

## The Utility of Cutting Costs

Experts weigh in on ways to improve NOI by paying attention to water, electricity and gas usage

By Keat Foong, Executive Editor

As the economy presents greater challenges to apartment owners and managers, they should realize that potentially big savings can be obtained—sometimes quickly and easily—by paying attention to their use of utilities. Moreover, while benefiting the bottom line, measures to save utility costs can also raise the portfolio's green profile.

The two "lowest-hanging fruits" to pick in any effort to save on utility costs are water and electricity, says Scott Yahraus, president of Apartment Energy Consultants and Standard LED Lighting, based in Los Angeles.

In the area of water conservation, apartment owners can, for example, submeter their properties to bill water back to residents. They can also install low-flow water faucets in the bathrooms and kitchens, and toilets can be changed to low-flush models. Or, the fill valves and/or flappers in the toilet tanks can be changed to allow for smaller gallon per-flush tanks. And "the poor's man's way to reduce the amount of water per flush? Just place a brick in the water tank," says Yahraus.

Another quick and easy way to lower utility costs is to switch to energy-efficient lightbulbs, such as fluorescent lights and LED lighting. Yahraus, whose company provides LED lighting, says that an owner can change from a 60-watt light to a six-watt light by using LED lighting. "When the electricity costs 16 cents per kilowatt hour, and the light is on 24 hours a day, that can make a big difference," he says. The key is knowing what type of LED light to install, which requires the services of an expert, adds Yahraus, who also advises using sensors to light common areas such as laundry or mail rooms.

Gus Ezcurra, CEO of Advanced Telemetry, recommends the use of energy-management systems. "A new opportunity has emerged in recent years with the advent of affordable lightweight" models, he says. Dashboard touch panels can enable users to view and reduce their resource consumption in real time with the mere touch of a button, resulting in utility bill savings of 20 percent or more per month, says Ezcurra. Users can monitor, on- or off-site, a

company's energy consumption and ensure that temperatures do not go beyond pre-set parameters.

Ezcurra advises that apartment companies that consider an energy management system focus on the HVAC system, which is "the largest controllable source of energy drain." Additional sensors to monitor and control other sources of energy use—such as lighting, security and office equipment—can always be integrated into the scalable models at a later time, he says.

The best commercial energy management systems on the market today can be delivered and installed for \$2,000 or less, with a monthly service contract below \$50, says Ezcurra. "When one considers a monthly business utility bill of \$3,000, even a 15 percent monthly energy savings will provide a return-on-investment in well under six months," he adds.

Owners can also boost their bottom lines by paying attention to the question of whether they have made the most cost-effective HVAC system purchase. When purchasing new or replacement HVAC systems, advises Allan Samuels, LEED AP and managing partner of Energy Squared, owners should examine the life cycle cost rather than the first costs of the system. The life cycle cost, he says, consists of three components: the first cost to purchase the equipment, the cost of maintenance and the energy cost over the life of the item.

Apartment owners may frequently fall into the trap of considering only the initial cost of purchase, but this could be misleading. Samuels says the first cost, or capital cost, of a particular boiler may be \$10,000, with an annual operating cost of \$50,000. Another model's first cost may be \$40,000, but it may require only \$20,000 per year to operate. Considering that the energy costs for some mechanical equipment such as boilers can exceed 90 percent of the total life cycle cost, the energy costs of many HVAC systems are a critical component of the overall cost of ownership, Samuels emphasizes. "With boilers, it is all about the energy usage," he says.



Deciding when to repair versus replace a piece of HVAC equipment may also be a calculated decision. According to Samuels, if a mechanical component uses an excessive amount of energy, it may be a better financial decision to replace it with a new model that is more energy-efficient than to repair it.

William Moseley, director of operations for California Utility Billing Services, an affiliate of Western National, notes that apartment owners and/or managers should pay attention to the units of consumption in addition to the number of dollars consumed when measuring utility usage. "Just because you are spending more on utilities does not necessarily mean you are using more, because the rates are increasing," says Moseley.

He also argues that the way to save on electricity and water usage is to make the resident aware of the amount of utility they are consuming. Residents are more likely to try to conserve energy or water if they can see the results of their efforts, he suggests. "Even if apartment managers do not bill the resident for the usage, it would be helpful to present them with the bills for their portion of the utility usage," he says. "[Then] ask them to conserve so that next month the bill goes down," says Moseley.

"You would save enough money in the conservation to pay for the billing service."

To further boost their bottom lines, apartment companies can also seek out financial incentives for their purchase or use of energy-efficient equipment and systems. Energy Squared's Samuels says these incentives come from the federal government, states and localities, as well as the utilities.

"There are vast sums of money available for rebates and other energy-saving incentives," says Samuels. "Probably in our history there have never been as many financial incentives for energy efficiency as we have now. There are literally hundreds of rebate or incentive programs across the nation for energy-saving measures." He says that apartment companies really need a professional to assist in obtaining the maximum rebate available. **MHN**

