



David Kuperberg

# Conservation's Silver Lining

FS ENERGY IS CHAMPIONING THE CAUSE OF ENERGY CONSERVATION AND HELPING THE REAL ESTATE INDUSTRY EVOLVE IN THE PROCESS. BY JEFF BOND

**AS NEW YORK'S** energy needs spiked this summer amid one of the worst heat waves on record, David Kuperberg, CEO of FS Energy, knew that a good portion of that energy was simply being wasted.

The founder and CEO of Cooper Square Realty (a FirstService Corporation subsidiary and the largest residential property management company in New York City), Kuperberg says he has documented that many of the city's buildings are terrible energy hogs. For the good of the environment and the good of his customers, he wants to make buildings more energy-efficient.

According to the Green Building Council, buildings in the United States are responsible for producing 39 percent of the nation's greenhouse gas emissions. The average building's energy consumption also accounts for as much as 25 percent of a building's annual operating expenses.

"When you put those two figures together, it's clear that reducing emissions by reducing energy consumption is the way to go," Kuperberg says. "As property managers, our goal is to increase asset values for our clients. In this economy, one of the best ways to do that is by reducing operating expenses. By reducing consumption, we reduce costs and greenhouse gas emissions; that will increase asset values."

## Changing an Industry

Together with the management team at FirstService, Kuperberg began developing a plan to change some of his clients' resistance to retrofitting their properties for greater energy efficiency—which soon grew into a more comprehensive initiative to champion the cause of conservation in the real estate industry.

According to FirstService President and Chief Operating Officer Scott Patterson, saving energy, cutting costs and reducing a company's carbon footprint was simply the right thing to do. "We saw it as a responsibility," Patterson says. "Through our Residential Management division and Colliers International, we are by far the largest manager of properties in North America and are in a unique position to impact energy consumption in the built environment. We needed to act on it."

From these initial discussions was born in 2008 FS Energy, a division of the property

management leader that aims to cut building emissions through retrofits, equipment upgrades and maintenance changes. New York City was the first city in North America to roll out the new plan, starting with the approximately 450 buildings that Cooper Square oversees.

The immediate goal for the energy division is to reduce energy costs and consumption in its New York properties by 25 percent by 2013. Such a reduction would save more than \$30 million for FirstService clients and reduce carbon emissions by up to 111,000 tons—equivalent to taking 110 buildings offline or removing nearly 22,000 cars from New York's streets.

Patterson stresses that the company isn't focused on making money from this initiative. In fact, the development of the new division has actually cost the company time, money and manpower. But he believes it is the right direction—one that will bear fruit for the company and its customers in the future.

### Developing a Database

The first step toward this goal was to create a unique database of detailed information on every building's current and historical energy consumption, which can be used to identify both strengths and weaknesses in a building's energy usage. With this database, FS Energy can accurately compare the energy usage across its entire management portfolio. So far, the division has given Energy Report Cards which list energy usage to more than 350 of its properties.

"We aren't in a position to make decisions for the buildings' owners," Patterson says. "But, as the knowledge leaders in this area, we are in a position to put forth the facts to our clients and help them realize the potential savings."

Kuperberg says this benchmark information

shows building owners how much they are paying for energy compared to similar buildings next door or down the street. And he notes that the largest potential for reducing energy consumption is in retrofitting buildings, most often by replacing old and inefficient equipment with newer products.

However, the menu of energy-saving retrofits is long and includes some very simple fixes. So far, FS Energy has helped improve energy efficiency through the implementation of 26 separate projects. Energy-saving measures have included everything from replacing a building's heating and air-conditioning system to developing cheaper procurement and maintenance systems to upgrading lighting systems.

The division's unique combination of skills in procurement, negotiating contracts and retrofitting properties has saved their clients millions of dollars in just the first few years. FS Energy helped New York's famed Plaza Condominiums save more than \$500,000, which will be realized over a two-year period. Another property, University Towers, has already seen cost reductions of \$200,000 per year, and FS Energy was able to save St. James Towers more than \$330,000.

To no one's surprise, many buildings in New York are extremely energy-inefficient, relying on old equipment or even steam from the city's electricity generating plants to heat the properties. Tenants of such buildings have no control over the temperature in their units.

"In many buildings in New York, the thermostat is literally your window," Kuperberg says with a laugh. "You have to open the window to let in cooler air to adjust the temperature in your apartment. Some of the buildings are so energy inefficient that energy savings projects produce investment returns over 20 percent."

In fact, some basic fixes, such as upgrading

a building's lighting system, can pay for themselves in energy savings in less than one year. Another popular measure is to convert dirty oil-heating systems to gas. The City of New York is promoting the conversion by passing ordinances restricting certain types of oil-heating systems. Following FS Energy's example, city officials passed Local Law 84, requiring buildings to benchmark their energy usage and enter the results in the Environmental Protection Agency's Energy Star database annually.

### Changing the Status Quo

While the initial cost of some of the retrofits is not inconsequential, FS Energy has worked out three different options for paying for the retrofits that shouldn't cost tenants a dime and would save building owners money in the long run.

The first option is for a building's ownership to pay for the upgrades out-of-pocket and then collect the savings. The second is for ownership to take an unsecured loan from one of the banks that FirstService has made an agreement with to help fund these projects. The banks are paid back with the energy savings resulting from the retrofits, and the building's tenants don't pay any extra fees. Kuperberg says that in many cases such loans are paid off in only a few years.

The third method is only available to certain properties and requires FS Energy to actually pay for the retrofit. The company would pay itself back with the resulting energy savings.

In this age of enlightened environmental awareness, FS Energy's idea of retrofitting properties at no cost would seem like a no-brainer. However, Kuperberg says he still struggles at times to talk building owners into making the necessary changes. Ironically, their attitude is that the deal is too good to be true. But he says attitudes continue to evolve and an increasing number of property owners are seeing the light.

"The most important thing people should realize is that it pays to be energy-conscious," Kuperberg says. "And I'm not talking about just tangentially by attracting more tenants. I'm talking about saving money. The bottom line is buildings can do well financially by doing good." ■■



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