



Apartment Owners Realize Benefits from **Smoke-Free** MULTI-UNIT HOUSING TREND

By George Cushing

Thirty-four cities and counties in California have passed ordinances prohibiting smoking in part of or all outdoor common areas of multi-unit housing since December 2010. In the Tri-County area, Santa Clara County is the most

recent to pass smoke-free ordinances, following a successful vote in December to adopt laws to make all units in duplexes, condo and townhouse complexes, and apartment buildings smoke free. Santa Clara now joins Santa Cruz and San Mateo County in the smoke-free trend.

Smoke-free initiatives are gaining momentum as the health dangers of second-hand smoke become more apparent. Fortunately, what is in the best interest of residents is also in the best interest of apartment owners and their bottom lines. Smoke-free buildings are more cost-effective, safe, marketable and healthy. For property owners, the economic benefits are numerous including lower rehab 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 lower fire risk.

"Property owners know that effective risk management begins with providing safe, well-maintained buildings and premises, and ends with making sure you have a sound solution for protecting your investment from all levels of liability," said Ken Stewart, products, compliance & commercial lines manager for Capital Insurance Group. "Smoke-free buildings increase the level of liability protection for property owners and also offer a unique advantage in attracting new tenants."

In addition to the physical property benefits, apartment owners realize a marketing advantage when trying to attract new residents. Research surveys indicate that over 80 percent of renters in California prefer

housing with smoke-free areas. Demand for smoke-free dwellings ultimately translates to lower vacancy rates. Because smoke-free environments are becoming the norm, health-conscious renters increasingly demand non-smoking homes.



Apartment turnover costs can be two to seven times greater when smoking is allowed compared to the cost of maintaining and turning over a smoke-free unit. Tobacco smoke leaves a sticky residue on walls, curtains, cabinets, blinds, appliances, fixtures, and ceilings. The odor and toxins often stay in carpets, curtains, and walls. Dropped

ashes may result in burn damage to tiles, carpets, countertops, and bathtubs. Smoke-free housing reduces the property maintenance, and therefore positively impacts an owner's bottom line.

"Smoke-free units not only contribute to the cost savings in property maintenance, but also increase the safety of tenants and welfare of the property from catastrophic circumstances," remarked Stewart.

A primary concern of property management professionals is suffering a devastating fire. According to the National Fire Protection Association (NFPA), smoking was the leading cause of death from civilian home fires in 2009. Direct property damage to duplexes, manufactured homes, apartments, townhouses and row houses was \$7.9 billion that year. However, implementing a smoke-free housing program immediately cuts maintenance and repair costs, while profoundly decreasing the risk of fire caused by cigarettes.

Clearly, losses attributable to fire pose some of the greatest risks to apartment and condominium owners. Many of those fires are attributable to smokers, who:

- Improperly dispose of smoking materials inside their unit — an ashtray dumped into a trash bin or

a smoldering butt thrown into a wastebasket.

- Fall asleep holding a lit cigarette, which ignites bed sheets and blankets.
- Allow unattended cigarettes to fall onto furnishings, setting a couch or chair on fire.
- Toss cigarette butts into an inappropriate container, such as a planter or dumpster.
- Let unattended children play with matches or lighters.

Apartment size	Construction	Premium with Smoke-Free Credit	Premium without Credit Savings	Total Smoke-Free Savings
10 units	Frame	\$1,574	\$1,749	\$175
50 units	Frame	\$8,108	\$9,009	\$901
200 units	Frame	\$29,905	\$33,231	\$3,326

Insurance companies who specialize in commercial and apartment insurance have an opportunity to assist apartment owners by reducing the cost of risk management through lower premiums,

participating in the shared-risk decision making, and building more effective risk management programs.

"We consider our relationship with our property owners to be a partnership in which we help one another assess and mitigate risk. We initiated our smoke-free premium discount as a way to meet the growing demand for smoke-free multi-unit housing, and assist our customers with an incentive that impacts their bottom line," added Stewart.

Purchasing property insurance is one way to manage the risk of loss from a fire. Paying a monthly premium buys risk protection from an insurance carrier, who is there to assist and indemnify an owner from fire-related losses. However, the cost of that security can be reduced substantially with a smoke-free credit. This smoke-free apartment credit* can translate to significant annual savings for an apartment owner. For example see chart above.

For Tri-County area property owners, the mandate to go smoke-free can result in additional protection for your investments. Consequently, property/casualty insurance partners who give smoke-free apartment owners some breathing room on their premium costs will be viewed as forward-thinking and offering a savings to property owners when they need it most. 🏠

*Representative rates and credits provided for demonstration purposes only; your rate will vary.



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