



# This Could Make Your Community a Lot More Attractive to Residents

By Wendy D'Alessandro

While labor and food costs continue to be the two primary operating cost challenges for senior living providers, there is an opportunity to generate significant value by focusing on utility expenses within a portfolio.

In a recent Argentum survey of executives in the senior housing market, only 5 percent viewed utility costs as a “significant” challenge; however, another 49 percent viewed utility costs as a “moderate” challenge. This suggests that utility costs need not force operators into crisis mode, but rather can enable a more strategic, incremental cost control strategy.

“Focusing on reducing consumption doesn’t just affect the bottom line, it may make you more desirable to potential residents,” says Akshai Rao, Vice President of Energy and Procurement at [Yardi](#) (a Senior Housing Forum partner).

In a 2018 High Tide Technologies survey of 2,000 adults, it was found that Baby Boomers use less water and electricity than either the Gen X or Millennial generations and are more likely to recycle and be food waste conscious as well. Add this to a Pew Research study that shows that 36 percent of adults 65 and older live in ways to protect the environment “all the time” (vs. only 12 percent of adults aged 18-29) and suddenly sustainability becomes a powerful message to the market and, perhaps, a differentiator for prospects who expect accountability from businesses.

Rao is responsible for the development of energy management solutions and enabling high-performing buildings. He knows a thing or two about energy management and sustainability, both of which he says are controllable expenses and can help bolster an organization’s bottom line.

## **Where are your operations dollars going?**

Utility expenses, says Rao, are ripe for reduction for operators with a vision and willingness to let technology drive their energy strategy. “A cohesive energy strategy can have material effects on the utility expense bucket,” he says. “Operators who are earlier to the game will show increased return versus laggards.”

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~ Akshai Rao, Vice President of Energy and Procurement at Yardi

To build an effective energy strategy, Rao says:

## **First, you crawl . . .**

Start with utility invoice processing so you can automate the processing of utility invoices while also mining the invoices for valuable data on a property's energy cost and consumption. This data, coupled with the right technology platform, is valuable because it allows operators to compare cost and consumption data across an entire portfolio, and hone in on outliers to identify properties that need a deeper look.

The key to this is to benchmark within your own portfolio and against the broader industry. Benchmarking against an industry standard such as ENERGY STAR® allows an operator to create a baseline of where the portfolio sits today.

Once you draw this macro line in the sand, operators should get a clear sense of the properties where there is more opportunity to reduce utility spend. Focusing on a subset of the portfolio allows for a more incremental approach that can generate returns more quickly with less upfront investment.

## **Then, you walk . . .**

Once you identify the properties that require a deeper look, Rao suggests tackling lighting in a property or community, especially in the common areas that are often hidden sources of waste. Also to look at sub-metering the properties in question.

Though senior living operators generally do not bill utilities back to tenants, sub-metering can be a powerful tool as it allows operators to identify consumption trends down to the unit level.

"This level of visibility can be incredibly powerful not only for operators, but also for residents and caregivers," says Rao. "Today's seniors show they truly care about their carbon footprint through actions rather than words, and there is ample evidence that just being cognizant of usage changes behavior in a positive direction."

## **Then, you run . . . albeit cautiously.**

Unoccupied units are a significant source of cost. Technology such as remote thermostat management allows you to manage utilities, so you can control usage and reduce the expense of vacant units. This can result in savings as high as \$30-35 per unit per month.

The senior housing market generally has a 10-15 percent vacancy rate, which means more robust management tools can drive significant savings. While still a nascent market, Rao says IoT will become a critical tool in operators' arsenals to reduce utility costs if operators recognize that implementation takes time and capital costs.

As operators look to roll out this exciting new technology, it's important that the technology is relevant and practical to residents. Studies show over 60 percent of seniors and caregivers want access to smart technologies that will give them more independence. But privacy and security concerns create challenges.

"Operators who move too quickly are at risk of increasing capital cost while also frustrating users who may not be prepared for this shift in technology," Rao says. His advice? Take an incremental approach to implementing smart technologies like IoT.

What do you think about this? Are you looking into IoT solutions? If so, are you running "cautiously"?

You can hear more about reducing operating costs using energy management and sustainability at the [Argentum 2019 Senior Living Executive Conference in San Antonio](#). On Wednesday, April 17 at 9:45 a.m., Akshai Rao is presenting, "Energy Matters: Trends and Opportunities in Tackling Utility Spend."



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