Making the Case for Energy-Efficiency Upgrades to NYC Multifamily Property Boards

By: Carolyn Scibelli, Program Manager, National Grid

Securing the finances to drive energy-efficiency programs is sometimes a challenging task for multifamily property managers, especially when the buildings' boards may not realize the extent of those benefits.

Property managers should be strategic in how they present the case for energy efficiency and its business value to boards or co-ops to get the funding needed to make significant upgrades.

New York City Laws Require Planning

New York City's Climate Mobilization Act has set ambitious goals to reduce building-generated emissions by 40 percent by 2030 and 80 percent by 2050. A key part of this effort is its new Benchmarking Law (Local Law 84 as amended by Local Law 133), which requires owners of buildings of at least 25,000 sq. ft. to submit energy and water consumption data to the Environmental Protection Agency's online benchmarking tool.

Based on the data submitted, owners receive an energy label that includes both a letter grade and the building's energy-efficiency score. That label is required by Local Law 33 as amended by Local Law 95 to be displayed in a conspicuous location near all public entrances.

The energy-efficiency grade that's posted on a building matters a lot. A grade of "C" or "D" may deter potential renters because of perceived higher utility rates and lead to increased vacancy rates. Meanwhile, a building grade of "A" or "B" could be a boon by indicating a place where environmentally conscious tenants want to stay.

Either way, the law is only scratching the surface of what's likely to come. Property managers and owners need to anticipate even more arduous building performance standards in the years ahead. Short- and long-term energy-efficiency planning would be advisable to avoid the compounding of high costs all at once later.

Communication is Key

With this new law in mind, positioning the multifamily property's energy strategy in a way that appeals to the board of managers is crucial. Like any business, having an analytical framework that includes an investment plan and expected return on investment (ROI) will have a greater impact on these decision-makers. Getting to the high-level points immediately is important, communicating precisely how this investment will have an impact on the building's long-term value.

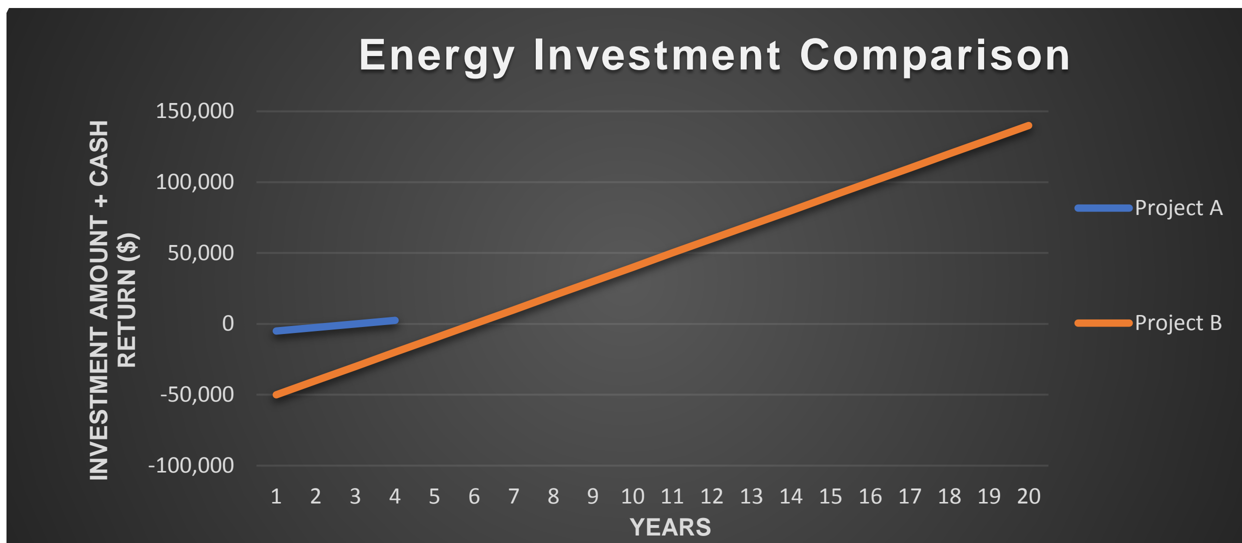
When making the case for energy upgrades, property managers should also directly point out the "pain points" these investments will solve and the valuable improvements the board will see from these efforts. In the context of emerging policies like the NYC Benchmarking Law, property managers should focus not only on the financial impact this will have, but also on the not as easily quantifiable factors, such as overall building value and long-term tenant satisfaction.

Cost Approach

While the smaller investment needed for short-term energy projects may be easier to get approval on, it's equally important to plan for long-term building performance and consistent financial return.

While long-term energy upgrades may require a larger investment upfront, they produce a more significant return on investment over the long run. Take two hypothetical projects for example. Project A costs $5,000 and offers an annual savings of $2,500 with only three years of equipment life. The buyback period is within two years, but there is only one good year of financial savings.

Project B, on the other hand, costs $50,000 and offers a savings of $10,000 per year with equipment that lasts 20 years. While Project A may be easier to negotiate with boards and co-ops due to its low initial investment, Project B has a better long-term cash flow and will yield financial benefits for many more years.

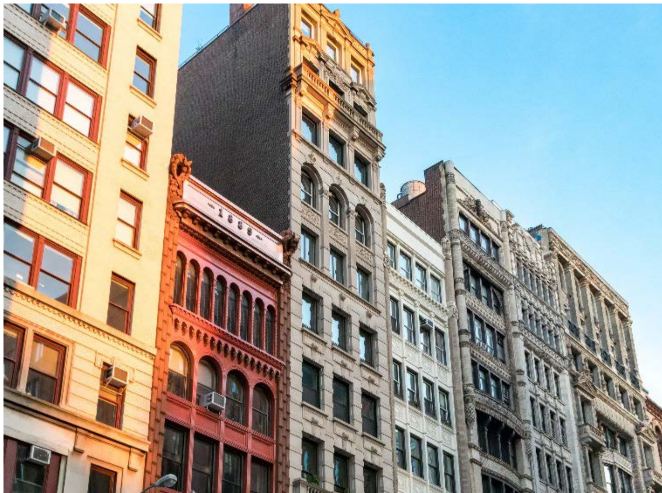


Energy-efficiency programs are also strategic investments within an organization's infrastructure that lead to consistent, recurring savings regardless of any other business factors at hand. This is especially of value today considering the current unpredictable business landscape.

Another important case for the financial benefits of these long-term investments is the amount of money and time that may be going into ongoing maintenance for outdated systems. Not only does replacing these systems with newer, more energy-efficient systems save money on direct energy costs, it can greatly ease the financial and operational burden of ongoing system repairs.

Tenant Concerns

While long-term and reliable cost savings is likely an attractive proposition for the building's board, the New York City Benchmarking Law introduces a new, important concern. As the average person has grown more conscientious about climate change and energy-efficiency efforts, tenants may have reason to express alarm if their building receives a low grade.



More significantly, a poor energy rating could point to more expensive energy bills for the tenants as well as inefficient heating and cooling within the building. Outdated energy systems are likely not as efficient as they could be and can greatly impact tenant comfort. Having a poor building grade may give tenants reason to demand changes from management.

In a cumulative effect, tenants' changing perceptions can greatly impact the building's long-term value. Furthermore, these ratings could cause other potential tenants to reject the property in favor of more efficient and updated buildings.

Conclusion

New York City is taking proactive steps toward becoming more energy efficient, and property managers should expect more demanding policies and regulations to emerge in the coming years.

NYC's Benchmarking Law can serve as a great example when building the case to multifamily boards and co-ops to take action and make short- and long-term plans for much-needed energy investments in the property sooner rather than later.

Keeping both cost factors and overall value of the property in mind, managers should be able to secure the funds they need to drive sustainable change.

Carolyn Scibelli is a program manager at National Grid and can be reached at 877-316-9491. To learn more about National Grid's energy-savings programs for multifamily properties, visit www.nationalgridus.com/multifamily.