



THE WHITE HOUSE
WASHINGTON

Commercial to Residential
Workshop:
U.S. Department of Housing and
Urban Development Programs

Accelerating Commercial to Residential Conversions

- On October 27th, the Biden-Harris Administration announced new actions to support the conversion of high-vacancy commercial buildings to residential use, including through new financing, technical assistance, and sale of federal properties.
- These announcements will create much-needed housing that is affordable, energy efficient, near transit and good jobs, and reduce greenhouse gas emissions.



Accelerating Commercial to Residential Conversions

Actions included:

- The White House released a Commercial to Residential Federal Resources Guidebook with over 20 federal programs across six federal agencies that can be used to support conversions.
- The Department of Transportation (DOT) issued guidance on \$35 billion in available lending capacity for transit-oriented development projects at below market interest rates that can be used to finance housing development near transportation, including conversion projects.
- DOT issued guidance that makes it easier for transit agencies to repurpose properties for transit-oriented development and affordable housing projects, including conversions near transit.
- The General Services Administration (GSA) is expanding on its Good Neighbor Program to promote the sale of surplus federal properties that buyers could potentially redevelop for residential use.
- DOE launched a commercial to zero emissions housing toolkit that includes technical and financial guidance on how to achieve zero emissions commercial to residential conversions.



Accelerating Commercial to Residential Conversions

We are holding several workshops:

- November 15th- U.S. Department of Housing and Urban Development
- November 29th - U.S. Department of Transportation
- December 5th- General Services Administration
- December 14th – Department of Energy

Questions during the presentation today should be email to Kera Package at:
Kera.M.Package@hud.gov



Why Adaptive Reuse?

- **Economic Development:**

- ❖ Addresses the increase in office vacancies and a shortage in housing.
- ❖ Revitalizes communities, especially downtown and economic cores.
- ❖ Creates more workforce housing close to transportation and job centers.
- ❖ Helps small businesses by bringing more activity to retail, restaurants, and amenities.

- **Cost Savings:**

- ❖ Shortens development timeline – especially if local policies provide flexibilities / incentives.
- ❖ May save in construction costs, depending on the condition of the property.

- **Community Building:**

- ❖ New life for historic properties, preserving community significance and architecture.
- ❖ Placemaking by bringing resources to disinvested areas with high commercial vacancies.

- **Climate:**

- ❖ Reduce demolition waste and emissions related to new construction.
- ❖ Improve energy efficiency and reduce carbon footprint of a property.

Is Adaptive Reuse an Effective Strategy?

- **Los Angeles:** created over 12,000 units downtown through their Adaptive Reuse Program since 1999.
- **New York City:** created 12,900 units through a past incentive program and has created a taskforce to look at the future of conversions.
- **Cleveland:** created over 5,000 units through conversions across 36 properties since 1970.
- **Kansas City:** created over 5,000 units through adaptive reuse through mostly office conversions.
- **Baltimore:** in 2022 alone, added 400 new apartments through office-to-residential conversions.
- **Chicago:** creating 1,655 units through the LaSalle Street Reimagined initiative.
- **California:** Repurposed hotel rooms through Project Homekey – creating at least 4,000 new units.



Light Apartments | Baltimore
40 units, rooftop solar panels
Photo credit: 2 West Photography



How can HUD funding support adaptive reuse / conversions?

- Acquisition
- Rehabilitation
- Predevelopment Costs
- Infrastructure
- Economic Development
- Mixed-Use Development
- Rental Assistance
- Supportive Services (PSH)

- **Formula Grant Funding:**
 - ❖ Community Development Block Grants
 - ❖ HOME Investment Partnerships
 - ❖ HOME – American Rescue Plan
 - ❖ Housing Trust Fund
- **Section 108 Loan Guarantee**
- **Competitive Grant Funding:**
 - ❖ Choice Neighborhoods
 - ❖ Pathways to Removing Obstacles to Housing
 - ❖ Permanent Supportive Housing through Homeless Assistance Grants
- **Mortgage Insurance:**
 - ❖ Section 221(d)(4): Mortgage Insurance for Rental and Cooperative Housing
 - ❖ FHA Section 220: Mortgage Insurance for Rental Housing for Urban Renewal and Concentrated Development Areas
- **Technical Assistance**

For more information:

- **Commercial to Residential Conversions Guidebook**
 - An interagency guidebook to federal funding resources for conversions.
 - <https://www.whitehouse.gov/wp-content/uploads/2023/10/Commercial-to-Residential-Conversions-Guidebook.pdf>
- **HUD Exchange**
 - More information on HUD funding sources and eligible uses.
 - <https://www.hudexchange.info/>
- **PD&R Evidence Matters**
 - Fall 2023 publication focuses on commercial-to-residential conversions.
 - <https://www.huduser.gov/portal/evidence.html>
- **Build for the Future Funding Navigator**
 - List of funding opportunities across federal agencies to support efforts to enhance climate resiliency, energy efficiency, renewable energy integration, healthy housing, workforce development and environmental justice in HUD supported communities, programs and properties.
 - <https://www.hudexchange.info/programs/build-for-the-future/funding-navigator/>







Alexandria, Virginia

Five Actions Local Governments Can Take to Support Office-to-Residential Conversions



Then: Sheetmetal Workers Union Office Building

Now: The Oronoco, a condominium



Top Cities with Most Converted Apartments from Office 2022

City/State	Apartments From Office
1 Los Angeles, CA	692
2 Alexandria, VA	435
3 Baltimore, MD	395
4 Cleveland, OH	354
5 Lakewood, CO	218
6 Oklahoma City, OK	193
7 Richmond, VA	188
8 Norfolk, VA	180
9 Pittsburgh, PA	174
10 Atlanta, GA	162

Data subject to change.
Source: RentCafe analysis of Yardi Matrix data • Created with Datawrapper

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biggest stories in CRE.

News Washington, D.C. Neighborhood

How Alexandria Has Become A National Leader In Office-To-Residential Conversions

August 17, 2023 | Emily Wishingrad, Washington, D.C. ✉

As cities across the country look to hop aboard the **office-to-residential conversion** train, **Alexandria, Virginia**, seems to have cracked the code.

Office to Residential Conversions

Total projects: 15
 Housing units: 2,403
 Largest project: 520 units
 Smallest project: 10 units
 Average: 158 units

Location within the DC area



Population: 160,000

Land area: 15 square miles

80,000 housing units

Residential vacancy rate: 1.2% (owner) 3.3% (rental)

Average sales price: 3BR detached: \$956K; 3BR attached: \$918K; condo: \$486K

Office vacancy rate: 14.6% (DC area: 16%; national: 17.8%)

Alexandria, Virginia

1. Remove regulatory barriers

- Zoning: by right versus discretionary
 - Residential use in commercial zones
 - Density
 - Neighborhood serving retail/services
- Height
- Parking
- Open Space



Then: Park Center office buildings

Now: Park + Ford Apartments



2. Proactive, nimble and responsive

- Proactive:
 - Understand your office building inventory
 - Reach out and connect with property owners.
 - Educate on resources available, including federal.
- Responsive:
 - Converted occupied floors to parking - drive aisle waiver
 - Parking reductions
 - Open space on roof tops
- Nimble:
 - Coordination among reviewing departments
 - Single point of contact
 - Authority to make decisions



Then: Office building for a federal tenant

Now: The Foundry Apartments



3. Create neighborhoods where people want to live

- Office parks not intended for residential; implement plans to support conversion
- Transit, sidewalks, services for daily living
- Recreation and schools



Then: 4900 Seminary Road office buildings

Now: Sinclair Apartments



4. Understand and communicate the benefits and challenges of conversion

- Positive fiscal impact / address concerns about loss of non-residential tax base
 - Tax assessment increase dramatically
 - Generally low cost to provide services (few students)
- Removing obsolete buildings from your inventory can support construction of new office, when there's demand
- Embodied carbon in existing buildings
- Understand the financial realities of conversion and review local requirements that add to costs



Existing: TransPotomac Plaza Office Buildings

Approved: Tidelock Apartments



5. Understand and use all of the external resources available to you

- Federal support for conversion policies, such as HUD's Pathways to Removing Obstacles to Housing (PRO Housing)
- Federal support for replanning commercial corridors, such as FTA Pilot Program for Transit-Oriented Development Planning
- State support for a new Metro station, Bus Rapid Transit through corridors of obsolete office buildings



Then: Waterfront Center office buildings

Now: 801 North Condos





Alexandria, Virginia

Five Actions Local Governments Can Take to Support Office-to-Residential Conversions



Then: Crowne Plaza Hotel

Now: The Venue, a condominium



CROSTOWN CONCOURSE





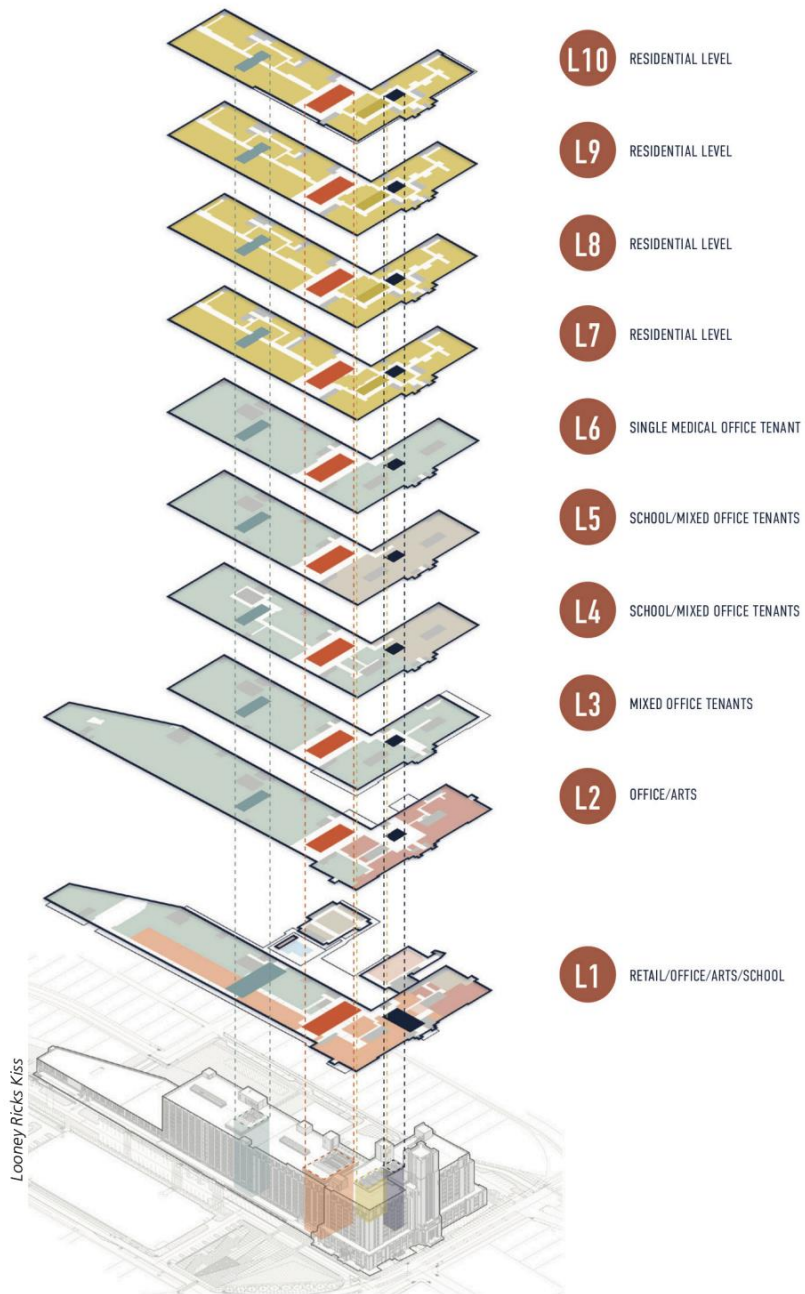




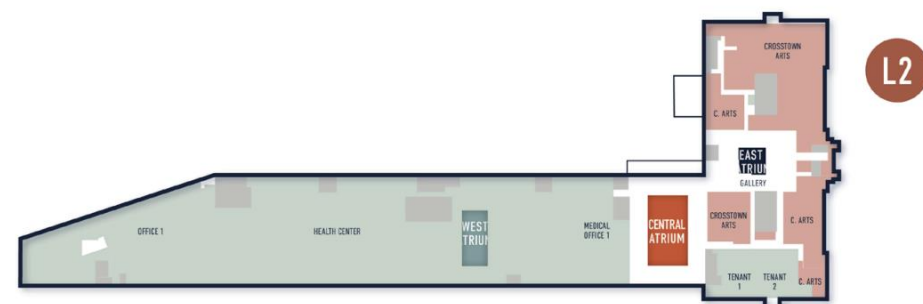
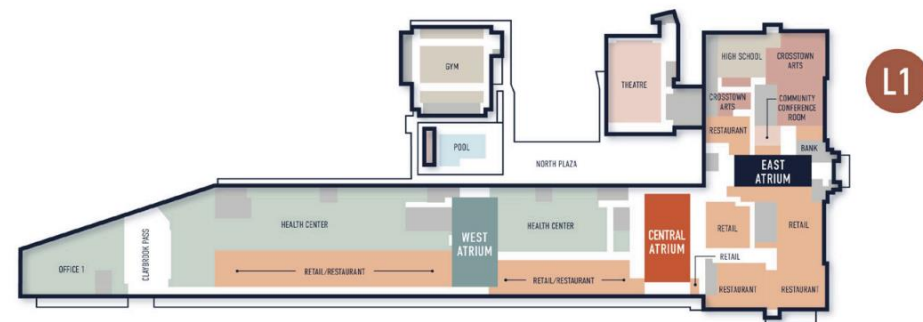








Uses are distributed among the ten floors of the building with apartments spanning the top four levels.



PLAN LEGEND

- RETAIL/RESTAURANT
- OFFICE
- COMMUNITY
- ARTS
- SCHOOL
- RESIDENTIAL
- SERVICE CORE



TABLE 2: DEVELOPMENT BUDGET

SOURCES

Senior debt with syndication led by SunTrust (8 banks total)	\$86,500,000
Contributions and philanthropic equity (includes building)	\$31,179,267
Historic Tax Credit equity (Goldman Sachs Urban Investment Group)	\$36,461,845
New Market Tax Credit equity (SunTrust Community Capital including 6 Community Development Entities)	\$16,682,200
"Mezzanine" financing/bridge loan	\$13,969,844
City of Memphis (Brownfields Economic Development Investment, HUD Section 108, and capital improvement plan)	\$7,000,000
Shelby County (public infrastructure capital improvement plan)	\$5,000,000
Qualified Energy Conservation Bonds	\$8,150,000
Delta Regional Authority grant	\$250,000
	Total
	\$205,193,156

USES

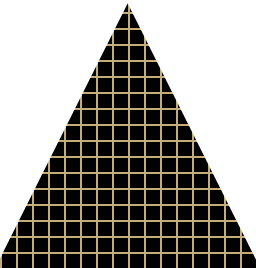
Acquisition and hard costs	\$20,804,076
Building	\$90,469,329
Tenant improvements/finishes	\$49,829,675
Other costs (low voltage, signage, wayfinding, etc.)	\$5,325,000
Soft costs (legal, architecture, engineering, landscaping, and other consultants)	\$22,640,152
Closing costs/fees	\$9,900,298
Construction interest/reserves	\$6,224,626
	Total
	\$205,193,156



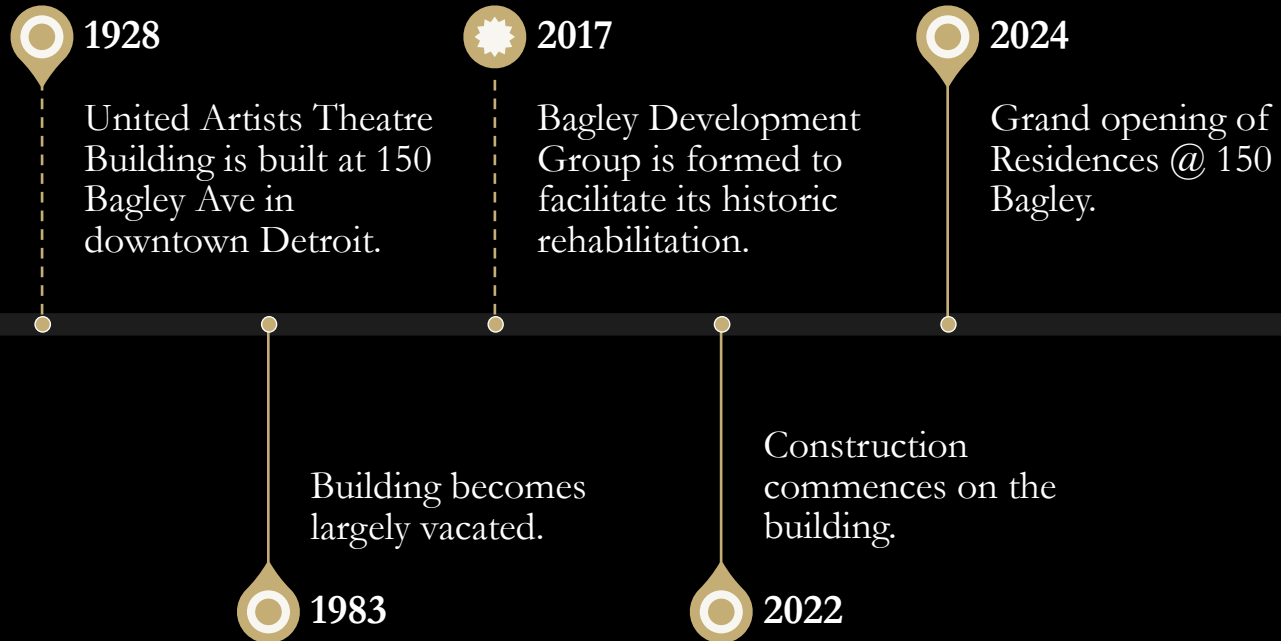
RESIDENCES @ 1500 BAGLEY

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History

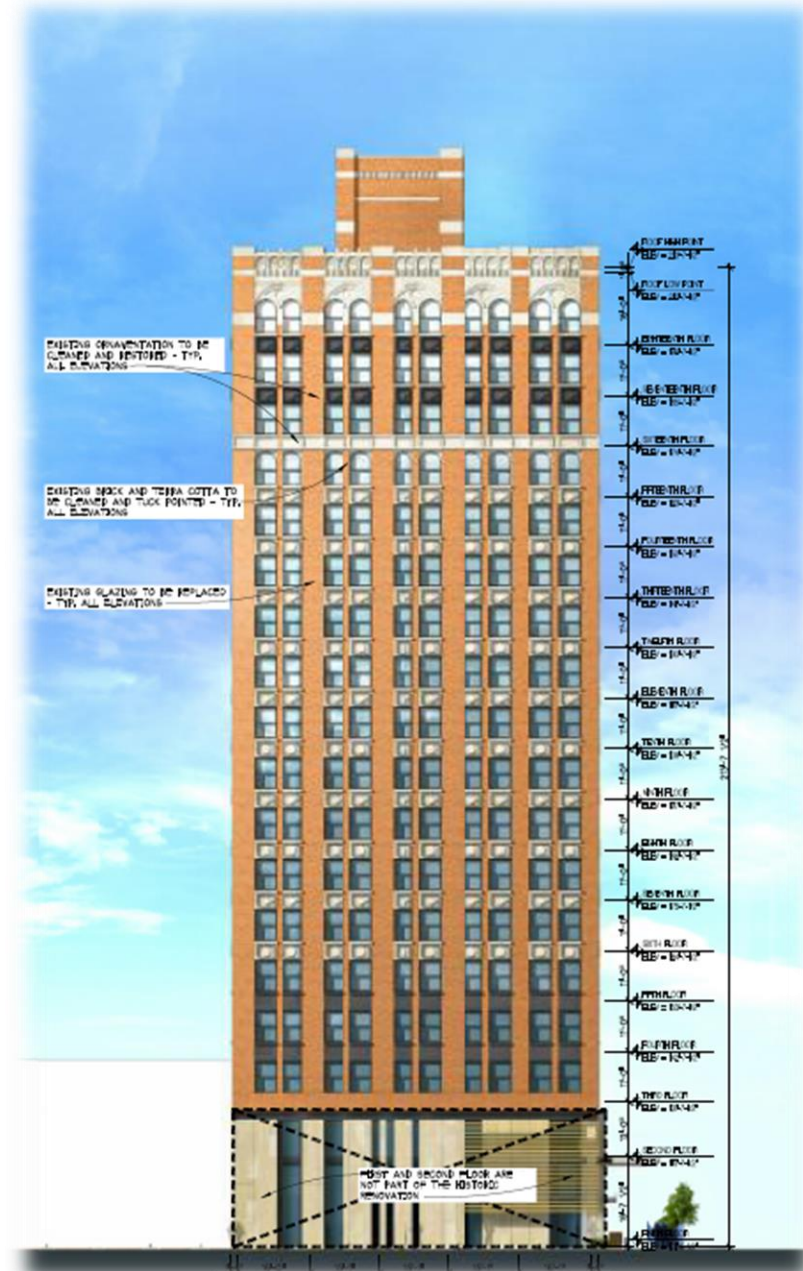


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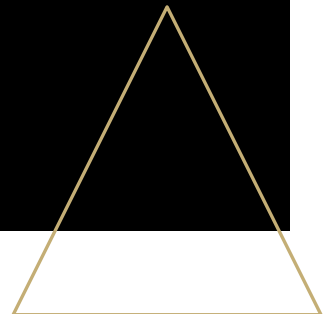
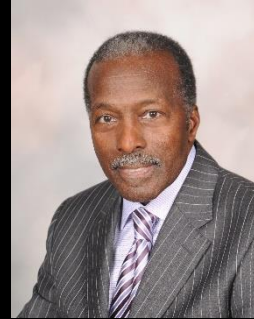
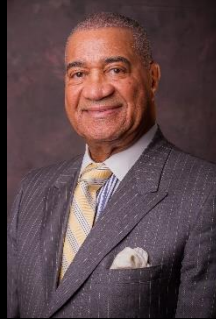


Residences @ 150 Bagley

Source	\$	%
CDBG Funds	\$ 3,000,000	4%
Owner Equity	\$ 4,118,244	5%
MEDC Loan	\$ 7,000,000	9%
DEGC Loan	\$ 7,100,000	9%
HTC Equity	\$ 12,008,680	16%
221(d)4 Loan	\$ 42,312,400	56%
TOTAL	\$ 75,539,324	100%



Bagley Development Group



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