

WESTERN AFFORDABLE HOUSING BUSINESS

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Covering Affordable, Workforce & Mixed-Income Housing

LA Tackles Affordability Crisis

Developers, nonprofits and government entities are eager to provide more product, but funding issues and red tape create obstacles

The Pointe on Vermont, Los Angeles

Plus:

Ideal Timing For Adaptive Reuse

Lender Roundtable

Energy Conservation Measures

To Lower Operating Expenses

Ideal Timing For Adaptive Reuse

Excess commercial space combined with a shared commitment to sustainability and equality makes the West ground zero for transformative developments.

Nellie Day

Nothing is certain following this pandemic, but many commercial real estate experts believe there will be a solid amount of office, retail and hospitality space up for the taking in the near future. Fortunately, much of that space may not stay vacant for long as some developers are eager to convert these empty buildings into affordable housing.

“Adaptive reuse is going to become more and more ubiquitous as the extent of the pandemic’s impact is measured,” says Richard Rubin, CEO of Repvblik, a Los Angeles-based development company that specializes in turning distressed properties into affordable housing.



RICHARD RUBIN
CEO,
Repvblik

“Close to 80,000 retail spaces are predicted to close nationally by 2026. J.P. Morgan says 10 percent of its office footprint will be reduced going forward based on people working from home, and 30,000 hotels are in the process of closing nationally.”

Repvblik is in the process of purchasing distressed hotels with the intention of rolling out 4,000 affordable apartment units annually over the next five years. Rubin notes the West Coast is one area he hopes to target.

John Arnold, a partner at architecture firm KFA in Los Angeles, believes the Western U.S. will be an attractive area for many affordable housing and adaptive reuse enthusiasts for a few different reasons. “The appeal of adaptive reuse is that it doesn’t need zoning approvals in a city like Los Angeles, which is very progressive, especially when it comes to its building and fire departments,” he says.

“Residents can’t object to the building because it’s already there. Many office buildings were built since the mid-century, so they have way more parking than they need. Plus, people are starting to feel like ‘it’s my duty to support sustainability and more affordable housing.’”

Arnold notes seismic reinforcement can be an issue in earthquake-prone areas, but that the desire to preserve history while fostering economic regeneration is a win-win for both residents and municipalities.

“A lot of cities want to engage in adaptive re-



Built in the 1960s, 888 Tower in Santa Ana, Calif., now functions as workforce housing, with the first two floors featuring live-work units zoned to attract workers from local commercial businesses.



use, and a few are using LA as their templates,” he continues. “Los Angeles figured this out 20 years ago when it put down a series of rules that codified certain aspects of existing buildings, making them much easier to approve for adaptive reuse. It would be great if all cities would follow suit.”

Although many official city policies may be a work in progress — and the fallout from COVID-19 hasn’t yet been fully realized across the commercial real estate sector — there are still a variety of adaptive reuse projects making their way through the approval process and coming to fruition throughout the Western U.S.

High-Rise Office Conversion in Orange County

A 148-unit high-rise office building in Santa Ana, Calif., is the first adaptive reuse project to bring workforce housing to Orange County. The property, known as 888 Tower, was originally built in the 1960s by renowned architect Wilton Beckett, who also designed Los Angeles

International Airport (LAX) and the iconic Capital Records Tower. The building was acquired by Alliant Strategic through its Alliant Strategic Opportunity Zone Fund I for \$54 million this past November.

The studio to two-bedroom units will target workforce housing residents, or those making 100 percent of the area median income. The first two floors will contain live-work units specifically zoned to attract workers from local commercial businesses. Basement amenities will include a fitness center, yoga studio, internet café and common areas with free Wi-Fi.

The office property, located at 888 N. Main Street, was brokered by Lineage Asset Management and Brookwood Group.

“888 Main is a generational asset and a rare adaptive reuse investment opportunity in Orange County,” says Jeffrey Gould, founder of Lineage Asset Management. “This property presents a unique template for reimagining and adapting an older, 10-story office building into a much-needed 148-unit housing project that is

situated in the heart of the Santa Ana Central Business District. This project is a leading indicator of how older, vacant buildings are being converted into modern and productive buildings for the benefit of the community at large."

Matthew Breiner, senior vice president of construction at Woodland Hills, Calif.-based Alliant Capital, a tax credit syndicator for the development and financing of affordable multifamily rental housing, notes 888 Tower's location was an extremely attractive feature for the workforce housing conversion.

"A building's condition and configuration, including the layout and floorplate, are crucial, but so is location, transportation, and availability of amenities like schools, shopping, medical care and parks," he says.



MATTHEW BREINER
Senior Vice President
of Construction,
Alliant Capital

The tower sits adjacent to UCI Health Family Health Center and is less than a mile north of the city center. It also features two stories of subterranean parking, an increasingly enviable amenity in Southern California.

Vacant Safeway in LA Spawns Supportive Housing

A former Safeway supermarket in the Los Angeles harbor submarket of Wilmington, Calif., is being converted into permanent supportive housing for formerly homeless individuals.

"The Safeway was built in 1953, but was not big enough to survive when modern grocers needed more space," notes Arnold of KFA, which is designing the project. "The store is surrounded by park-



A former Safeway supermarket in Wilmington, Calif., is being converted into permanent supportive housing for formerly homeless individuals. The site, which has been vacant for a decade, will eventually include 54 studio and one-bedroom units.

ing, which is great for light and air in the residential units we're planning for the existing building. We will also convert some of the parking to landscaped areas and build a four-story addition with more units at the rear in the former loading area."

The site at 1355 Avalon Blvd., which has been vacant for a decade, will eventually include 54 studio and one-bedroom units. It is being developed by nonprofit housing provider Brilliant Corners and its development partner, Richman Group.

KFA will execute a structural retrofit and restore some of the building's notable features. This includes its Googie architectural style, a Southern California aesthetic that's defined by its futuristic-looking design emphasizing car culture, jets, and the Space and Atomic ages.

Design plans call for elevated residential units above the ground plane, additional windows, solar panels on the roof, and a new entrance in the concrete wall that fronts Avalon Boulevard. The building's roof will also be partially peeled away to create an inner courtyard in the heart of the former grocery store floor.

"Some buildings — if you simply cut a light well or courtyard into them — really increase their ability to serve as housing," says

Arnold. "There are lots of mid-century commercial buildings out there that are now obsolete or

need restoration, and are in parts of town that are well-suited for housing."

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Construction on the new supportive housing project is slated to begin near the end of the year, with completion anticipated around summer 2022.

Healthy Office Conversion in Mile-High City

The Denver Health and Hospital Authority, in partnership with the Denver Housing Authority and Enterprise Housing Credit Investments, is transforming a 10-story administrative office building on its recently upgraded campus into affordable apartments.

The building at 655 Broadway in Denver will be connected to health services designed to support seniors, people with disabilities and homeless patients transitioning out of Denver Health medical facilities.

The project calls for 110 furnished studio and one-bedroom apartments, 96 of which will be set aside for low-income seniors age 62 and older. The remaining 14 apartments will serve as transitional housing for patients who require additional healthcare and housing support after they're discharged from the hospital.

Many states, including Colorado, have laws that prevent hospitals from discharging patients who don't have a safe place to go. As a result, patients can sometimes occupy hospital beds for weeks or months after their required hospitalization as they recover. That situation not only causes a financial strain, but also a shortage of beds.

The homes at 655 Broadway will create long-term affordable housing and a safe haven for patients. Residents/patients will also have onsite wrap-around services to support a successful transition to long-term independent living.

"As an anchor institution, we do more than provide high-quality clinical care for the community we serve," says Robin Wittenstein, CEO of Denver Health. "We use our resources to have a positive impact on many of the factors that impact a person's well-being. The opportunity to provide safe, transitional housing for some of our most vulnerable patients when they leave the hospital is critical."

The project's ground-floor and lower-level amenities will include community and activity rooms, a maintenance shop, exercise and physical/operational therapy facilities, and a computer and business center. The conversion will also feature significant energy-saving upgrades, including high-efficiency mechanical systems, Energy Star appliances, low-VOC carpet and paints, and improved building sealing and insulation. (Common volatile organic compounds released into the air are formaldehyde, benzene, ethylene glycol and carbolic acid.)

The building is proceeding through the National Park Service historic designation process due to its architectural character. All apartments are scheduled to be ready for resident move-in by April 2022.

Like Breiner at 888 Tower, Brian Windley, vice president of acquisitions at Enterprise Housing Credit Investments, believes location will continue to play a huge role when investors choose their next affordable housing project.

"We look for well-located properties that are close to services, schools, employment, transportation and everything else that makes for a good neighborhood," he says. "We also prioritize communities that would benefit from creating more affordable homes. This project checked all those boxes."

Cancelled Condo Project in Garden Grove Reimagined

The unfinished structure in Garden Grove, Calif., was dubbed the "Rusty Skeleton" before AMG and its partners stepped in to turn the 90-foot steel frame into 395 below-market seniors apartments.

Located at the corner of Brookhurst Street and Garden Grove Boulevard, Garden Brook Senior Village was originally slated for a mixed-use retail and luxury condominium development. It had been abandoned for a decade before the new development team sought to create the eight-story affordable living complex with 13,000 square feet of restaurant and retail space and more than 25,000 square feet of community and recreational areas.

R.C. Alley, managing partner of AO in Orange, Calif., which designed Garden Brook Senior Village, saw why the developer took a liking to this site right away. "The value and integrity of the existing structure, along with the building height, allowable FAR (floor area ra-

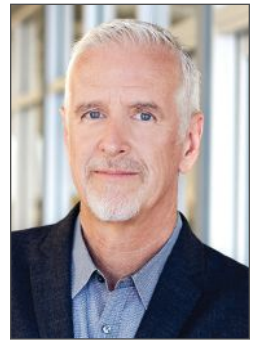
tio) and achievable density made the project an attractive candidate for adaptive reuse," he says.

"With the right existing project conditions, there can be extensive benefits to converting existing structures into new affordable housing, such as greater density and FAR than may be otherwise allowed, a simplified entitlement process, and the sustainable nature of breathing new life into an obsolete building, which can also preserve its historic value," explains Alley.

Another perk of this project was the ability to connect with the original structural engineer, a unique advantage not afforded to many adaptive reuse conversions.

"We were so fortunate to connect with the engineer so we could fully understand the existing structure and the original intention," says Alley. "This was invaluable in the process and allowed our team to be fully informed, setting the new design and affordable development up for success."

Garden Brook Senior Village will include an intergenerational partnership with the adjacent Boys and Girls Club where programs will foster mutually beneficial youth and senior interactions. The developer broke ground on the project in February 2019 and it is slated for completion this year.



R.C. ALLEY
Managing Partner,
AO



Garden Brook Senior Village in Garden Grove, Calif., was originally slated for a mixed-use retail and luxury condominium development. After being abandoned for a decade, the eight-story structure is now becoming an affordable living complex with 13,000 square feet of restaurant and retail space and more than 25,000 square feet of community and recreational areas.

Formula for Success Includes Forensics

Though the four aforementioned projects may make adaptive reuse seem like a breeze, developers and architects are quick to caution that isn't always the case. Michael Roberts, senior associate and senior architect at LRS Architects in Portland, Ore., knows firsthand how advantageous it can be to speak with a building's original owner, or even locate the structure's original blueprints.

"Oftentimes there's just poor record keeping on how a building was initially constructed," he says. "You may not ever have the [original blueprints] done by a developer or architect, which makes it tough because then it's a question of a lot of discovery."



MICHAEL ROBERTS
Senior Associate
and Senior
Architect,
LRS Architects

That was the case about 10 years ago when LRS was tasked with renovating the first Heathman Hotel as a HUD-subsidized, Section 8 residential apartment building in downtown Portland. The hotel was built in 1926 and blueprints could not be found. The only thing he had to work with was a set of improvement plans from the late 1970s.

"You have to perform a little bit of forensics," notes Roberts. "You have to open the building up and see what the damages are. You might have to do an early selective demolition to evaluate the building, which takes time and is disruptive if the building's occupied."

Being based in the Pacific Northwest, Roberts' biggest fear was unknown or undocumented water intrusion. Thankfully, the building had been constructed as a concrete shell, so only the finished materials suffered water damage.

The team was eventually able to outfit the 11-story building with entirely new resident unit finishes, doors and fixtures; a new lobby and corridor spaces; new exterior windows and roof; exterior stone and masonry repairs; new heat recovery ventilation (HRV) mechanical systems and a new emergency power generator.

Now known as the Park Tower, the building is recognized on the National Register of Historic Places.

The next wave of vacant buildings might still be on the horizon, but Breiner has some advice for developers and architects who may have set their sights on these opportunities.

"Building condition is critical since many candidate structures will have been unmaintained or poorly maintained prior to being considered for adaptive reuse," he emphasizes.

"The historic uses of the structure also need to be considered. Were there previous uses that could have led to contamination of the site and surrounding properties? If so, are resources available to clean up and mitigate the impacts? Is the structure of historic significance? If so, additional funds may be available through historic tax credits to aid in the restoration of the structure, and there may be critical elements that will need to be preserved in any proposed reuse plan," adds Breiner.



Park Tower in downtown Portland, Ore., is a HUD-subsidized, Section 8 residential apartment building born out of the first Heathman Hotel, which was constructed in 1926.

Construction costs and a labor shortage are other factors to consider in the current environment. On the plus side, as Arnold points out, many cities are relaxing their restrictions on adaptive reuse in the interest of preservation, preventing blight and tackling the affordability and housing crises. For industry professionals like Arnold who have the vision, cities are full of promising structures that could find new life as affordable

housing.

"Adaptive reuse is going to be a hot thing for affordable housing," predicts Arnold. "I've already had a couple clients poking around, asking what buildings might be good to look at. Some office spaces make better housing than they do offices. Sometimes you just look around town. You see the under-used offices, the building's shape, the number of windows and say, 'Wow!'" ●

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