



TAX CREDIT FOR SMOKE-FREE UNITS

LOW INCOME RENTAL HOUSING

WHAT IS A TAX CREDIT?

The federal and state governments cooperate to offer incentives to developers to build or acquire and rehabilitate housing for low-income families and single residents. The incentive is a tax credit that enables developers of affordable rental housing to raise project equity through the “sale” of tax benefits to investors who take a dollar-for-dollar credit against their tax liability over a period of years. This is a very competitive process – traditionally, the demand has exceeded the supply by 3 to 1. Those proposals meeting the highest housing priorities (lowest income, for example) and *public policy objectives* have the best chance to be approved.

PUBLIC POLICY OBJECTIVES

The California Tax Credit Allocation Committee determines public policy objectives and assigns each positive points on the application. For example, energy and water conservation specifications, senior housing which is located near a senior center and after-school child care in housing for families are all allocated points.

SMOKE-FREE – In January 2006, the Tax Credit Allocation Committee added the following:

“Pursuant to extensive persuasive testimony regarding the health benefits associated with smoke-free living environments, we had added a one-point option to the menu for providing smoke-free sections, buildings or projects. The proposed project will contain non-smoking buildings or sections of buildings. Non-smoking sections must consist of at least half (**50%**) of the units within the building and those units must be **contiguous**. (one point).

STATEWIDE IMPLICATIONS

Regulations require a geographic distribution of funds and there is a rural set aside.

SPREADING THE WORD

Most developers will communicate with the city or county planning and/or housing department. It is important that these key offices have hand outs ready, and know that the community is interested in smoke-free living. A secondary benefit is to inform developers of market-rate housing that setting aside smoke-free units is legal and good for business.

A simple packet of three Fact Sheets for them to distribute could be:

- 1, *"There is No Constitutional Right to Smoke"* - this message cannot be repeated often enough.
2. *"California Air Resources Board Declares Secondhand Smoke a Toxic Air Contaminant"* - outlines basic information about this significant decision and health consequences.
3. *Tax Credit for Smoke-free Rental Housing* Fact Sheet.

The specific language establishing this incentive for low income housing developers can be found, as follows, at:

CALIFORNIA CODE OF REGULATIONS

TITLE 4, DIVISION 17, CHAPTER 1

January 18, 2006

The proposed project will contain nonsmoking buildings or sections of buildings.

Nonsmoking sections must consist of at least half the units within the building, and those units must be contiguous. 1 point

To receive these points, the applicant and the project architect or mechanical engineer must certify in the application, which of the items will be included in the project's design and specifications, and further must certify at the project's placed-in-service date that the items have been included and/or that the energy efficiency standard has been met or exceeded. Projects receiving points under this category that fail to meet the requirement will be subject to negative points under Section 10325(c)(3) above.

For more information on smoke-free multi-unit housing contact:

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