

Adaptive Reuse Conversion Accelerator Program (ARCAP)

INSIGHTS & LESSONS
LEARNED



HOUSING
PARTNERSHIP
NETWORK

Ideas. Innovation. Impact.

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Adaptive Reuse in the U.S.

A BRIEF OVERVIEW

The Evolution of Adaptive Reuse

REPURPOSING EXISTING STRUCTURES FOR A NEW USE

- Adaptive Reuse (AR) spiked in popularity in 2016/2017 along with the idea that converting existing assets could be less costly, quicker to complete, and more environmentally friendly than new construction.
- Between 2017 and 2018, the number of completed AR apartment units fell by 42% yet rebounded in late 2019 and 2020 as developers and politicians across the world sought solutions to combat commercial vacancies (e.g., hotels, offices) resulting from the changing travel and work patterns brought on by the COVID-19 pandemic.
- Nonprofit developers, HPN members among them, have worked hard throughout this timeframe to compete in an increasingly competitive market for AR acquisitions.

Sources:

- [Current Status and Emerging Trends on the Adaptive Reuse of Buildings: A Bibliometric Analysis](#)
- [Rent Café](#)



Adaptive Reuse Conversion Accelerator Program (ARCAP)

**SUPPORTED BY WELLS FARGO AND
HOUSING PARTNERSHIP NETWORK**

ARCAP

HOUSING STABILITY THROUGH ADAPTIVE REUSE

In January of 2022, Housing Partnership Network, with generous funding from the **Wells Fargo Foundation**, launched the [Adaptive Reuse Conversion Accelerator Program](#). Grant funding was provided to 15 nonprofit housing organizations to help them acquire hotels and other types of buildings for adaptive reuse, thereby increasing the supply of affordable housing to support longer-term housing stability across the country.

In addition to accessing financial support, ARCAP participants have met regularly to exchange ideas, share best practices, and brainstorm solutions to common challenges.

The Cohort

LEADING HOUSING DEVELOPERS ACROSS THE COUNTRY

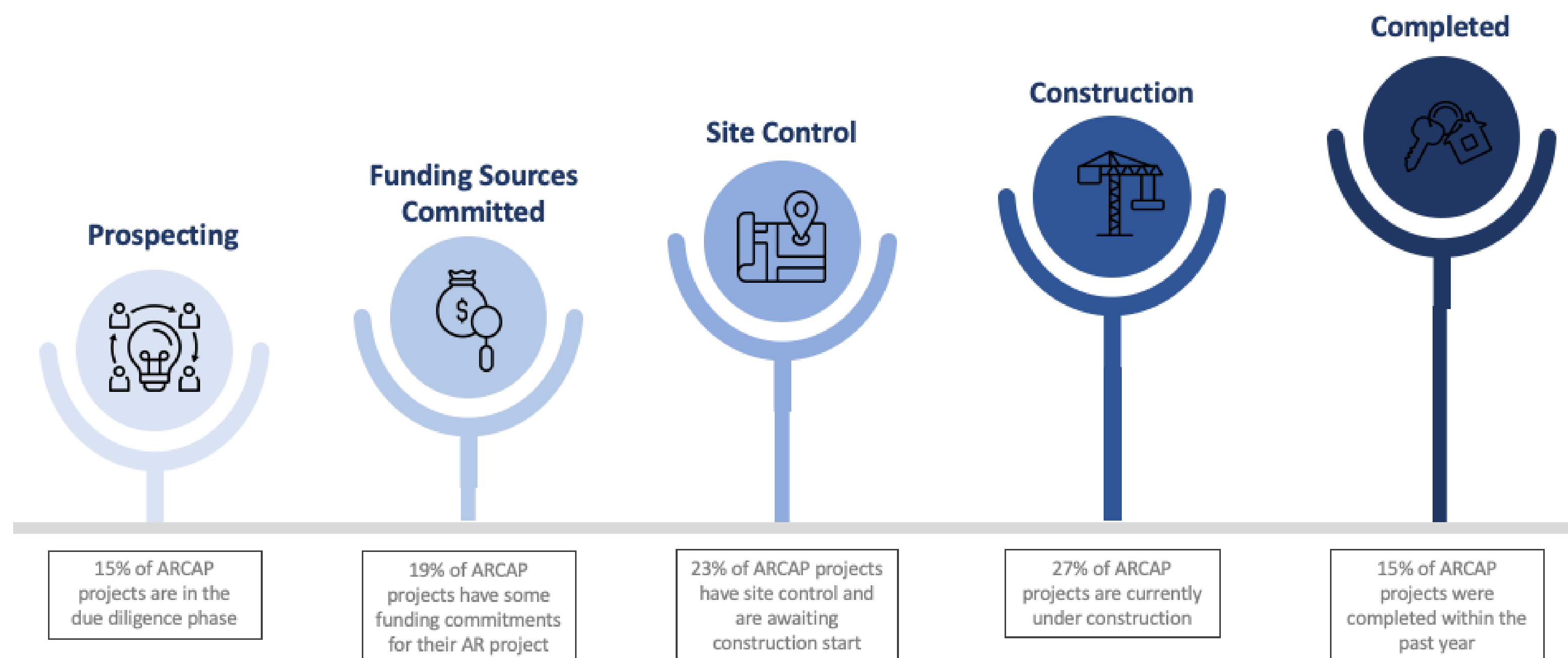
The fifteen ARCAP cohort participants operate nationally and **collectively** have developed over **68,000 affordable housing units**. To learn more about each organization, visit the [HPN member directory](#).



ARCAP Funded Projects

PROJECTS BY STAGE

The program was designed to fund projects in various stages of development, ranging from early stage, exploratory projects to those under construction.



ARCAP Funded Projects

BY LOCATION AND TYPE

Additional member projects are included on the following page.

Member	Project Location	Building Type
Abode Communities	California	School and Hotel/Motel
ACTION-Housing	Pennsylvania	Commercial/Office and School
BRIDGE Housing	California	Warehouse
cdcb come dream. come build.	Texas	Commercial/Office
Community HousingWorks	California	Hotel/Motel
Eden Housing	California	Commercial/Office and Other

ARCAP Funded Projects

BY LOCATION AND TYPE (CONTINUED)

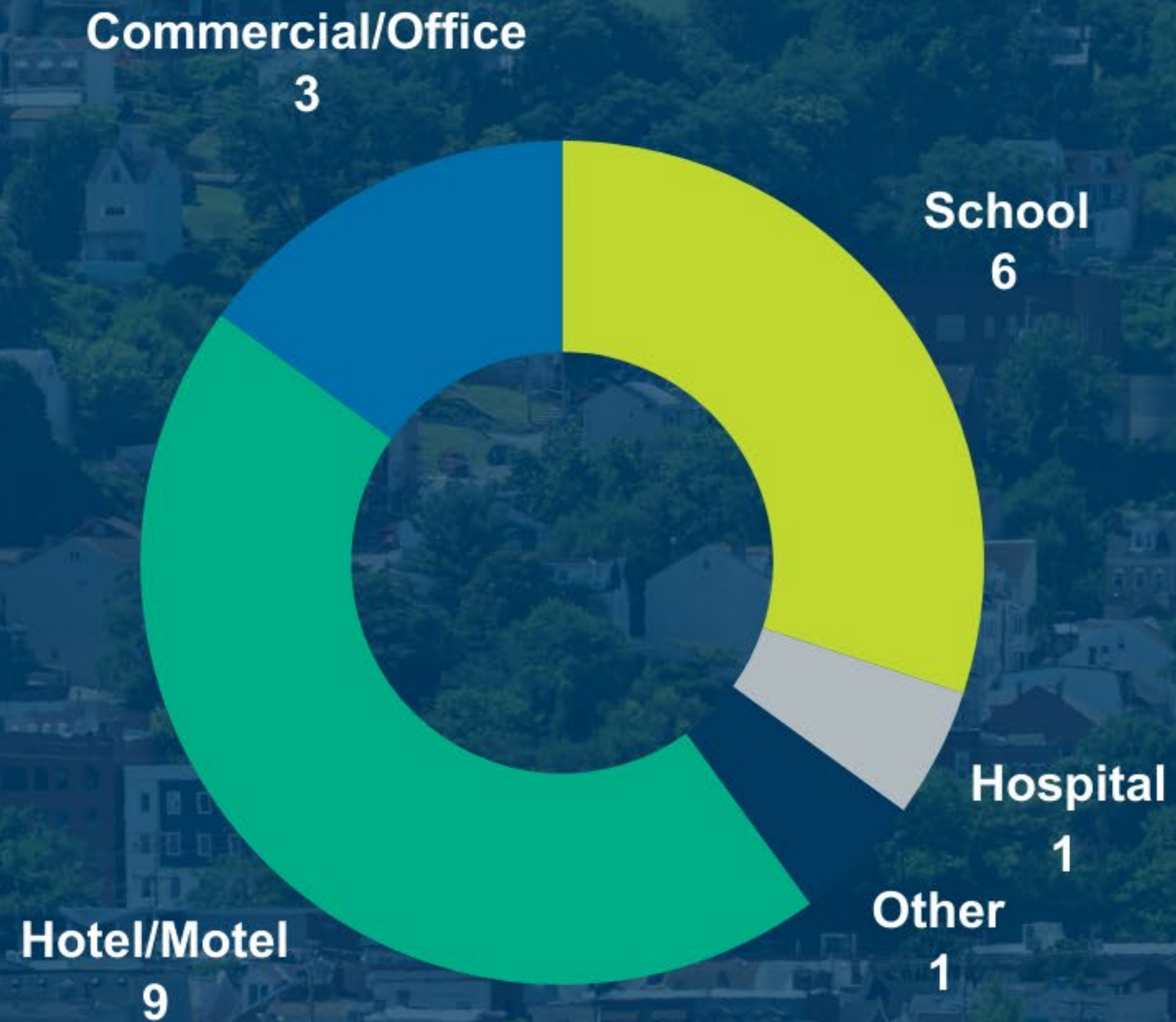
Member	Project Location	Building Type
Foundation Communities	Texas	Hotel/Motel
Gulf Coast Housing Partnership	Alabama	Commercial/Office
HDC MidAtlantic	Pennsylvania	Hospital
Jamboree Housing	California	Hotel/Motel
Linc Housing	California	Hotel/Motel
Mission First Housing Group	Pennsylvania and Maryland	School
Planning Office for Urban Affairs	Massachusetts	Hotel/Motel
The Community Builders	Pennsylvania and Ohio	School
Wesley Housing	Virginia	Commercial/Office and School

ARCAP Funded Projects

FROM HOTELS TO HOSPITALS

- Half of the 26 adaptive reuse projects vetted or advanced under ARCAP are in California, where the most common building type has been hotels or motels. This has been driven by [California's Homekey program](#), created in 2020 to convert existing properties into housing for people experiencing homelessness.
- Another six projects are in the Mid-Atlantic states of Pennsylvania and Maryland, focused on schools, offices, and a former hospital.
- Other project sites include Alabama, Ohio, Texas and Virginia.

ARCAP Funded Projects



ARCAP is supporting over 20 projects, intended to create 1,300+ new units of affordable housing through adaptive reuse across several project types.



Lessons Learned

**INSIGHTS FROM THE ADAPTIVE REUSE
CONVERSION ACCELERATOR PROGRAM**

Adaptive Reuse Insights

CONSIDERATIONS FOR SUCCESSFUL AR PROJECTS

When are adaptive reuse projects faster, less costly and more environmentally sustainable than new construction?
Under the right circumstances.

Adaptive reuse can be less expensive when the building is in good shape and adjustments necessary for conversion are relatively modest. For example, efforts to turn a suite hotel that already has kitchens and baths in every room into studio apartments is more likely to be quicker and less costly than converting a different type of asset, such as an office building.

Adaptive Reuse Insights (cont.)

CONSIDERATIONS FOR SUCCESSFUL AR PROJECTS

Meticulous inspection of the building. While a thorough investigation is necessary for any construction project, rehabilitating older structures, particularly those built for a different intended use, almost always requires a substantial overhaul of the building systems (e.g., plumbing, electrical, heating, ventilation, fire protection) to align with the new intended use of the building. Changing systems may also have ramifications on other parts of the building, including:

- **Roof.** Load capacity of the roof structure impact mechanical system placement. For example, composite steel-concrete roofs tend to have additional capacity with little reinforcement, but metal roof decks are often designed for the exact loads expected.
- **Foundation.** Increasing occupancy load, rooftop equipment, or height may require expensive foundation upgrades. Overloaded footing can settle into the soil, causing damages (e.g., sloped floors, cracked walls).

Adaptive Reuse Insights (cont.)

CONSIDERATIONS FOR SUCCESSFUL AR PROJECTS

Decarbonization. It is expected that construction projects today – including adaptive reuse projects – meet contemporary standards for decarbonization and air quality. This will have significant impacts on building systems and design. For example, switching from heating via fossil fuels and adding elements such as heat pumps, PV panels, or energy recovery ventilators (ERV) will require careful consideration of the building’s electrical load, ventilation, and roof condition.

Building Age and Condition. Often AR projects occur because a building is no longer ideal for its original use yet continues to exist because of a lack of interested buyers or a reluctance to demolish the building due to community attachment. AR buildings can lie vacant for extended periods of time, adding complexity and uncertainty associated with lack of use, exposure to the elements, and vandalism.

Adaptive Reuse Insights (cont.)

CONSIDERATIONS FOR SUCCESSFUL AR PROJECTS

Strong Partnerships with Local Government and Community Leaders. Many ARCAP participants highlighted how building and maintaining partnerships within their communities benefitted their adaptive reuse project immensely. These relationships can help developers:

- Expedite the timeline to obtain necessary approvals, licenses, and permits.
- Identify or obtain additional funding sources or project-based vouchers.
- Educate community members on project benefits and foster support.
- Identify new projects and build out their future development pipeline.

Adaptive Reuse Insights (cont.)

CONSIDERATIONS FOR SUCCESSFUL AR PROJECTS

Consideration of American Disability Act (ADA) and Environmental Compliance. Advancements in building technology and awareness of development techniques that facilitate life for those with disabilities and minimize negative impacts on the environment have drastically changed construction over the past few decades. Older buildings may not meet current ADA and environmental compliance and are more likely to face issues such as asbestos, abandoned wiring or lead plumbing, small door frames and bathrooms, or a lack of ramps and elevators. Developers need to fully assess how these regulations may affect their adaptive reuse project alterations and what the cost of those changes will be.



ARCAP Insights

**LESSONS FROM HOTEL, OFFICE AND
SCHOOL + HOSPITAL CONVERSIONS**

Hotel Conversion Insights

UNIQUE CHALLENGES: ADAPTIVE REUSE HOTEL PROJECTS

Adaptive reuse considerations that are particularly relevant to hotel conversions include:

- *Wear and tear.* Having frequent, short-term occupants who are not invested in unit maintenance and upkeep undoubtedly leads to higher levels of wear and tear on the building compared to office, school, or other conversion projects which tend to see lower tenant turnover over time.
- *Individualized systems.* Hotels tend to have unified systems and use of services (such as utilities, phone and internet) are generally calculated and billed at the building level. Switching to an individualized system (if desired) will require adding a way to measure usage at the unit level.
- *Zoning.* Despite apparent similarities between apartments and short-term stay facilities, there may be different zoning requirements that could require alterations to comply with code requirements.

Featured Project: Vista Nueva

JAMBOREE HOUSING – HOTEL CONVERSION



Number of Units Converted: 117

Location: Sacramento, CA

Population Served: Formerly homeless and transitional age youth

Project Completion: Jan 2023

Vista Nueva is a hotel converted into permanent supportive housing for formerly homeless families and transitional age youth.

The building is in a retail/commercial center and contains 63 studio apartments, 39 1-bedroom units, and 15 2-bedroom units. Additionally, common space was converted into a community room, kitchen, after-school program space, and offices for property and resident services staff.

Featured Project: Vista Nueva

JAMBOREE HOUSING – HOTEL CONVERSION

Key Lessons Learned:

- *Partnership.* The Jamboree team credits the success of Vista Nueva to their relationship with the Sacramento Housing and Redevelopment Agency (SHRA). SHRA understood the importance of supportive services, was willing to experiment, and brought resources to the table. In fact, Jamboree opened its Sacramento office almost entirely because of this successful relationship.
- *Community alignment.* To successfully convert to housing, a hotel must have accessibility within the community and be somewhere people want to live (e.g., not in an office park), particularly for the permanent supportive housing population.
- *Size and accessibility.* It essential to consider accessibility and unit size. While Jamboree is very comfortable with small units, they aim to build at least 275-290 square feet per unit. The ability to have community space is also ideal for service delivery and tenant amenities. As such, extended stay hotels can make for good conversions because they usually have separate kitchens.
- *HOA or condominium regulations.* Homeowners or condominium associations may make hotel conversions challenges. Since hotels are generally in office parks, there may be shared use agreements for parking, maintenance, etc. that can enable co-signers to veto further development or changes in use.

Featured Project: Vista Nueva

JAMBOREE HOUSING – HOTEL CONVERSION

“While hotel conversions are not the right solution for every community, a project with the right assets and partners can be quicker and more efficient than building new. With Vista Nueva, multiple residents provided testimony on the stability provided from this project and the life changing impact, which certainly helps justify the challenges.”

Michael Massie | Chief Development Officer, Jamboree Housing

Office Conversion Insights

UNIQUE CHALLENGES: ADAPTIVE REUSE OFFICE PROJECTS

Adaptive reuse considerations that are particularly relevant to office conversions include:

- *Windows and light.* Office buildings tend to have vast interior spaces without access to natural light, impeding the ability to provide working windows in bedrooms. Careful planning and the creation of unique unit shapes may be required to maximize the units and provide adequate light. Furthermore, office façade windows are often not operable and need to be replaced.
- *Ventilation systems.* Residential code requires that each unit has an operable vent which requires separate exhausts for a kitchen hood, toilet, and dryer, which typically requires adjustments to existing office ventilation systems.
- *Zoning.* Office buildings will not necessarily be zoned for residential use and AR projects may face challenges or local opposition when seeking change of use and upgrading to residential codes.

Featured Project: Samano Flats

CDCB – OFFICE CONVERSION



Samano Flats was originally built as a First National Bank in 1925. The building was later transformed into a Payless Shoe Store, followed by a period of vacancy until cdcB acquired the building in July of 2021.

The converted building will include a small grocery store and coffee shop on the ground floor, coworking/office spaces, and 40 units of affordable housing with set-asides for permanent supportive housing.

Number of Units Converted: 40

Location: Brownsville, TX

Population Served: Mixed-income, formerly homeless

Project Completion: May 2025

Featured Project: Samano Flats

CDCB– OFFICE CONVERSION

Key Lessons Learned:

- *Systems expenses.* It is important to plan for large mechanical, electrical, and plumbing (MEP) expenses. As is common with an office building, the mechanical and plumbing systems at this project were not equipped to service 40 studio apartments. In addition, the systems were 100 years old. Everything had to be redone and MEP was the project's largest budget item.
- *Due diligence.* It is crucial to take extra care with due diligence on older buildings. This building was 100 years old and in addition to outdated MEP systems, the project had extensive rot. The original windows were not installed with weatherization in mind and cdcB had to redo all the windows or find a similar product to install. Upgrading the windows was the biggest hurdle to complying with Historic Tax Credits.
- *Cost increases.* Pandemic related cost increases for MEP, masonry, doors and windows created a large funding gap during construction. Strong relationships and the ability to effectively communicate project impacts enabled cdcB to raise additional resources from the benevolent foundations and funders who were already supporting the project. The Texas Department of Housing and Community Affairs and their HOME-ARP funds ultimately bridged the remaining financial gap.

Featured Project: Samano Flats

CDCB – OFFICE CONVERSION

“This project is very special to cdcb as it is our only permanent supportive housing project south of San Antonio. While this adaptive reuse project has had its challenges, we are honored to bring affordable housing and support services to the community while contributing to the revitalization of downtown Brownville.”

Leo Barrera | Director of Real Estate Development, cdcb (come dream come build)

School/Hospital Conversion Insights

UNIQUE CHALLENGES: ADAPTIVE REUSE SCHOOL PROJECTS

Adaptive reuse considerations that are particularly relevant to school and hospital/medical facility conversions include:

- *Public pressure.* There is often intense community pressure to preserve schools and hospitals, as well as to adhere to the strict rules against demolishing historic buildings. In some cases, the community may be very supportive of an AR project making use of a treasured building. Nonetheless, added public scrutiny may delay or add steps to approval processes for these AR projects.
- *Consequences of vacancy.* Schools and medical facilities tend to be more regulated and difficult to run as compared to offices and hotels, which means these buildings are more likely to experience extended vacancies. Periods of vacancy are often accompanied by challenges associated with disuse and vandalism.

Featured Project: Harrower Village

ABODE COMMUNITIES – SCHOOL CONVERSION



The Harrower Village site includes three buildings constructed between 1921 and 1924 which were added to the Glendale Register of Historic Places in 1977. Harrower Village was initially built as a laboratory and medical clinic and was then home to the Los Angeles College of Chiropractic for 30 years. The property became a special education school in 1994.

Number of Units Converted: 40

Location: Glendale, CA

Population Served: Seniors with low incomes

Project Completion: July 2024

Featured Project: Harrower Village

ABODE COMMUNITIES- SCHOOL CONVERSION

Key Lessons Learned:

- *Unforeseen conditions in old buildings.* In an old building (in this case 100+ years), a developer must expect the unexpected. Numerous unforeseen conditions were encountered during the interior demolition process that led to design changes, delays, and approximately \$1.2 million in change orders. It is important to plan for delays and build in extra contingencies.
- *Public partnership.* Abode's partnership with the City of Glendale was instrumental for this project. The City of Glendale acquired the site, provided carry-back financing for the land, and approved a cash loan for construction-related expenses. The City also began the design and entitlement process itself, which helped expedite the predevelopment phase. The efforts, coupled with the financial commitment, allowed Abode to avoid the time-consuming process of securing multiple funding sources. Only tax credits were needed, which were secured within one year of being awarded the project.
- *Historic preservation.* As is common with historic sites, this project was limited by historic preservation regulations. A major design change was denied midway through the design process, requiring redesign of one of the buildings. All character defining features needed to be carefully protected at each stage of the project.

Featured Project: Harrower Village

ABODE COMMUNITIES- SCHOOL CONVERSION

“Our market assessment identified a need for over 1200 units of affordable housing within the Glendale area. Abode is thrilled to provide housing - at rents approximately half the going market rate - to seniors within beautiful buildings that have served the Glendale community in a multitude of ways over the past century.”

Ross Young | Senior Project Manager, Abode Communities



APPENDIX

National Trends and Statistics

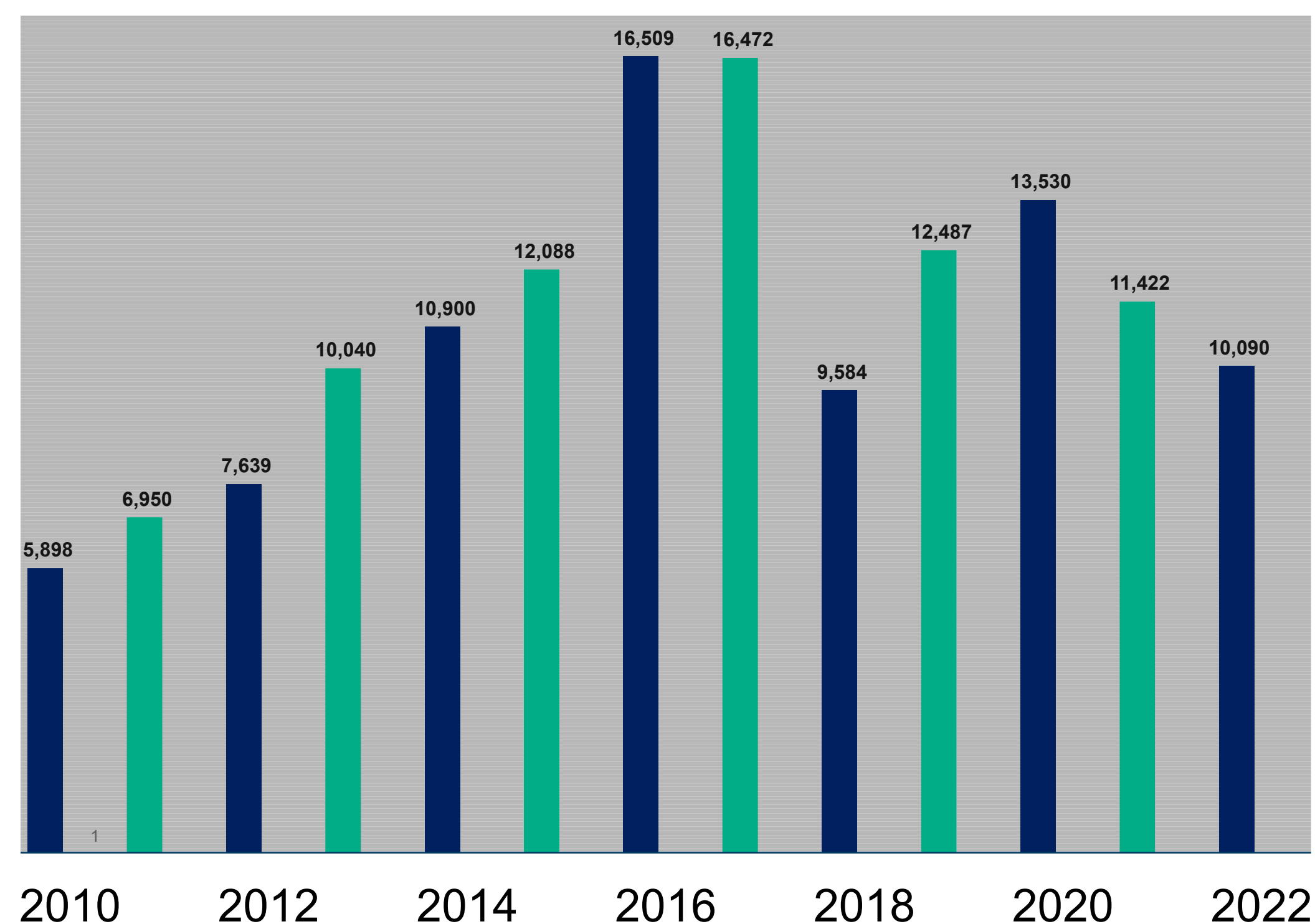
Annual Converted Apartments

ADAPTIVE REUSE APARTMENTS 2010 TO 2022

Rates of AR development rose in 2020 as cities promoted converting structures as a response to urban areas impacted by the pandemic. AR was also seen as an opportunity to help satiate the demand for housing in many markets. However, supply chain disruptions and price increases likely led to the slowdown seen in 2021/2022.

Source:
[Rent Café](#)

Number of AR Units Annually



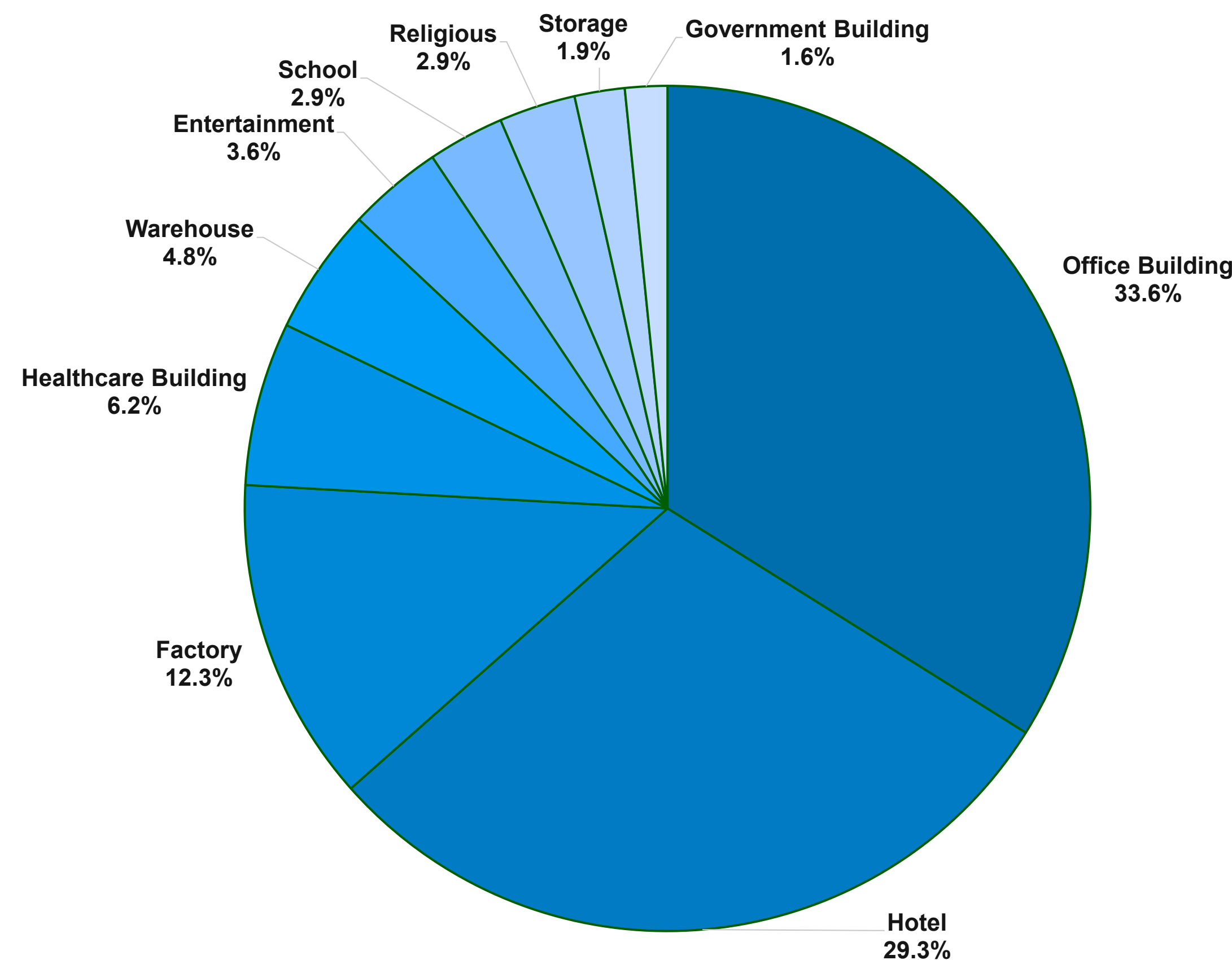
Types of Converted Buildings

2022 AR INVENTORY BY ASSET TYPE

In 2022, office conversions hit a 10-year low (3,390 apartments down from a high of 6,874 in 2020). Meanwhile, hotel/motel conversions gained in popularity, partially driven by government incentives. Factories made up 12.3% (1,241 apartments) of conversions in 2022, a rate 49% lower than 2021, likely due to limited stock and permitting obstacles.

Source:
[Rent Café](#)

2022 Conversions by Asset Types



Adaptive Reuse by Location

TOP CITIES FOR AR CONVERSIONS

In 2022, 23% (2,375) of AR conversions took place in Los Angeles (CA), Kissimmee (FL), and Alexandria (VA). While these cities had significantly higher rates of AR conversions than many other cities, the number of total conversion projects was nonetheless very small compared to other real estate development projects. Approximately 54% of Los Angeles conversions were former office buildings. Offices also accounted for a staggering 100% of conversions in Alexandria. In contrast, 85% of Kissimmee conversions came from former hotels.

Source:
[Rent Café](#)

Looking Forward

FUTURE ADAPTIVE REUSE CONVERSIONS BY CITY

- Los Angeles is expected to continue to lead in adaptive reuse projects. The city has 4,566 adaptive reuse units in process of conversion that are expected to enter the market in future years. For context, Los Angeles permitted 15,621 total residential units in 2022. New York is expected to take second place with 3,987 in process apartment conversions (permitted 68,610 residential units in 2022*), followed by Chicago with 3,519 in process apartment conversions (16,714 residential units were under construction in November 2022).
- Research by Urban Institute also indicates that five cities would be most apt for office to residential conversion, given distress in their office markets and high housing needs: San Mateo County in California, Seattle, Phoenix, Atlanta, and San Francisco.

* Note: In the first half of 2022 New York City saw an exceptionally high number of building permits for residential units as developers tried to meet deadlines to qualify for the state's 421-a tax exemption, which sunsetted in June 2022. In 2020 and 2021 residential unit permits issued were closer to 20,000.

Sources:

Rent Café

Urbanize – Analysis of LA Housing Permits

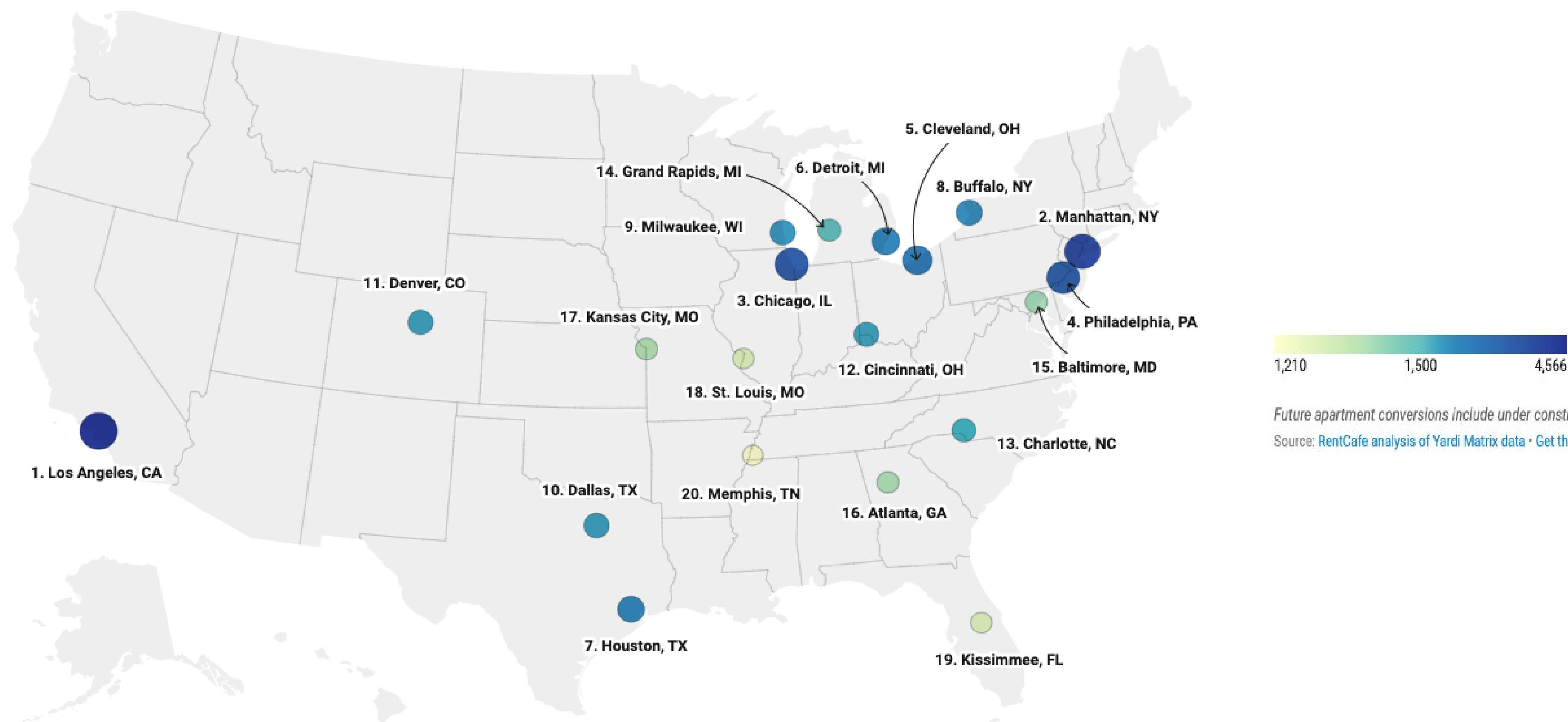
NYU – Furman Center: State of Housing Development

Matrix Multifamily Chicago Report

Urban Institute – Urban Wire

Looking Forward

TOP 20 CITIES FOR FUTURE APARTMENT CONVERSIONS



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