

# Using Incentives to Stimulate the Supply of Smoke-Free Housing in Ontario

## Overview

Ontarians are in the midst of a significant social norm change when it comes to the issue of smoking and involuntary exposure to second-hand smoke (SHS). Given the high public awareness of the danger of SHS and decreasing tolerance for its exposure, Ontarians are demanding more smoke-free environments indoors and out. This is clearly evident in concern about exposure in residential multi-unit dwellings (MUDs) and the concomitant increased demand for more smoke-free housing options.

The Smoking and Health Action Foundation (SHAF) established the Ontario Smoke-Free Housing Coalition in 2010 as a way for public health professionals to meet regularly to share ideas and experiences, and ultimately to help make smoke-free housing the norm in Ontario. Recognizing a regulatory ban as politically unpalatable, the coalition is pursuing a market-based approach emphasizing voluntary action. The goal will be realized when supply equals demand; however, the current supply of smoke-free housing remains disproportionately low—many housing providers are simply not aware that no-smoking policies are legal. As such, the SHAF is interested in exploring ways to create a favourable environment that would foster the voluntary adoption of more no-smoking policies among non-profit housing providers, market rate landlords and property managers, and co-operative housing and condominium corporations. Incentives have been successfully used in various American jurisdictions to help stimulate the supply of smoke-free housing—perhaps similar ideas could be explored in Ontario at the provincial as well as the municipal level.

Prior to the *Smoke-Free Ontario Act (SFOA)* coming into force in 2006, SHS infiltration in MUDs barely registered at the SHAF. Today, inquiries and complaints about SHS exposure in multi-storey apartment and condominium buildings, duplexes, row houses, town houses and other types of MUDs are easily the number one reason why Ontarians contact the SHAF. In the 2010-2011 fiscal year, 350 such calls and emails were logged. And no wonder—provincial polling data indicate that approximately 28% to 46% of residents living in MUDs report regular SHS exposure from neighbouring units.<sup>i,ii,iii</sup> With 4.5 million Ontarians living in MUDs,<sup>iv</sup> this translates into roughly 1.26 to 2.07 million people exposed inside their own homes. Expressed support for more smoke-free housing options is high: provincial polling data from 2010 indicate that given the choice, 80% of adults currently living in MUDs would choose a smoke-free building.<sup>v</sup> This is up from 64% in 2006.<sup>vi</sup> Data collected by the Ontario Tobacco Research Unit (OTRU) in 2008 showed that 83% of all Ontario adults believed that smoking should not be allowed inside MUDs with shared ventilation.<sup>vii</sup>

The SHAF estimates there are currently 45 non-profit housing providers in Ontario with no-smoking policies, representing approximately 5,500 affordable units. This is about 2% of the non-profit housing stock.<sup>viii</sup> Smoke-free condominiums are even rarer; the SHAF is only aware of a handful. As for market

rate rentals, it is difficult to ascertain the availability of smoke-free units, given the size of the market and the number of players. However, online apartment searches using [www.kijiji.ca](http://www.kijiji.ca) suggest approximately 10% - 15% of the units posted advertise as being non-smoking. Given that the current smoking rate in Ontario is 15%, it is clear that the supply of smoke-free housing is not in sync with demographics.<sup>ix</sup> Again, this is because many landlords, condominium owners and others don't realize that no-smoking policies are legal, non-discriminatory and enforceable. Public education to raise awareness therefore continues to be a priority for the SHAF and the smoke-free housing coalition.

The use of tax as a tool to advance public policy is not new to tobacco control—high taxation of cigarettes is widely recognized as the number one best practice, as it helps to curb demand. However, the opposite strategy can also be used to support targeted activities: in this case, incentives such as tax deductions, credits, deferrals or exemptions could help stimulate the supply of smoke-free housing. Such incentives are called tax expenditures because governments “pay” for them through reduced tax revenue. The 2010 Tobacco Strategy Advisory Group (TSAG) report regarding Ontario's renewed tobacco control strategy contains a select number of recommendations pertaining to MUDs. First and foremost, the report recommends continuing and intensifying a voluntary approach to smoke-free MUDs. It also recommends offering a provincial tax credit to developers of new affordable housing who commit to designating their developments 100% smoke-free.<sup>x</sup>

### ***The Use of Incentives in the United States***

A number of states in the United States have successfully used a tax incentive to increase the supply of smoke-free housing in their jurisdictions. The Low Income Housing Tax Credit (LIHTC) is a program run through the Internal Revenue Service (IRS) that provides the private market with incentives to invest in affordable housing for low-income residents. Qualification criteria are determined by each state and one or more points (tax credits) are assigned to each criterion. Developers accumulate points in their housing proposals which are then “sold” to investors to raise capital. Investors can take a dollar for dollar credit against their own tax liability over a period of years. The process is very competitive and the LIHTC accounts for a significant portion of all new affordable housing being built in the U.S. In 2006 California became the first state to add a no-smoking point to its state qualification criteria. Other states have since followed suit, including Maine (2007), New Hampshire (2009) and Minnesota (2009). By all accounts it appears that the LIHTC has been used successfully in these jurisdictions and others to help increase the supply of smoke-free housing for low-income Americans. In fact, as of 1<sup>st</sup> January 2012, all of Maine's 20 public housing authorities had adopted no-smoking policies.<sup>xi</sup>

However, it should be pointed out that the LIHTC is not the only reason for success in these and other American jurisdictions; there are other factors that have helped to increase the supply of smoke-free housing. Public health and tobacco control advocates have worked hard to educate landlords and tenants about the issue and to raise public awareness regarding the need for more smoke-free choices in housing. The federal department of Housing and Urban Development (HUD) has also played a significant role, providing legal clarification as well as emphasizing the need for and benefits of smoke-free housing for all housing authorities and commissions in the country. It should be noted that there are two pieces of federal legislation that have also served as incentives of sorts—incentives to avoid

facing lawsuits based on SHS exposure in housing. The *Americans with Disabilities Act* and the *Fair Housing Act*, both of which prohibit discrimination based on disability (and have teeth), have demonstrated that housing providers cannot ignore residents' complaints about exposure to SHS in their homes.

There are other examples of incentives used in the U.S. to help stimulate the supply of smoke-free housing. "Capital Fund Recovery Competition Grants" created through the *American Recovery & Reinvestment Act* of 2009 and administered through HUD made funding available for capital and management activities for public housing agencies. Applications were assessed using a scoring system that allocated a point value for various criteria; one point was allocated for applicants agreeing to enforce a no-smoking policy in all common and individual living areas.<sup>xii</sup>

Reductions in property insurance premiums for no-smoking policies are another type of financial incentive that are starting to appear in the United States. For example, in 2010 Capital Insurance Group (CIG), the leading property and casualty insurer serving the Western U.S., announced a 10 percent apartment and condominium smoke-free premium credit to property owners and condominium associations with no-smoking policies. Benefits recognized and advertised by the insurer include lower rehabilitation costs for smoke-free units, faster turnover time due to less preparation and repainting, less wear and tear on ventilation systems, discounts on property casualty insurance, and a lower risk of fire.<sup>xiii</sup>

### ***The Use of Incentives in Ontario***

What sort of tax or other incentives could work to stimulate the supply of smoke-free housing in Ontario? There are various options worth investigating. The TSAG report recommends a provincial tax credit for developers of new affordable housing. This seems relatively achievable with political will, and could be a viable option for all developers, not just those building affordable housing. Perhaps existing condominium corporations that amend their declarations or pass bylaws to prohibit smoking could also be eligible for some sort of financial reward. As required under the *Condominium Act, 1998*, declaration amendments and bylaws (among other things) must be registered at an Ontario Land Registry Office. Perhaps registration of a smoke-free bylaw or declaration amendment could flag eligible condominium corporations for a modest reduction or credit in property or other taxes.

Some may argue that the current fiscal situation in Ontario is simply too dire for tax breaks of this nature. Indeed, the recently released Drummond Report recommends a whole host of extensive spending reductions and revenue-boosting measures to help reign in the province's spiraling debt problem. However, the report also states that health care is the biggest item in the government's budget, and that it continues to consume a rising share. Reference is made to the overall economic drain that smoking has on the economy, and Drummond points to the potential cost-savings of investing in public health for upstream benefits.<sup>xiv</sup> It should be noted that there is good evidence that smoke-free environments not only protect non-smokers from exposure to SHS, but also help people to cut back and even quit smoking altogether.<sup>xv</sup> Given that most Ontarians spend most of their time at home, and home

continues to be a significant location for smoking and SHS exposure, any incentives created to encourage more smoke-free homes are an excellent investment.

The province's Long-Term Affordable Housing Strategy includes various programs and services to improve Ontarians' access to safe and affordable housing. One such initiative is the \$481 million Investment in Affordable Housing (IAH) program—a 4-year (2011 – 2015) federal-provincial joint effort that includes building and repairing thousands of homes across the province. If the provincial government so desired, it could easily build a smoke-free incentive into the evaluation criteria for programs like this in a similar way to the American HUD grant program example mentioned earlier.

Municipalities may also be in a position to create incentives to increase the supply of smoke-free housing locally. For example, it is at the local level where building permits are issued and municipal taxes are collected. With political will, a municipality could likely find numerous ways to inspire developers, landlords and others to adopt no-smoking policies. And not all incentives need be financial. In his 2012 budget speech, Ottawa's mayor mentioned the creation of a "Green Express Lane" to cut red tape for developers who strive to incorporate measures in such things as energy efficiency, water conservation, waste reduction, etc. There's no reason why the City of Ottawa, or any other municipality pursuing a similar agenda, couldn't add 'smoke-free' to its green criteria.

Some municipalities in Ontario including London, Waterloo and Oshawa have passed bylaws requiring that residential landlords be licensed in the interest of, among other things, the health, safety and well-being of tenants. If other municipalities are also considering licensing as an option, this presents an opportunity to explore how the smoke-free issue could be incorporated, perhaps with a reduced application fee or other such incentive.

The recently renamed Housing Services Corporation (HSC), previously known as the Social Housing Services Corporation, is a non-profit organization that delivers province-wide programs that benefit its members: Ontario's affordable housing sector. Among other things, the organization is legislated by the province to design and manage a group insurance program, one of the largest of its kind in North America. If the organization felt strongly enough about the benefits of smoke-free MUDs, it could advocate for an insurance premium reduction for its members. In fact, HSC members that have already adopted no-smoking policies could initiate a conversation to this end.

Public health units that have identified MUDs as a priority issue have a role to play in the creation of municipal smoke-free incentives. One does not need to be well-versed in tax or fiscal policy to get the ball rolling; simply recognizing that levers likely exist within a municipal structure is enough to meet with city staff in other departments such as building, housing, legal and finance to jointly begin exploring possible options.

## Conclusion

Despite the increasing demand for, and benefits of smoke-free housing, supply remains disproportionately low. Many landlords and housing providers are simply not aware that no-smoking policies are legal, non-discriminatory and enforceable. The use of provincial or municipal incentives to help stimulate supply has an inherent public education aspect along with the more obvious benefit of ultimately creating more smoke-free housing. Incentives such as tax credits and reductions in insurance premiums have been successfully used in the United States and can likely be used in Ontario too. It is hoped that this document serves as a launching pad for the exploration of all possible avenues to stimulate the supply of smoke-free housing—because for many Ontarians who continue to be regularly exposed at home, change simply can't come fast enough.

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<sup>i</sup> Ontario Tobacco Research Unit. *Reports of Tobacco Smoke Entering Ontario Homes*. Toronto: Ontario Tobacco Research Unit, OTRU Update, March 2009.

[http://www.smokefreehousingon.ca/cms/file/OTRU\\_survey\\_mar2009.pdf](http://www.smokefreehousingon.ca/cms/file/OTRU_survey_mar2009.pdf).

<sup>ii</sup> Smoke-Free Housing Ontario. Multi-Unit Dwelling Second-Hand Smoke Survey. Ipsos Reid, 2010.

[http://www.smokefreehousingon.ca/sfho/index.cfm?group\\_id=2110](http://www.smokefreehousingon.ca/sfho/index.cfm?group_id=2110).

<sup>iii</sup> Ontario Tobacco-Free Network. Multi-Unit Dwelling Second-Hand Smoke Survey. Ipsos Reid, 2006.

[http://www.smokefreehousingon.ca/cms/file/OTN\\_survey\\_2007.pdf](http://www.smokefreehousingon.ca/cms/file/OTN_survey_2007.pdf).

<sup>iv</sup> Statistics Canada. Structural Type of Dwelling (10) and Household Size (9) for Occupied Private Dwellings of Canada, Provinces, Territories, Census Metropolitan Areas and Census Agglomerations, 2006 Census - 100% Data.

<http://www12.statcan.gc.ca>.

<sup>v</sup> Smoke-Free Housing Ontario. Multi-Unit Dwelling Second-Hand Smoke Survey. Ipsos Reid, 2010.

[http://www.smokefreehousingon.ca/sfho/index.cfm?group\\_id=2110](http://www.smokefreehousingon.ca/sfho/index.cfm?group_id=2110).

<sup>vi</sup> <http://www.smokefreehousingon.ca/sfho/tenants-tenant-surveys.html>.

<sup>vii</sup> Ontario Tobacco Research Unit. *Indicators of Smoke-Free Ontario Progress*. Monitoring and Evaluation Series, Vol. 14/15, No. 2. Toronto: Ontario Tobacco Research Unit, Special Report, January 2010.

[http://www.otru.org/pdf/15mr/15mr\\_no2.pdf](http://www.otru.org/pdf/15mr/15mr_no2.pdf).

<sup>viii</sup> The Ontario Non-Profit Housing Association reports there were 223,885 non-profit housing units in Ontario in 2009 (most recent statistics available). <http://www.onpha.on.ca/AM/Template.cfm?Section=Statistics>.

<sup>ix</sup> Reid JL, Hammond D, Burkhalter R & Ahmed R. *Tobacco Use in Canada: Patterns and Trends, 2012 Edition*.

Waterloo, ON: Propel Centre for Population Health Impact, University of Waterloo.

[http://www.tobaccoreport.ca/2012/TobaccoUseinCanada\\_2012.pdf](http://www.tobaccoreport.ca/2012/TobaccoUseinCanada_2012.pdf).

<sup>x</sup> Tobacco Strategy Advisory Group. *Building on Our Gains, Taking Action Now: Ontario's Tobacco Control Strategy for 2011 – 2016*. Report from the Tobacco Strategy Advisory Group to the Minister of Health Promotion and Sport. October 18, 2010. <http://www.mhp.gov.on.ca/en/smoke-free/TSAG%20Report.pdf>.

<sup>xi</sup> <http://www.smokefreeforme.org/landlord.php?page=Government+Subsidized+Housing>.

<sup>xii</sup> Department of Housing and Urban Development. [Docket No. FR-5311-N-02]. *HUD's Fiscal Year (FY) 2009 Notice of Funding Availability (NOFA) for the Capital Fund Recovery Competition Grants; Revised to Incorporate Changes, Corrections, and Clarifications*. <http://www.hud.gov/offices/pih/programs/ph/capfund/ocir/recoverynofa.pdf>.

<sup>xiii</sup> Capital Insurance Group. *Smoke-Free Credit: Apartment building owners and condominium associations can now receive a ten percent credit for smoke-free housing units*. <http://www.ciginsurance.com/insurance/liability/smoke-free-credit/>.

<sup>xiv</sup> Ontario Ministry of Finance. *Commission on the Reform of Ontario's Public Services. Chapter 5: Health*.

<http://www.fin.gov.on.ca/en/reformcommission/chapters/ch5.html>.

<sup>xv</sup> Fitchenberg CM & Glantz S. Effect of smoke-free workplaces on smoking behaviour: Systematic review. *BMJ* 2002; 325:188. [http://www.bmj.com/highwire/filestream/371422/field\\_highwire\\_article\\_pdf/0.pdf](http://www.bmj.com/highwire/filestream/371422/field_highwire_article_pdf/0.pdf).