COMMUNITIES MAKE SUSTAINABILITY IMPROVEMENTS

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Sustainability is an increasingly important issue for the multifamily industry. New building codes in Chicagoland and throughout the U.S. require developers of new apartments to meet more stringent standards for water and energy efficiency. Owners of existing properties are making green upgrades to their properties as well, hoping to cut costs, attract millennial renters and prepare themselves for possible government regulations in the future.

There are some financial benefits to improved sustainability. "For older communities, we are seeing a lot more activity, especially with the green financing opportunities from Fannie Mae and Freddie Mac," said Dimitris Kapsis, vice president, energy management at RealPage. With these loans, the owner commits to improvements that reduce the whole property's annual energy and/or water consumption by at least 30%, including a minimum 15% energy reduction. In return, owners get reduced loan costs and lower interest rates. It's a good deal. "The savings on the interest are substantial over the period of the loan, and they usually give you 12 months to complete the projects after the initiation of the loan," said Kapsis.

Over the lifetime of a loan, the savings would more than cover the cost of a $50,000 to $60,000 upgrade project. Thanks to the falling costs of green technologies, it doesn't take much more than that to put a significant dent in energy and/or water usage.

Kapsis said that Chicagoland property owners are retrofitting their lighting by replacing CFLs with the even more efficient LEDs. They're installing proximity sensors that can tell whether or not a garage or stairwell is occupied and then turn lights on and off accordingly. They're putting in high-efficiency toilets and upgrading showerheads to reduce water flow, saving water and saving energy with less water to heat.

Thermostat replacements have been another popular upgrade. Programmable digital thermostats can save money, especially if residents adjust them to account for when they're at work. There's more energy savings if the thermostats can be remotely controlled, since building owners can adjust temperatures in vacant units.

As owners complete the moderately-priced upgrades they may move on to bigger projects like boiler and water heater replacements. With the increased efficiencies of newer equipment, owners with units more than 20 years old could realize 15 to 20% in energy savings when they install new ones.

It's generally not cost-effective to replace inefficient appliances and heat pumps/ furnaces with Energy Star models, according to Kapsis. But spending a little more for a higher-quality, longer-lasting Energy Star model when you do replace them could offer a fast ROI (one to two years).

Some communities have traveled further on the sustainability path, finding ways to generate energy rather than just saving it. "We're definitely seeing some solar water heating panels in place for either swimming pools or spas, and in some cases the supplemental heating for buildings' water," Kapsis said. Owners may place solar panels on their roofs to generate power, using it for their own buildings and/or selling any excess power to the utility company through reverse metering.

While investments in energy infrastructure improvements are undoubtedly good for the Earth, they bring benefits to the owner as well. Communities that can demonstrate their commitment to sustainability are more likely to appeal to millennials, who expect their homes to offer smart, energy-saving technologies.

Plus, in the not-too-distant future, property owners may not have a choice about going greener. Many cities in the U.S., including Chicago, have already instituted benchmarking requirements that require property managers to report on their electric, gas, and in some cases, water usage. (In Chicago, every property over 50,000 square feet needs to file such a report with EPA's portfolio manager and report the results to the city.)

"They are all collecting that data for a reason," said Kapsis. "Eventually they may say, 'You're scoring a 45 while your neighbor is scoring a 75; something is happening at your property, and we need to see some level of improvement over the next few years,'" said Kapsis. Large municipal centers such as the cities of New York, Boston and Los Angeles just to name a few are already mandating building owners to conduct energy audits and improve their performance based on the audit results.

Multifamily communities that want to get ahead of sustainability mandates and make improvements at their own pace will find that this is a good time to start. "Technology is getting more advanced and costs are coming down, so some projects that were not financially sound three or four years ago might make a lot more sense right now," Kapsis said. ■