

Sellwood House

Apartment Owners Find Value in Green Features



SELLWOOD HOUSE AT A GLANCE

Project Owner
Jim and Judy Lyon

Site Manager
Jill Lyon

Location
1408-1410 SE Boise

Project Type
Multifamily remodel

Project Size
Remodel 3500 SF, total 5000 SF

Estimated Payback Period
2 to 7 years, depending on measure--does not include benefits of reduced turnover, lower maintenance

Vendors & Suppliers
Environmental Building Supplies; The Home Depot; The Rebuilding Center; Rejuvenation; Portland Habitat for Humanity ReStore; Miller Paint; Teragren; DAP

Green Materials Used
Bamboo and linoleum flooring; Dual flush toilets; Zero-VOC paint; Cellulose insulation; Low-E windows; Water based wood putty; Non-toxic degreaser; Non-toxic caulking; FSC certified plywood; Energy Star ceiling fans; Strawboard; salvaged lumber and trim; Recycled PET carpet

Bamboo floors and dual flush toilets. Marmoleum in the kitchen and non-toxic paint on the walls. Historical details attractively restored with salvaged wood.

Sound more like a Hawthorne bungalow than a Sellwood apartment building? Not to Jim, Judy and Jill Lyon. The family just may have hit upon a novel solution to the eternal dilemma of property management: how to keep operating costs low, while increasing property value and tenant retention.

The Lyons recently completed a “green” remodel of the Sellwood House, an 11-unit historic building in southeast Portland. Instead of taking a traditional remodeling approach, they decided to create a unique rental property using many green building materials. Their risk paid off. Nearly two years after remodeling they have increased the rent by 30 percent, experienced minimal tenant turnover (only two units have turned), and are continually reminded by tenants that the Sellwood House is filling a much desired niche in the Portland rental housing market.

The Lyons had two project goals — increase property value and increase desirability of units, prompting a decrease in tenant turnover.

Their strategy to provide a green multifamily rental property more than fulfilled their project goals. According to property manager and project coordinator Jill Lyon (daughter of owners Jim and Judy), “there is definitely a market for green rental properties. Potential tenants sought us out because we were advertising it as a green property. Once rented, our tenants have created a strong community among themselves.” This project was so successful, the owners are currently financing a remodel at another 21 unit property in SW Lair Hill.



PHOTO: JAMES GILL

Jim, Judy and Jill Lyon's green remodel has increased rents and reduced turnover



PHOTO: OSD

Bamboo flooring looks good, wears well

“Tenants consider the green material used as thoughtful detail and upgrades to their unit.”

– Judy Lyon

GREEN FEATURES provide tangible financial benefits

PHOTO: JAMES GILL



New windows maintain historic character

Project Highlights

The Lyon family has a long history of owning and managing multifamily properties in Oregon. In 2002 they purchased the Sellwood House, originally designed and built as the schoolhouse adjacent to Sacred Heart Church in SE Portland. The building had been a low-rent property for some time. Badly in need of remodeling, it was ripe for reinvestment and reinvigoration.

The driving force behind this successful remodeling project was the question, “How healthy and environmentally friendly can we make the units, while still making a profit and increasing property value?” The owners researched products and ran numbers keeping this question in mind. Decisions were made based on the initial investment price for various measures as well as the pay back time. The following products and materials reflect their final choices.

Caramelized Bamboo Flooring

A more attractive and long-lasting flooring option

One of the most notable features of the Sellwood House apartments is their commercially rated, pre-finished, carbon roasted bamboo flooring. According to Jill Lyon, “this particular flooring has a number of desirable attributes for rental units. The color is warm; it’s darker tone hides dirt; installation was relatively simple; it can be refinished; it wears well; and turnover maintenance is very fast and easy.” In addition, the manufacturer, uses an exceptionally durable, solvent-free coating and the binding adhesive is virtually formaldehyde free, so installers and future tenants won’t breathe the off-gassing typical of other pre-finished flooring. The flooring company, Teregren, is located in Washington State. The Lyons were pleased to support a product manufactured in the Pacific Northwest.

The cost installed was \$6.75/sf. Typical 5-year carpet cost is \$4 – 6/sf installed. Therefore, carpet and Teregren cost the same at 15 years if no additional refinishing is required. When the increased rent potential is factored in, the value of choosing bamboo over carpet is seen remarkably sooner.

Marmoleum

Durability and beauty with all-natural linoleum

Marmoleum is a biodegradable natural flooring made of linseed oil, woodflour, pine rosin, jute and ground limestone. It was used in place of sheet vinyl flooring on the kitchen and bathroom floors, as well as in the bathroom as a back splash. Benefits of using marmoleum are primarily health and environmental related. Some find it more esthetically pleasing as well. Jill reports it has been very resilient and easy to maintain. Payback on the flooring is five years.

Dual-Flush Toilets, Showerheads and Faucet Aerators

Reduce costs and save water

Installers removed existing five-gallon toilet tanks and installed Caroma brand dual flush low-flow toilets. Dual flush toilets operate with either 2 buttons or a specialized handle for flushing, using a full flush for solids or a half flush for liquids. Jill says the installers loved these toilets because they were exceptionally easy to install, an important feature for the cramped quarters typical of bathrooms in historic buildings.

Before installing the dual flush toilets, daily water usage was approximately .67 CCF/ day. After the toilets were installed, water usage decreased to .42-.45 CCF/ day. Annually, dual flush toilets save over 3,400 gallons of water over typical low flush toilets.

Tasman toilets by Caroma cost \$75 more than the typical low-budget toilet found in apartments. Based solely on noted water savings, it would take about four years to pay off the toilets. Simplified installation cut that cost in half. In addition, the parts are warranted for life. Engineering virtually eliminates all clogs, which equates to greatly diminished maintenance calls. A 2.5 year payback period was calculated for the toilets based on 1/2 cost installation, water savings, and reduced maintenance.

Low flow showerheads and faucet aerators were installed to conserve additional water. These low cost measures can save hundreds of dollars on water and sewer charges. Only some tenants have commented on these measures, indicating satisfaction with their performance.



Originally designed and built as a school house, the Sellwood House is adjacent to Sacred Heart Church

Low-VOC (Volatile Organic Compound) Interior Paint

Tenants breathe easier

The Lyons chose Miller Paint's Acro line because it is a low odor, low solvent, eco-friendly paint that contains no off-gassing VOCs. VOCs are found in many common household products and can have negative health effects ranging from eye, nose and throat irritation to damage to the liver, kidneys and central nervous system. Jill Lyon reports, "The paint from locally-owned Miller Paint was great to work with from start to finish, often covering in one coat". The price of Miller's Acro paint is comparable to conventional non zero-VOC products at just under \$19 per gallon. Other companies carry low and no-VOC paints as well.

Tax Credits and Incentives Pay Half the Cost of Energy Efficiency Upgrades

The owners took advantage of a free service offered through the Office of Sustainable Development's Multifamily program. By making one phone call, providing a contractor's bid and signing a few application papers, the Lyons received approximately 50% return in cash and tax credits on their window and insulation replacement project costs.

They replaced fifty-six double-hung wood windows with wood frame and vinyl windows. In addition, they insulated 2,100 square feet of attic with cellulose insulation. Cellulose insulation

is made from recycled fiber, primarily newspaper. To save on cost, they purchased it from a wholesale retailer and self installed it with a blower. As a final energy savings measure, the Multifamily Home Energy Savings program delivered and installed compact fluorescent light bulbs (CFLs) in all units. The Lyons have seen a noticeable downward trend in electric bills as a result of these measures.

Finishing Materials Don't Show

This project included other green materials rarely noticed by tenants. These finishing materials contributed to the overall goal of offering the healthiest living spaces available while still turning a profit. These products include:

- Elmer's solvent-free/water-based wood putty,
- Clean-Via vegetable-based degreaser for lightweight cleaning of all surfaces,
- DAP shrinkless, paintable, solvent-free caulking,
- Forest Stewardship Council (FSC) certified plywood for sub-floors,
- Formaldehyde-free wheatboard in lieu of particle board,
- Salvaged lumber and trim, and
- Wood blinds instead of vinyl or plastic.

Results

Remodeling an investment property requires a different set of decision-making criteria than those used for remodeling a personal home. The Lyons' project shows that employing green building materials and techniques can be a profitable investment decision for multifamily property owners. Jill Lyon speaks of what happens when she places a rental ad: "the response tends to be swift, of great number, inquisitive, friendly, and aware of the limited availability. Additionally, referrals have been quite common."

According to Jill, "green retrofitting requires a shift in thinking about property investment. Payback on these units will not come in the first 12 months", but a greater return on investment is realized in other immediate benefits. These include tenant retention, decreased maintenance and less time spent on marketing.

Their well-defined goals helped the Lyons overcome some challenges involved in a green remodel. The project took longer than a traditional project, and Jill warns that tenants do require more direction when they move in. Many are unfamiliar with how to maintain bamboo floors, marmoleum and how to flush dual flow toilets.

However, once tenants understand the basic care and operation, they love the unique characteristics of the units. Both tenants and guests notice the novel and beautiful bamboo flooring right away, and even the low flow toilets are a discussion topic. Tenants actually give tours of their rental units. They consider the green materials and thoughtful details value-added features. They are willing to pay higher rent and stay longer in part because of these features.

How OSD Can Help Multifamily Property Investors

Portland-area multifamily property investors have a one-stop center for energy efficiency information and services at the Portland Office of Sustainable Development (OSD). The Multifamily Team at OSD helps simplify energy resource decisions with expert technical and financial advice – all at no cost to the investor. With a complete package of resources, expertise and financial assistance, our specialists make it easy for property managers, owners and tenants to make informed decisions about energy efficient upgrades for multifamily properties.

We offer:

- Access to financial assistance for weatherization upgrades,
- Project consultation and practical advice,
- Free on-site insulation reviews,
- Start-to-finish paperwork processing,
- Access to a network of experienced trade allies across the state,
- Free compact fluorescent light bulbs (CFLs) for qualifying units, and
- Friendly, reliable customer service.

Multifamily Weatherization Incentives

By taking full advantage of a variety of programs, property investors can reduce the costs of a typical weatherization project by 50 percent.

Energy Trust of Oregon Multifamily Home Energy Savings

The Energy Trust of Oregon, Inc., is a non-profit, public-purpose organization that helps Oregon customers of Pacific Power, Portland General Electric and NW Natural enjoy the benefits of energy conservation and renewable energy programs. The Multifamily Home Energy Savings program offers investors cash incentives up to 15% of project costs for weatherization upgrades.

Oregon Department of Energy Business Energy Tax Credit

The Business Energy Tax Credit (BETC or “Betsy”) offers property investors a 35% five-year tax credit for projects that incorporate energy conservation, efficient equipment and renewable energy systems. Tax credits for projects that cost \$20,000 or less may be taken in one year. For property owners with no Oregon tax liability, the BETC credit may be sold as a “pass-through” to an Oregon buyer.

State Energy Loan Program (SELP)

Low-interest, fixed-rate, long-term loans for any qualified project owner who invests in energy conservation, renewable energy and alternative fuels. Rates vary; ask us for details.

For additional information on these incentives and tax benefits, please contact the Multifamily team, 1-800-813-2201 or 503-823-0530. Or visit www.sustainableportland.org.



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