



## **Is switching from oil to gas really the answer to help cut spending and save more money?**

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In today's market the number one question that building owners are asking themselves is "How can I cut spending and save some more money?" In the majority of the cases the biggest expenditure for property owners is the cost of fuel. The rise in fuel costs have forced owners to think outside the box and consider other alternative types of fuels such as bio-fuels and solar panels. However, while alternative fuels may be more efficient in the day to day usage, is the overhaul required to retrofit the boiler, as efficient? Most importantly, how long will it take to recapture your initial investment, and is it profitable?

The baby boomer generation is most familiar with the 1970s oil scare and repercussions of oil production shortages. This generation experienced firsthand what it felt like to sit in long lines of cars waiting to fill up their gas tanks. It was during this critical moment in history, that building owners were beginning to switch from oil to gas burners in an effort to cut costs.

Today, it appears that we have come full circle as many owners have switched to or at least are seriously considering making the change from oil to gas. In most cases it makes perfect sense to make this change. In this day's economy, the price of oil can be quite unstable, as one day crude oil may cost ninety dollars and a few days later, cost eighty dollars. Baby boomer owners have already seen this demand for natural gas in the past and are at an advantage when making their decision. In fact most of the owners who had previously made the change to gas during the 1970s are likely to have dual oil/gas burner still available.

Building owners who do not have gas ready burners may be faced with a difficult situation. For these owners, a conversion from oil to gas can be complicated, and requires a planned out decision making process. There are many factors that must be considered today, than if they had to be faced with this decision in the past. For example an older cast iron steam boiler with the original burner using grade six oil, may be a perfect candidate for a new and more efficient boiler rather than a gas conversion. Reason being, a new boiler may cost a building owner anywhere from \$50,000 to \$70,000 completely installed including the removal of the old boiler. An oil to gas conversion with the same example would most likely demand a new boiler in addition to the cost to line the chimney appropriately per each floor of the building, for an approximate expense of \$7,500 to \$10,000 per floor. Therefore, a property with two buildings, with six floors in each, a conversion such as this, would cost an additional \$90,000 just to line the chimney. This would bring the gas conversion to a total of \$160,000 which does not include any additional improvements to internal gas line feeds that may be requested by your gas provider. At this point an oil to gas conversion becomes cost-prohibitive.

As always, each building and its owner must stay loyal to their goal of reducing spending and maintaining a lucrative business. In New York City, which is considered the local leader of the

"cleaner energy movement" has already given grade six oil an expiration date of June 30, 2015. As many are aware, this movement will be trickling into the suburbs sooner than later.

I have listed some key points that may assist building owners as they consider and assess their property's candidacy for an oil to gas conversion.

1. Have a professional boiler installer/service company inspect the boiler and evaluate the condition of the machinery.
2. Submit a load letter to your local utility company (Con Edison in Westchester)
3. Once you have received the load letter and it has been processed, it should be mailed back to the boiler professional for additional analysis.
4. Request at least a total of three estimates from different vendors and compare whether the savings outweighs the investment and make an informed decision.

As a property management company we are constantly working with owners to help them make well informed decisions when it comes to the topic of heating costs. At Milio Realty Corp. our goal is to guide our owners in the most economical and energy-efficient direction. We pride ourselves with over 30 years of self management experience and in turn we use this experience to help our clients make an educated decision.

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