



Solving California's Housing Crisis by Providing Incentives for Adaptive Reuse of Office Buildings

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In the recent tradition of California legislation that proffers development incentives to residential developers that include affordable housing and utilize a skilled and trained workforce in their project, Assemblyman Matt Haney has introduced Assembly Bill 1532. On its face, AB 1532 is an adaptive reuse bill aimed at solving California's housing crisis, but unlike similar legislation, it includes a mechanism to offset the costs of these commitments.

If enacted, AB 1532 would add new sections to the California Government Code that would designate residential dwelling units as a "use by right" for eligible conversions of office buildings. Although such conversion would still be subject to laws governing the subdivision of real property, such as the Subdivision Map Act, and ministerial review, cities and counties would be barred from subjecting any such conversion to a "conditional use permit, planned unit development permit, or other discretionary city or county review or approval that would constitute a "project"" under the California Environmental Quality Act (CEQA).

AB 1532 also would remove other barriers to the conversion of office buildings to residential use. The bill prohibits local agencies from imposing any new parking requirements or open space requirements that were not already imposed on the construction of the original office building, as well as any other "requirement, including, but not limited to, increased fees or inclusionary housing requirements" solely on the basis of the conversion to residential dwelling units.

Further relief comes from AB 1532's exemption of eligible conversions from impact fees "not directly related to the conversion of an office building to residential dwelling units" and giving developers the option to pay applicable impact fees in equal installments throughout a ten year period.

Eligible conversions must meet AB 1532's affordability and labor requirements, and requires 10% of the total housing units to be dedicated to persons and families of low or moderate income. This commitment must take the form of a recorded land use restriction or covenant restricting such units for a period of no less than fifty-five years for rental units or forty-five years for units available for sale. And like most homebuilder relief bills of late, AB 1532 requires an enforceable commitment "that all contractors and subcontractors performing work on the project will use a skilled and trained workforce for any proposed rehabilitation, construction or major alterations."

Unlike most recent bills, however, AB 1532 offers a potential offset to the increased labor costs of a skilled and trained workforce. The bill adds a new section to the Health and Safety Code creating an "Office to Housing Conversion Fund" within the State Treasury and directs the Department of Housing and Community Development to establish a grant program to fund eligible office conversions. Although how much funding will ultimately find its way into this program is purely speculative, meaningful grants may ultimately tip the scales in favor of developers considering office conversion projects.