the tanks or remove and replace them. Then there is the cost of lost business during the upgrades which usually takes up to 4 to 8 weeks. Now add the low gas margins of the average dealer, coupled with the credit card fees at the pump and other costs to run the business and the "mom and pop" dealers are in trouble. We have already started seeing the closing of many stations and many of them are being foreclosed.

It is also a good idea to work with your environmental consultant to evaluate the options regarding your upgrade and what liabilities or exposures you may have. It is important to review as many scenarios as possible, whether your site is eligible for participation in one of the FDEP funded cleanup programs for a prior petroleum discharge or whether there is a strong potential for a new discharge and how that may affect your site and your decision making process.

EXIT STRATEGY

Okay, now let's talk exit strategy if this is the path you are destined to take. Letting the bank have your property is fraught with issues. If the station is not profitable or you are not pumping enough volume coupled with great inside sales, then your location may not be the best for a gas station/c-store. However, rather than just walking away and potentially losing equity in your station, there is another path.

Many stations are in locations that may be desirable for other end users, like a national pharmacy chain, a fast food restaurant, or a new bank branch. There are developers, many of whom we work with regularly, that may be interested in looking at your property.

If you are not going to upgrade and you are just running the station until the end of 2009, now is the time to start planning and contacting the right developers. If done early enough, before there is a glut of sites on the market, you have the best chance of

By the end of 2009, only 16 months away, those station owners who currently have single walled USTs or single walled piping must be upgraded or shut their stations down.

striking a sale.

If your station is marginally successful but the cost to upgrade is cost prohibitive to continuing in the gas/c-store business, there are still companies interested in purchasing gas stations which can afford to do the required upgrades.

Each week we get asked by our clients if we know anyone selling gas stations and each week we also have clients telling us that they can not afford to upgrade and are looking to sell.

As a value added service, we make the introductions between the buyers and sellers. Again, do not wait to make your contacts. At this time there are not enough tank contractors to complete the estimated number of upgrades in Florida to bring all of the stations in compliance. The longer you wait to decide what you are going to do, the less chance your buyer will have of getting into compliance before the December 31, 2009 deadline. According to the FDEP, there will not be an extension of time beyond the 2009 deadline.



EXERCISE CAUTION

Please remember the old adage about "you get what you pay for". It is so true when it comes to tank contractors. Please make sure they are licensed and you have a clear and written understanding of what they will be doing for you. The lowest price is not always the best deal and may bring you heartache after the work is done.

INSURANCE FOR SINGLE WALLED TANKS

The last issue is insurance for single walled tanks. Many site owners have single walled tanks which must be upgraded or taken out of service. We have seen a lot of owners who have come up for renewal getting denied. It appears that many insurers have recognized the risks associated with insuring single walled tanks knowing that they will have to be removed in the next 16 months and that there is a strong likelihood of a new discharge getting reported. If the site owner can not get insurance then they must shut down immediately per State regulations. At this point, it is nearly impossible to get insurance for single walled tanks, but we have recently learned that a company is coming into Florida in the very near future and will be offering such insurance.

In summary, if you are not planning to continue operating your gas station/C-Store after December 31, 2009, there are some viable options to just walking away from your property.

