

SAVING DOWNTOWN



THE WORLD IN 2023 | DEC. 29, 2022

Remote Work Is Poised to Devastate America's Cities In order to survive, cities must let developers convert office buildings into housing.



By Eric Levitz, senior writer for Intelligencer who covers politics and economics



Photo: Spencer Platt/Getty Images

From [New York Intelligencer](#),
Dec. 29 2022: [Remote Work Is
Poised to Devastate America's Cities](#)
by Erik Levitz

OPENSOURCE STUDIO

WHO WE ARE

OpenScope Studio is a full-service architectural practice based in San Francisco and Los Angeles specializing in smart solutions to complex design problems. We work on a wide range of housing types, including market rate multifamily, affordable housing, senior housing and multifamily ADUs.



OFFICE VACANCY

“Downtown San Francisco is likely to end the year with more than one of every four square feet of office space vacant, according to a real estate firm that charts leasing activity in the city.

The preliminary numbers compiled by analysts at the firm CBRE show a vacancy rate for 2022 of around 27%, compared to 19% in 2021. That’s nearly seven times the vacancy rate for 2019 of 4%, before the pandemic brought an end to San Francisco’s long run as one of the nation’s most coveted office markets.”

From The San Francisco Chronicle, Dec. 27 2022: [San Francisco’s downtown office vacancy rate hits 27% — but a rebound might be ahead](#) by John King



HOUSING SHORTAGE

It is still extremely expensive to live in San Francisco and rental prices have rebounded from the depths of the pandemic:

San Francisco

- **Median rent in December 2022:** \$2,975
- **Median rent in December 2020:** \$2,668
- **Percent change:** 12%

While New York was the most expensive rental market in the U.S. in 2022, San Francisco had held the title for the six years prior, according to Zumper's data. It's still an expensive place to live at nearly \$3,000 for a one-bedroom.

Luckily, rent prices have not climbed back up to the city's pre-pandemic peak of \$3,700 in 2019. Even so, "it would take a large market shift for San Francisco to fall out of the top five," said Chen.

From CNBC, December 18, 2022: [The 5 U.S. cities expected to have the highest rent prices in 2023](#) by Mike Winters

HOUSING SHORTAGE

It's widely acknowledged (and frequently reported on) that repurposing office space could be part of our housing strategy:

Supervisor Matt Dorsey said that in light of elevated housing targets handed down by the state, called the Regional Housing Needs Allocation, all options should be on the table.

“We’ve got to make that up somewhere in the RHNA numbers,” Supervisor Matt Dorsey said. “That’s kind of like a Rubik’s Cube. All that being said, this is all going to be a Rubik’s Cube anyway.”

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CONVERSIONS

So why don't we
convert all this
vacant office
space to housing
and solve two
problems at once?



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CONVERSIONS



Do we
convert
these giant
towers?

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CONVERSIONS

It's possible, but converting large floorplate Class A buildings leads to something like this:



[Image via Bobby Fijan on Twitter](#)

CONVERSIONS

Large office buildings are expensive to convert, and most will not pencil out in the current market:

- MEP systems are not designed for residential use and need to be replaced.
- Older inefficient curtain walls often need replacement.
- It is rare to find a fully vacant building and a mix of residential and office uses in the same building can pose additional challenges.

100 Van Ness at right, [photo by Dead.rabbit on Wikipedia](#). 418 unit conversion designed by SCB Architects for Emerald Fund



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CONVERSIONS

There is likely a place for these large scale conversion projects but they may require subsidies and many owners are holding out hope that the office market will rebound in the next few years (and it very well might).

S.F. Planning has partnered with consultants to look for candidate buildings.



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CONVERSIONS



Maybe we
should look
at these
buildings
instead?

OFFICE VACANCY

This is a CoStar report showing pre-1950 commercial buildings under 9 stories tall (as of January 2023).

INVENTORY SF 3.7M +0% Prior Period 3.7M	UNDER CONSTRUCTION SF 0 - Prior Period 0	12 MO NET ABSORPTION SF (528K) -99.9% Prior Period (264K)	VACANCY RATE 39.4% +14.2% Prior Period 25.2%	MARKET RENT/SF \$52.54 -1.3% Prior Period \$53.24	MARKET SALE PRICE/SF \$702 -1.4% Prior Period \$712	MARKET CAP RATE 4.9% +0.1% Prior Period 4.8%
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Availability		Inventory		Sales Past Year		Demand	
Vacant SF	1.5M ↑	Existing Buildings	61 ↓	Asking Price Per SF	-	12 Mo Net Absorp % of Inventory	-14.2% ↓
Sublet SF	297K ↑	Under Construction Avg SF	-	Sale to Asking Price Differential	-	12 Mo Leased SF	227K ↑
Availability Rate	41.4% ↑	12 Mo Demolished SF	0 ↓	Sales Volume	\$0 ↓	Months on Market	16.3 ↑
Available SF	1.5M ↑	12 Mo Occupancy % at Delivery	-	Properties Sold	0 ↓	Months to Lease	14.8 ↑
Available Asking Rent/SF	\$49.10 ↓	12 Mo Construction Starts SF	0 ↓	Months to Sale	-	Months Vacant	27.8 ↑
Occupancy Rate	60.6% ↓	12 Mo Delivered SF	0 ↓	For Sale Listings	3 ↑	24 Mo Lease Renewal Rate	2.4%
Percent Leased Rate	69.6% ↓	12 Mo Avg Delivered SF	-	Total For Sale SF	124K ↑	Population Growth 5 Yrs	0.4%

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CONVERSIONS

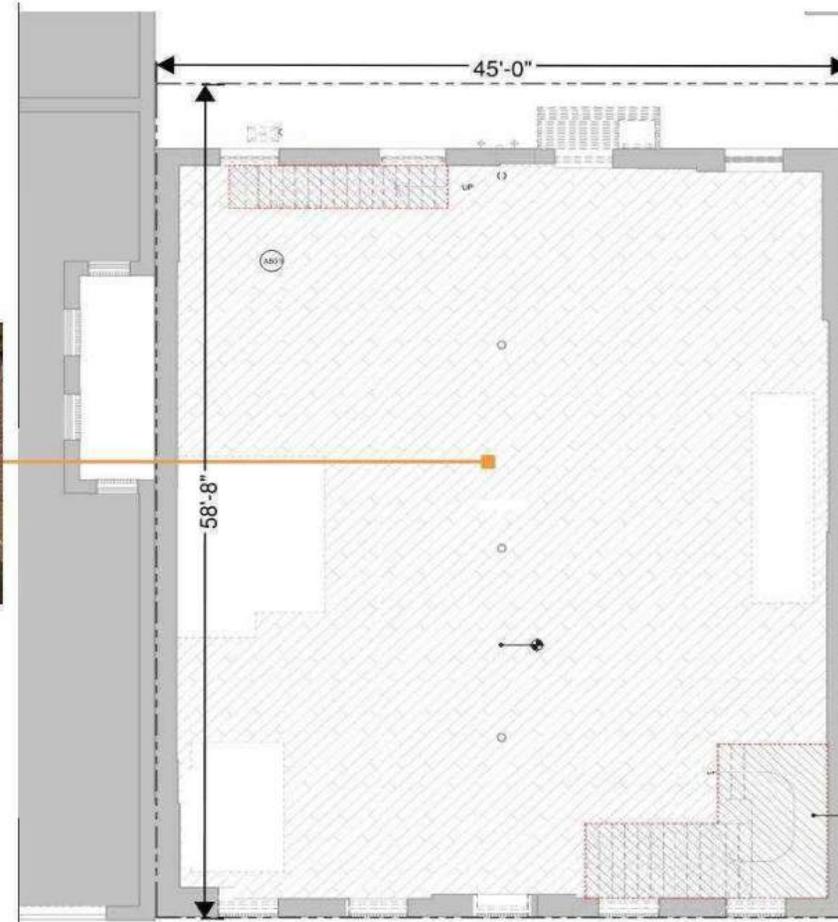
Low rise Class C buildings downtown present low hanging fruit for housing conversions that could be built quickly, without subsidies, but with tweaks to codes.



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CONVERSIONS

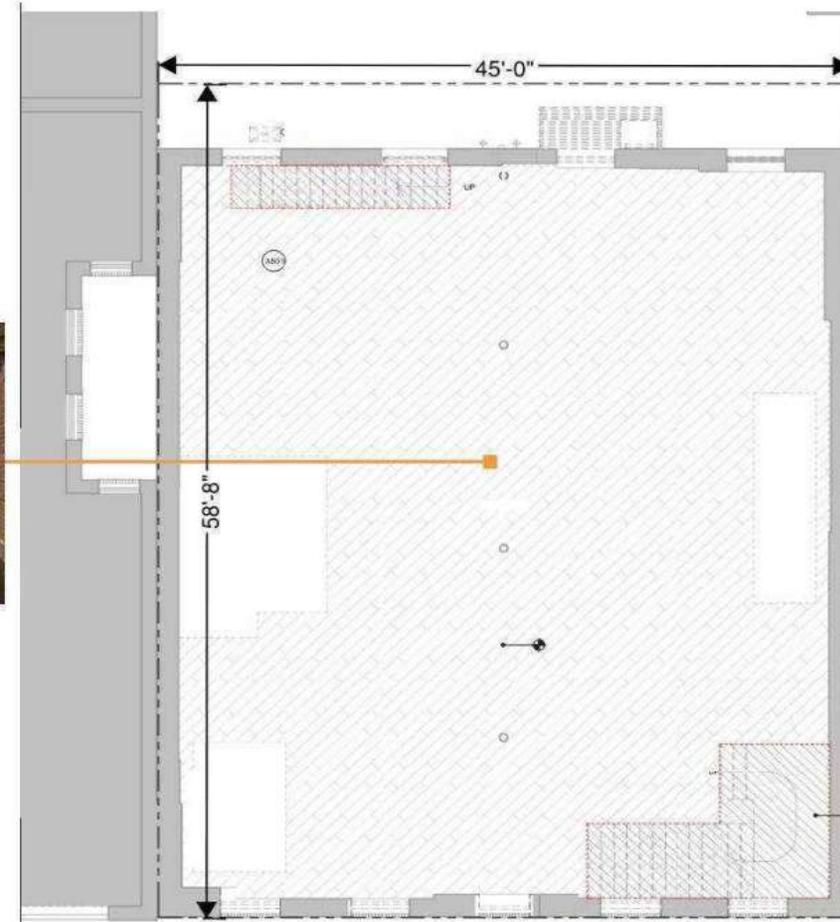
Many downtown streets are lined with small buildings constructed shortly after the 1906 earthquake.



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CONVERSIONS

Zoning already allows for residential use but there are other challenges in the Planning and Building Codes.

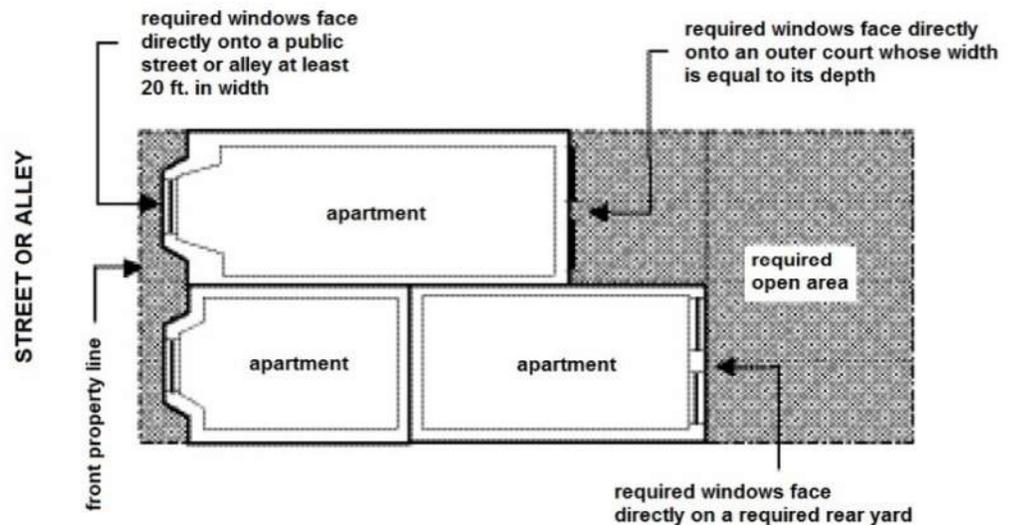
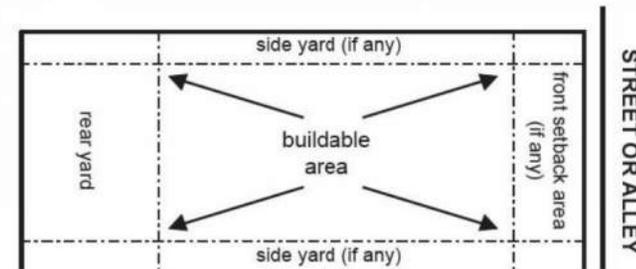
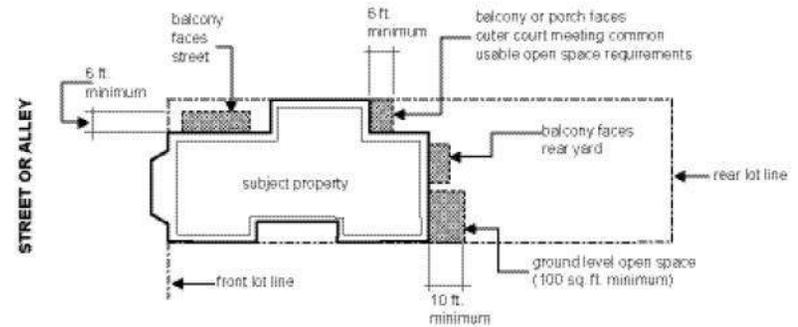


PLANNING CODE CHALLENGES

Open Space: At least 36 square feet if private, and 48 square feet per Dwelling Unit if common.

Rear Yard: 25% of the total depth lot depth, but in no case less than 15 feet for lowest story containing a dwelling unit and each succeeding story.

Section 140 Dwelling Unit Exposure: at least one room (120 sq. ft. min.) must face a code complying rear yard, a public street at least 20' wide or a 25' square area that's open to the sky.



BUILDING CODE CHALLENGES

- **Means of Egress:** existing stairs may not meet all of the dimensional requirements for a new building (rise/run, width, handrail extensions etc).
- **Fire Escapes:** many older buildings have fire escapes as a second means of egress. They exist in many of San Francisco's older apartment buildings and are covered by a departmental memo but they will not necessarily be approved in a project with a change of use.
- **Elevator Dimensions:** the current building code requires a stretcher fit inside the cab of an elevator. Most older elevator buildings do not meet this requirement.
- **Rescue Windows/EEROs:** when required, they are supposed to exit directly to a public right of way.
- **Light and Air requirements:** local San Francisco amendments to the California Building Code prohibit living rooms and bedrooms without natural light.
- **Seismic Upgrades:** triggered by change of use and extent of renovation.

How do we solve for the smaller conversions that can be done in the short term while a long term strategy is worked out for using large towers?

San Francisco's multifamily ADU program sets a good precedent.



PRECEDENT

The key to making the ADU program work was simplifying approvals by waiving portions of the Planning Code at a staff level without hearings.

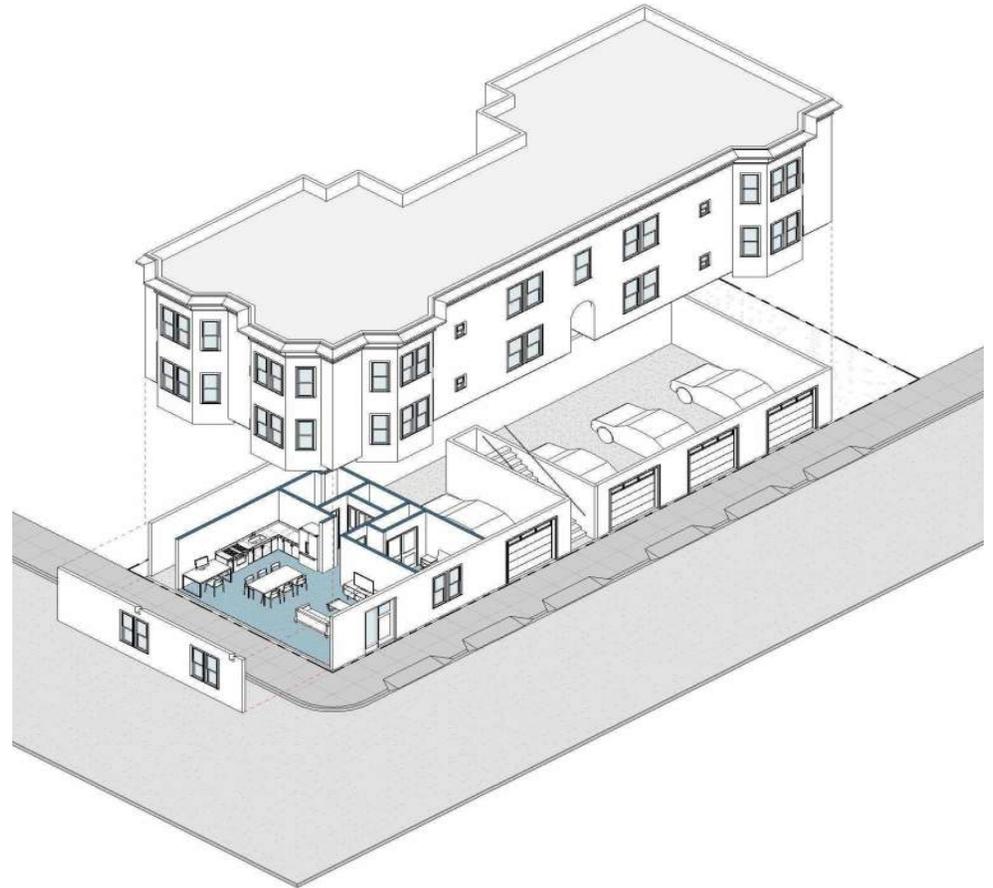
DBI and the SFFD issued Information Sheets that spell out building code equivalencies that can be used for ADU projects and will be predictably approved.

In exchange, project sponsors agree to sign a Costa Hawkins Waiver that puts the new units under the city's Rent Control program.



PRECEDENT

San Francisco pioneered multifamily ADU legislation in California with an innovative local change to the Planning Code that allowed for additional density in multifamily buildings by created apartments out of underused spaces.



PRECEDENT

San Francisco's local ADU program offers the following concessions and waivers

- Dwelling Unit Exposure
- Open Space
- Density Limits
- Rear Yard

and

- Neighborhood notification is not typically required.

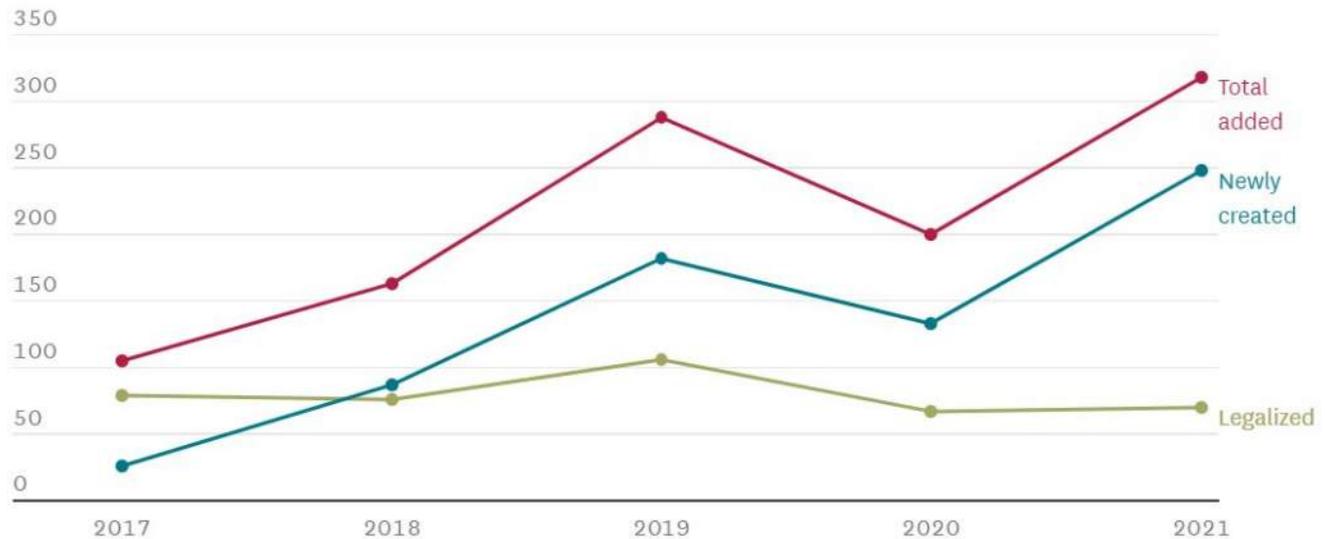
DBI and SFFD have created Information Sheets with equivalencies that cover code issues:

- Exit distances
- Sprinkler requirements and coverage
- Fire escapes
- Egress window requirements in buildings built out to the property lines

PRECEDENT

2021 saw 318 ADUs added to San Francisco's housing stock, part of a total of 564 units added via existing building alterations (over 12% of the 4,633 units created in 2021).

Accessory dwelling units created or legalized annually in S.F.

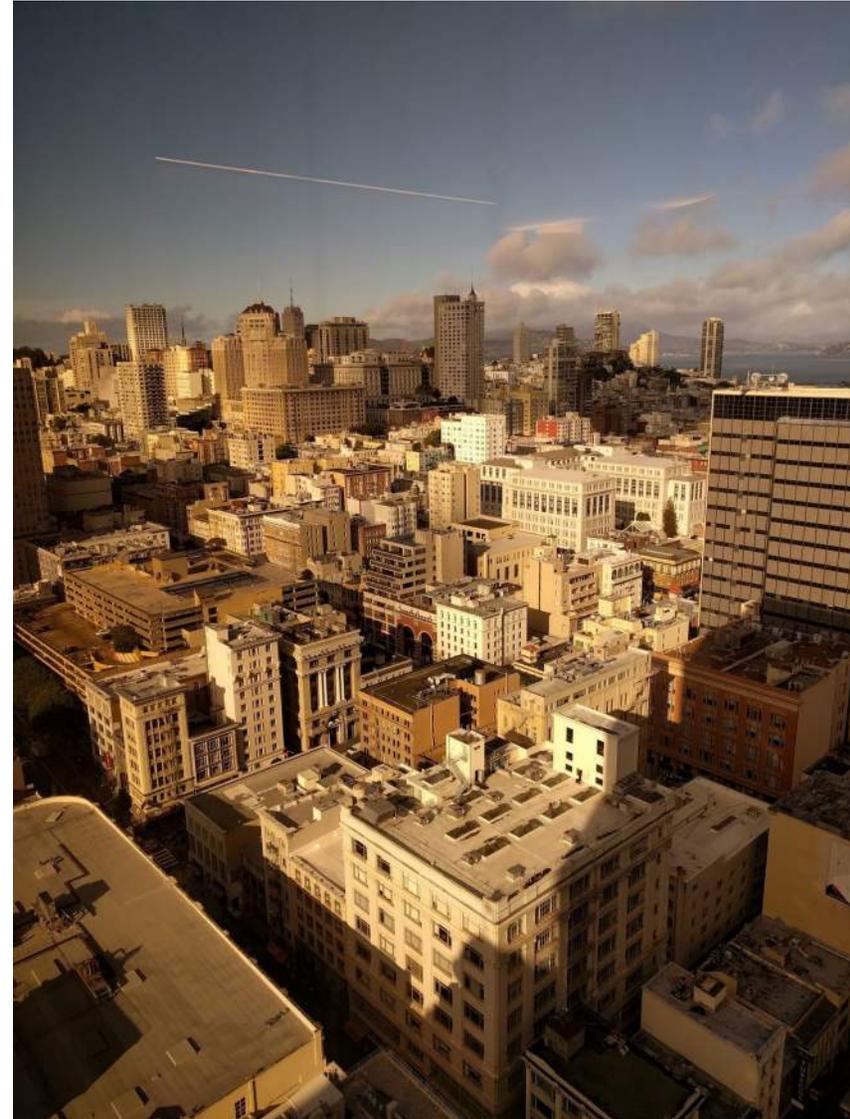


Many of the challenges with creating multifamily ADUs by converting non-residential space to housing are very similar to doing office to residential conversions. Creating a similar program for office conversions would help immediately spur conversions at no cost to the city while building additional housing.

LEGISLATION

Benefits:

- Little to no opposition exists to this type of housing creation.
- Build-out could be completed more quickly than ground up residential construction.
- Even during construction, these projects would immediately start bringing more people downtown.
- Many buildings that are prime candidates for residential conversion have not been updated and are unlikely to be rented out to office tenants for years as existing tenants flee to newer buildings with more amenities as rental rates decline (“flight to quality”).
- Very little to no disruption to existing residents. Most work will be interior renovations of vacant buildings.



LEGISLATION

- Legislation could borrow directly from the ADU program as far as the concessions and waivers are given in exchange for rent control.
- The waivers and concessions offered should be reviewed, some of the challenges with downtown buildings are going to be different from ADUs.
- DBI and the SFFD should be brought into the discussion early to review additional Information Sheets necessary to provide predictable solutions to common building code issues.

LEGISLATION & NEXT STEPS

Stakeholder input should be gathered and lists of potential friction points for conversions should be identified:

Planning Code Issues:

- Rear Yards
- Exposure
- Bicycle Parking
- Open Space
- Ground Floor Retail Requirements

Building Code Issues:

- Means of Egress
- Fire Escapes
- Elevators
- Rescue Windows/EEROs
- Light and Air requirements
- Seismic Upgrades

LEGISLATION & NEXT STEPS

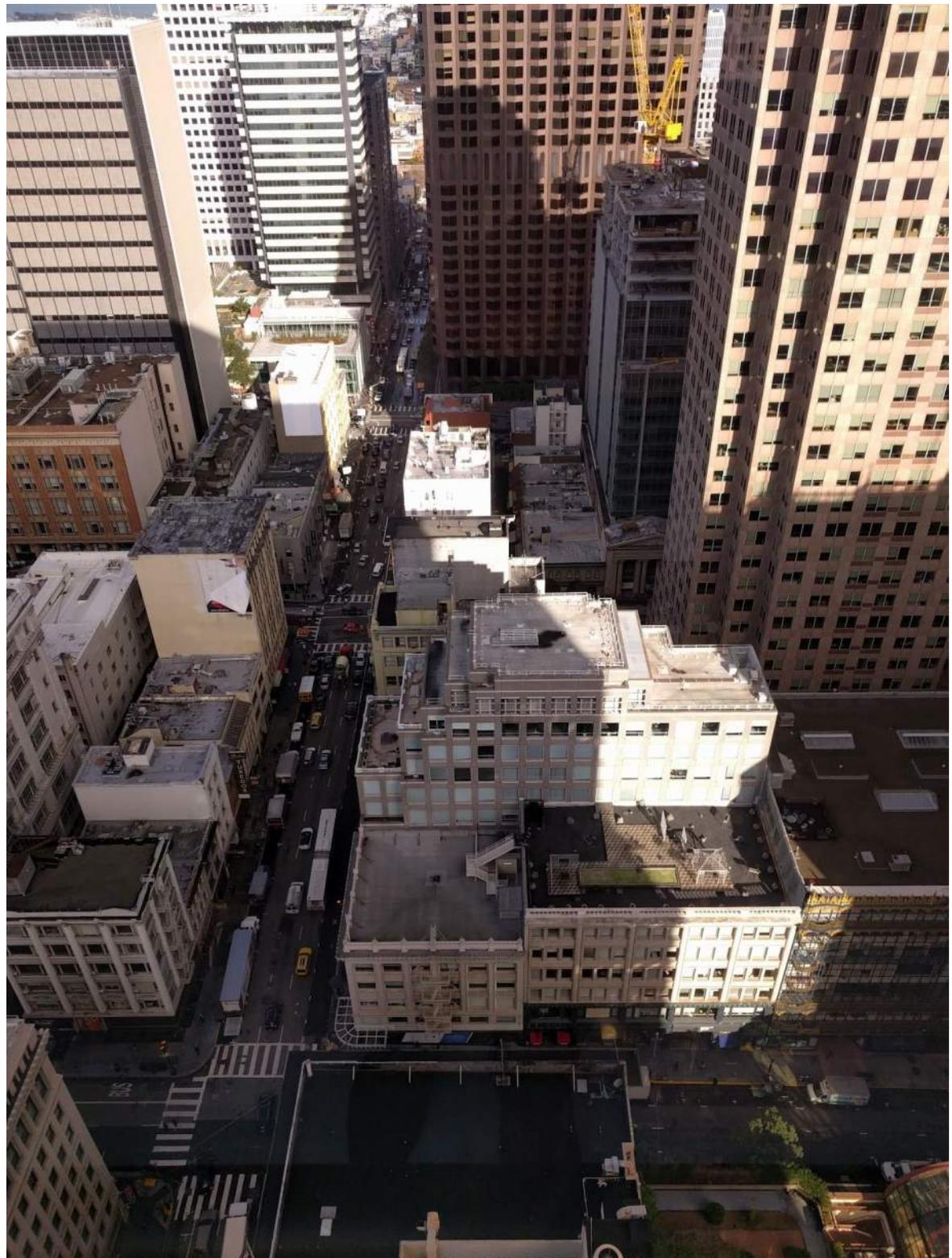
The BLA report commissioned by former Supervisor Mar had a number of recommendations to investigate:

- Ministerial approval for these types of projects, similar to LA's Adaptive Reuse Ordinance. (page 5)
- Policy options on Page 6, in particular putting time limits for review on these projects, removing discretionary review and looking at building code updates.
- Reducing/eliminating impact fees and plan check fees (similar to ADUs, but Planning was still charging review fees which are very high)

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LEGISLATION

This is the time to shift the narrative about downtown away from one of crime, disorder and decline to one focused on opportunity.



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QUESTIONS?

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