



REPURPOSED BUILDINGS— HELPING SOLVE AMERICA’S HOUSING CRISIS

By Brian E. Clark

For millions of Americans, finding housing that doesn’t gobble up more than half their income is an ongoing quandary. “There simply isn’t enough affordable housing, and as a result, we have a really significant dilemma in this country,” said Edward Chazen, a real estate expert and senior lecturer in the Carrol School of Management at Boston College. “We also have a lot of buildings that are begging for a better use. But there is a lot of complexity if you want to turn them into housing because of the physical layouts and adaptability of some of those structures. And then there are the issues with zoning.”

But some developers and housing advocates have had success repurposing office buildings, schools and libraries and even such unique buildings as former New England textile mills, a Los Angeles funeral home and a Wichita parking garage into apartments that don’t cost a fortune to rent. Using historic and affordable housing tax credits from state and federal agencies can significantly reduce the cost of financing these projects.

The NATIONAL ASSOCIATION OF REALTORS® supports tax incentives to convert underutilized commercial property into residential units. Incentivizing the

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conversion of unused or underutilized commercial real estate through tax incentives could offer significant benefits for families struggling to find affordable housing, the distressed commercial sector, the nation’s broader economy, and for governments at all levels, which will reap new revenues.

According to a study by the National Low Income Housing Coalition, in 2018, the United States was short more than 7 million affordable housing rental units. And that was before the pandemic. At the same time, in many markets, rents continue to ascend while housing production is not keeping up.

Chazen, who lives outside Boston, said turning office space into apartments is nothing new. And thanks to the pandemic, there are literally hundreds of millions of square feet sitting vacant in office buildings. Currently, some estimates put the amount of unused office space in Manhattan at 17 percent. “Offices have some level of adaptability depending on the age and how the floors lay out. And people have been adapting them for a long time.”

In the 1990s, for example, office space demand declined in lower Manhattan in the Wall Street area and there were dozens of what Chazen called “good-looking, underused pre-war office buildings on Wall Street, the most storied thoroughfare in American finance. They were large, some 40 stories tall, but no one would lease them as offices anymore, partly because the economy was shrinking. But the buildings were also considered obsolete for office space because

Left: The Voke Lofts development is a former historic boy's trade school that was transformed into a mixed-use, mixed-income multifamily community in Worcester, Mass. Photos are courtesy of The Architectural Team.



they had too many columns, inferior air quality and didn't lay out right for a modern financial services operation.”

Repurposing shopping malls for housing is more difficult and a poor investment return, according to Chazen. “They don't at all lend themselves to that because the floors are too big. But developers have been buying empty Sears, K-Mart's and JC Penney department stores and demolishing them. These often have enormous footprints of land, sometimes an acre or two on which sits a two-story department store, attached to a mall. They buy the land and often build new, market-rate apartments, but these usually aren't affordable housing for people who make 80 percent or less of the median income in a region.”

In New England, Scott Maenpaa — a project manager with The Architectural Team — has repurposed a number of mills and older buildings, adapting them for housing and other purposes. Adaptive reuse of structures like this can be a key to addressing the region's affordable housing shortage.

“The two go hand in hand,” said Maenpaa. “There are a lot of industrial revolution-era, turn-of-the-century mills that are dormant and dilapidated, not being used for much besides small workshops that people rent or for bulk storage. But these buildings were once anchors of their communities and should be thought of as structures that could be adaptively reused for housing.”

Maenpaa notes the mills have open floor plans, heavy timber framing and not a lot of bearing walls, so the interiors are relatively open. “That gives us the ability to do



Photos above showcase the Central Building, a historic office building redeveloped into a mixed-use development in Worcester, Mass. Photos are courtesy of The Architectural Team.



Above: A former county courthouse in Worcester, Mass., was converted into housing. Photos are courtesy of The Architectural Team.



whatever we want with interior walls. They lend themselves well to cutting them up into residential apartments. We also try to design social spaces that encourage community and interactions with others, including lounges and libraries or maker spaces where you can get a scrapbooking club together. They're great for adults who are downsizing, too. And people love the aesthetic because

they aren't making buildings like this anymore. They were the pinnacle of technology for their time.

"The same can be true for old office buildings. Given the right size and footprint, we can use the ground floor for store fronts, coffee shops and things that contribute to the community. On the upper floors ... living units.

"Old school buildings can also be repurposed. Once a community outgrows a school and builds a new one, the old one is left behind. We've found that classroom sizes in these schools lend themselves well to interior design and very little demolition is needed. The corridors are wide enough for circulation and egress. So, we've been doing mills, offices, old schools and even a courthouse.

"The county courthouse in Worcester, Mass., was deemed architecturally and historically significant, which meant the community did not want to see it demolished. So, we went in and were able to convert that into housing as well. It doesn't really matter the type of building as long as it has windows. We can certainly try to adapt it and turn it into housing. In many cases, existing buildings work very well for that type of programming."

Maenpaa said historical structures often have interesting stories to tell, both human and architectural. "We try to incorporate as much of the existing fabric into the repurposed building so it looks familiar externally to the community. We try to do the same internally and not cover up a lot of the existing features, be it a brick wall or timber beams or columns or the timber decking that is there. We try to expose as much of that as possible. It isn't always perfect, but I call what we keep, beautiful imperfections."

On the people side, Maenpaa talked about a ribbon-cutting ceremony at a repurposed school where a new resident shared that she'd once been a student, later came back as a teacher and for her third go-around was going to become a tenant. "That was pretty heartwarming."

In many cases it can be less expensive to reuse an old structure than put up a new one, explained Maenpaa. "An existing building already possesses a certain amount of body energy that was already put into it. People made

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the materials previously and they were shipped to the site and used in the construction. If you were to demolish it and build something new in its place, you are obviously getting rid of all that embodied energy that is there. On top of that, you are increasing the carbon footprint because you're using machinery to collapse certain areas and loading that material into dump trucks and then taking that to a landfill and filling up the landfill. That's not to say that with an adapted building, you don't run into additional costs that you wouldn't see with a new build — such as environmental remediation and sandblasting or removing lead paint off of existing surfaces. But on the whole, you see cost savings because you don't have to fabricate new steel, make new concrete and ship new material to the site."

Maenpaa said his company's repurposed buildings typically offer a mix of market-rate and affordable housing, using both historic tax credits from state and federal agencies for buildings that meet the required historic criteria. They also go after housing tax credits, resulting in either 60 or 70 percent of the units set aside for those who qualify for affordable housing. "For the most part, that's what makes these buildings successful and appealing to developers, who use these credits in conjunction with the loans they get from private lenders."

Another thing that's required to get the reuse of old mills off the ground is rezoning for residential use. Maenpaa explained a number of towns in New England have done what he called "overlay" districts that allow for residences in former industrial or manufacturing areas. "They see the need for affordable housing, so the towns are helping get those opportunities out there."

Sara Bronin, an architect, lawyer and professor at Cornell University who specializes in zoning, said many communities around the country have outdated and restrictive building codes that don't allow for historic buildings to have the full array of uses for which they have potential. Bronin, who lives in Hartford, Conn., chaired the city's planning and zoning commission from 2013 to 2020.

"For example, you still see in many places, including Connecticut, large industrial buildings that will never again be used for manufacturing. But nonetheless, they are zoned only for manufacturing purposes. I don't believe this is intentional, just that zoning decision makers simply haven't taken time to review the codes.

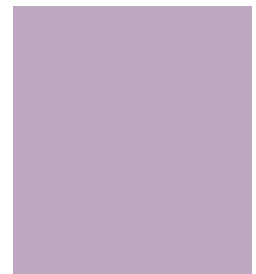
"In those cases, property owners can seek a variance or seek rezoning. But the process is very expensive and



Pictured above is Lampwork Lofts, a former lampwork factory in Oakland, Calif. Photos are courtesy of Madison Park Financial Corporation.



The Broadway Autopark development in Wichita, Kan., is a former parking garage that was built in 1949. Photos are courtesy of Sheldon Architecture.



time consuming. Moreover, the outcome of the process is uncertain. So, zoning by variance or piecemeal rezoning is not really ideal from a policy perspective because of the costs they impose on property owners. Ultimately, that can deter rehabilitation of historic places.”

In 2016, when Bronin was in charge, her commission comprehensively rezoned the entire city of Hartford so all of the formerly industrial structures are now available for not only light manufacturing, but other possible uses including offices, housing, breweries and artisans’ shops. Sometimes that requires knocking down an adjacent building to create adequate parking.

“Most recently, we’ve seen rehabilitation of a gold leaf factory that is now a grocery store, but most have been for housing. Minimum parking requirements can be a big problem in rezoning because we did not historically build our cities and towns around the automobile. Now when we try to change the use from historic to modern, the property owner has to comply with onerous minimum-parking requirements. That means they might be able to reuse their building, but then have to tear down the historic structure next door in order to do so. Parking minimums are one of the biggest barriers to using

historic sites. Mill buildings didn’t come with parking lots because historically the employees lived within the area in worker housing.”

Still, Bronin said historic buildings can be “perfect for affordable housing because they already exist and renovating them is often cheaper than building from scratch. It’s just that we often make it very difficult to build affordable housing in this country because we’ve imposed lots of processes and special hearings, so it can take years before an affordable project can be approved. Those burdens imposed by zoning laws can be a huge deterrent to investment in historic places.”

In Wichita, Kan., the Bokeh Development Company in 2015 began making what some considered far-fetched

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plans to turn a former luxury parking garage into apartments. The former Knightley's Parking Garage was a 1949 mid-century modern structure that is on the National Registry of Historic Places.

"A lot of others had passed on this project," said Michael Ramsey, principal and manager of Bokeh Development Company.

An architect he'd initially engaged to survey the structure — which had deteriorated while sitting empty for 15 years — told him to pass. So, Ramsey turned to architect Daniel Gensch, an executive vice president at Shelden Architecture, to repurpose the building, which is now known as the Broadway Autopark. And where some saw a failed roof, water damage and other problems, Gensch saw a "diamond in the rough."

Because the floors were flat — unlike most parking garages built after 1950 — Gensch was able to place 44 apartments in the five-story structure, complete with their own parking spots outside their units and patios. And while there were a lot of constraints because of the number of seemingly dense interior beams and historical requirements for tax credits, those same limitations turned out to be assets.

"When you design without constraints, it's chaotic," Gensch said. "But [operating] inside constraints almost creates a path you can't deny. Sometimes it's like the solution is just slapping you in the face. And that's how this situation was. Every time we made a decision, it was based on constraints, but it ended up feeding a successful result. It was natural to what the building could offer."

Because they were able to control costs and take advantage of state and federal historic tax credits, Bokeh has been able to offer the one-bedroom units for around \$700 a month, well below comparable market-rate apartments in downtown Wichita.

That's allowed Bokeh to lease to people in what he called the "donut hole" — those who can't afford \$1,400 a month or are on government assistance. "We can rent to teachers and police officers, service people, students and even some retirees."

Praise has been heaped on the conversion project, but Gensch doubts that much of what they learned can be transferred to modern parking garages because of the way they are usually built. "People who are building garages today need to be thinking about future use. This was like that process, but inverted. We had a building that had a

future use out there to be taken advantage of and we got the benefit from it."

Peter Merwin, who leads Gensler's Cities & Urban Design Practice for the South-Central Region, said millions of square feet of office space have opened up in recent years. And that trend has only accelerated due to COVID.

Unused office space can be well-suited to creating apartments, with plenty of room in the core of buildings for storage. However, residential housing requires a lot more plumbing. To cut costs, Merwin explains designers are "exploring modular solutions . . . where you prefabricate, package and slide utilities you need in along with the walls of existing office buildings."

Merwin adds that "developers who want to rent to people who make less than the median income for a region should look into affordable housing tax credits. And if they have an older building with historic value, those additional tax incentives can reduce costs by up to 45 percent.

"They are a great mechanism for financing the adaptive reuse of some structures. More and more, we are appreciating [older buildings] and that's what those incentives are there for, to assure that we are keeping some of those great old buildings."



Above: The former Angelus Funeral Home in Los Angeles has been renovated into affordable housing. Photo is courtesy of the Historic Resource Group.





Left and below: Warehouse Artist Lofts is a mixed-income, transit-oriented development for artists and includes adaptive reuse of a 1914 warehouse in Sacramento, Calif. Photos are courtesy of Warehouse Artist Lofts. Photo by nicholaswray.com



Photos above: The Tioga Hotel was converted into various-sized apartment homes in downtown Merced, Calif. Photos are courtesy of GSF Properties Inc.

Cindy Heitzman, executive director of San Francisco-based California Preservation, said California’s first historic tax credit, which was passed in 2019, can be used to create more housing. “What that means is that owners of historic, income-producing properties can take advantage of this 20-percent tax credit and also use the federal tax credit along with it, which is a pretty significant financial incentive to reuse buildings.

“Developers can also get an additional bonus of 5 percent if, for example, their projects create affordable housing, are in transit-oriented areas or reuse military property. So, a person could get up to a 25-percent state tax credit plus a 20-percent federal tax credit for adaptive reuse.”

California had no historic tax credits before 2019, but now joins 36 other states with them. Unfortunately, total funding is capped at \$50 million a year and will sunset in five years.

“I’m certain the demand will outstrip the funding. But it was our intention to start here and hopefully the success of the program will convince legislators that this is

worth keeping because it will help projects that otherwise wouldn’t pencil out,” Heitzman said.

She cited the repurposing of a former YMCA in the Tenderloin district of San Francisco, a Southern California veterans’ hospital and a former lamp factory in Oakland as examples of housing projects that could have qualified for the state’s historic tax credit.

California Preservation is giving its Trustees Award for Excellence to the Angelus Funeral Home in Los Angeles, which was designed by Paul Williams, a well-known Black architect. The Angelus Funeral Home project is getting the honor because it is providing affordable housing in an African American community, saving a historic building and celebrating the Black architect who designed it. “So, it hits the right notes all the way around,” Heitzman added.

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Owners of historic, income-producing properties can take advantage of tax credits, which is a significant financial incentive to reuse buildings.

In Los Angeles, Councilman Paul Koretz said his city passed an adaptive reuse ordinance in 1999 with incentives for downtown that produced a “renaissance.” A few years later, Hollywood was added to the program.

It worked well, but Koretz said “there is a dire lack of moderately priced housing and housing for people who make less than the median income, which can vary greatly by zip code in Los Angeles.

“With so many commercial office buildings half empty now, this might be an opportune time to streamline the process, expand the adaptive reuse ordinance and have it apply to workforce housing. By cutting the red tape, that might help some of these projects pencil out and fill a significant need in Los Angeles. A lot of our city employees must drive in from outside the city because not that much here is affordable. In the last period that was studied — which was 2014 to 2020 — I think only 827 units of workforce housing were built in the entire city of Los Angeles, which has millions of residents. There is a giant hole in terms of moderately priced apartments. In my neighborhood on the West Side, a one-bedroom apartment in an older building goes for around \$2,500, which is not very affordable. We clearly need to do more.”

Finding new purposes for older buildings requires vision and an ability to see beyond the challenges of zoning restrictions, parking regulations or structural items like industrial pillars and plumbing needs. But more and more communities around the country are looking to their past to help meet their current and future affordable housing needs. ●

Brian E. Clark is a Wisconsin-based journalist and a former staff writer on the business desk of The San Diego Union-Tribune. He is a contributor to the Los Angeles Times, Chicago Sun-Times, Milwaukee Journal Sentinel, Dallas Morning News and other publications.

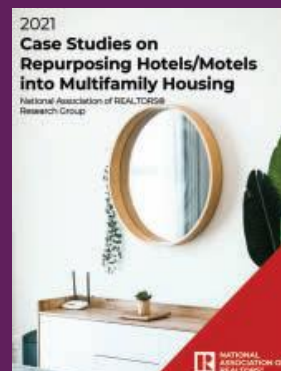
NAR RESOURCES I ADAPTIVE REUSE

VACANT MALLS:

Vacant malls contribute to urban decay, declining property values, and lower tax revenues, so it is important that vacant retail stores are repurposed for other uses. The NATIONAL

ASSOCIATION OF REALTORS® Research Group prepared case studies that showcase how vacant retail malls are being repurposed and the sources of financing for these projects.

URL: <https://cdn.nar.realtor/sites/default/files/documents/2020-case-studies-on-repurposing-vacant-retail-malls-05-08-2020.pdf>



VACANT HOTELS/ MOTELS:

Recognizing that the conversion of vacant hotels/motels is a win-win solution to address the acute undersupply of housing and help alleviate the housing shortage, The NATIONAL

ASSOCIATION OF REALTORS® Research Group developed case studies to draw insights from, and highlight best practices about, the conversion of vacant hotels/motels into multifamily housing.

URL: <https://cdn.nar.realtor/sites/default/files/documents/2021-case-studies-on-repurposing-vacant-hotels-motels-into-multifamily-housing-05-07-2021.pdf>

