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NEWS & INFORMATION FOR APARTMENT OWNERS, DEVELOPERS AND ASSET MANAGERS

APARTMENT FINANCE today

Vol. 7, No. 3

May/June 2003

\$10.00

Save money and conserve water with submetering

In most multifamily communities, when faucets leak, the landlord pays. That's because water is included in tenants' basic monthly rent, and when water prices rise or when tenants increase water use, the owner pays extra.

One legendary tenant used to run her shower to help her sleep at night, costing her apartment community thousands of dollars, according to Brian Brittsan, president of Wellspring Wireless Utility Services.



Brian Brittsan

Fortunately energy management companies like Wellspring and Vitera Energy Services are offering managers solutions that bill tenants for their energy use, even in difficult-to-submeter high-rise buildings.

This February, Wellspring Wireless Utility Services began to make its water submetering technology available with no upfront cost to apartment owners and managers. Instead, under its revenue sharing program, Wellspring splits any savings that submetering provides with its clients. Wellspring's rate of new installations immediately doubled, going from 2,000 new apartments submetered each month to 4,000.

Experts agree that Wellspring's technology is the only practical method to submeter the existing high-rise apartments that make up more than 60% of the apartment

stock. These older high-rise apartments are typically supplied with water by long vertical pipes that run from the top of the high-rise to the bottom. One apartment might be served by several pipes and access each pipe several times, requiring several submeters. Running wires from each submeter back to a central computer would require tearing up a tremendous amount of the building's walls and floors.

However, Wellspring's wireless system can cost up to \$100,000 to install. Brittsan insists that in a property with more than 100 units, the system will pay for itself in 18 months, but many owners had hesitated at the cost.

"The expense of putting a meter on each point of use may be prohibitive," said Mike Clements, president of Vitera, which offers its clients both the Wellspring technology and another solution called the Ratio Utility Billing System (RUBS).

RUBS simply takes the total water bill for an apartment community and divides it proportionately among the tenants. On the positive side, RUBS costs no money to implement - there is no hardware to install. Unfortunately, many tenants argue over their bills because RUBS does not measure how much water they actually use, according to David Nymtz of Invensys Metering Systems, a manufacturer of water submeters for garden apartment communities.

In addition, Nymtz feels that cities and states will put increasing pressure on the RUBS system and may eventually regulate

it out of existence, though recent laws passed in California and Texas seem to uphold the system. "I don't think that RUBS is going away any time soon," Clements said.

Wellspring's clients include Archstone-Smith. Apartment Investment & Management Co. (AIMCO) is also trying out Wellspring's wireless technology on 1,000 of its 261,000 apartments.

Water and sewer bills have doubled over the last 10 years and will keep rising by at least 4% to 5% a year.

Energy advocates and real estate lobbyists are confident that the Energy Policy Act of 2003 now working its way through Congress will include a provision that will allow landlords to take accelerated depreciation over three years on investments made in submetering systems, even though the House version of the bill (H.R. 6) already passed in April without the provision. A Senate version of the same bill (S. 597), which includes the provision, should come to a vote in early May. The bills should reach a conference committee this summer or early fall.

The tax break for submetering has strong support from legislators from drought-stricken states. "It will definitely happen," said Patrick Mara, manager of government relations for ML Strategies, LLC, a lobbying firm based in Washington, D.C. He points out that when tenants are billed for the water that they use, their use drops 20%. "The cheapest source of new water is conservation," Brittsan said.