



# Adaptive Reuse Reaches Record Levels

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Adaptive reuse and apartment conversions rethink, revitalize rental housing industry.

Adaptive reuse continues to gain stride following a record year of apartment conversions. More than 20,100 apartment conversions—7,400 offices, 3,400 factories, 2,850 hotels among others—were scheduled to be completed by the end of 2021, and 32,000 have been converted since 2020, according to RentCafe. It is expected that nearly 53,000 apartments will be converted in 2022.

Larger, more historic cities have seen a boom in apartment conversions with Philadelphia and Washington, D.C., leading the way at nearly 2,000 conversions each.

Cleveland, Chicago and Los Angeles were the only other cities with over 1,000 conversions in 2020 and 2021 combined. Conversions had increased yearly since 2010, reaching more than 15,400 in 2017 before dropping significantly in 2018. Meanwhile, there were 151 converted apartment buildings expected to transition in 2021, more than twice as many as 2020.

More recently, hotel conversions have made way for office conversions. While initially hotel floorplans were more desirable starting points to transition into apartment homes, offices have taken over as open layouts become more in demand. Two-fifths of every converted apartment home in the last two years is in an office building—more than 13,250 apartments. In 2022, just shy of a quarter of adaptive reuse projects will be office buildings followed by factories (17.4%), hotels (15.2%) and health care buildings (9.7%).

While offices are taking over as the most converted building type, hotels have seen an uptick since the start of the COVID-19 pandemic. In 2020 and 2021, hotels accounted for 30% (more than 4,000 of the nearly 14,000 apartments) of the 86 projects started during the two years.

Beginning in 2022, Los Angeles is scheduled to have the most conversions at more than 4,300 apartments. Cleveland (1,680), St. Louis (1,626), Brooklyn, N.Y. (1,505) and Grand Rapids, Mich. (1,360) round out the top five of future conversions.

## Development and Benefits

Creating, designing, building and managing adaptive reuse projects are tougher than they look despite already having a structure to work with in most cases. Often, starting a conversion takes some convincing and persuading to see a potential apartment community.

“Whenever I show developers this opportunity, a lot of people look at us and make the same observation, which is ‘I would have never considered looking at a property like this until now,’” says Tim Mustard, AIA, Principal with California-based TCA Architects. “I say that because the property is small in terms of the amount of benefit you get from developing it. With land values being as high as they are in California, our developers are always looking for the greatest return on their investment, which translates to the more land they have, the more value they can create.”

One of the first steps for Phil Renzi, Associate with Chelsea, Mass.-based The Architectural Team, after visiting the building and seeing what is available for use is to perform a yield study. While not creating a full unit design during the initial steps, frontage is extremely important to get an idea of natural light and ventilation, knowing that specific areas need so much spacing.

"We start applying those basic parameters, those building blocks of units that we know based on our experienced team that a one-bedroom requires this much square feet and this much frontage; two-bedrooms require that much more frontage and that much more square footage. We apply that to the building, and we'll go through several iterations of that with the client to get to the mix that works best for their performance," Renzi says. The idea is to produce the best fit to maximize the use of the building and maximize the rentable square footage.

On some projects, it may be easier to view the previously constructed asset as a burden, resulting in demolition and new construction. "We just naturally look at an existing asset, particularly one like this—it's been built for over 50 years, and we just immediately shrug our shoulders and say, 'Well, it's beyond the original lifespan that was intended for these buildings.' So, it's easier just to demolish it and start over because we have new technology; we have new construction techniques that allow us to add and create better value," Mustard

"The construction process is much quicker than a typical ground up construction," says Lauren Jarboe, Regional Vice President with Greenbelt, Md.-based Bozzuto.

Additionally, there are savings on construction costs by reusing the existing structure and some finishes. Adaptive reuse also creates a better environmental benefit for the community since the what-would-have-been-demolished project does not need to be carried away to surrounding landfills. "From an environmental standpoint, that's the best thing that you can do is to do an adaptive reuse and use the existing structure and not throw all that material into a landfill," adds Mustard.

"To us, it's one of the earliest versions of sustainability rather than knocking down a building, and in many cases beautiful buildings, we're saving these buildings and repurposing them—it creates unique spaces for people," Renzi says. "It's a unique offering for our clients to their residents, people seeking something different" that cannot necessarily be found in new multifamily construction.

One of the underlying aspects of adaptive reuse is the ability to convert previously non-multifamily spaces into affordable housing. "Oftentimes, affordable housing developers are just out finding undeveloped land and adding value by creating affordable housing developments, but most of those developments are standalone developments," he says. Unfortunately, he says affordable housing developers end up with surplus land for construction that can often be in less desirable areas of a community.

TCA Architects' La Placita Cinco in Santa Ana, Calif., is different because it's in an urban environment that is integrated within the neighborhood and "not relegated to the end of a cul-de-sac. I believe that for affordable housing to be more successful, it needs to be further integrated into our everyday lexicon of how we develop our projects. There's nothing more enjoyable than bringing much-needed affordable housing to the

marketplace," Mustard says. La Placita Cinco had roughly 3,000 applicants for the 50 units, proving that quality affordable housing is needed.

## Initial Benefits

"The key thing is you've got a building to work within, but you must work within the confines of the building," says Renzi. "Take advantage of the fact that it's an existing build and reuse it and repurpose it. New construction: You have a clean slate to work from. And then with the adaptive reuse building, the goal is to maximize the amount of it that you can reuse."

One of the most important benefits comes even before a shovel touches the ground. "The immediate benefit is really neighborhood and city goodwill. Whenever we develop a project or design a project, we always have to take into consideration what we call the key stakeholders," Mustard says. These key stakeholders include local neighborhood constituencies, the NIMBYs and YIMBYs, the city planners and the city council members.

"So, by keeping the existing neighborhood culture, if you will, of the community and keeping the neighborhood culture intact for the local community, you gain a lot of goodwill and are able to get your project approved much more efficiently. You're going to get more success with honey rather than vinegar," says Mustard.

## Challenges

While having a building in place to base a redesign around, one of the biggest benefits is also a top challenge for adaptive reuse projects.

"Typically, the drawback is that you're not able to design [the community from scratch]. You're not able to maximize the space within the building" and have livable units, says Tim White, Partner with Arlington, Va.-based Insight Property Group. "The office buildings are just built differently. They have different cores than a residential building." White mentioned items can be out of place like bathrooms in elevator shafts or "everything is right in the middle of the floor plate, which typically is not how a residential building is designed, so you have to overcome some of those challenges."

Historically, office buildings consisted of the executive suite lining the glass wall with cubicles in the middle. Some of those dimensions can be a challenge when converting to apartments. "Oftentimes, it makes more sense to tear a building down than it does to work within the existing footprint," White says. A similar drawback to working with office building facades is that people want to go to a place that feels like home, and they don't want the feel of walking into an office building. This is where creativity and design step in to transform former non-multifamily buildings into communities.

“The biggest hurdle will be some of the floorplan layouts,” says Jarboe. “When fitting into an existing space you may not be able to have a traditional floorplan, so there are some that will be a bit unconventional, making it challenging for typical furniture setups. This, however, also serves as an opportunity to get creative.”

Typical construction challenges are also prevalent when converting buildings, especially older ones. This includes water damage, broken or missing windows, structural issues relating to floors and bearing walls, dilapidated roofing and weathered brick or granite.

“I think there’s a perception out there that adaptive reuse is easy, because maybe you’ve already got a building. ‘How hard can it be?’” says Renzi. “There’s a perception that it’s just simple because it’s an existing building, but it depends how well it’s been taken care of. Mills typically are supported on heavy timbers, and if the timbers are going, that can mean a lot of repairs. That can get expensive quickly.” That is why the attention to detail paid to the existing condition of the building and how it is evaluated is vital when it’s being evaluated for adaptive reuse.

For Mustard and TCA Architects, one of the biggest challenges had nothing to do with the building of apartment homes. It was trying to keep the businesses impacted by construction vibrant. Construction can be a large disrupter to business, so “the contractor has to carefully consider the logistics of being able to keep the businesses safely open during construction,” says Mustard. Plywood tunnels and alternative walkways were conceived to allow patrons to enter businesses. The logistics behind the project became even more complex with the added health and safety measures due to COVID-19.

## Worcester County Courthouse

In Worcester County, Mass., Renzi was involved in the conversion of an old courthouse. There are four courthouses that were built over a 110-year period with different construction-era facades as well as construction materials. The National Park Service (NPS) was also involved since the courthouse is on the National Register of Historic Places. NPS had specific requirements that had to be met—what had to be saved and maintained to earn historic tax credits—to preserve the historic elements and fabric of the building. Among the requirements was that one courtroom from each era be preserved as well as judges’ benches and doors leading to judge and jury areas. “The benches are all dry bars now and work from home setups for computers,” says Renzi. The thought process behind some of the design was how can this be beneficial for the residents.

“We have a lounge that has hardwood floors, plaster ceilings, plaster medallions, skylight, a half a domed ceiling, a grand staircase in granite that wraps like you would see in a mansion. How many people can say they live in the courtroom from the original Worcester County Courthouse that was constructed in 1848?”



## The Wray

In Washington, D.C., there stands an eight-story building once home to the State Department. Now home to nearly 160 apartments, The Wray was originally designed to be apartments but was seized through eminent domain for the Manhattan Project, notes White, whose team worked on the development of the project.

“We are able to come into the process for advisory from the early planning stages,” says Jarboe of Bozzuto, which manages the community. “From a management perspective it is helpful for us to be involved early on to see if there are modifications, we can make to help the building function best for residential use. Additionally, working together to build a strong brand strategy is highly important in adaptive reuse developments. Bozzuto puts a lot of focus on the brand story and many adaptive reuse projects have unique roots that can be featured throughout that story.

“For this project in particular we are able to play into the prior use, which was the State Department. We are using this to help us market the building. There are historical elements of the building itself that have remained original throughout, such as the floor and stone wall coverings in the lobby. The Wray logo was adapted from a floral pattern on the terrazzo stone lobby flooring. The development and design teams did a wonderful job of merging the old with the new to create a distinctive and refined residence.”

## La Placita Cinco

Out West, TCA Architects worked on La Placita Cinco in Santa Ana, Calif., fewer than 10 miles from Disneyland. While adaptive reuse projects are all unique, this project was unique because the land once had an old gas station. There were several risks involved, which also determined the direction of the plans. “What drove how the building was designed was a few different things,” says Mustard. “The last thing we wanted to do is disturb the soil, so we didn’t want to go down and disturb potentially contaminated soil. So, we built the slab on grade podium, meaning all the parking is at grade.”

The firm also designed an outdoor play area for kids that’s elevated and off the street for safety reasons. A parkour and upper body fitness equipment are also planned for residents and the local community. One of the retail shops at the end of the strip mall will be turned into a gym with outdoor yoga space.

La Placita Cinco is a perfect example of how an aging shopping center can be reimagined and turned into affordable housing. The project was supported by a grant from the city as well as tax credits. The community features two-, three- and four-bedrooms and the ability to host farmer’s markets and other events in its public space.