Increasing Housing by Converting Underused Commercial Buildings to Residential Use

Readily allowing the conversion of all or part of unused and under-used commercial buildings has the potential to provide significant amounts of well-located housing. Adaptive reuse generally means projects that meet four criteria: (1) existence of a structure to be reused, (2) functional and/or economic obsolescence of the existing building, (3) change of use, and (4) economic viability of the new project.

Adaptive reuse of commercial buildings for residences can result in creating new housing faster, sometimes at a lower price point. It often also helps meet climate-related goals because of more central locations and use of existing infrastructure. Adaptive reuse of an empty or almost empty building can sometimes mean achieving higher density without the opposition of neighbors that might have arisen if it were a new development.

The critical components of successful policies to convert commercial buildings to residential use include requiring it to be allowed without a zone change or conditional use, and not requiring additional parking. Financial incentives can also be helpful.

In this case, SDC waivers are a common-sense incentive to provide. Buildings affected by HB 2984 A will already be served by infrastructure. To the extent that new water and sewer capacity is necessary, cities will be able to charge SDCs for that difference.

Despite the potential here, it's important to keep it simple. Depending on various factors, it can be challenging to make adaptive reuse projects work financially. Office buildings tend to have deep floorplates and few bathrooms and kitchens, requiring major investment to make them useful for traditional housing. Upgrading buildings to modern seismic standards offers major public safety benefits, but can be quite expensive for many adaptive reuse projects. The premise and promise of this bill is that Oregon and its cities benefit when empty buildings get put to use. We shouldn't overthink or over complicate this goal. Only by keeping this program quite simple, as in HB 2984 A, is it likely to be of use in more than a handful of situations.

Examples of successful adaptive reuse programs:

Los Angeles's Adaptive Reuse Ordinance has resulted in more than 14,000 new units converted from underused office space.[1]

Chicago: plans to convert office space along LaSalle Street in the Loop to 1000 apartment units, 30% of which would be affordable.[2]

New York City: "[I]n the early 1990s, New York State passed a tax abatement program, called 421-g, encouraging the conversion of old offices into housing. As a result, nearly 13 million square feet, or 13 percent of Lower Manhattan's office real estate, was turned into residential space between 1995 and 2006."[3]

Philadelphia: "[P]assed its own tax abatement program in 1997, spurred by New York City's, and extended it in 2000. The program led to 180 building conversions and a 55 percent increase in the number of people living downtown.[4]

Los Angeles: "By some estimates, 8,000 to 16,000 new homes could be built in the City of Los Angeles if only 10 percent of the city's total 155,000,000 sq. ft. of office space was converted to housing."[5]

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[1] National Trust for Historic Preservation. (2013). Learning from Los Angeles. Retrieved from: https://forum.savingplaces.org/HigherLogic/System/DownloadDocumentFile.ashx?DocumentFileKey=- 1b9e66c0-c4b6-2fea-2a2e-988d08013449&forceDialog=0, referenced in *Adaptive Reuse Challenges and Opportunities in California* Terner Center for Housing Innovation, University of California, Berkeley, November 2021, https://ternercenter.berkeley.edu/wp-content/uploads/2021/11/Adaptive-Reuse-November-2021.pdf, p. 2.

[2] New York Times, *What Would it Take to Turn More Offices into Housing,* https://www.nytimes.com/2022/12/27/business/what-would-it-take-to-turn-more-offices-into-housing.html

[3] Id.

[4] Id.

[5] *Adaptive Reuse Challenges and Opportunities in California* Terner Center for Housing Innovation, University of California, Berkeley, November 2021, https://ternercenter.berkeley.edu/wp-content/uploads/2021/11/Adaptive-Reuse-November-2021.pdf