

LIHTC MONTHLY REPORT

A MONTHLY PUBLICATION OFFERING NEWS, OPINION, FEATURES AND COMMENTARY ON THE LOW-INCOME HOUSING TAX CREDIT INDUSTRY

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California Tax Credit Agency Supports No-Smoking Rules in Affordable Housing

By Jack Nicholl, Board Member, American Lung Association of California

The California Tax Credit Allocation Committee recently adopted incentives to encourage developers of low-income housing tax credit (LIHTC) properties to designate between 50 percent and 100 percent of units in their properties as nonsmoking. TCAC awards a smoke-free point to projects designating a smoke-free section of at least 50 percent of the units (to qualify, the units must be grouped together). A similar but more demanding policy has also been adopted by Maine's tax credit agency. Maine's qualified allocation plan (QAP) requires 100 percent nonsmoking projects, including units, buildings and grounds, before awarding a point

California's Smoke-Free Point

Applicants for TCAC tax credit financing must complete a complicated and highly competitive application in which construction techniques, materials, location, amenities, social services, affordability levels and other aspects of the proposed project score points. The goal for most applications is a perfect score of 155 points, eight of which are in the "sustainable building methods" category. The smoke-free point is in this category, and it is considered a "free" point by developers. In other words, it doesn't require an additional investment in specialized construction materials or design, unlike other sustainable building methods.

In 2006, TCAC allocated tax credits for 70 new affordable housing projects, including 34 which either met or exceeded the smoke-free criteria. In the first round of applications in 2007, 24 of the 69 projects that applied for federal LIHTCs from TCAC requested the smoke-free point.

Some Developers See Additional Benefits

In addition to the extra point, smoke-free units offer another incentive to developers over the long-term: they are cheaper to clean and faster to turn over. Mary Silverstein, Los Angeles Housing Partnership Inc.'s (LAHP) director of real estate development, says LAHP spends "...significantly less to clean and repair carpets, drapes and walls." Conversely, she says, it takes an extra week to turn over a smoking unit.

Insurance and Other Considerations

There are also areas where developers and property owners may benefit indirectly from instituting a nonsmoking policy. It is possible that ongoing operational savings could be realized if fire insurance costs were to decline for 100 percent smoke-free projects because of a reduced risk of fire. In an affordable building this may be of even greater importance to insurers than in a market rate property because, typically, few residents have personal renter's insurance that could be tapped following a fire. As such, little can usually be recovered from most renters in these buildings.

In California, some developers, including McCormack Baron Salazar, Los Angeles Housing Partnership Inc. and Cabrillo Economic Development Corporation (CEDC), are exceeding TCAC's minimum requirement of 50 percent nonsmoking units, and making their projects 100 percent smoke free. Daniel Falcon, vice president of Los Angeles operations for St. Louis-based McCormack Baron Salazar says, "We designate 100 percent of the units as smoke free because it is the right thing to do."

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No-Smoking Rules

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Silverstein echoes that sentiment and adds, "It's easier for leasing agents, healthier for our residents, and more streamlined when the entire project is nonsmoking."

Since September 2005, CEDC, Ventura County, Calif.'s largest affordable housing provider, has prohibited smoking in 100 percent of new units, common areas and within 20 feet of entrances or exits to rental units or common areas. Guests and visitors are also subject to this policy.

Hesitant Developers' Concerns Include Enforcement

While many affordable housing developers are beginning to look at making part or all of their projects nonsmoking, some have reservations about the policy. For example, a proposal to designate as smoke-free one half of all multifamily housing units financed through the city of Los Angeles' Affordable Housing Trust Fund was welcomed by the City Council's Housing and Community Development Committee in November 2003. But after months of discussions between developers and public health advocates, the proposal for smoke-free units was dropped because of the developer's concerns about enforcement.

But, so far, it appears that going smoke-free or creating smoke-free sections within properties isn't creating the operational problems that some anticipated. "Grandfathering" tenants who smoke and who are housed in existing buildings solves many problems. Phasing in the restrictions over time and limiting the nonsmoking requirement to new buildings also helps. Many developers also offer smoking cessation services to tenants who request them, using providers such as the American Lung Association.

Momentum Builds For Smoke-Free Projects

An increasing number of public housing authorities, affordable housing developers, market rate developers, and even cities and counties, are embracing smoke-free policies. According to the Smoke Free Environments Law Project based in Michigan, there are more than 46 housing authorities in the United States that have adopted smoke-free policies, including 22 in Michigan, 10 in Maine, five in California, three in Washington, two in Nebraska, and one each in Florida, Minnesota, Montana, New Jersey, Oregon and Washington.

USA Properties, one of the largest private affordable housing developers in California and Nevada, successfully launched new facilities that are 75 percent smoke-free (for a total of approximately 1,400 nonsmoking units). The cities of Belmont, Calif. and Temecula, Calif., using different approaches and timelines, have banned smoking in all or some units of multi-unit housing. Landlords in Shasta County, Calif. have adopted policies to make 5,800 units in market rate and affordable

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housing smoke-free. Guardian Property Management, based in Oregon, has decided to phase in a 100 percent smoke-free requirement for its 8,000 units nationwide. First Centrum, based in Virginia, with buildings in six states, has made its 5,500 units nationwide 100 percent smoke free.

For further information about making a project smoke-free, contact those who are already doing it. The developers, property managers and real estate firms mentioned in this article may be helpful. The California Tax Credit Allocation Committee can provide the names of projects planning to build smoke-free properties in the future. The local office of the American Lung Association of California can also help with smoking cessation programs for tenants, and the web site <http://smokefreeapartments.org> contains a model smoke-free policy and many other valuable resources for making developments smoke free. ❖

Jack Nicholl is a board member of the American Lung Association of California. He can be reached at jnicholl@verizon.net.

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