

- c) Adoption of zoning allowing for use by right for residential and mixed-use development.
 - d) Zoning more sites for residential development or zoning sites at higher densities than is required to accommodate the minimum existing regional housing need allocation for the current housing element cycle.
 - e) Adoption of accessory dwelling unit ordinances or other mechanisms that reduce barriers for property owners to create accessory dwelling units beyond existing law requirements, as determined by HCD.
 - f) Reduction of permit processing time.
 - g) Creation of objective development standards.
 - h) Reduction of development impact fees.
 - i) Establishment of a Workforce Housing Opportunity Zone or a housing sustainability district.
- 4) Preservation of affordable housing units through the extension of existing project-based rental assistance contracts to avoid the displacement of affected tenants and a reduction in available affordable housing units

This bill:

- 1) Adds the facilitation of the conversion or redevelopment of commercial properties into housing, including the adoption of adaptive reuse ordinances or other mechanisms that reduce barriers for these conversions, to the list of pro-housing local policies the HCD may consider in designating jurisdictions as pro-housing.
- 2) Requires HCD, in consultation with the State Fire Marshal, to research and develop building standards pertaining to the requirements for adaptive reuse development projects.
- 3) Allows HCD to propose revisions and clarifications to the California Building Standards Code pertaining to adaptive reuse to the CBSC.
- 4) Specifies that the bill's building code provisions related to HCD and the State Fire Marshal shall commence with the next triennial edition of the California Building Standards Code adopted after January 1, 2024.
- 5) Requires the CBSC to consider for adoption the revisions and clarifications proposed by HCD.

COMMENTS:

- 1) *Author's statement.* “Encouraging residential development on commercially zoned land through adaptive reuse can accomplish a number of California’s policy goals. The construction of new homes and mixed-use projects on underutilized retail and office property spurs economic growth while also addressing California's housing shortage. Furthermore, this type of redevelopment promotes key environmental and infill development goals by bringing residents closer to jobs, amenities, and public transportation, which reduces the state’s per capita greenhouse gas emissions from personal vehicle use. Incentivizing local governments to create smarter adaptive reuse policies supports the efforts of infill and affordable housing builders who have a great interest in building these kinds of projects. In the post-pandemic economy, there are new opportunities to convert underutilized commercial spaces to housing. Aligning state and local adaptive reuse goals and funds ensures that we can take full advantage of this unique historic and economic opportunity.”
- 2) *California has a housing shortage.* The need for and costs of housing have consistently outpaced the development of affordable housing for over 30 years. The lack of supply is the primary factor underlying California’s housing crunch. The state HCD estimates that California needs to build 180,000 new homes a year to keep up with population growth. HCD noted in its statewide housing plan that California must plan for more than 2.5 million homes over the next eight-year cycle, and no less than one million of those homes must meet the needs of lower-income households.
- 3) *Pro-housing designations.* HCD offers additional points or preference in scoring of certain program applications if a jurisdiction has an adopted housing element that has been found in compliance and has been designated prohousing. Bonus points are intended to incentivize local governments to seek compliance with state housing law, but may have unintended penalties for housing developers and advocates working in cities and counties that do not have an approved housing element or prohousing designation. The programs in which applicants in prohousing jurisdictions can receive these additional points or preference in scoring include: the Affordable Housing and Sustainable Communities (AHSC) Program, the Transformative Climate Communities (TCC) Program, the Infill Incentive Grant Program of 2007 (IIG of 2007), and other state programs when already allowable under state law, pursuant to regulations adopted by HCD. Some cities that have not adopted a substantially compliant housing element are adverse to housing development overall and are arguably the cities that need housing the most.

A prohousing designation can be earned from HCD by demonstrating that the local government is promoting climate-smart housing in a variety of ways, including but not limited to: streamlining multifamily housing development, up-zoning in places near jobs and transit to reduce emissions, and creating more affordable homes in places that historically or currently exclude households earning lower incomes and households of color. As of April 2023, there are 18 cities and 4 counties designated as prohousing. This bill would add the facilitation of adaptive reuse to the list of policies that HCD considers when designating jurisdictions as pro-housing.

- 4) *Adaptive reuse for housing.* According to a 2021 report from the Turner Center, many consider the conversion of commercial properties into residential developments a promising strategy for addressing California's ongoing housing challenges. The COVID-19 pandemic has only increased attention on commercial property: office vacancy rates were high across the state's major metropolitan areas, ranging from 14.3% in San Diego to 20% in San Francisco. Empty office buildings and strip malls might seem like perfect opportunities for conversion to housing, especially when those properties are widely distributed throughout the state.

However, commercial conversions are relatively rare, and they are more likely to entail demolition and new construction than the adaptive reuse of any existing structure. Adapting existing commercial buildings to residential developments tends to be more expensive than new construction, particularly when unexpected expenses (*e.g.*, seismic retrofitting or environmental remediation) are taken into account. The structure of the existing building also determines the feasibility and cost of conversion, meaning that not every commercial property will be a good candidate for redevelopment. Buildings with specific architectural characteristics, such as shallow floor plates, generous exterior exposure, or unique building features, are especially conducive to adaptive reuse.

Increasing the ability of developers to adapt older buildings to new housing offers a potential path to meeting both housing supply and environmental sustainability goals. According to a 2021 white paper from Central City Association, 8,000 to 16,000 new homes could be built in the City of Los Angeles if only 10% of the city's total 155,000,000 sq. ft. of office space was converted to housing. Local policies can promote adaptive reuse projects. For example, Los Angeles's 1999 Adaptive Reuse Ordinance has been credited with facilitating more than 14,000 new units converted from underused office space. This bill intends to reduce barriers to adaptive reuse by asking HCD to propose

revisions and clarifications to the California Building Standards Code pertaining to adaptive reuse.

- 5) *Establishing building standards.* The legislature typically offers guidelines, or directs agencies to consider specific standards, in order to provide flexibility. After the proposal of building standards by state agencies, the standards undergo a public vetting process. A code advisory committee, composed of experts in a particular scope of code, reviews the proposed standards, followed by public review. The proposing agency considers feedback and may then amend the standards and re-submit them to the CBSC for consideration. The codes are updated every three years with an intervening cycle every 18 months. The next code adoption cycle is currently underway and set to become effective in 2026. This bill requires the adaptive reuse code updates to be considered in the following cycle.

RELATED LEGISLATION:

AB 1695 (Santiago, Chapter 639, Statutes of 2022) — required HCD’s affordable multifamily housing loan programs to allow adaptive reuse as an eligible activity for a notice of funding availability application.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

POSITIONS: (Communicated to the committee before noon on Wednesday, July 5, 2023.)

SUPPORT:

Non-profit Housing Association of Northern California (NPH) (Sponsor)
AIDS Healthcare Foundation
American Institute of Architects California
California Apartment Association
California Housing Partnership
California YIMBY
CivicWell
East Bay YIMBY
Eden Housing
Grow the Richmond
How to ADU
International Interior Design Association Northern California Chapter
International Interior Design Association Southern California Chapter
Livable California

Meta
Mountain View YIMBY
Napa-Solano for Everyone
Northern Neighbors
Peninsula for Everyone
People for Housing Orange County
San Francisco YIMBY
Santa Cruz YIMBY
Santa Rosa YIMBY
Slo County YIMBY
South Bay YIMBY
Southside Forward
Urban Environmentalists
Ventura County YIMBY
YIMBY Action

OPPOSITION:

None received.

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