

Green Finance Workshop – Report

Presented by the Green Lending Task Force

July 18, 2011

On May 12, 2011, the newly formed Green Lending Task Force (GLTF) held a **Green Finance Workshop** at the Rocky Mountain Innosphere building in Fort Collins. This half-day interactive event brought together nearly 30 regional professionals, including bankers, Realtors, appraisers, contractors, engineers, and designers. The purpose of the event was to discuss the current lending environment, identify hurdles for lending on green building projects, and generate potential solutions to enhance lending for high performance properties. The event was sponsored by the USGBC (United States Green Building Council) and Bank of America.

The GLTF is grateful to Elizabeth Million at the Bank of America, for her support of this endeavor. The task force is also very appreciative of the support and assistance from the Colorado Chapter of the USGBC in securing the grant from the national office and their assistance with organizing the event. In particular, we want to thank Patti Mason, the Chapter's Director of Advocacy and Deb Kleinman the Chapter's Executive Director. The task force would also like to thank Rocky Mountain Innosphere for providing an outstanding venue for the event and Taste for catering a delicious and sustainable lunch.

Prior to the event, the participants were asked to think about the following questions in preparation for the work session discussions:

- A.** What do you perceive are the advantages of green building for your profession as well as the triple bottom line?
- B.** What are the challenges with lending on green buildings (existing, new construction, and retrofits)?
- C.** What are the challenges for appraising green buildings (existing and proposed)?
- D.** What are potential solutions to overcome these challenges?
- E.** What do you hope to gain from participating in this event?

The event was kicked-off by a presentation on the basics of LEED[®] (Leadership in Energy and Environmental Design), which was given by Patti Mason. This presentation covered the main categories of the LEED[®] process to help bring the participants up to a more level playing field of knowledge with regard to high performance buildings and insight into an internationally recognized process to certify the level of sustainability in green buildings.



This presentation was followed by a *Costs & Benefits of Green Building* presentation that was compiled and presented by Bill Hofmann. Mr. Hofmann is a local commercial appraiser (Hofmann Consulting Services, LLC) and the founder of the GLTF. This presentation touched on the triple bottom line concept, soft costs, lifecycle cost analysis, environmental benefits, social benefits, and economic benefits. Under the latter, items such as lease rates, vacancy rates, operating costs, asset value, and business value were covered. The presentation was wrapped up with examples of incentives. These included P.A.C.E., IRC Section 179D, SBA 504 loans, Green Mortgages, Energy Star mortgages, and the paid from savings approach. The intent of this presentation was to illustrate the potential for green building practices as well as the paradigm shift with green building concepts in an effort to generate a similar shift in lending practices for high performance properties.

The event was led by two dynamic facilitators - Greg Kaiser, a principal at ROOTS Environmental Architecture, LLC in Denver and John Foster of Maestro Group in Fort Collins. Greg kicked things off by encouraging audience participation to help 'paint the landscape' by brainstorming topics for work groups to discuss regarding lending practices and green building. He also covered three rules of engagement: Gather the top four topics, point in a direction, and think about next steps.



The paint the landscape discussion generated seven potential topics – Communication, Process, Education, Data Collection, Early Collaboration, Metrics, and Awareness. Of these, the first four topics were selected by the group as the main topics to be explored at the event. Four work groups were formed, with each group assigned to one of the four main topics. In the first work session, the groups were asked to consider three questions:

- Where are we today?
- Where do we want to go?
- How do we get there?

Each group was a deliberate mix of professions and each table had a large sheet of paper to jot down ideas and concepts generated during the discussion. At the end of the first work session a spokesperson for each group brought the sheet of paper to the front of the room and presented the conversations to the rest of the group.

The *COMMUNICATIONS* group came up the following responses:

- Not doing something “right”
- How to value soft & tell story
- Selling
- We are not sophisticated story
- Branding
- Fighting within the industry

The *PROCESS* group came up the following responses:

- Interaction/interdependencies between lender, buyer, designers, builders, and appraisers
- Does the current process make sense?
- Map out process
- Define the team
- Optimize Sequence

The *DATA COLLECTION* group came up the following responses:

- What is in it For Me.....MONEY
- Property Tax and other Tangibles
- No Concise Information
- Find Models We Can Borrow From
- Translate into Value

The *EDUCATION* group came up the following responses:

- Under Standardized Operating Systems
- Tell Them it is Okay
- Get Legal Advice
- Reduce the Image of Risk
- National – Northwest = Yes & other pockets
- National comps standards
- Educating app
- Communicate Cross Message
- Commercial is good vs. Residential which is lacking
- We are in the right direction
- Too many messages / Need Inclusive Message
- Professional on Point
- Young Learners
- Discover Success Models in Education
- Agree on Value (TBL)
- Get Everyone on the Same Page
- Develop Data Sets
- People Fluid, Change Accepting Lack of Knowledge
- Risks – Professional, No Process, & Loss of Business
- Create Awareness through training and develop competence level

After these presentations, John Foster asked the work groups to continue their topic discussions with emphasis on: Potential Solutions, Process, People, and Pain. Again, a representative from each group posted a large sheet of notes from the discussions and presented the respective work group's responses to the rest of the group.

The *COMMUNICATIONS* group came up the following responses:

- Learn from other industries & each other
- Time of Sale Policy (i.e.: MPG standard)
- Framing of the Story (i.e.: "It's all about the kids")
- Currently There is Not Enough Contact with Building Occupants
- Government Regulation
- Lack of Building Knowledge
- Want Open Communications (Mandatory / Streamline)
- Building code Improvements
- Improve the Story
- Teamwork

The *PROCESS* group came up the following responses:

- Linear relationships hinder process – Lending Charrettes?
- Communications vs. Vacuum
- Ease Regulatory hindrances
- Concept to Sale – more collaborative approach
- Green Specialty designations for Builders, Designers, Appraisers, Realtors, etc.
- Commodity Perspective
- Lender Counseling the Buyer

The *DATA COLLECTION* group came up the following responses:

- People
 - Everybody
 - Specialize
 - Consumer
 - University = Trust (hire them to collect data)
- Process
 - Find Highest & Best Use
 - Let the market find efficiency
 - Data Collection - insurance
- Pain
 - Threshold vs. Money-driven (pleasure)
 - TRUST

The *EDUCATION* group came up the following responses:

- Buildings have changed
- Process:
 - Establish Value Points
 - Technical Attributes
 - Continuing Education
 - Develop Data Sets
 - Developers using LCCA (Lifecycle Cost Analysis)
 - Establish Network
 - Distribute Data
 - Information Turnaround
- People
 - Develop Courtesy
 - Find personal connection / meaning
 - Find philosophy
 - Identify Ambassadors/Champions/Decision Makers/Influencers
- Pain
 - Increased Risk
 - Unstandardized process
 - Fear of loss of Business
 - Doubters – What’s the payback?
 - NEED – Awareness > Education > Adoption > Application
 - Miscellaneous: values, target audience, appeal to incentives, what’s the story, and inspire



At the conclusion of the event, John Foster and Bill Hofmann presented their interpretations of the event. John pointed out that there appears to be two groups at a high level: People (Architects/Engineers/Green Consultants/Efficiency Consultants) that are doing good things with NO FINANCING and then there are those people (Lenders/Bankers/Investors/Developers) who either don't see the value or are looking to ground it firmly in a Financial ROI framework (short term). John also noted the following items:

- Heard the same story over and over
 - Lots of finger pointing
 - Getting the team on the same page up front seemed to be a common theme
 - There is a great story of how LEED[®] came together and hit the crossroads of an impasse and the group came together under shared commitment to doing the right thing in the end (heart centered conversations) about saving our future for generations to come.
- What are the various incentives that people come to (personally and for their organizations mission/value/goals)?
- What are the key value points that will change behavior?
- It's not only the right thing to do but it's also the smart thing... short term vs. longer term
- "If not now, when?" because when the economy picks up, the developers and investors, etc. are always looking to make up for lost ground and put off the investment into things that will sustain (literally and environmentally). It's like the frog in a pot of warm water on the stove where you turn up the heat gradually until the point that the frog never moves out of the pot because it gets used to the higher heat (oil prices, global warming, etc.).

Bill Hofmann commented on how the groups are inter-related and brought up some of the same themes. He noted that public awareness can be addressed through *Education*, collaboration and teamwork can be improved through better *Communication*, integration can be enhanced by better *Process*, and trust needs to be developed in *Data Collection*.

SUMMARY

The event was well received and generated a great deal of enthusiasm among the participants. Over half of the participants completed surveys at the end of the workshop that rated aspects of the event on a scale of 1 (dissatisfied) to 5 (extremely satisfied). When asked how satisfied they were of the event, the average response was 4.4, or very satisfied. When asked how relevant the workshop was, the average response was 4.1, again very satisfied. All of those responding to the survey noted that the event enriched their understanding of the topic and 13 of the participants marked that they are interested in joining the Green Lending Task Force.

It is anticipated that the four main categories will become separate sub-committees of the GLTF, which will be formed to expand on the ideas and potential solutions generated during the workshop. The intent is to implement change in the current processes directly and indirectly related to financing practices for high performance properties. Future events will be more focused and other related fields included. In addition, collaboration with other entities will be explored. These include the Metro and Southern Branches of the USGBC Colorado Chapter.

The current Green Lending Task Force consists of the following individuals:

- Bill Hofmann, LEED AP BD+C, GVS, Hofmann Consulting Services, LLC
- Mitch Peters, LEED AP BD+C, Alden Research Laboratory, Inc.
- John Foster, Maestro Group
- Brad Smith, CLARB, LEED AP, Azur Ground
- Jo Luttrell, J.R Terra, Ltd.



Pictured left to right: Patti Mason, Bill Hofmann, Jo Luttrell, John Foster, Mitch Peters, and Greg Kaiser.

The GLTF has created the following LinkedIn site – “Green Lenders and Appraisers”
 Link: <http://www.linkedin.com/groups?gid=2073665&sik=1310912000376&viewMembers=>

The Green Finance Workshop included the following attendees:

	<u>Name</u>	<u>Company</u>	<u>e-mail address</u>
Appraisal			
1	*Bill Hofmann	Hofmann Consulting Services, LLC	bill@hcsappraisals.com
2	Marge Moore	Shannon & Associates	margemoore@hotmail.com
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28	Roy Torbert	Rocky Mountain Institute	rtorbert@rmi.com

* member of the Green Lending Task Force

Stay tuned for further developments by the Green Lending Task Force.