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# **COMMENTARY**

# Let's Convert Offices To Residential Space

## By DAVID DAMUS

oo many empty offices. Not enough homes. The solution seems simple – solve two of America's biggest crises by converting commercial office space into residential units.

It's not a new idea, but the size and scope of these problems, with massive negative economic and social impacts, demands immediate attention. It's time for local and state governments, in concert with the business community (banks, developers and investors) to invest in residential conversion to benefit all sectors of society. More legislation to streamline and accelerate the approval process is needed to reduce unreasonable burdens that stifle conversions for market rate and affordable housing.

According to separate estimates by the Urban Institute and the National Low Income Housing Coalition, there's a shortage of more than 7 million homes available for purchase or rent for affordable housing.

Office vacancy rates in the United States exceeded 20% for the first time in several decades, and rates surpassed 25% in downtown Los Angeles and San Francisco. The office exodus began during Covid-19 when employees were forced to work at home, and the conversion to remote and hybrid work has continued through the present.

When offices are vacant, downtown businesses such as restaurants, convenience stores, dry cleaners and malls that need steady foot traffic to survive are forced to close.

This leads to the dreaded "urban doom loop" where an exodus of office workers and landlords results in lower tax revenues, causing fewer city services including police, fire, sanitation and road repairs, leading to worsening crime, safety and health, resulting in more businesses moving away.



Skyline: Downtown Los Angeles.

The solution may be simple, but it's not easy. The largest roadblocks to office-to-residential conversion are the price tags and regulations. I believe both issues can be overcome by focusing on three "C's" - Codes, Cost and Creativity

# Codes

Perhaps the biggest boost to providing new housing in California comes from Assembly Bill 2011, the Affordable Housing and High Road Jobs Act, which went into effect in July. Along with Senate Bill 6, the National Low Income Housing Coalition notes it "will allow housing development in areas that are currently zoned for parking, retail, or office buildings. The bill exempts housing projects in these commercial areas from local approval processes and California Environmental Quality Act review – which is frequently invoked

"There are roughly 2,300 commercial properties that could provide between 72,000 and 113,000 housing units in Los Angeles alone.'

to delay housing construction – provided that the project meets affordability, labor, and other standards specified in the bill.

"Projects that qualify for by-right approval can be 100% affordable housing or mixed-income housing. Mixed-income housing developments are limited to commercial corridors (typically the locations of strip malls and parking lots) that are wide enough to accommodate increased density and transit, while 100% affordable housing can be developed in a wider range of commercial zones.

"All development must occur within infill areas, which will reduce sprawl, limit greenhouse gas emissions, and ensure that residents are connected to existing transit and infrastructure."

According to a study last year from the Rand Corp., there are roughly 2,300 commercial properties that could provide between 72,000 and 113,000 housing units in Los Angeles alone.

Many buildings are perfect candidates for conversion, but not every property makes financial sense. Many older commercial structures need to be retrofitted with extensive plumbing and electrical needs for

Government tax abatements and incentives make a hug difference. As the Rand report noted, "Hotel/motel properties appear to be the most feasible property type for conversion (conditional on converting rooms directly to housing units). The feasibility of office properties varies, with larger (one- and two-bedroom) apartment types generally appearing to be financially infeasible but with studio apartments showing more promise."

Sometimes a crisis creates opportunity, and challenges foster innovation. Architects, engineers, city planners and developers in many cities need to keep finding creative solutions to reimagine empty buildings. Here are three examples:

In downtown Los Angeles, the iconic Bradbury Building, constructed in 1893 as an office building and seen in the film "Blade Runner," recently converted the upper floors into residential lofts.

The Crosby, a 12-story Art Deco building in Koreatown, was once home to the Los Angeles offices of IBM. Now, it offers 298 studio and one-bedroom apartments with modern amenities and vintage charm.

David Damus is the chief executive of System Property Development Co. in Los Angeles.

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