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Water Is Free

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Popular culture is full of myths. Perhaps you have heard – “Lightning never strikes the same place twice;” or “It takes seven years to digest gum if you swallow it;” or “Humans only use 10% of their brains.” All of these examples make great popular myths, but none are actually true.

Have you ever wondered if your tenants believe this one – “Water is free.” Many landlords and property managers are making it easy for tenants to believe this if they continue to cover the water and sewer utility costs inside of the monthly lease payment. But if you are paying the utility bills, you know that this myth is not true at all. Domestic water rates continue to increase every year. As one example, Seattle Public Utilities announced this last winter that rate increases for water, sewer and garbage of 5% PER YEAR are needed for the next six years! Water is most definitely not free.

You can become a mythbuster with your tenants by having them pay for their individual water and sewer costs. Many documented studies show that when tenants pay directly for their utilities, total utility charges drop from 18% to 30% within a few months for the entire property. Net operating income to the landlord increases by the amount of utility costs transferred to tenants. And property values and cap rates increase accordingly.

Utility billing of your tenants can be effectively done using different methods. Here are a few:

Distribute the utility bill cost among your tenants either equally, or based on another ratio

such as square footage of each apartment. In Seattle, this method is referred to as a Ratio Utility Billing System or RUBS.

Add affordable water meters on the incoming water supply line into each apartment and charge them for water and sewer based on actual usage. This method is sub-metering.

If a single water supply line in each unit is not available at your building – sub-metering may still be possible by putting a water meter on the hot water tank and charging for water and sewer based on how much hot water each tenant uses relative to their neighbors. This method is Hot Water Allocation Sub-metering.

Third Party utility billing services and sub-metering has been available to multifamily property owners for many years. But many properties still ignore this effective method of managing utility costs. Some owners and landlords also get caught believing in sub-metering myths. Perhaps you have heard some of these:

“The initial capital costs of adding a metering system are just too high.” **Fact** – The Return on Investment (ROI) calculation for most systems is less than one year.

“Our residents will revolt and move out if they have to pay directly for utilities.” **Fact** – when managed properly by a professional billing company, tenant questions are answered and concerns are addressed. It is unusual to lose any resident due to adding a utility billing program.

“Administering a utility billing program is going to be complicated and require a lot of time and effort.” **Fact** – Billing programs can be tailored to the specific needs of the property and require minimal involvement with

property management on a monthly basis.

“Our building is just too small to sub-meter.” **Fact** – New products now bring the advantages and simplicity of a wireless sub-metering system at a price that is affordable for any size building—even down to a duplex.

When a property is sub-metered and a monthly utility billing program is set up, tenants will be paying for the water they use. Landlords can finally relax knowing that those rising utility bills are being covered by tenant’s payments. And even the cost of the billing services are typically covered by a small service charge added to the tenant’s utility bill. In effect—Water IS free to the landlord with a sub-metering system and utility billing services. And that’s not a myth.

Kelly Koontz is Vice President of Sales and Marketing for Submeter Solutions, Inc. Submeter Solutions is based in Issaquah, WA and has been an Associate Member of RHAWA since 2007. Since 1999, Submeter Solutions has been selling, servicing and installing electric, gas and water utility meters and sub-metering systems locally and nationally. They also provide Third Party Billing services for multi-tenant properties. Information about Sub-meter Solutions is available at www.submetersolutions.com or 888-64-METER. ♦