

## Guidance for **Financial Professionals**



This is a section of the document "CEC. 2015. *Improving Green Building Construction in North America: Guide to Integrated Design and Delivery*. Montreal, Canada: Commission for Environmental Cooperation. 84 pp." The full document is available at: <http://www3.cec.org/islandora/en/item/11661-improving-green-building-construction-in-north-america-guide-integrated-design>.

For the purposes of this Guide, the financial professionals sector includes those responsible for the evaluation, transactions, and financing of real estate, including investors, realtors, appraisers, and lenders.

## Role to Play in an Integrated Approach

Integrated projects have much to gain by including parties from the financial sector in early alignment workshops. If implemented more often, involving financiers in integrated design and delivery might drive new financing models tailored to the approach's higher upfront costs and lower embedded risk. The role of financial professionals in an integrated approach is to learn about the new business models in order to understand the risk and reward structures. Being included in the design stage also gives financial professionals a broad understanding of a specific project's green design features and potential savings from operations costs.

**Including financial professions early in the process is a benefit. They:**

- **Better understand how an integrated process affects risk.**
- **Facilitate early upfront investment.**
- **Recognize increased value of integrated projects in appraisals.**

## Opportunities

For the financial industry, integrated design and delivery projects may appear risky, but there are some compelling reasons why financial professionals should be paying attention to integrated design and delivery projects. If projects implement the collaborative risk and reward structures into their contracts, the chance of litigation is greatly reduced. Based on available case studies, projects that follow the process are more likely successfully to come in on schedule and under budget (Ashcraft 2013) and achieve a green, high-performance building, which, in appraisals and loans, is increasingly recognized as a value. However, these opportunities will only be translated into the finance world if financial professionals can attest to these outcomes from direct experience.

**New is usually risky, right? Not in this case:**

- **Get a better understanding of the value of a property, including how green performance and certification can enhance that value.**
- **Make educated decisions about risk.**
- **Mitigate long-term resiliency issues that might put investments at risk.**

**“ The finance people need to be brought into the story so that they begin to understand why this [integrated design and delivery] is a good investment. ”** – Chrissa Pagitsas, Fannie Mae Multifamily

## Selling One's Expertise

Most likely, a project team will approach financial professionals because of the benefits that the owner has to gain. Benefits include receiving better terms, based on a fuller understanding of how design decisions are expected to affect operational savings; and improved financial decision-making, by better integrating sustainability factors at each step of financing. Even if involved on the periphery of the project, financial professionals will take away just as much from the alignment process as those in the project team.

### **Get involved! Sell your expertise:**

- **Argue that you might be able to offer better terms if you understand design decisions and projected savings.**
- **Explain that financiers have to incorporate sustainability at each financing step, and so, if that is a driving value of the project, one needs to be aware of it.**

## Overcoming the Learning Curve

Mastering the terms and language of integrated design and delivery is essential, especially because “integrated finance” has different meanings from “integrated design and delivery.” A glossary is included in this report, and case studies offer a view into how these ideas are applied. It is important to understand that project teams also need time to adjust to an integrated design and delivery approach. Case studies show that after successfully completing a first integrated project, a team will become successively much more efficient and skilled at delivering high-performance projects cost-effectively (case study: Lion's Gate Wastewater Treatment Plant, p. 59). For this reason, outcomes may vary from project to project at first, but as teams become more experienced and the approach is more widely adopted, real estate professionals may see a noticeable difference between projects that took an integrated approach and those that did not.

### **Key Points for financial professionals considering integrated construction projects:**

- **Learn the language.**
- **Have patience: integrated teams produce more reliable results as they become more experienced.**



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