

Community Landlord's Commitment to Eco-management is Sustainable and Profitable

The family owners of Skally Management have a long history in Saint Paul, Minnesota. A statue at one of their properties honors late family patriarch William Francis Skally, a beat cop from 1941 to 1973 known for fairness, generosity, and community service.

The late officer's grandson, Chad Skally, runs Skally Management and participates in the family's other enterprise, Skally Tax Service, housed in one of their buildings. He was kind enough to share how Skally Management serves tenants and the broader community by managing its environmental impact and offering desirable, reasonably-priced housing in urban neighborhoods.

Chad Skally's background includes an education in the area of natural resources management along with several years of service with the Minnesota Department of Natural Resources. It comes as no surprise, then, that Skally is drawn to environmental stewardship as a core commitment for Skally Management. We can learn from the way in which the company implements that commitment in ways that are both environmentally sound and commercially advantageous.

Thinking Green, Early and Often

"We call it Eco-management," Skally said, describing as much an attitude and disposition as a specific set of practices. "We're always looking for things we can do better, things we can afford to do, because protecting the environment is everyone's challenge."

He was also realistic about the specific challenges facing property owners. "Landlords are always facing maintenance expenses, upgrades, requirements. It's hard to invest in environmental improvements when you have to pay for roofing and exteriors, appliances, boilers, the list goes on." Some environmental improvements are "built in" to operational requirements. For example, when windows, appliances, and plumbing fixtures are replaced, the new items are almost always more energy efficient. At the same time, these required

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expenditures often require landlords to defer – or forego - more extensive environmental upgrades.

Going beyond baseline improvements in ways that make commercial sense requires commitment and creativity. Skally has demonstrated both through their implementation of a range of environmental initiatives. Relatively low-cost initiatives include:

- Provision of full recycling at all buildings (including paper and cardboard products as well as glass, metal, and plastic).
- Placement of additional recycling bins beside all tenant mailboxes to keep junk mail out of the tenants’ garbage.
- Use of environmentally friendly cleaning products, to the extent that those products provide adequate performance for commercial cleaning.
- Evaluation and selection of cost-effective, environmentally sound products and materials used in upgrades and maintenance.
- Encouragement of paperless invoicing, rent payment, and management bill payment.

- Electronic tenant newsletters provide additional advice and ideas for environmentally sound living.
- Participation in Excel Energy’s wind energy program to promote the development of more sustainable sources of power.

Even relatively small measures add up. Skally’s staff is always looking for ways to reduce waste and overall environmental impact, and management shares these practices as they arise.

Eco-management at Skally also includes two major initiatives:

- Skally has replaced some of their conventional lawns and ornamental landscaping with native plants, eliminating the need to fertilize, water, and mow their grounds.
- The company’s headquarters and rental property now features a rooftop solar hot water heating system.

These initiatives not only offer direct economic benefits, but also reinforce Skally’s commitment to eco-management to current and future tenants.

About the Ethical Leaders in Action Series

The Ethical Leaders in Action Series is a service of the Hill Center for Ethical Business Leadership. The Hill Center’s mission is to help organizations prosper through a strategic commitment to ethics and social responsibility. Each edition of this series tells the story of an organization that is succeeding by investing in one or more critical stakeholder relationships. For more information and other stories visit www.einsight.org.

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Measuring Impact

Skally is clear that the business can only act on their commitment to environmental stewardship in ways that are affordable economically. For example, due in part to tax credits available at the time of installation, the solar hot water heating system installed in one building will pay off in 10 years based on current fuel costs. This may not be an optimal capital investment, but it does represent an acceptable cost based on the firm's commitment to eco-management.

"It's important to look at the big picture, and to see what we can afford to do," said Skally. "We watch costs very carefully." At the same time, while specific impact is difficult to measure precisely, Skally recognizes that his efforts make him a preferred landlord in the community, which reduces vacancies, apartment turnover, and the cost of sales.

The Payoff

The greatest direct and measurable financial benefit derives from Skally's use of native plants. Conventional landscaping requires mowing, trimming, watering, and fertilization, services which cost other local landlords up to \$300 per month for each property. Skally's native plantings require only weeding and general cleanup, twice annually. Especially within the context of the low margins of the residential rental property business, this represents considerable savings.

Skally also attributes important, if indirect, economic benefits to their way of doing business: tenant recruitment and retention. Over the

last several years, Skally has had vacancy rates between one tenth of one percent and three tenths of one percent (.1%-.3%), against a market average of between four and seven percent (4-7%). Of approximately 120 total units, more than 20 are occupied by tenants who have been in place for ten years or more. A few have rented from Skally for 20 years, and one for more than three decades. While measures like recycling and e-newsletters have up-front costs, tenants report that these measures also contribute to their satisfaction and loyalty.

Indeed, I first heard about Skally from a tenant/caretaker, who was also a participant in a Hill Center workshop on ethical business strategies. We were discussing environmental practices at her workplace, and she made the connection to her residential landlord. "You should really talk to my landlord. They're totally committed to environmental management, and I love working with them." Tenants who care about the environment reward environmental stewardship with that kind of loyalty and enthusiasm. For more information on Skally Management's properties and management practices visit their website at www.management.skallys.com.

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