Welcome!

We will begin our program at 10:05 a.m.

In the meantime, please answer the poll questions so we can learn more about our audience.

Puget Sound Regional Council

AECOM

MAIN STREET AMERICA®

CITY OF Tacoma

CHICAGO

TOOLBOX: Commercial to Housing Conversion

Unlocking Residential Potential in Our Region's Commercial Districts

August 2, 2024

Puget Sound Regional Council

TOOLBOX Series

- Quarterly webinar series focused on sharing best practices and resources for local planning and implementation across the region
- Reach out to Katie Enders at kenders@psrc.org with TOOLBOX questions and comments

Logistics

- The recording for today's meeting and all presentations will be shared after the meeting
- Have a question? Ask in the "Q&A"
- Eligible for one AICP CM credit upon completion
- Stick around at the end to complete our session evaluation and Title VI survey

Upcoming TOOLBOX Sessions

Transit Oriented Communities

September 27, 2024; 10:00-11:30 a.m.

Commercial Displacement Prevention

November 1, 2024; 10:00-11:30 a.m.

Learn more at psrc.org/our-work/toolbox

Program

- Welcome
- Topic Introduction with AECOM, Hunter Gillaspie
- City of Seattle, Lyle Bicknell
- City of Chicago, Cindy Chan Roubik
- City of Tacoma, Debbie Bingham
- Main Street America, Michael Powe
- Q&A

Hunter Gillaspie

Senior Analyst, AECOM, Planning + Economics

Hunter.Gillaspie@aecom.com

Adaptive Reuse of Vacant & Underutilized Office Buildings

in a post-pandemic, urban context

July 2024

AECOM

Agenda

1 How Did We Get Here?
2 Defining the Problem
3 My Team's Work So Far
4 What We've Learned

Hunter Gillaspie

Senior Analyst, Planning + Economics

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Chicago

AECOM

How did we get here?

Pandemic spurs sudden and enduring increase in hybrid/remote work

PANDEMIC IMPACTS

- Office vacancy increases and rents decrease as tenants downsize
- Downtown retail vacancy increases due to reliance on office workers
- Downtown housing and hotel markets initially suffer but quickly rebound
- Downtown vibrancy and public safety suffer due to lack of activity

COMPLICATING FACTORS

- Office-to-hotel and office-to-residential conversion projects are complex and expensive
- Interest rates spike, capital markets freeze, & conversion projects become less feasible
- Downtowns & CBDs are especially impacted given office monoculture

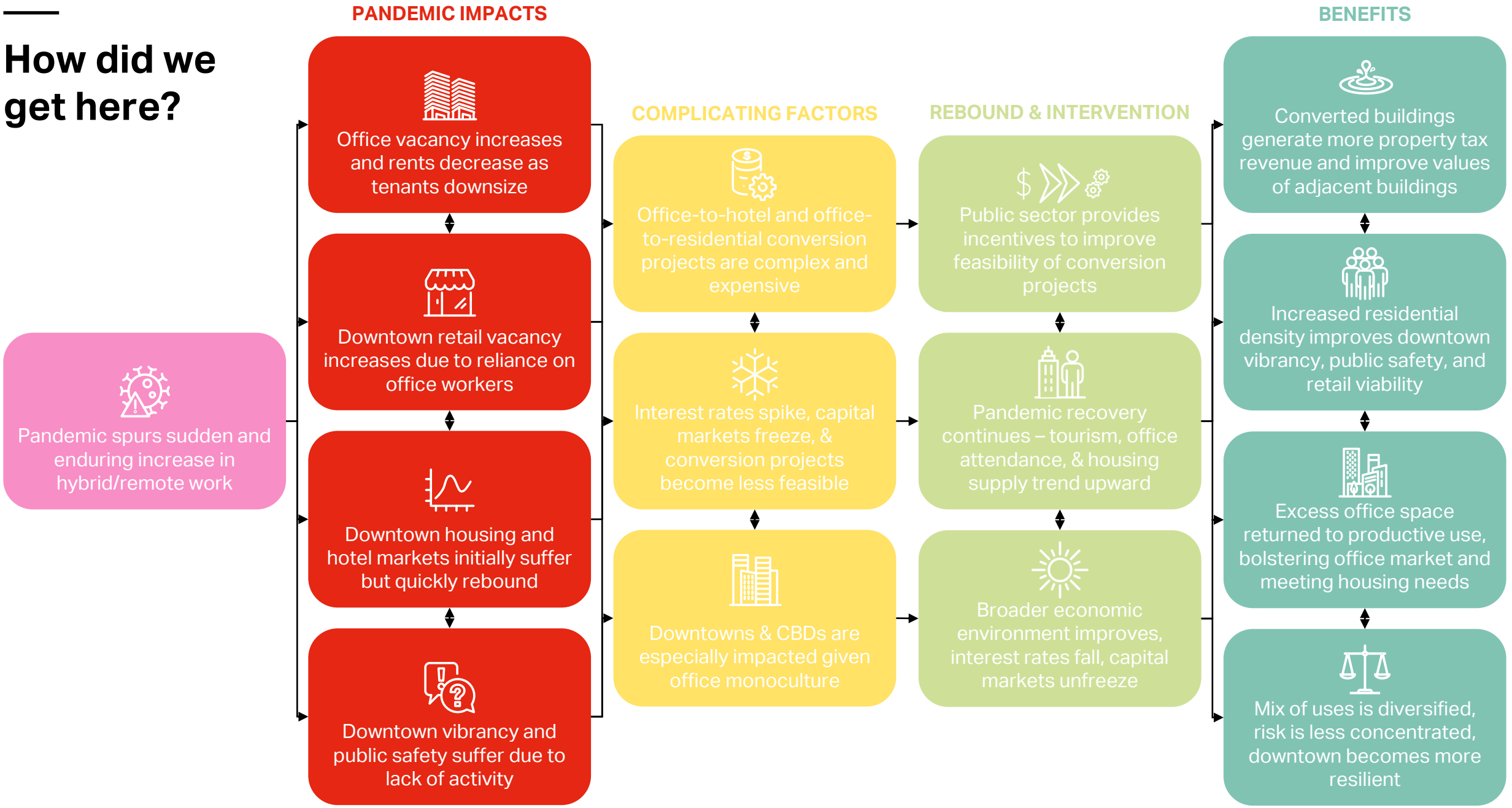
REBOUND & INTERVENTION

- Public sector provides incentives to improve feasibility of conversion projects
- Pandemic recovery continues – tourism, office attendance, & housing supply trend upward
- Broader economic environment improves, interest rates fall, capital markets unfreeze

BENEFITS

- Converted buildings generate more property tax revenue and improve values of adjacent buildings
- Increased residential density improves downtown vibrancy, public safety, and retail viability
- Excess office space returned to productive use, bolstering office market and meeting housing needs
- Mix of uses is diversified, risk is less concentrated, downtown becomes more resilient

How did we get here?



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Defining the Problem

Fewer People Downtown vs Pre-Pandemic

The chart on the right compares current visitation volumes to pre-pandemic averages for downtowns across for 3 different types of people:

Visitors
people who do not live or work downtown

Employees
people who work downtown

Residents
people who live downtown

Key Takeaways:

- Nearly all downtowns have gained residents in recent years, some quite rapidly
- Visitor/tourism volumes are close to full recovery
- Hybrid and remote work continue to keep employee volumes 30-50% below pre-pandemic levels in most downtowns

Downtown Visitation Volume in Last 12 Months vs Pre-Pandemic

	Visitors	Employees	Residents	Total	Rank
Nashville	102%	77%	123%	97%	1
Miami	96%	85%	109%	96%	2
Milwaukee	95%	79%	123%	95%	3
San Diego	89%	76%	121%	91%	4
Charlotte	95%	74%	122%	90%	5
Boston	92%	73%	115%	89%	6
NYC-Downtown	85%	80%	108%	89%	7
Kansas City	96%	61%	109%	86%	8
Richmond	88%	68%	146%	86%	9
Pittsburgh	97%	62%	134%	86%	10
Philadelphia	83%	71%	129%	85%	11
Cincinnati	93%	62%	115%	84%	12
St. Louis	84%	72%	121%	84%	13
Phoenix	91%	61%	106%	83%	14
NYC-Midtown	83%	75%	109%	83%	15
Cleveland	85%	68%	127%	83%	16
Orlando	85%	68%	109%	83%	17
Atlanta	83%	65%	149%	82%	18
Los Angeles	85%	68%	107%	82%	19
Baltimore	81%	69%	131%	82%	20
San Antonio	81%	76%	95%	81%	21
Dallas	84%	64%	120%	81%	22
Indianapolis	86%	63%	129%	80%	23
Sacramento	84%	55%	116%	79%	24
Houston	82%	65%	112%	78%	25
Chicago	82%	65%	116%	78%	26
Denver	79%	57%	125%	78%	27
Detroit	85%	59%	123%	78%	28
Seattle	78%	60%	121%	78%	29
Minneapolis	84%	57%	111%	77%	30
Austin	84%	57%	111%	77%	31
Washington DC	78%	61%	114%	75%	32
Portland	72%	57%	143%	74%	33
Columbus	83%	52%	155%	74%	34
San Francisco	70%	56%	116%	72%	35

Source: AECOM analysis of Placer.ai data as of June 2024

Defining the Problem

Hybrid Work is Here to Stay

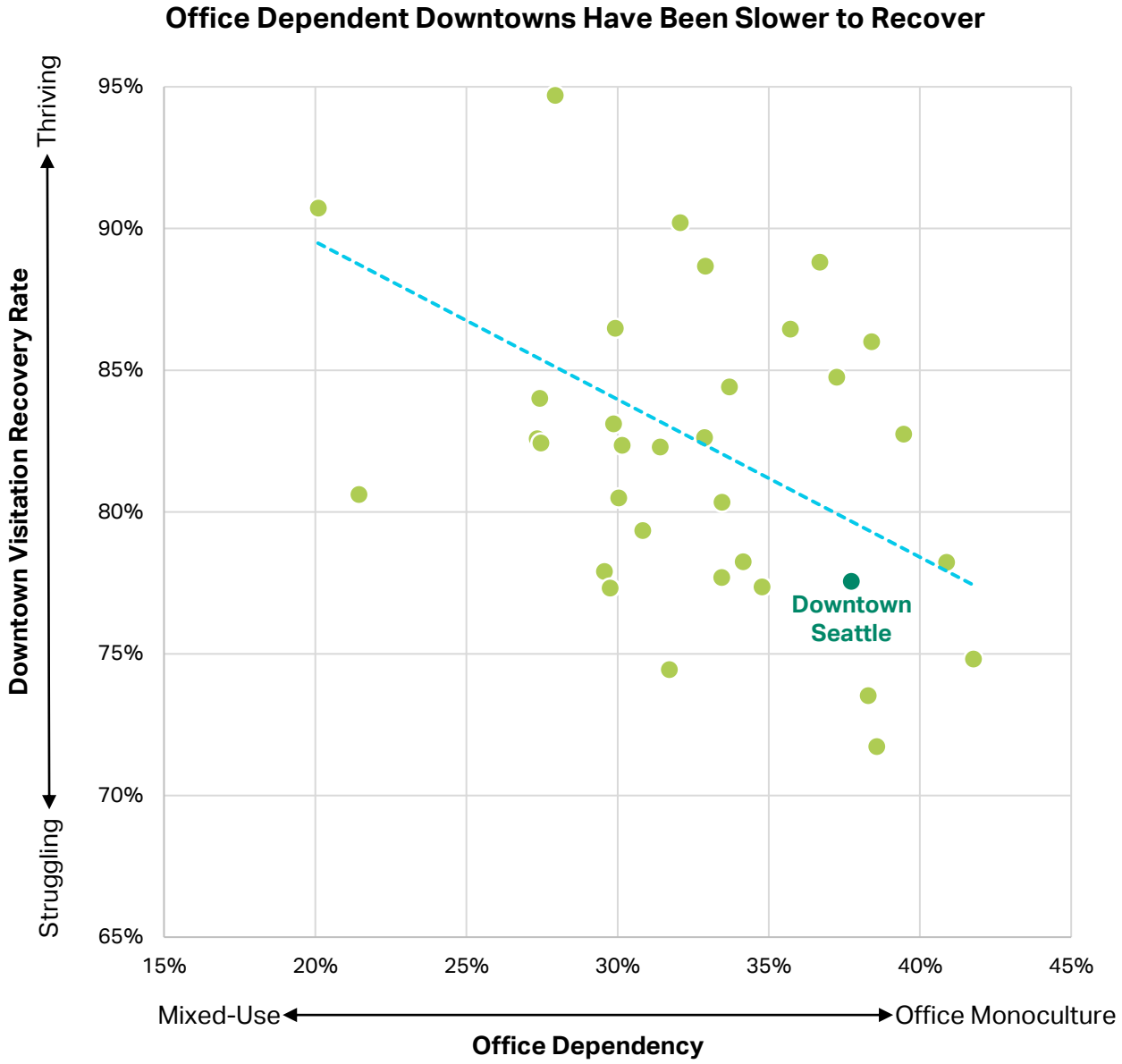
The chart on the right explores the relationship between 2 key variables for each of the 35 downtowns:

Office Dependency
employee visitation as % of total visitation

Downtown Visitation Recovery Rate
total visitation within the last 12 months as % of pre-pandemic levels

Key Takeaways:

- Office dependent downtowns have been slower to recover (r = -0.47, n = 35)
- Because downtowns have historically served as the "central business districts" for their regions, they're suffering in this post-pandemic environment where fewer people are physically going to work on any given day
- Downtown revitalization efforts can be aided by **diversifying the mix of uses** within downtowns so that they're not just places for people to go to work, but also to live and play



Source: AECOM analysis of Placer.ai data as of June 2024

Defining the Problem

Too Much Office Space, Not Enough Housing

The chart on the right highlights two key challenges facing many urban areas across America:

High Office Vacancy

causes a variety of problems for downtowns – street level vibrancy, retail vacancy, public safety, erosion of tax base, etc.

Low Housing Vacancy

causes rents to increase faster as demand exceeds supply, reducing the affordability of housing

	Downtown Real Estate Market			
	Office Vacancy	Rank	Housing Vacancy	Rank
San Francisco	34%	1	6%	29
Dallas	29%	2	7%	23
Houston	24%	3	8%	12
Portland	22%	4	7%	21
Denver	21%	5	7%	21
Charlotte	19%	6	7%	18
Chicago	19%	7	5%	30
Austin	18%	8	9%	11
Kansas City	18%	9	10%	7
Atlanta	18%	10	11%	4
Minneapolis	18%	11	7%	22
St. Louis	17%	12	16%	1
Seattle	17%	13	6%	27
Nashville	16%	14	8%	17
Washington DC	16%	15	7%	24
Los Angeles	16%	16	8%	15
Phoenix	16%	17	10%	5
Pittsburgh	14%	18	9%	10
San Diego	14%	19	6%	25
Miami	14%	20	4%	33
Philadelphia	13%	21	7%	19
Boston	12%	22	4%	32
NYC-Downtown	12%	23	2%	35
Orlando	11%	24	6%	28
Detroit	11%	25	11%	4
NYC-Midtown	10%	26	3%	34
Indianapolis	10%	27	8%	17
Milwaukee	10%	28	4%	31
Cleveland	10%	29	11%	2
Baltimore	9%	30	8%	14
Cincinnati	9%	31	6%	27
Sacramento	9%	32	8%	13
Columbus	9%	33	9%	10
San Antonio	9%	34	10%	7
Richmond	6%	35	9%	8

Source: AECOM analysis of CoStar data as of June 2024

AECOM's Relevant Planning & Economics Work So Far

Project	Location	Started	Ended	Client
1. Lipinski Federal Building Adaptive Reuse Study	Chicago	2019	2020	U.S. GSA
2. Greater Gallery Place & Chinatown Corridor Study	Washington D.C.	2021	2022	Downtown DC BID
3. General Hospital Feasibility Study & RFP Advisory	Los Angeles	2019	2023	County of Los Angeles
4. Feasibility Testing of Adaptive Reuse Ordinance Update	Los Angeles	2021	2024	City of Los Angeles
5. 1633 Broadway Adaptive Reuse Design Challenge	New York	2022	2023	Metals in Construction Magazine
6. Houston Downtown Office Conversion Study	Houston	2023	2023	Central Houston, Inc.
7. Hobby Building Adaptive Reuse Study	Austin	2023	2023	Texas General Land Office
8. LaSalle Street Reimagined Feasibility Study & Implementation	Chicago	2022	2024	City of Chicago
9. Dallas Downtown Office Conversion Analysis	Dallas	2024	2025	Downtown Dallas, Inc.
10. Exploring Office to Residential Conversions	Nationwide	TBD	TBD	HUD

What We've Learned

Why not just demolish office buildings and rebuild new construction?

Historic Preservation

Many underperforming office buildings that are best suited for conversion are older buildings that are listed on or eligible for the National Register of Historic Places

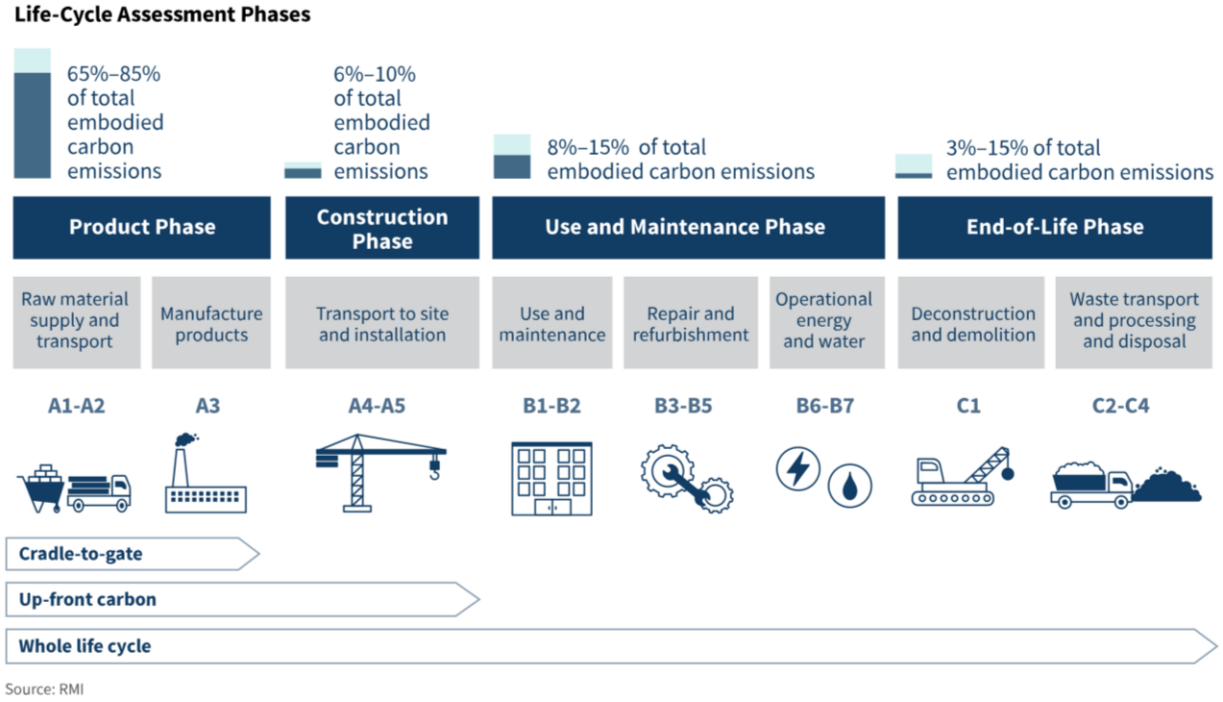
135 S LaSalle
Chicago

1 Wall Street
New York City

Terminal Tower
Cleveland

Embodied Carbon

Reusing existing building materials saves millions of tons of carbon emissions released during lifecycle including extraction, manufacturing, transport, construction, and disposal



Source: RMI

What We've Learned

What can vacant office space be converted to? How much does it cost?

$100-150 per SF or less
Average Pre-Conversion Sale Price

+

$250-450 per SF
Average Conversion Cost

=

$300-600 per SF
Average Total Project Cost

Project	Location	# of Stories	Min. Depth	Selective Demolition	Year Built	Year Converted	Converted To	Residential / Hotel Type	Housing / Hotel Units	Retail / Office Sq. Ft.	Total Building Area
One Wall Street	New York, NY	58	100	No	1930	2022	Mixed-Use	Market Rate, Rented	524	444,000	1,200,000
Tribune Tower	Chicago, IL	36	100	No	1925	2023	Housing + Retail	Market Rate, Owned	162	50,000	737,000
Esperson Buildings	Houston, TX	27	60	No	1927/41	TBD	Mixed-Use	Market Rate, Rented	100	500,000	599,107
105 W Adams (Reimagine)	Chicago, IL	40	60	No	1927	TBD	Housing + Retail	Mixed-Income, Rented	247	0	320,000
208 S LaSalle	Chicago, IL	22	85	No	1914	TBD	Housing + Retail	Mixed-Income, Rented	280	6,900	215,600
The Draper	Chicago, IL	11	100	Yes	1965	2019	Housing + Retail	Market Rate, Rented	177	22,000	170,000
111 W Monroe Hotel	Chicago, IL	23	180	Yes	1910	TBD	Hotel + Retail	TBD	226	18,600	216,300
Randolph Tower City	Chicago, IL	43	65	No	1929	2012	Housing + Office	Mixed-Income, Rented	312	22,000	364,000
JW Marriott	Houston, TX	18	75	No	1910	2014	Hotel	Luxury	328	0	206,334
105 W Adams (Maven)	Chicago, IL	40	60	No	1927	TBD	Housing + Retail	Mixed-Income, Rented	423	0	333,000
JW Marriott	Chicago, IL	22	85	No	1916	2010	Hotel + Retail	Luxury	610	27,000	365,000
111 W Monroe Residences	Chicago, IL	23	180	Yes	1910	TBD	Housing + Retail	Mixed-Income, Rented	349	0	384,390
Millennium on LaSalle	Chicago, IL	14	75	No	1900	2021	Housing	Market Rate, Rented	214	0	168,000
Hyatt Centric	Chicago, IL	21	90	No	1927	2015	Hotel + Retail	Upper Upscale	257	9,000	161,000
AC Hotel	Houston, TX	10	60	No	1914	2019	Hotel	Upscale	195	0	150,100
LondonHouse	Chicago, IL	22	100	No	1923	2016	Hotel + Retail	Upper Upscale	452	24,000	400,000
The National	Dallas, TX	52	80	No	1965	2020	Mixed-Use	Market Rate, Rented	324	80,000	1,200,000
The Alfred	Chicago, IL	14	100	No	1925	2019	Housing	Market Rate, Rented	176	0	137,000
30 N LaSalle	Chicago, IL	44	150	No	1975	TBD	Mixed-Use	Mixed-Income, Rented	432	603,070	1,038,090
Residence Inn	Chicago, IL	35	60	No	1916	2015	Hotel + Retail	Upscale	381	9,000	309,000
The LaSalle Chicago	Chicago, IL	5	85	No	1924	2022	Hotel	Upper Upscale	232	0	125,000
Franklin Tower	Philadelphia, PA	24	120	No	1980	2017	Mixed-Use	Market Rate, Rented	549	213,000	611,000
Kimpton Gray	Chicago, IL	15	55	No	1893	2016	Hotel + Retail	Upper Upscale	293	11,000	223,000
135 S LaSalle	Chicago, IL	44	100	No	1934	TBD	Mixed-Use	Mixed-Income, Rented	430	450,000	1,200,000
Cambria Hotel	Houston, TX	21	50	No	1926	2019	Hotel	Upscale	226	6,000	198,240
1111 Rusk Street	Houston, TX	16	110	No	1915	2017	Housing + Retail	Market Rate, Rented	286	8,000	350,000
Century Tower	Chicago, IL	28	80	No	1930	2001	Housing + Retail	Market Rate, Rented	293	17,000	210,000
Terminal Tower	Cleveland, OH	52	95	No	1930	2010, 2018	Mixed-Use	Market Rate, Rented	297	300,000	581,000
1801 Smith Street	Houston, TX	20	95	No	1972	2023	Housing	Market Rate, Rented	372	0	450,000
800 Bell	Houston, TX	45	130	No	1962	TBD	Housing	Market Rate, Rented	TBD	0	1,314,350
The Curtis	Philadelphia, PA	11	240	Yes	1910	2017	Mixed-Use	Market Rate, Rented	86	822,000	912,000
Aloft Hotel	Houston, TX	10	115	No	1913	2016	Hotel	Upscale	168	0	121,850

All dollar amounts have been escalated to $2022

What We've Learned

What are common challenges? How can we solve them?

Policy & Market Challenges:	Potential Solutions:
Some projects aren't feasible without public subsidies/incentives	Creation of dedicated public subsidy/incentive programs for conversion projects and/or utilization of existing programs
Lack of critical neighborhood amenities and services like schools, grocery stores, parks and recreation, and other similar features	Establishing the first tranche of residential population, which then becomes more self-sustaining once a critical mass has been reached
	Using the conversion project to directly establish service/amenity (grocery store or school on ground floors, etc.)
Mismatch between political/community desires (affordable housing, services/amenities, etc.) and economic realities (limited funding, high costs, etc.)	Outreach and engagement efforts to find a balance
Office building owners may be hyperspecialized in the office market and less comfortable with executing residential, mixed-use, or conversion projects	Facilitate relationships between developers that have residential, mixed-use, and/or conversion experience and owners that may not
Historic designations can inhibit demolition/significant alteration	Prioritize historic properties within subsidy/incentive programs and providing technical assistance with existing programs (state/federal historic credits, etc.)
Zoning and land use regulations may cap the number of residential units or residential floor area that can be created	Relaxation of zoning and land use regulations broadly, or targeted incentives for office-to-residential projects or office-centric districts specifically
Office rents per square foot may be higher than residential rents, which diminishes the feasibility of office-to-residential conversions	Prioritization of Class B and C office buildings with high vacancy and/or low rental rates for conversion to maximize residential rent differential

What We've Learned

What are common challenges? How can we solve them?

Physical & Structural Challenges:	Potential Solutions:
Deep floorplates of many existing office buildings make it difficult to achieve typical residential/hotel lease spans that allow for adequate light/air penetration	Selective demolition to reduce depth, improve light/air penetration, and increase efficiency (creating courtyards, cutaways, setbacks, etc.)
	Using "dark" core areas as unique amenity spaces (storage lockers, children's play areas, gyms, lounges, game rooms, theater rooms, remote work rooms, etc.)
Sheer size of many modern office buildings exceeds 1 million square feet, which may be too large to fully convert at one time depending on market strength	Partial conversion where part of the building remains as office and a block of floors is selected for conversion based on elevator banks, existing vacancy, etc.
	Vertical mixed-use conversion program including housing, hotels, office, retail, educational, cultural, or institutional spaces
	Phased conversion where part of the building is selected to convert first and other parts are converted in later phases upon stabilization of the first phase
Structural challenges of modern office buildings such as inoperable windows, column placement, excess elevators, sprinklers, means of egress, etc.	Evaluating structural compatibility of buildings with residential/hospitality-focused programs and prioritizing those that are most compatible
	Modification of building codes, zoning, and/or land use regulations that may be antiquated or overly burdensome for office-to-residential conversions

What We've Learned

Which buildings are most suitable for conversion?

AECOM's Conversion Scoring methodology typically consists of the 3 steps described below:

1) Initial Filtering – using data obtained from CoStar, AECOM filters out buildings that don't meet initial high-level criteria for building size, year of construction, and level of vacancy

2) Building Conversion Scoring – the remaining buildings are then scored based on a set of criteria like those in the table below, which are flexible and can be revised based on project scope and/or market factors. 1 is the "worst" (least favorable for conversion) and 5 is the "best" (most favorable for conversion). This system results in a "total score" for each building, with higher scoring buildings being the best suited for potential conversion.

3) Conversion Concept Building Selection – the "shortlist" of buildings can then be further analyzed to determine which buildings might be best suited for our conversion feasibility study, including factors like owner willingness to participate, detailed analysis of floorplans, zoning/regulatory requirements, etc.

Building Conversion Scoring Methodology

	Scoring Criteria	Floorplate	Vacancy / Availability	Building Quality	Office Rent	Contiguous Space	Parking	Transit
	Metric & Unit	*Minimum Floorplate Dimension*	*% of Building that is Vacant / Available*	*5-Star CoStar Rating System*	*Average Office Rent per SF*	*Max Contiguous Vacant Space*	*# of Parking Spaces per 1,000 SF*	*Distance from Nearest Transit*
Favorable ↑	**5 points**	60 feet or less	80% or more	1 star	$20 or less	200,000 SF or more	N/A	N/A
	4 points	60 – 80 feet	60 – 80%	2 stars	$20 - $25	150,000 – 200,000	N/A	N/A
	3 points	80 – 100 feet	40 – 60%	3 stars	$25 - $30	100,000 – 150,000	1 or more	0.25 miles or less
	2 points	100 – 120 feet	20 – 40%	4 stars	$30 - $35	50,000 – 100,000	0.5 – 1	0.25 – 0.5 miles
Unfavorable ↓	**1 point**	120 feet or more	20% or less	5 stars	$35 or more	50,000 SF or less	0.5 or less	0.5 miles or more

Building Conversion Scoring Example from Downtown Houston

Property Address	Built	RBA (SF)	Floorplate Score	Vacancy/Availability Score	Building Quality Score	Office Rent Score	Contiguous Space Score	Parking Score	Transit Score	Total Score
1021 Main St	1960	608,660	3	5	3	5	4	3	3	**26**
919 Milam St	1956	542,078	4	4	3	5	5	1	3	**25**
708 Main St	1923	98,253	5	5	4	4	2	1	3	**24**
808 Travis St	1941	599,107	4	3	4	5	2	2	3	**23**
1415 Louisiana St	1983	520,602	3	3	3	5	2	3	3	**22**
800 Bell St	1962	1,314,350	1	5	4	1	5	3	3	**22**
700 Milam St	1975	694,021	2	5	3	4	5	1	2	**22**
1001 Texas Ave	1982	119,436	3	2	4	5	1	3	3	**21**
1010 Lamar St	1981	277,991	2	4	4	4	1	3	3	**21**
1600 Smith St	1984	1,098,399	2	3	1	5	5	3	2	**21**
1301 Fannin St	1983	369,486	2	3	3	5	2	3	3	**21**
1001 McKinney St	1947	375,440	3	2	3	5	1	3	3	**20**
440 Louisiana St	1983	379,382	3	2	3	5	1	3	3	**20**
1331 Lamar St	1983	985,896	3	3	3	4	3	2	2	**20**
1315 St Joseph Pky	1984	170,554	2	3	4	3	1	3	3	**19**
601 Jefferson St	1973	1,047,748	1	2	3	5	3	3	2	**19**
711 Louisiana St	1975	666,762	2	3	3	4	4	1	2	**19**
801 Louisiana St	1978	105,145	3	3	4	5	1	1	2	**19**
1001 Louisiana St	1962	937,003	1	2	3	5	3	1	3	**18**
1221 McKinney St	1977	1,065,215	1	3	3	2	5	1	3	**18**
1301 Fannin St	1983	882,539	2	2	3	5	1	2	3	**18**
401 Franklin St	1962	114,650	1	5	3	1	3	3	2	**18**
1200 Smith St	1978	986,229	2	3	3	3	4	1	2	**18**
1001 Fannin St	1981	1,385,212	1	3	1	3	5	1	3	**17**
801 Travis St	1981	222,192	1	3	3	5	1	1	3	**17**
909 Fannin St	1974	1,024,956	1	3	3	3	3	1	3	**17**
430 Lamar St	1928	60,369	1	3	4	5	1	1	2	**17**
712 Main St	1929	794,186	2	2	4	4	1	1	3	**17**
1100 Louisiana St	1980	1,327,882	1	2	3	3	4	1	2	**16**
1801 Main St	1957	219,054	2	1	3	4	1	1	3	**15**
1301 McKinney St	1982	1,247,061	1	3	3	3	2	1	2	**15**
1111 Bagby St	1986	1,149,635	2	2	1	2	3	3	2	**15**
333 Clay St	1980	1,193,697	1	2	3	3	2	2	2	**15**
500 Dallas St	1972	975,306	1	2	3	3	2	2	2	**15**
1000 Louisiana St	1982	1,721,242	1	2	1	3	3	1	3	**14**
811 Louisiana St	1970	588,423	1	2	3	3	1	1	2	**13**
700 Louisiana St	1983	1,281,007	1	2	1	3	3	1	2	**13**

What We've Learned

Is this feasible? If not, how can we make it feasible?

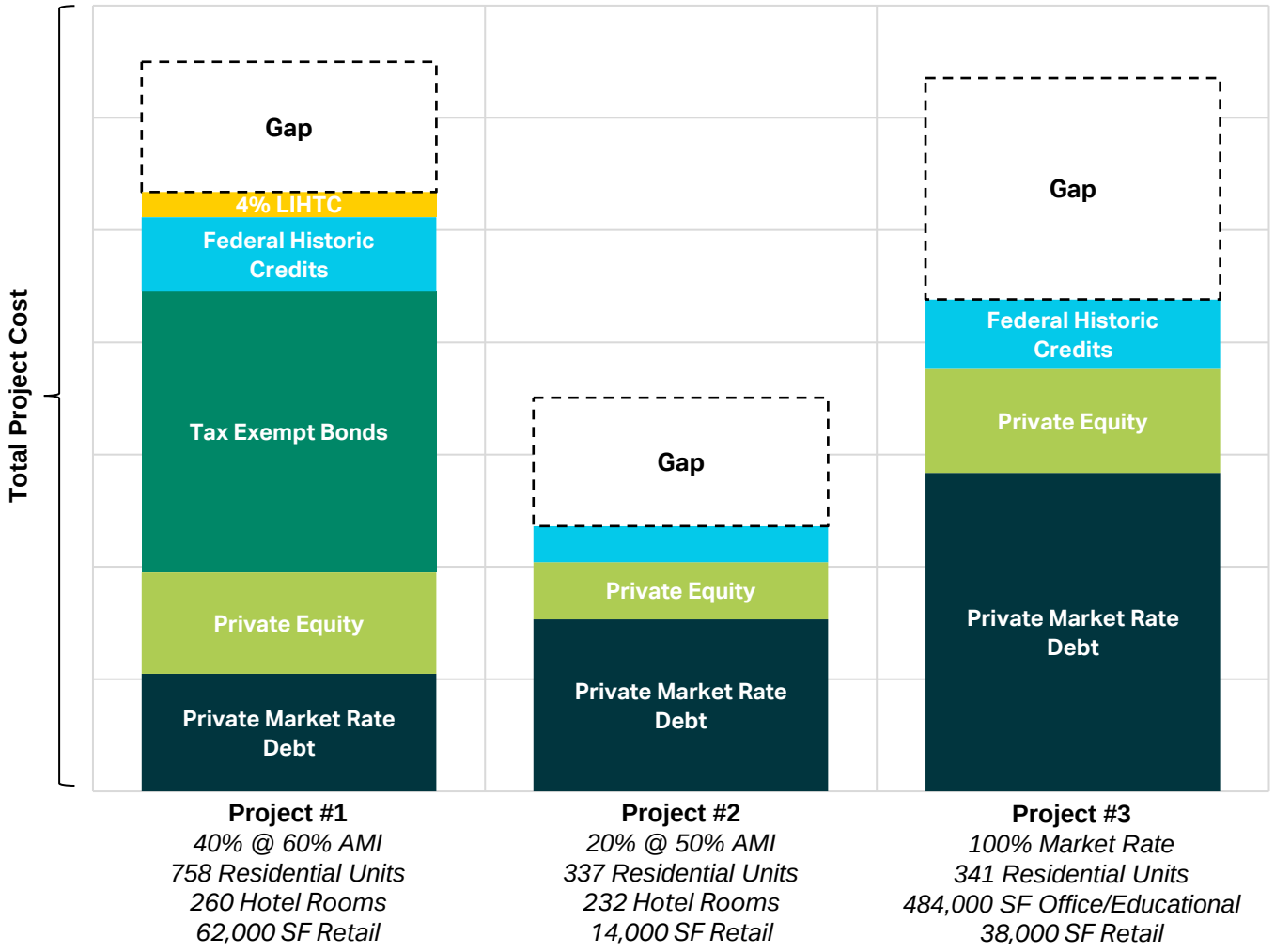
Question: Do these office conversion projects "pencil" (are they financially feasible) within the current financial and funding environment?

Answer: Sometimes yes, but most of the time no

Question: If the project is not feasible, how much and what types of additional funding would be necessary to achieve feasibility?

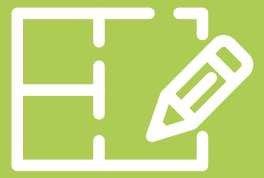
Answer: Highly dependent on a variety of factors, but most projects that are at least somewhat well suited for conversion have a funding gap of **15-25% of total project cost** or **$50-$125 per square foot** which can be filled with incentives like:

- Property Tax Abatements
- Historic Tax Credits (if building is listed or eligible)
- Low-Income Housing Tax Credits (if 20/50 or 40/60 test is met)
- Soft Financing or Tax-Exempt Bonds
- Tax-Increment Financing
- Grant programs
- Federal TOD funding (RRIF, TIFIA)
- Perhaps a new federal tax credit for office-to-residential conversion projects (pending legislation)



What We've Learned

Why are so many of these projects not feasible without incentives?



Large, Deep Floorplates

Office buildings have larger, deeper floorplates that are **more inefficient** in terms of rentable vs non-rentable space, which **reduces the feasibility** of these projects

Larger Building Size

Office buildings are often **too big to fully convert** to residential, necessitating **costly building modifications** associated with vertical mixed-use programs

Death by 1000 Cuts

"Everything Bagel" expectations – inclusionary housing, energy efficiency, impact fees, regulatory hurdles, etc. – **every project can't solve every problem**

Historic Preservation

Conversion of historic buildings in dense, urban settings requires a **higher standard of care** and **specialized expertise** to be successful

Submarket Competition

Competition from more established residential neighborhoods near downtowns **slows absorption timelines** & **lowers achievable rental rates**

Conversion Costs

Construction costs are **similar to that of new construction projects** due to MEP, HVAC, operable windows, columns, means of egress, & other code-required modifications

Acquisition Costs

Land values in CBDs are **still quite high** and current/previous owners are trying to **mitigate their losses** in the post-pandemic market

Financing Costs

Interest rates are the **highest they've been in over 20 years**, making financing more expensive and **reducing the feasibility** of all development projects

Rent Differentials

Although vacant office space generates no rent, **occupied office space tends to generate more rent than apartments**

Building Age

Much of America's office space was **built after WWII**, when office building design started to diverge from that of residential buildings, **making conversion harder**

What We've Learned

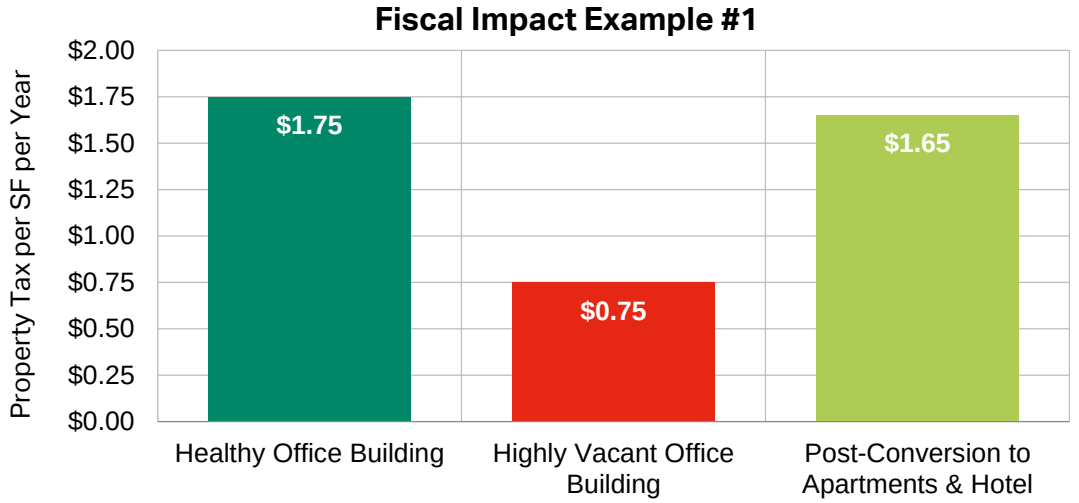
What is the fiscal impact of converting vacant office space to other uses?

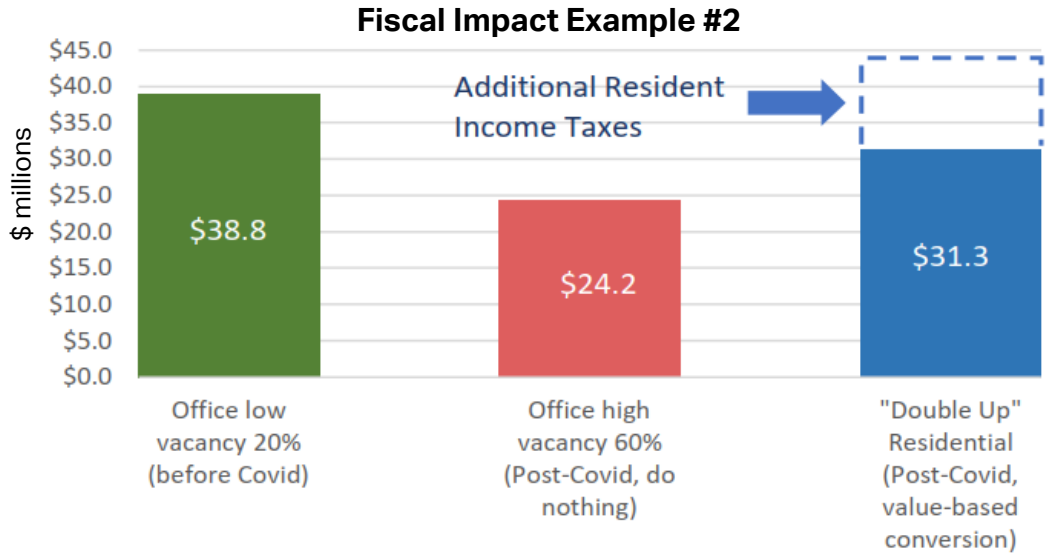
Question: How do office conversion projects affect property tax revenue for local governments?

Rules of thumb:

- Healthy office buildings generate more property tax revenue than healthy residential/mixed-use buildings, BUT
- Healthy residential/mixed-use buildings generate more property tax revenue than highly vacant office buildings

This can be a key argument for cities and local governments to offer financial incentives to highly vacant office buildings looking to pursue conversion – if conversions do not occur, property tax revenue from underperforming office buildings will erode the tax base





What We've Learned

What are local governments doing to encourage office conversion projects?

- Although the landscape is quickly evolving, research suggests that there are at least 9 other cities offering some form of incentive for office-to-residential conversion projects

National Survey of Local Financial Incentives for Office-to-Residential Conversion Projects

Location	Program Name	Program Status	Financial Incentives		Affordability Requirement
			Property Tax Abatement	Grants	
Calgary	Downtown Development Incentive	Active	-	$37-75 per SF	25% of units
Chicago	LaSalle Corridor Revitalization	Active	30%, 30 years	$117-222 per SF	30% of units @ 60% AMI
New York	Office Conversion Accelerator	Active	65-90%, 25-35 years	-	25% of units @ 80% AMI
Boston	Downtown Conversion Pilot Program	Active	75%, 29 years	-	20% of units @ 60% AMI
Philadelphia	10-Year Residential Tax Abatement	Active	50%, 10 years	-	Typical inclusionary
District of Columbia	Housing in Downtown Program	Active	Variable, 20 years	-	10% of units @ 60% AMI
Pittsburgh	Downtown Conversion Program	Active	-	$60-100k per unit	20% of units @ 50-80% AMI
Portland	Converting Office Space to Residential	Active	-	Up to $3M	Typical inclusionary
San Francisco	Proposition C	Active	RETT Exemption	-	Typical inclusionary (12-21%)
Denver	Upper Downtown Adaptive Reuse Pilot	Being Studied	TBD	TBD	TBD
Los Angeles	Adaptive Reuse Ordinance	Being Studied	TBD	TBD	TBD
Houston	TBD	Being Studied	TBD	TBD	TBD
Atlanta	TBD	Being Studied	TBD	TBD	TBD
Dallas	Downtown Connection TIF District	Being Studied	TBD	TBD	TBD

Questions?
Thank You!

AECOM

Lyle Bicknell

Former Principal Urban Designer, City of Seattle

Affiliate Faculty Member, University of Washington College of the Built Environments

bicknl@uw.edu

Lessons from Seattle

Lyle Bicknell Urban Designer

Office to Residential
Call for Ideas Competition

March-June 6, 2023

Seattle Office of Planning and Community Development
Seattle AIA


Lower
Queen Anne
South Lake
Union
Broadway
Denny Way
Denny
Triangle
Belltown
Virginia St.
Pike-Market
First
Hill
Interstate 5
Yesler
Terrace
Yesler Way
Pioneer
Square
S. Jackson St.
International
District
Rainier Ave. S.
S. Dearborn St.

DESIGN FOR RESILIENCE
CO-LIVING IN PIONEER SQUARE

MUTUAL LIFE BUILDING - 605 1ST AVE, SEATTLE WA
CITY OF SEATTLE OFFICE OF HOUSING - OFFICE TO RESIDENTIAL COMPETITION

PROJECT DESCRIPTION

Co-Living for environmental, economic and socially responsible housing

The project looks to make the units naturally affordable. Given the demand for affordable housing, there is an opportunity to use this style to address affordability, while also respecting the constraints related to an existing historic building. By respecting existing facades and reducing plumbing, the project reduces cost and increases affordability. Distributed shared bathrooms greatly reduce plumbing installation cost and increase floor area dedicated to private space. Communal kitchen, living and laundry facilities at each level provide opportunities for community interaction and give renewed meaning to the term neighbors.

The project seeks to add additional affordability through shallow rent subsidies bringing the rent down to $900 per month for a 350 square foot unit.

ORIGINAL PHOTO (1903)

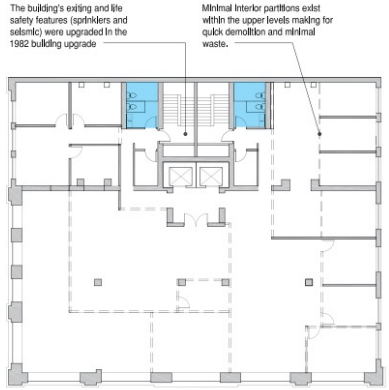
CURRENT PHOTO

MUTUAL LIFE BUILDING HISTORY

Originally built in 1890 in the Romanesque Revival style popular in Seattle after the 1889 fire, the Mutual Life Insurance Company purchased the building in 1916 and added five floors. In 1983, Historic Seattle acquired the building and provided financing assistance for the rehabilitation of what was a very deteriorated building located on a prominent corner in Pioneer Square.

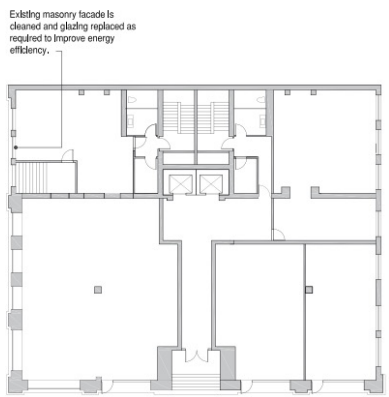
The building itself sits on one of the most historic sites in the city; the original location of Henry Yesler's cookhouse that served his sawmill in the early 1850s and was one of Seattle's first community gathering spaces.

The building has been through many renovations throughout the decades including a brief stint as studios in the 1960's and then restored back into office in the 1980's by the firms Hewitt/Daly/Isley and Olson/Walker Architects.

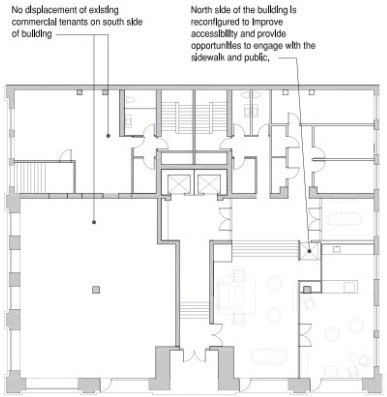


existing upper level plan

proposed upper level plan



existing ground floor plan



proposed ground floor plan

Seattle Office of Planning and Community Development (OPCD)

Hybrid Architecture | Diamond | Great Expectations

WWW.HYBRIDARC.COM

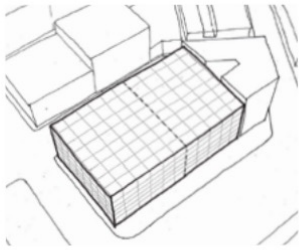
HYBRID

THE POLSON & WESTERN BUILDINGS OFFICE-TO-RESIDENTIAL CONVERSION STUDY

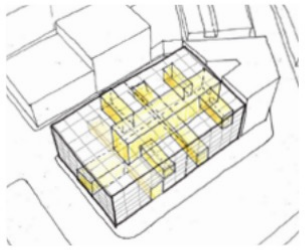
As one of Seattle's most defining neighborhoods, Pioneer Square is known for its eclectic architecture, its socio-economically diverse population, and its support of small local businesses. In order to continue to flourish and grow even more resilient, Seattle's urban core must support a diverse mix of use and demographics. With a post-pandemic surplus of vacant offices, particularly in the older building stock, this project provides the opportunity to ensure that future, and to re-envision our city at multiple scales – the human, block, and neighborhood.

This proposal celebrates the cellular grid of the Polson Building's timber structure by converting each bay into a residential unit, while carving out a shared, central courtyard. Rooted in the DNA of good design, this approach embraces access to light and air, and recognizes the neighborhood as a holistic community, rather than just a series of plots. What's more, it speaks to both housing inequality and the climate crisis by adapting the existing building stock, and urges us to unlearn the bad habits of the past. This idea is not new, but it is transformative.

Polson and Western Buildings
Warehouses built in 1910

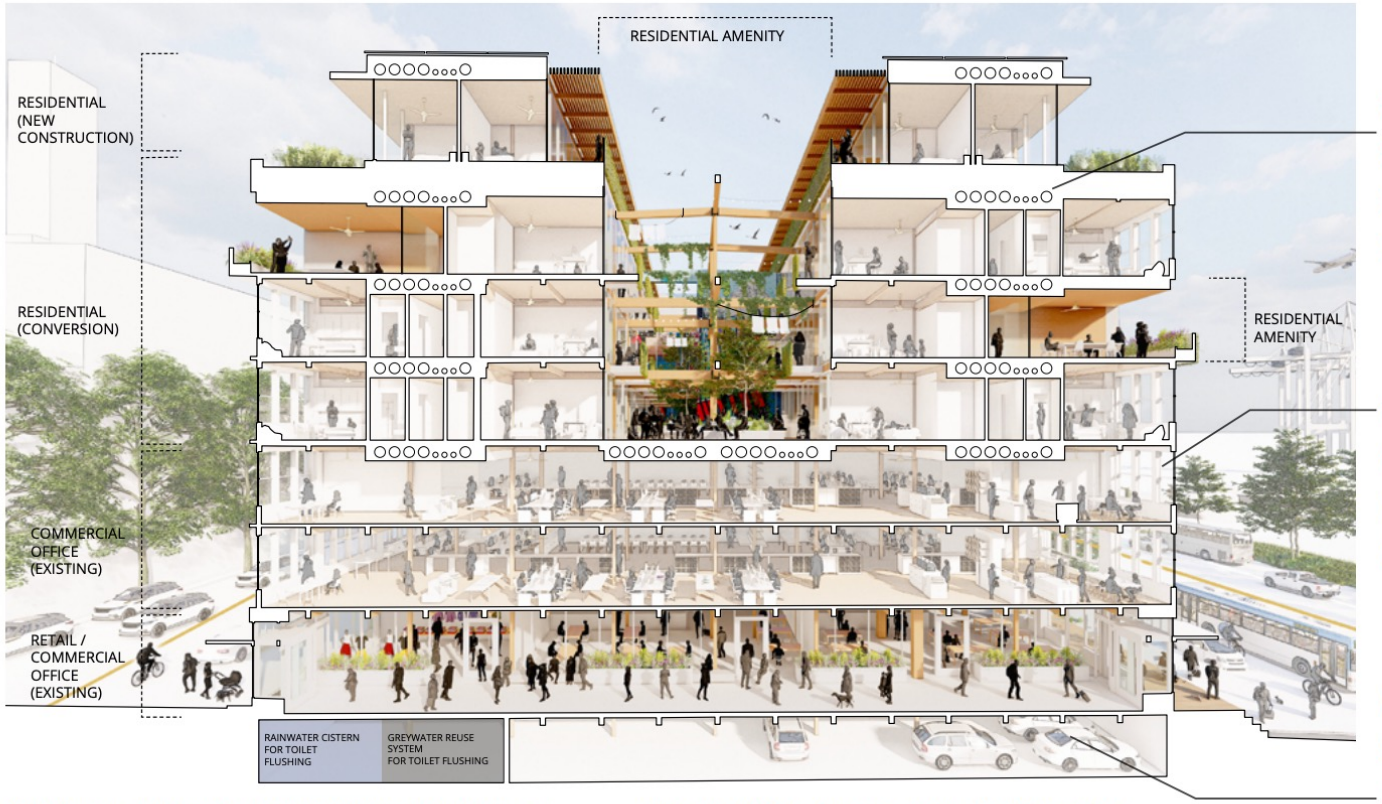


Cellular structure of warehouse



Carving for access to light & air

Collective Urban Form- Multiple buildings facilitating transformation of use



Sustainable Strategies:

- PV PANELS AND PANELS OFF-SITE TO ACHIEVE NET ZERO
- ALL ELECTRIC HVAC
- RE-PURPOSE EXISTING DUCTWORK AND HYDRONIC PIPING DISTRIBUTION SYSTEM
- ENHANCED MECHANICAL FILTRATION
- OPERABLE WINDOWS
- IMPROVED ROOF AND WALL INSULATION
- REDUCTION IN EMBODIED CARBON FOR INTERIOR MATERIALS AND FINISHES
- WATER EFFICIENT PLUMBING FIXTURES THROUGHOUT
- RAIN WATER CAPTURE AND GREY WATER REUSE
- BATTERY STORAGE SYSTEM FOR BUILDING RESILIENCE
- BIKE PARKING

Operating as a microcosm of a diverse city, the proposal embraces a mix of uses within a singular structure. The three top levels are converted to accommodate a dense distribution of studio units to help satisfy the demand for workforce housing. In order to offset the lower lease rates of these units, two levels of office use has been maintained on the lower floors and an additional high-end penthouse structure has been added to accommodate the demand for family units.

A new front door to a residential lobby opens to Alaskan Way- activating the western building facade to the newly improved public waterfront.

A central courtyard is carved out of the center of the block to provide light and air to residential units. The timber structure is maintained as a spatial remnant of the historic warehouse use.

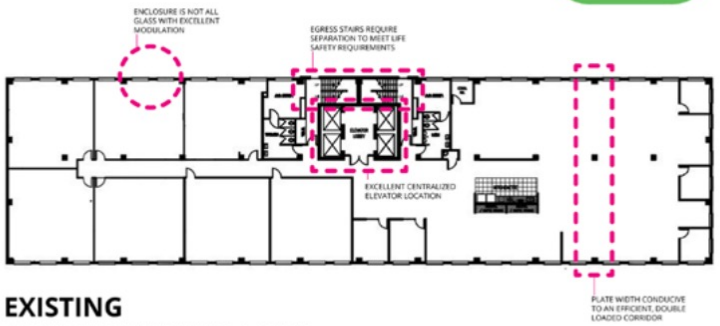
MILLER HULL Stanley Real Estate
Polson & Western Buildings

Seattle Office of Planning & Community Development

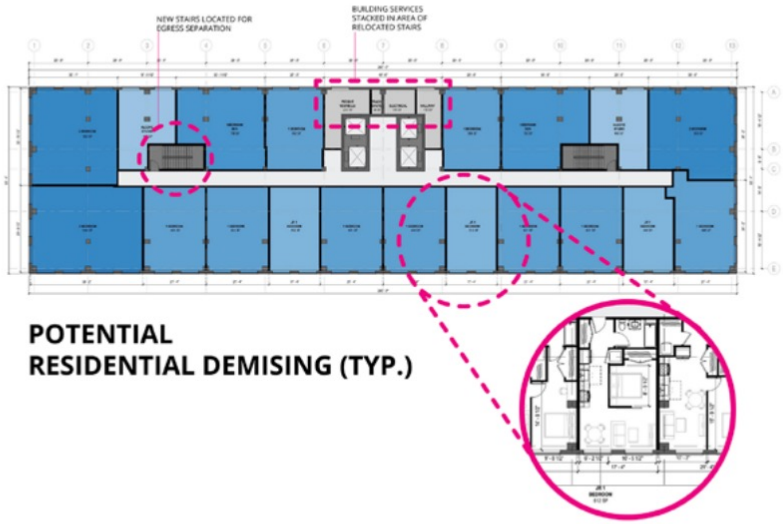
A CASE FOR CONVERSION

GENSLER OFFICE TO RESI CONVERSION TOOL SCORES THIS AS AN EXCELLENT CONTENDER 87/100

ESTIMATED GREEN HOUSE GAS SAVINGS DUE TO RE-USE 4,450,050 KgCO2e

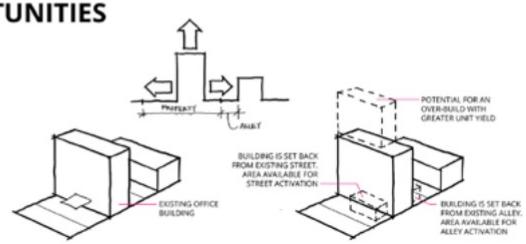


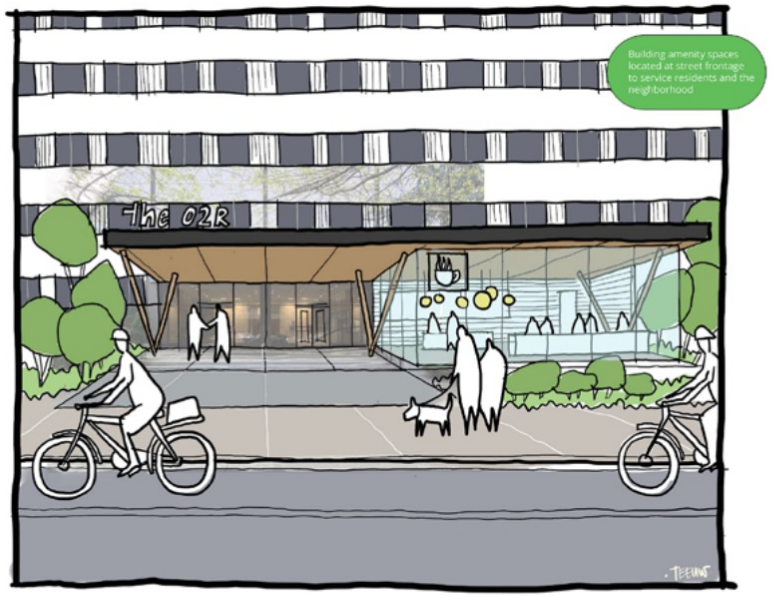
EXISTING OFFICE DEMISING (TYP.)



POTENTIAL RESIDENTIAL DEMISING (TYP.)

POTENTIAL OPPORTUNITIES





POTENTIAL OPPORTUNITIES AT STREET FRONT

CLIENT	Not disclosed
LOCATION	Downtown Seattle Core within area of eligibility
DESIGN TEAM	**Gensler** *(Seattle Office - 206.654.2100 - www.gensler.com)*
CONTRACTOR	Not disclosed
ESTIMATING TEAM	Pricing and team not disclosed

Seattle
Office of Planning &
Community Development


MERCHANTS CAFE

Lyle Bicknell
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Cindy Chan Roubik

Deputy Commissioner, Chicago Department of Planning and Development

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Loop Revitalization Initiatives Overview

PRESENTED BY CINDY CHAN ROUBIK

DEPARTMENT OF PLANNING AND DEVELOPMENT

CHICAGO

LaSalle Initiative

CHICAGO
MAYOR BRANDON JOHNSON

LaSalle Corridor

Challenges

- Office monoculture
- Record office/retail vacancies
- Zero affordable units

Assets

- Clustered historic properties
- Iconic atmosphere
- Superlative Transit access

City Assistance for Three Primary Goals

GOAL 1
Housing conversions w/30% affordability*

GOAL 2
New and expanded business and dining

GOAL 3
An inviting public realm w/grand lobby access

*60% Area Median Income = $47,100 per year

Engagement, Studies, Planning

2020-2021:

DPD sponsored **Recovery Roadmap** engages 150 stakeholders on 90 action items to foster return-to-office and other needs.

Q1-Q2 2022:

DPD sponsored **Urban Land Institute Technical Assistance Panel** engages 70 stakeholders and experts. Recommends TIF for mixed-income housing.

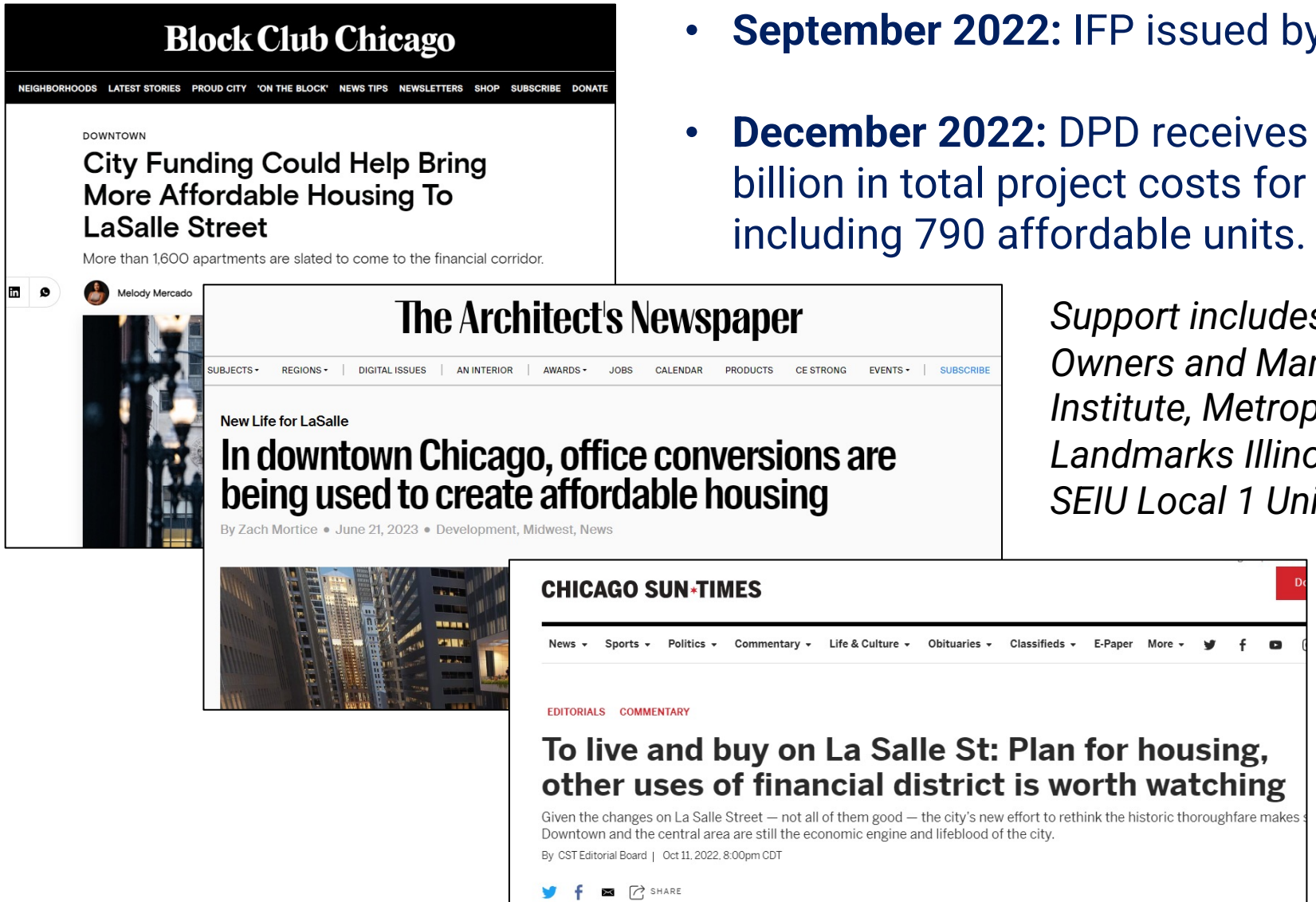
Q1-Q3 2022 Market Analysis & Economic Feasibility:

AECOM study identifies potential investments for multi-unit residential, dining/entertainment, and tourism/cultural uses.

Q2-Q3 2022: Adaptive Reuse Dashboard:

Gensler study identifies 15 underutilized office buildings based on five key criteria.

Invitation For Proposals (IFP)



- **September 2022:** IFP issued by DPD
- **December 2022:** DPD receives nine responses worth $1.2 billion in total project costs for 2,200+ new residential units including 790 affordable units.

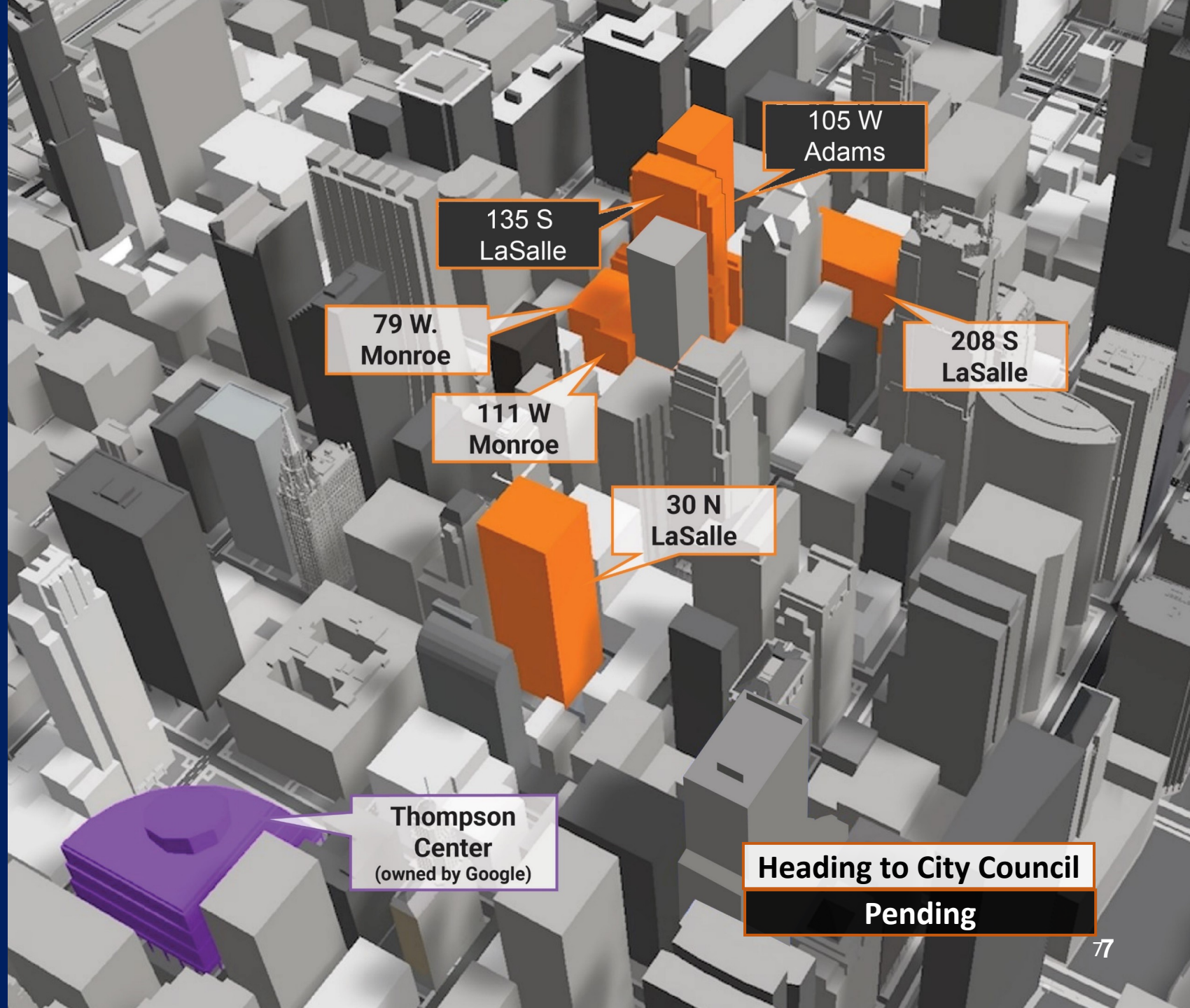
Support includes Chicago Loop Alliance, Building Owners and Managers Assoc., Urban Land Institute, Metropolitan Planning Council, Landmarks Illinois, Preservation Chicago, and SEIU Local 1 Union.

Goal 1 Implementation
Four Adaptive Reuse Proposal Selections

April 2024: Mayor Johnson announces four proposed projects will proceed to City Council.

- $528M in TPCs.
- 1.3 million SF of vacant office space
- 1,000+ residential units, including 300+ affordable units
- 800+ construction jobs

May 2024: Underwriting continues for two pending projects



111 W. Monroe

Prime Group and Capri Interests

- $203M TPCs/$40M TIF
- 610,000 square feet
- National Register District listing
- Ground-floor lobby/retail
- 349 apts. w/105 affordable units
- 226 hotel keys
- 130 basement parking spaces
- Monroe Club rooftop

208 S. LaSalle

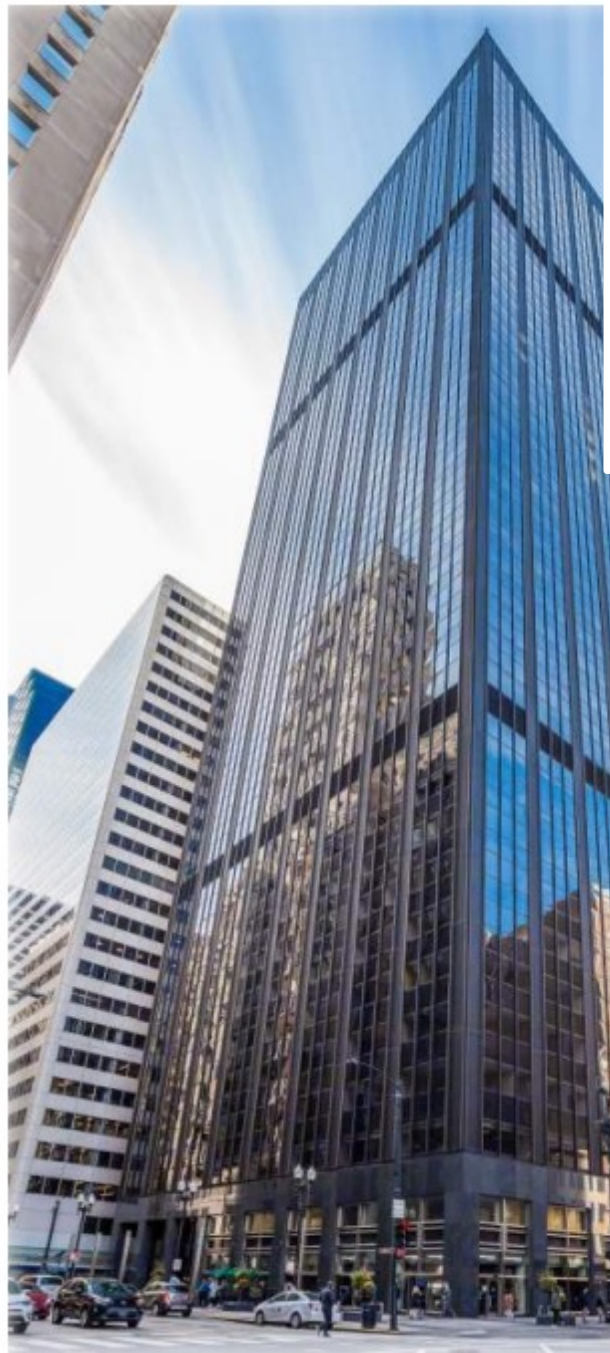
Prime Group

- $122M/$26.2M TIF
- 180,640 square feet
- City landmark
- 226 apts w/68 affordable units
- Ground-floor lobby/restaurant
- Fitness center, lounge + meeting spaces
- Two hotels remain

30 N. LaSalle

Golub & Company LLC + AIG

- $130M/$57M TIF
- 371,640 square feet
- Lobby and plaza upgrades
- 349 apts w/105 affordable units
- 2nd and 11th floor amenities
- Offices remain on floors 23-44



79 W. Monroe

Brown Derby (Compari Group)

- $64M/$28M TIF
- 99,969 square feet
- National Register District listing
- Ground floor lobby and retail
- 117 apts. w/ 41 affordable units
- Rooftop amenity deck
- School remains on floors 2-6

Goal 2 Implementation

SBIF grants for workplace improvements

- $5M in SBIF allocated by City Council for LaSalle Corridor.
- Up to $250,000 per space/$50K bonus for West and South Side businesses.
- Five restaurants, one museum selected from first SBIF round.
- Second SBIF application round expected in September 2024.

*The **Small Business Improvement Fund** provides grants for workplace improvements, investing more than $107 million in small businesses located in TIF districts throughout Chicago since 1999. In 2023, SBIF opened in the LaSalle/Central TIF.*

Current projects:

Board of Trade Museum, 141 W. Jackson Blvd.
Ceres Café, 141 W. Jackson Blvd.
Cardozo's Pub, 170 W. Washington St.
Goddess and the Baker, 181 W. Madison St.
The Fillmore, 120 W. Monroe St.
The Roanoke, 135 W. Madison St.

Goal 3 Implementation

Planning for public amenities and grand lobbies access

- DPD-led public visioning and engagement will proceed through 2024.
- CDOT engineering assessment will proceed through 2024.
- Design/construction in 2025-29

Debbie Bingham

Business and Economic Development Program Manager,
City of Tacoma's Community and Economic Development Department

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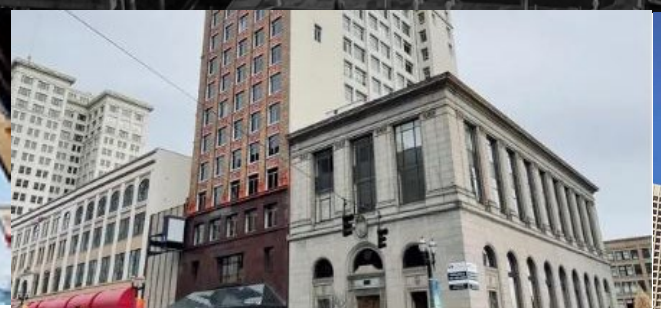
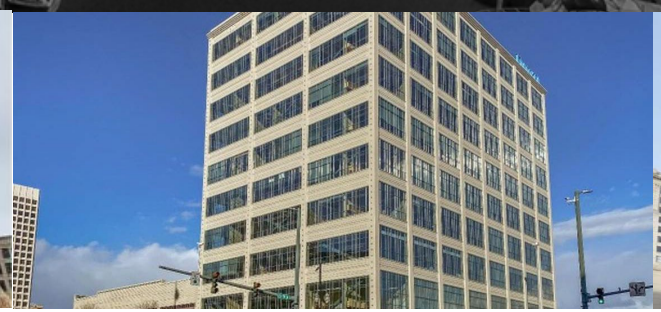
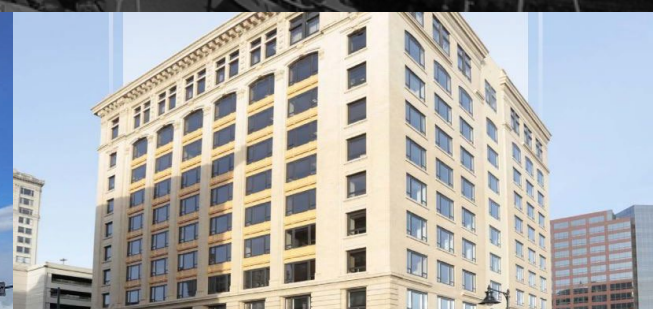
MAKE IT TACOMA

Office to Housing in Tacoma

Debbie Bingham, City of Tacoma, August 2, 2024

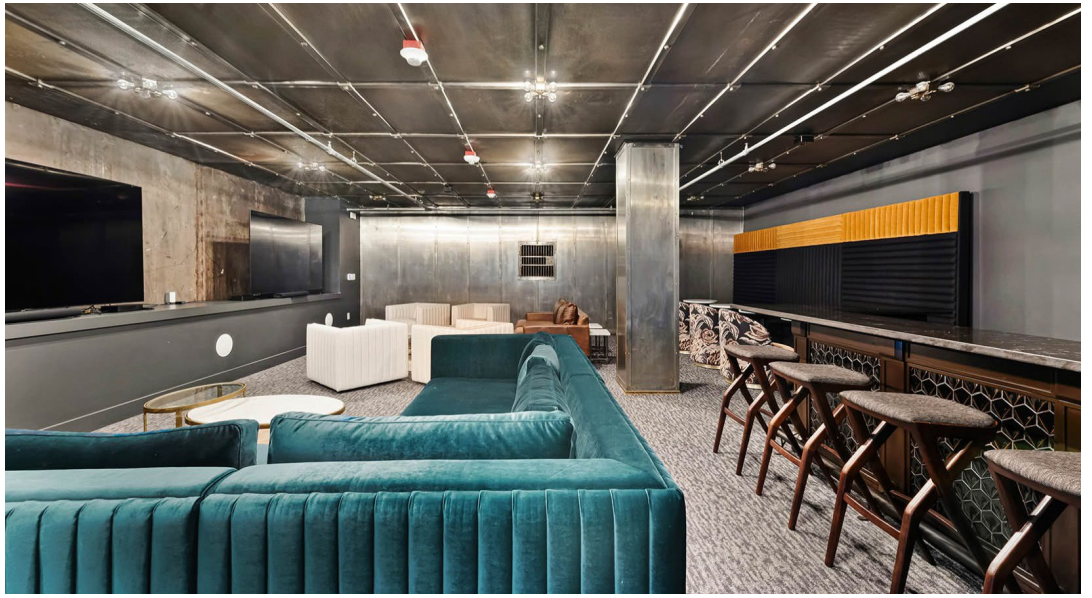
Tacoma Advantages as Smaller City

- Affordability
- Livability
- Mixed tenant buildings
- 2500 units built since 2020 in Downtown
- 4000 Units under construction in Downtown
- 500 at 70% AMI

Washington Building to Astor Apartments

- Built 1925
- Housed small companies, medical offices
- Purchased for $9.8M in 2017
- $55 Million to complete
- Opened in 2022
- 15 Studios
- 118 1-bed
- 23 2-bed
- Fully occupied
- Opportunity Zone project

Interior photos Astor Apartments



DaVita Building

DaVita Building

- Built in 1907
- Former DaVita headquarters
- Commercial Ground Floor
- 75 Units
- Owner to Construct

Tacoma Towers

Tacoma Towers Project

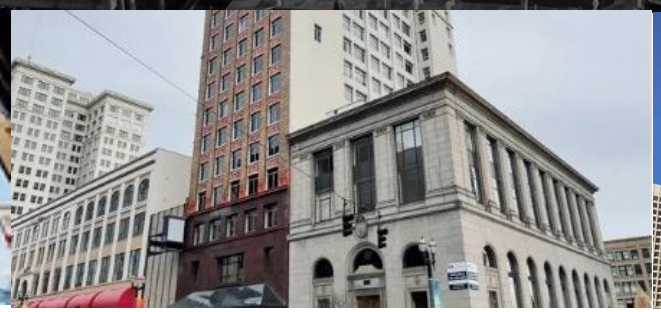
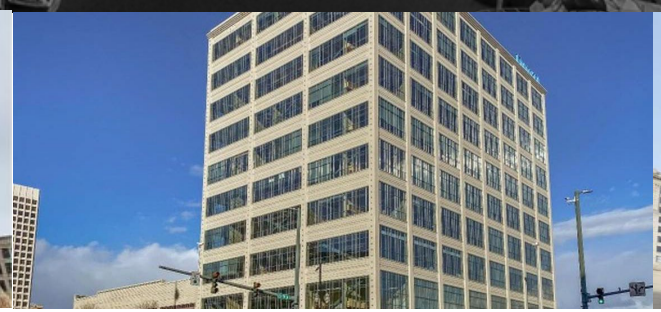
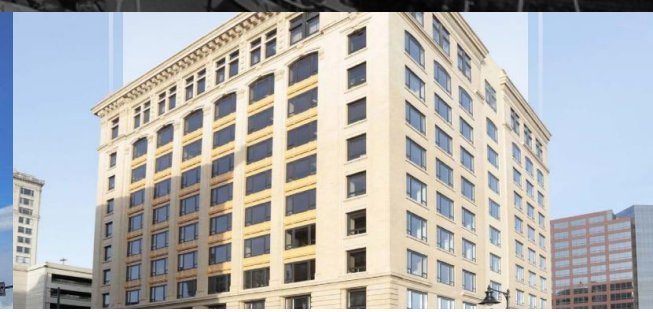
- Built 1912
- Purchased for $6.5M in 2022
- Project joins two historic buildings (1119 & 1123 Pacific Ave)
- Office space on floors 2, 3, and 4
- Top 12 floors of former office space to 60 residential units
- 7-story parking structure with 211 spaces
- 11,000 sf of ground-floor retail & Food Hall
- In Permitting

True Blue Building

- Built 1910
- Originally built for Weyerhaeuser ‘s HQ
- Under contract
- Mixed use/mixed income project

MAKE IT TACOMA

Office to Housing in Tacoma

Debbie Bingham, City of Tacoma, August 2, 2024

Michael Powe, Ph.D.

Senior Director of Research, Main Street America

mpowe@mainstreet.org

MAIN STREET AMERICA®

Nationally recognized.
Locally powered.™

ACTIVATING VACANT SPACES ON MAIN STREET

Michael Powe, Ph.D., Senior Director of Research

July 31, 2024

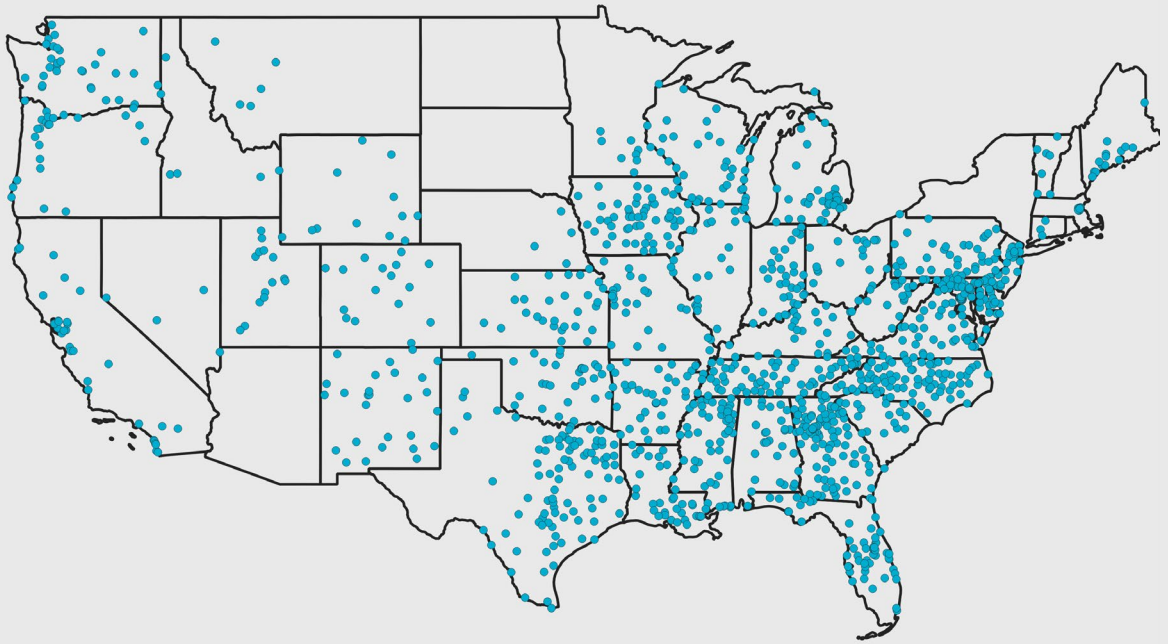
PSRC TOOLBOX Series

WHAT I HOPE TO SHOW…

1. Housing and vacancy circumstances on Main Street are not unlike in those in Seattle, Chicago, and Tacoma, but there are 1,200+ Main Streets in all kinds of places
2. “Knowing is half the battle,” so we built a tool to help local leaders know their assets.
3. The opportunities on Main Street are significant.

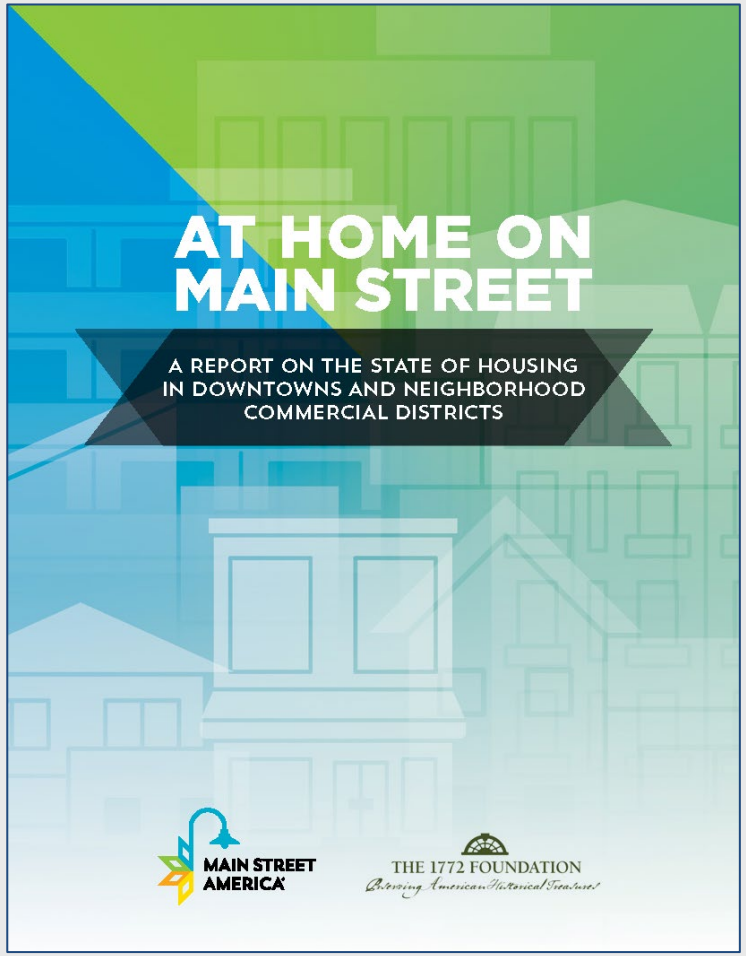
ABOUT MAIN STREET AMERICA

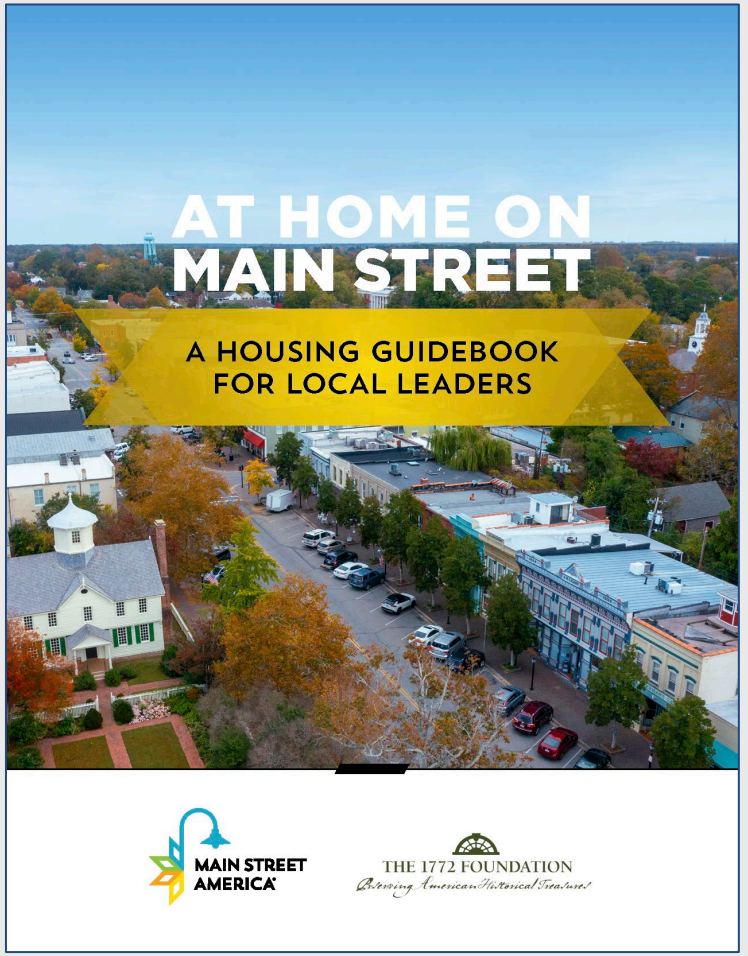
- About 1,200 downtowns and neighborhoods – many in rural places
- Predominantly 1-4 story older mixed-use and commercial buildings
- Local organizations with limited resources

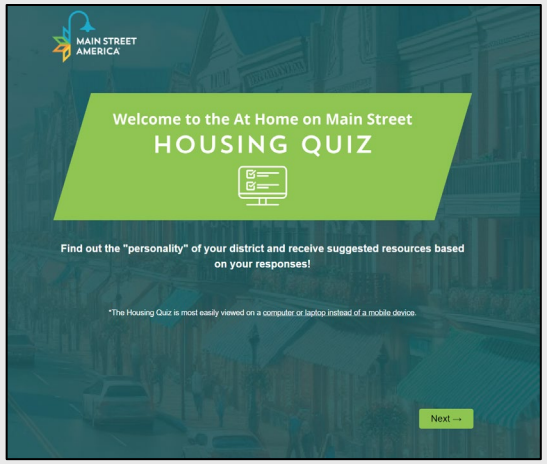


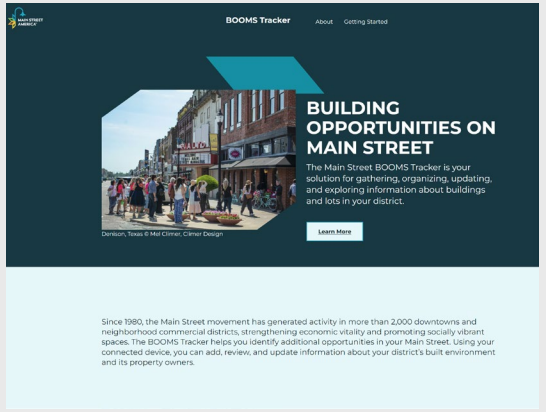
Main Street America leads an inclusive, impact-driven movement dedicated to reenergizing and strengthening older and historic downtowns and neighborhood commercial districts nationwide.

THE “AT HOME ON MAIN STREET” PROJECT







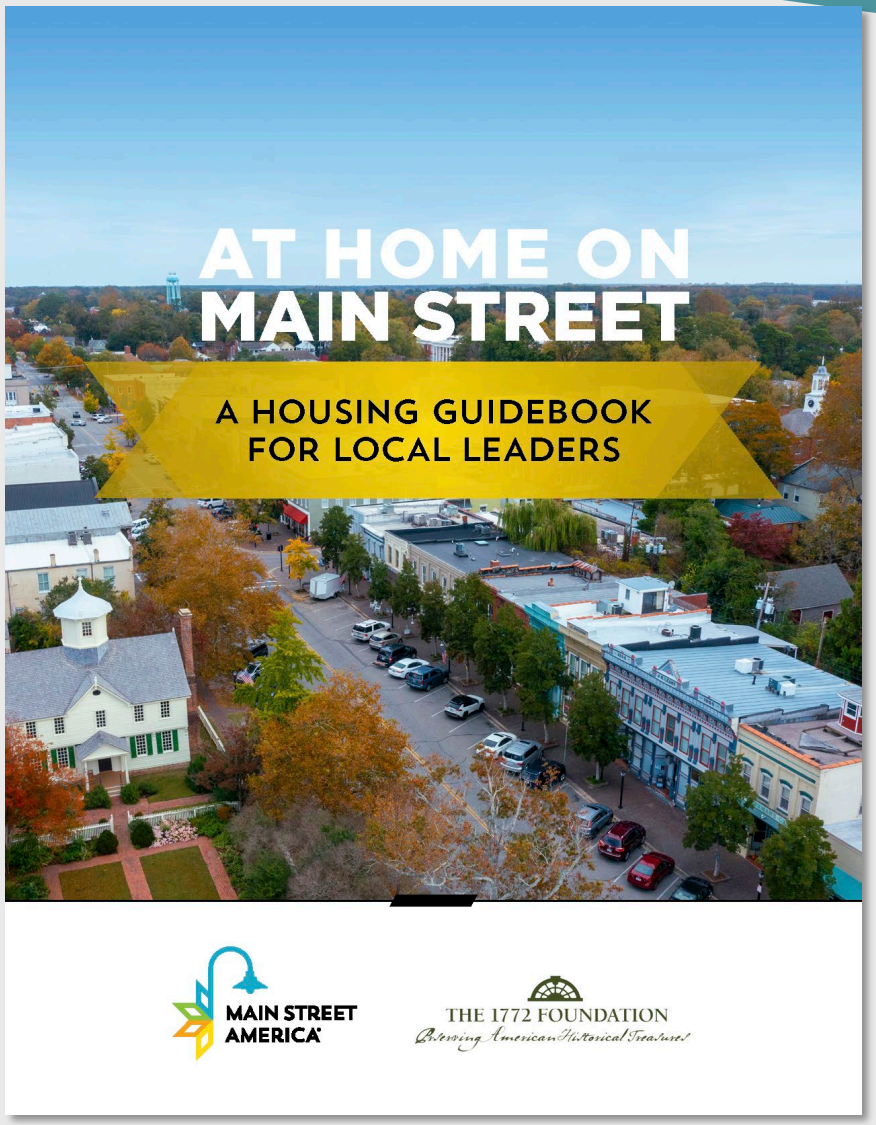


HOUSING GUIDEBOOK – MARCH 2023

- March 2023 “Guidebook”
  - Built with guidance from expert advisors
  - 101/102-level discussion
    - Where to get started
    - How to take stock of housing assets
    - How to promote housing potential in your community
    - Financing sources and terms to know
    - How to deal with codes and regulations

“You don’t need to be an expert** in all the types of buildings and developers. **Just know the general trends.”

- Sherry Early, Incremental Development Alliance

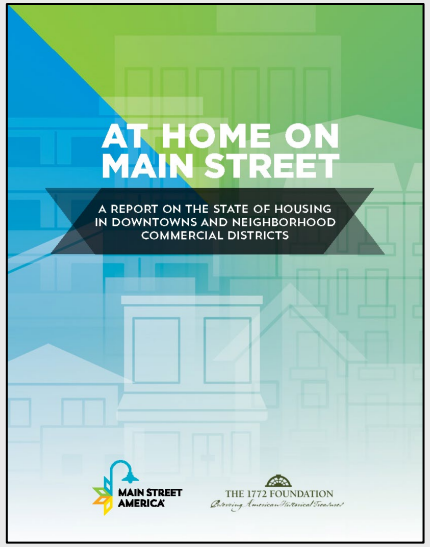


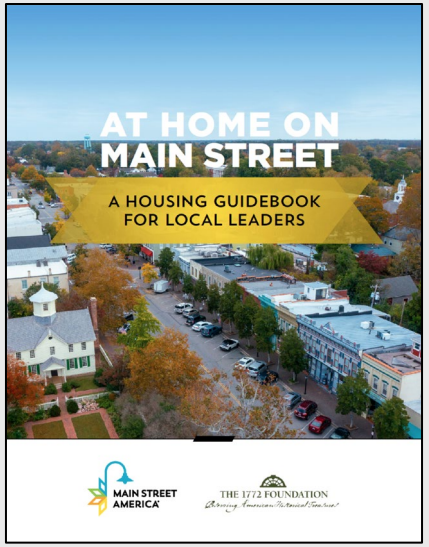
THE “AT HOME ON MAIN STREET” PROJECT

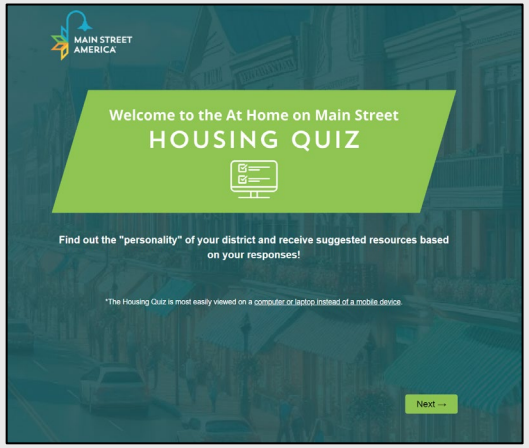
- Some key insights
  - There’s not enough housing to accommodate those who want to live on Main Streets.
  - Main Streets have significant amounts of vacant space in older and historic buildings and “location efficient” places.
  - Information is only accessible locally, but could be helpful at broader scales.

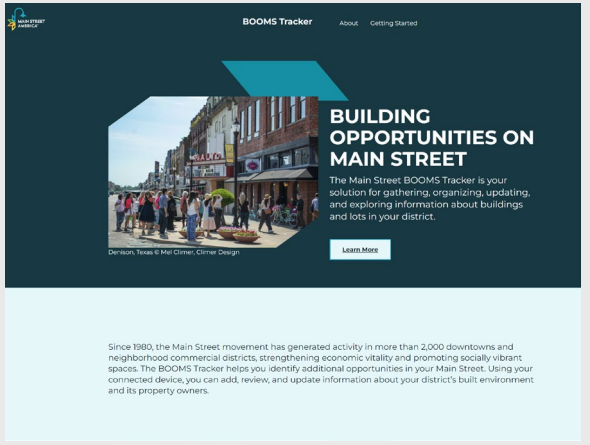
WHAT IS THE BOOMS TRACKER?

+ Building Opportunities on Main Street (**BOOMS**) Tracker
  - Property and vacancy inventory tool
  - Map-centric, mobile-friendly property inventory solution
+ Focus: Vacant spaces are opportunities



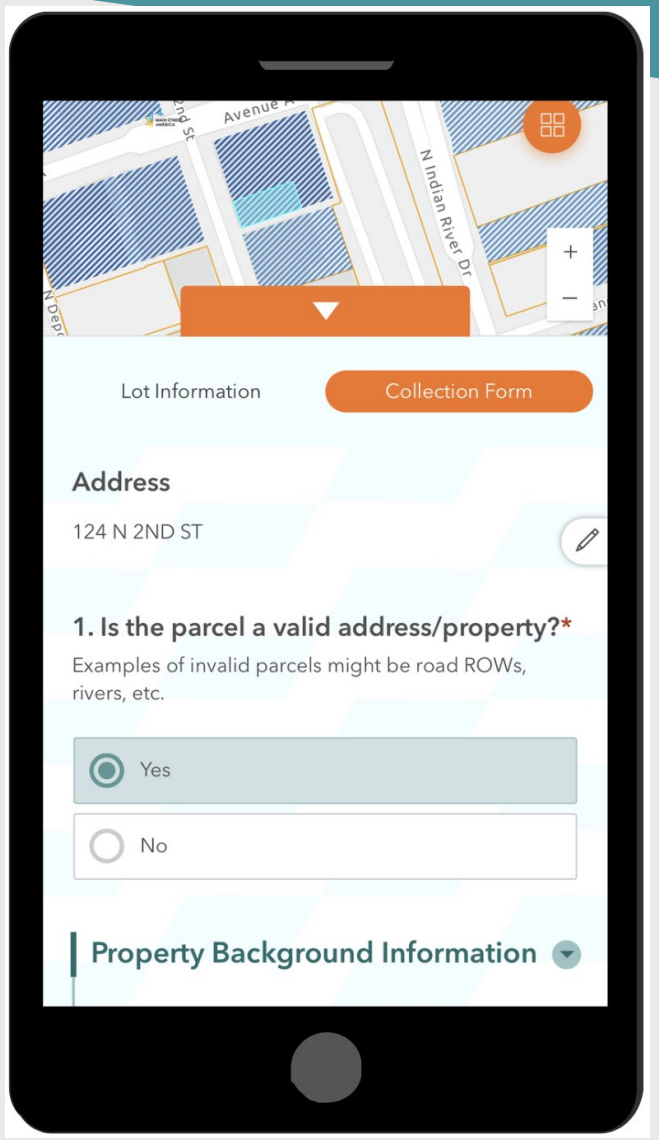






WHAT IS THE BOOMS TRACKER?

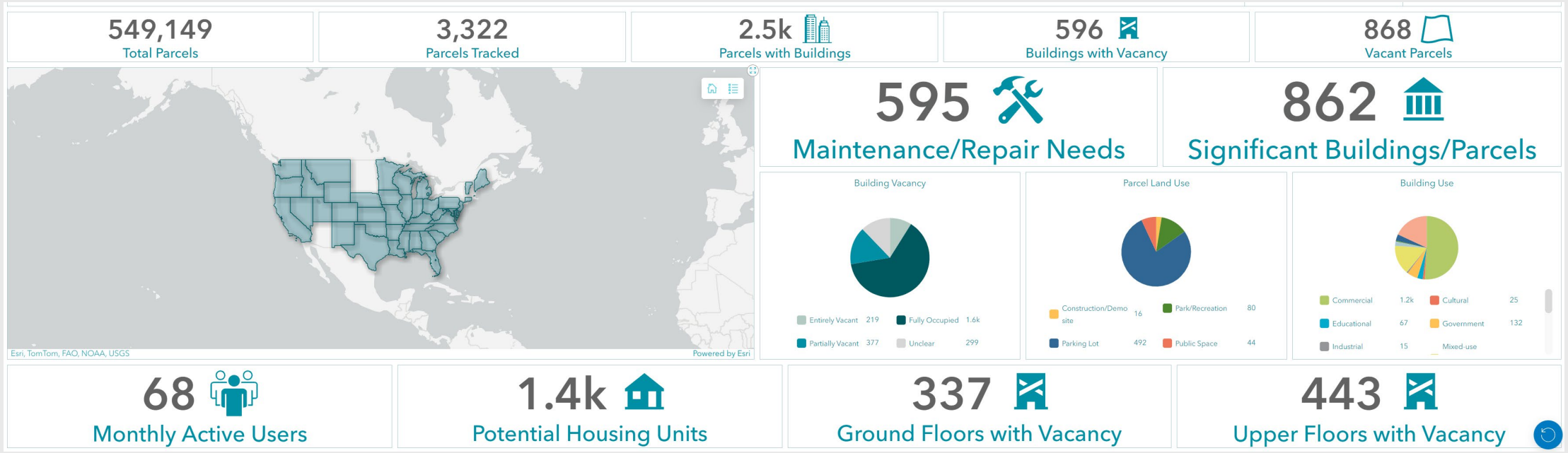
+ Building Opportunities on Main Street (**BOOMS**) Tracker
+ Enables accessible, updatable property information at local level



WHAT IS THE BOOMS TRACKER?

+ Building Opportunities on Main Street (**BOOMS**) Tracker
+ Enables accessible, updatable property information at local level
+ Showcases real data on opportunities for housing / other development across the U.S.

WHAT WE'RE SEEING SO FAR…



+ BOOMS Tracker launched in mid-April
  - Nearly 300 credentials distributed
  - Over 3,300 parcels inventoried: 9% of bldgs entirely vacant; 16% partially vacant; 13% unclear
    - 27% of parcels without buildings are vacant and idle lots
  - Projecting potential for 225,000+ housing units across the network = $5.5 - $6.0B in local economic impacts

WHERE WE'RE GOING…

- Expanding BOOMS Tracker to include more users, more places
  - Please email research@mainstreet.org if you're interested
- Making refinements to dashboards and additions to survey questions
- Leveraging BOOMS as a platform for advocacy and investment

Q&A Panel

Moderated by Jason Thibedeau, PSRC

- Hunter Gillespie, AECOM
- Lyle Bicknell, City of Seattle
- Cindy Chan Roubik, City of Chicago
- Debbie Bingham, City of Tacoma
- Michael Powe, Main Street America

Puget Sound Regional Council

AECOM

MAIN STREET AMERICA®

CITY OF Tacoma

CHICAGO

Upcoming TOOLBOX Sessions

Transit Oriented Communities

September 27, 2024; 10:00-11:30 a.m.

Commercial Displacement Prevention

November 1, 2024; 10:00-11:30 a.m.

Learn more at psrc.org/our-work/toolbox

Thank you for joining us today!

You are eligible to claim one AICP CM credit by searching **TOOLBOX: Commercial to Housing Conversion: Unlocking Residential Potential in Our Region's Commercial Districts** or using **ID #9293153**.

A short attendee survey will be provided at the end of the webinar, to meet PSRC's Title VI requirements.

You are not required to disclose the information requested in order to participate in this meeting. PSRC will handle the information gathered as confidentially as possible.

For further information regarding this process please contact the Title VI Coordinator at nbgrennan@psrc.org