



CCA
White Paper

Adaptive Reuse

**Reimagining Our City's Buildings to Address Our
Housing, Economic and Climate Crises**

April 2021



In Partnership With:

GILMORE ASSOCIATES **OMGIVNING**

Cover image: Fabric on Los Angeles Street in Downtown Los Angeles, an Omgivning project.

Image Source: Urban Offerings, by Nephew and Lynch Eisinger Design.

CCA would like to offer special thanks to **Karin Liljegren**, **Roberto Vazquez** and **Alex Prictoe** of Omgivning for their time, insights and feedback that were instrumental in preparing this white paper. We also would like to acknowledge **Jane Blumenfeld** with CityLab of the University of California, Los Angeles; **Con Howe** of Cityview; and **Donald R. Spivack** with the University of Southern California's Price School of Public Policy for their generous review and input that helped shape our work.

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About CCA

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Established in 1924, Central City Association of Los Angeles (CCA) is the premier advocacy organization in the region and leading visionary on the future of Downtown Los Angeles. Through advocacy, influence and engagement, CCA enhances Downtown LA's vibrancy and increases opportunity in the region. CCA represents the interests of over 300 businesses, nonprofit organizations and trade associations.

www.ccala.org

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Letter from Tom Gilmore and Karin Liljegren

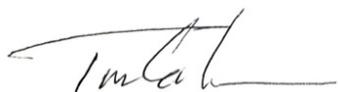
Downtown Los Angeles (DTLA) is a much more exciting, compelling and livable urban center than it was two decades ago. This transformation is largely due to the City's Adaptive Reuse Ordinance (ARO) that was spearheaded by Central City Association (CCA) and signed into law in 1999. The ARO opened the door for Downtown's beautiful, but obsolete, Beaux-Arts office and bank buildings to take on new lives as housing and hotels.

As developers and architects who have played leading roles in revitalizing many of DTLA's historic buildings into much-needed housing and community amenities, we are proud of all that the DTLA community has accomplished and that it has become an international model for adaptive reuse.

Like cities around the world, Los Angeles and DTLA were greatly impacted by the COVID-19 pandemic, which required people to socially distance, tamping down the daily economic, social and cultural activities on which all downtowns thrive. With routines upended during the pandemic, it is natural to question how people will use offices and other commercial spaces in the future. On top of these uncertainties, we continue to struggle with housing and homelessness crises in Los Angeles, as well as impending climate change.

While we face many challenges, urban centers like DTLA continue to welcome innovation. With the right tools, including expanding adaptive reuse, we know that DTLA and our city can fully recover from the pandemic's impacts. **We are pleased to partner with CCA on this white paper to highlight the benefits of adaptive reuse and provide concrete steps the City of Los Angeles can take to allow for new uses in existing structures.** We look forward to seeing CCA's proposed recommendations implemented to meet the needs of our time.

Sincerely,



Tom Gilmore

CEO, Gilmore Associates



Karin Liljegren, FAIA

Principal + Founder, Omgivning

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Introduction

The COVID-19 pandemic has created great disruption worldwide, but its impacts have been particularly acute for cities and urban environments. Health orders to socially distance and stay home, as well as perceptions that urban lifestyles contribute to virus spread, have fostered uncertainty around how we will continue to live, work and visit in cities. Even before the pandemic, many cities, including Los Angeles, were facing deep and persistent housing and homelessness crises, as well as navigating how to address the climate change crisis confronting the globe.

These are immense and complex challenges with no single solution, but one of cities' best and most powerful tools to tackle these issues is adaptive reuse: reimagining and repurposing existing older structures and spaces to meet today's needs. Adaptive reuse has a wide range of benefits for cities, including:

- Supporting recovery from COVID-19 by converting vacant and/or underutilized spaces to be active uses that better contribute to the health of neighborhoods, which fosters jobs and tax revenues and can create new opportunities for housing and meet other community needs.
- Proactively preserving both historic and background structures through reinvestment and generating revenues by changing in alignment with real estate trends.



Highbury Square in London, a professional soccer stadium reused as apartments.

Image Source: joe.co.uk

- Improving environmental sustainability by updating older, less energy efficient buildings to contemporary standards and promoting walkable, mixed-use neighborhoods through infill development and making use of already in place and often under-used (in terms of capacity) urban infrastructure.

The reuse of obsolete or underutilized structures has produced some of the most unique and cherished urban spaces around the world, like Ghirardelli Square in San Francisco, the High Line and Domino Sugar Refinery in New York City and the Highbury Square redevelopment and King's Cross gas holders in London, as just a few examples. Locally, the revitalization of Downtown Los Angeles over the past few decades is due in large part to the conversion of old office and bank buildings to apartments, unlocking the value of these buildings and bringing a wave of new residents, which was made possible by the adoption of the Adaptive Reuse Ordinance (ARO) by the Los Angeles City Council in 1999. The ARO was also greatly supported by coordination among the Los Angeles Department of City Planning, Department of Building and Safety, Fire Department, and Bureau of Engineering as well as the appointment of a designated adaptive reuse lead in the Mayor's office.



Ghirardelli Square in San Francisco, a chocolate factory converted to a retail and dining complex with a hotel.

Image Source: HOK Architects



The High Line in New York City, an elevated freight line repurposed as a public open space.

Image Source: Dansnguyen - Own work, CC0

Despite the ARO's successful history in Los Angeles, its application is limited to only a few areas of the city and contains numerous other restrictions that hinder its ability to be fully leveraged. Recognizing the opportunity and need to expand the ARO, the City has several initiatives to revisit its provisions:

- City Planning is currently revising rules for adaptive reuse within Downtown through the DTLA 2040 Community Plan Update.
- City Councilmember Gil Cedillo introduced a motion to consider how hotels might convert to micro-unit housing.
- City Councilmember Paul Koretz introduced a motion to study expanding the ARO outside of the areas where it's currently available but limits new housing to rent-restricted units affordable to moderate income households.



Eastern Columbia Building in Downtown Los Angeles, a former department store converted to condominiums.

Image Source: Los Angeles Conservancy



Farmers and Merchants Bank Building in Downtown Los Angeles, a historic bank and office complex converted to housing.

A Gilmore Associates project. Image Source: Alossix – Stephen Friday, CC BY 3.0

In this white paper, we highlight the many benefits of adaptive reuse, and detail the limitations of the City of Los Angeles' existing ARO. We conclude with recommendations to comprehensively align various City efforts to update and enhance the ARO and design the policy that will have the greatest impact.

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Benefits of Adaptive Reuse

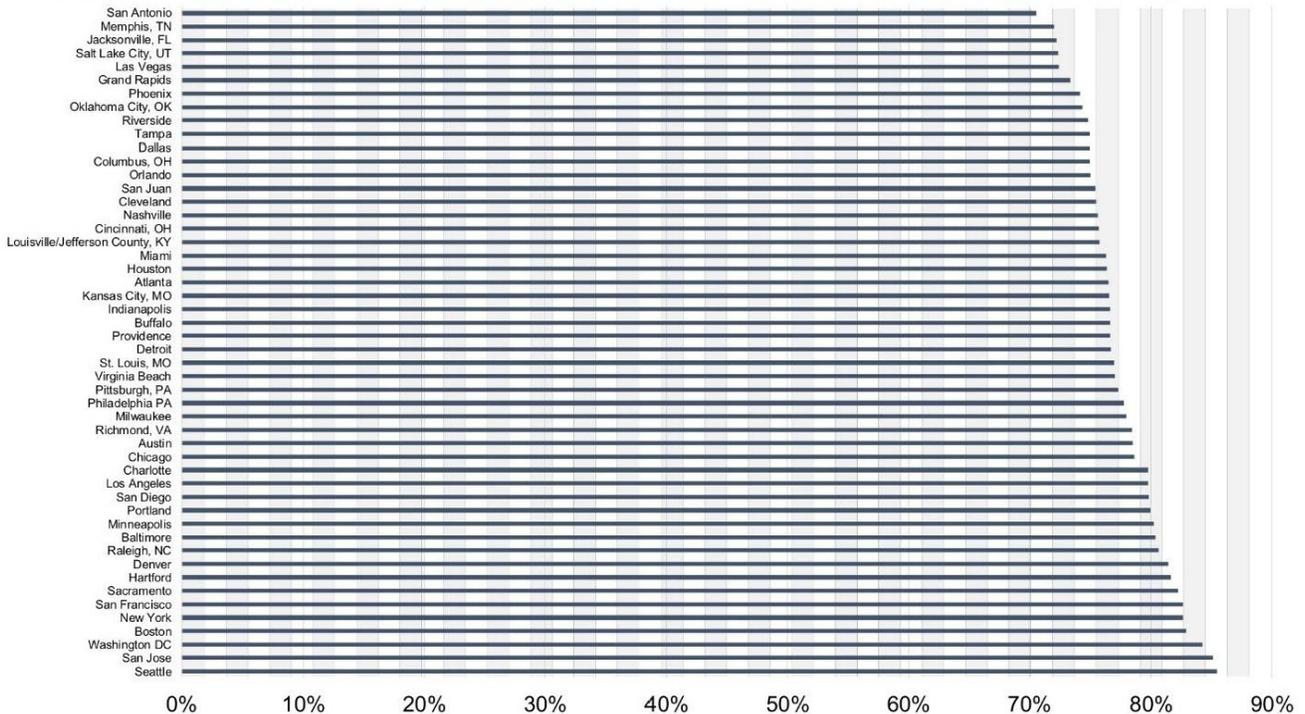
Adaptive reuse can be a powerful tool to address urgent challenges including economic recovery and resilience, creating new housing, preserving historic structures and promoting sustainability.

Economic Recovery and Resilience

The COVID-19 pandemic has demonstrated how quickly and abruptly economic conditions can change, and has created uncertainty about how people will use offices, retail spaces and

hotels in the future. CoStar estimates that about three quarters of office workers among major US metropolitan areas can work from home and do not need to work from an office; in Los Angeles, approximately 80 percent of office workers can work remotely.⁵ While workers will likely return to working in offices as vaccines are more widely available, questions remain over how demand for office space may evolve over the long term. For instance, workers may shift to a hybrid schedule where they split time between working in an office and working from home long after the pandemic due to a desire for greater flexibility.

Three-Fourths Of Office Workers Can Work From Home



Source: Dallas Fed, Bureau of Labor Statistics
As of May-20

■ WFH-Capable Share of Office Workers



Image Source: CoStar Group, Inc.



The Pegasus Apartments in Downtown Los Angeles, the former Mobil Oil/General Petroleum Building built for office use in 1949 and converted to 322 housing units in 2003.

Image Source: Equity Residential

Demand for office space will likely be diminished for some time into the future. This will be a challenge for central business districts like Downtown LA with local economies that rely on a substantial office worker population. These workers are critical to urban economies because they drive demand for housing close to work, shop at local stores, eat and drink at neighborhood restaurants and bars, generate traffic to hotels for business travel and visits by friends and family. Having a robust and bustling central business district is also critical for fully leveraging the major public investments currently being made in the regional transit system and arts and cultural institutions.

The economic health of urban centers like Downtown LA is also crucial to cities' fiscal health as they make up a disproportionate share of local tax revenues. On one percent of the City of Los Angeles' land area, Downtown LA accounts for 24 percent of Transient Occupancy Taxes (TOT) generated by hotel stays, 23 percent of sales tax receipts and seven percent of assessed property values which property taxes, the largest single source of General Fund revenue, are based on.⁶ The average business in Downtown LA also yields \$6,000 per year in business taxes compared to \$2,500 for businesses elsewhere in the city.⁷

Flexible land use provisions are more important than ever as we navigate the potential long-term changes in how we use offices, retail and hotel spaces and work to ensure the vitality of cities. As stated in the *New York Times*, "...buildings in many traditional employment districts will have to compete more fiercely, and a small but significant percentage of office space will most likely have to be repurposed into housing, e-commerce fulfillment centers, delivery-only kitchens, health care centers, meeting spaces, event spaces and other uses. Residential areas, street retail shops and hotels may have to accommodate more daytime workers."⁸ Adaptive reuse can also help fill current gaps and meet neighborhood priorities like schools and childcare in Downtown LA. **Expanding the potential for adaptive reuse can be a primary recovery strategy to allow buildings and neighborhoods to nimbly respond to rapidly changing circumstances and needs, sustaining economic activity in cities over the long term.**



Image Source: Security Pacific Collection/LAPL

Housing Creation

Many experts estimate that California has a shortage of around 3 million housing units.⁹ Per the 6th Cycle Regional Housing Needs Assessment (RHNA), the Southern California region has a responsibility to plan for over 1.3 million new units between 2021 to 2029, of which the City of Los Angeles accounts for over 455,000 units.¹⁰ The magnitude of this housing target cannot be overstated – in the city's history, only 420,000 units were built at the peak of housing production over the course of 20 years between 1960 to 1980.¹¹ The DTLA 2040 Community Plan Update notes that the Southern California Association of Governments projects that DTLA will make up over 20 percent of the city's growth over the next two decades,¹² which is a significant share of the City's RHNA target and means that about 12,000 units per year need to be built in DTLA over the next eight years.

Amid a deep housing shortage and affordability crisis, adaptive reuse provides a means to convert vacant and underutilized commercial and other buildings into much-needed housing, including Permanent Supportive Housing (PSH), affordable housing and micro-units. It is a tool to simultaneously confront the economic fallout from COVID-19 while addressing the housing crisis.

During the 20-year period following the ARO's adoption in 1999, over 12,000 new housing units, more than 30 percent of the total 37,000 units added in Downtown LA over that time, were created through adaptive reuse.

We know firsthand how impactful adaptive reuse can be in spurring new housing from its successful history in Downtown LA. During the 20-year period following the ARO's adoption in 1999, over 12,000 new housing units, more than 30 percent of the total 37,000 units added in Downtown LA¹³ over that time, were created through adaptive reuse.¹⁴ The ARO, supported by interdepartmental coordination and collaboration, was critical in driving the residential growth and investment that has transformed Downtown LA into a vibrant urban core over the past two decades. We estimate that if just five to 10 percent of the city's total 155,000,000 square feet of office space was converted to housing, it could yield roughly 8,000 to 16,000 new housing units. Thousands more units of housing could come online if hotels, retail spaces, obsolete industrial buildings and parking structures also qualified for reuse.

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Preservation & Placemaking

Historic, old and "background" (i.e., contextual, but not designated as historic) buildings can all be vital to city neighborhoods' identities and cultures. They can be strong placemaking and community building elements that provide a connection to the past and unique character. However, the way spaces were designed and used decades or centuries ago is often incompatible with contemporary needs.

As background buildings become obsolete and fall out of use, their economic value diminishes. Consequently, these buildings are at risk of demolition and replacement, particularly if local regulations do not allow them to be easily converted to uses that are in demand. Historically designated buildings and landmarks can benefit from state and federal programs like the Mills Act¹⁵ and tax credits that financially support preservation.¹⁶ The state of California also adopted Senate Bill 451 in 2019 which mirrors 20 percent federal tax credits for historic preservation but further provides 25 percent tax credits for rehabilitation projects that also include affordable housing.¹⁷ These tools are limited to historic buildings, while old and recent past background buildings that may not be officially designated have no other means of financial stabilization other than serving a market-demanded use.

Adaptive reuse presents the chance for existing buildings, especially those that cannot utilize state or federal programs, to feasibly change with the times, and therefore continue to contribute to the architectural diversity of cities and serve as community assets into the future. Moreover, it provides an opportunity for neighborhoods to grow and densify while reusing buildings that help contribute to the look, feel and identities of communities.



The former rear service alley of Dearden's furniture store in Downtown Los Angeles, converted to a gathering space. An Omgivning project.

Image Source: Nephew

Sustainability

Adaptive reuse can be a way for cities to reduce carbon emissions and help combat climate change by recycling existing buildings and promoting infill, mixed-use development that creates walkable neighborhoods.

Architect and sustainability and preservation expert Carl Elefante stated, “the greenest building is the one that is already built.” A comprehensive study by the National Trust for Historic Preservation found that “building reuse almost always yields fewer environmental impacts than new construction when comparing buildings of similar size and functionality.”¹⁸ This same study also found that “it can take between 10 and 80 years for a new, energy-efficient building to overcome, through more efficient operations, the negative climate change impacts that were created during the construction process.”¹⁹

Adaptive reuse projects are generally more sustainable than new construction because they typically require fewer construction materials and inputs that are associated with higher carbon emissions, like the making and transporting of concrete and steel or the removal of demolition debris, which constitutes half of the GHG emissions from the commercial and residential building sector. An existing 50,000 square foot building represents 80 million BTUs of embodied energy; demolition of such building

would result in 4,000 tons of waste. If only 40 percent of building materials are retained, it would take 50-80 years for a new green, energy-efficient building to recover the embodied energy lost.

Existing buildings can also be highly efficient because buildings constructed before the existence of modern heating and cooling technology were often sustainably designed out of necessity.

Their thick walls can act as a thermal mass and their multiple awnings often provide sun shading to help control temperatures, while high ceilings and large, operable windows mean abundant natural light and ventilation. Additionally, adaptively reusing a building means that older energy systems are brought up to more efficient contemporary standards. Removing parking quotas for adaptive reuse projects can effectively uphold a neighborhood’s ability to remain walkable while lessening auto emissions, which currently account for 29 percent of GHG emissions.

Adaptive reuse preserves the embodied energy in existing buildings and promotes infill development that supports the growth of dynamic, mixed-use communities that can reduce the need for people to drive to their everyday destinations.

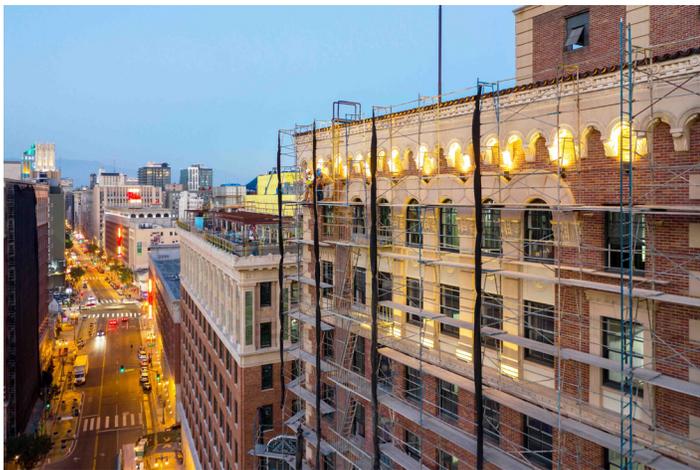


Barker Block Lofts in Downtown Los Angeles, a former warehouse and factory converted to residences.

Image Source: Nook Real Estate

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The Adaptive Reuse Policy Landscape in Los Angeles



The Proper Hotel in Downtown Los Angeles, a former social club converted to a 148-room hotel. An Omgivning project.

Image Source: Emi Kiwataki and Hunter Kerhart

Existing Regulations

The ARO has been a major catalyst for the transformation of Downtown LA since its adoption in 1999. Its success led to the adoption of the Adaptive Reuse Incentive Areas Specific Plan²⁰ in 2003 that expanded adaptive reuse provisions to other areas of the city to include Chinatown, Lincoln Heights, the Hollywood Community Redevelopment Project Area and portions of the Wilshire Center/Koreatown Community Redevelopment Project Area.

The primary success factors for the existing ordinances are that they:

- a. allow buildings to change uses by-right and not incur Site Plan Review or trigger CEQA requirements
- b. do not require buildings to provide any net new parking
- c. allow new, one-story rooftop additions by-right
- d. are accompanied by a new building code chapter to clarify building code requirements.

These features are instrumental to removing key barriers by reducing costs, time and risk involved in converting buildings and support project feasibility.

Despite the success of these ordinances, there are several limitations that constrain adaptive reuse's prevalence in Los Angeles:

- The ARO applies to only a fraction of areas in the city.
- Buildings constructed after 1974 must undergo a more onerous, discretionary approval process for conversion that triggers CEQA requirements.
- Buildings in areas that are currently zoned for manufacturing ("M" zones) must also undergo a more onerous approval process for conversion that triggers CEQA requirements.
- New residential units resulting from conversion must be an average of 750 square feet for an entire building. Each individual unit must be a minimum of 450 square feet, which presents challenges for financial feasibility

and accommodating a broader mix of housing sizes, especially affordable, permanent supportive and micro-unit typologies.

- Loft spaces within units are not counted as floor area but are still limited to 33 percent of the floor area below the loft. This feature constrains unit design and overall capacity.
- Buildings may only be converted to dwelling units or guest units. There is no ability for conversions to and from other uses, like an office to a school, or a hotel to an office.

Current City Proposals

Seeing the potential to expand adaptive reuse, the City is exploring updates to adaptive reuse provisions through the following channels:

DTLA 2040 Community Plan Update and re:code LA

The Department of City Planning is currently revising rules for adaptive reuse projects within Downtown under the DTLA 2040 Community Plan Update, which is the land use and zoning plan that will guide development in Downtown for the next two decades. This is being done in tandem with the broader reorganization and rewriting of the citywide zoning code known as "re:code LA".

DTLA 2040 would build on the ARO and include important updates that would further support the feasibility of adaptive reuse projects. These updates include:

- allowing basements and rooftop features to be utilized and not count toward a building's floor area
- removing minimum and average unit size requirements
- providing for a greater range of uses like enabling parking structures to convert to any new uses permitted by the new zoning code, such as housing, office or retail.

While DTLA 2040 would generally expand opportunities for adaptive reuse, the new provisions would necessarily be limited to only Downtown, and there are still several constraints:

- Buildings constructed after 1974 would still be subject to a more cumbersome review process with CEQA requirements.
- It only provides additional incentives for historic projects as part of a unified adaptive reuse project, which are primarily only large sites, or through a newly-created Transfer of Development Rights (TDR) system which applies to a small portion of the Arts District.
- It maintains the current ARO FAR exemption for mezzanines and loft areas in residential uses but does not allow this exemption for other uses.
- Residential and lot amenity space requirements for unified adaptive reuse projects are based on the residential floor area and lot square footage of the full site, rather than just new floor area.

- Loading docks would be required features in industrial areas as a design element regardless of whether the use necessitates a loading dock.

The new citywide zoning code²¹ also includes updated regulations for adaptive reuse projects anywhere in the city outside of Downtown and the Adaptive Reuse Incentive Areas. These regulations largely mirror those proposed for Downtown; however, these new regulations can only be implemented as each new Community Plan is adopted and would not take effect before then. That means that although there may be regulations on the books for adaptive reuse projects throughout the city, the rules likely wouldn't take effect citywide for another decade or longer until all Community Plans have been updated or else would be subject to discretionary review.

City Councilmember Gil Cedillo's Motion to Allow Hotels to Convert to Micro-Unit Housing

City Councilmember Gil Cedillo introduced a motion in November 2020 to consider how hotels might convert to micro-unit housing to address the challenges posed by COVID. This motion aims to build off Councilmember Cedillo's efforts, supported by CCA,²² to spur micro-unit housing development in Los Angeles. Hotels are good options for conversion to residential uses since they already have many of the same physical characteristics including bedrooms, living spaces, bathrooms and some even have kitchens. This proposal could also help to advance Project Homekey, which is a state program that funds cities' acquisition of hotels, motels and other buildings to house people experiencing homelessness.²³ **Converting hotels to micro-unit housing is a good application of adaptive reuse to support the financial stability of hotels impacted by COVID and meet housing needs, including aiding in Project Homekey, but this motion is narrow in scope and the City should be expansive in the range of uses and typologies that can leverage adaptive reuse provisions.**



A proposed project in Downtown Los Angeles including adaptive reuse of Morrison Hotel.

Image Source: Steinberg Hart

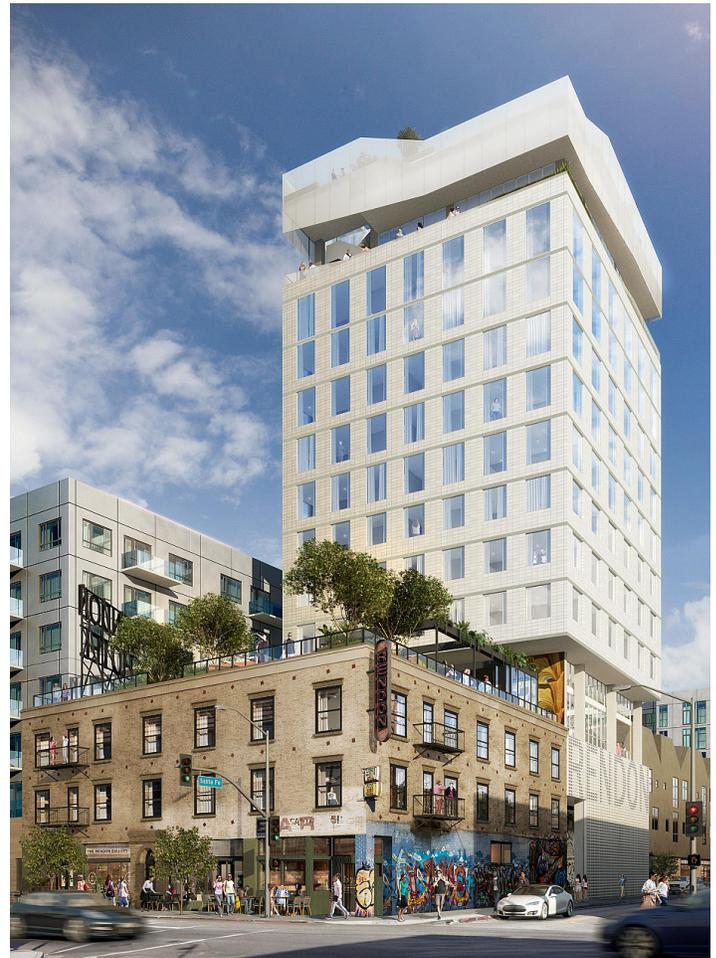
City Councilmember Paul Koretz's Motion to Expand Adaptive Reuse Citywide for Moderate Income Housing

City Councilmember Paul Koretz introduced a motion in December 2020 that aims to expand ARO provisions beyond Downtown LA and the Adaptive Reuse Incentive Areas to apply citywide, but his proposal would include several important changes and restrictions. Instead of the 1974 cutoff for determining whether a building may be reused by-right or via a discretionary process under the existing AROs, it would:

- allow buildings that are at least five years old to use the ARO by-right
- introduce restrictions to require that all new housing that is created under the program be deed-restricted to moderate income households (those earning between 80 percent to 120 of Area Median Income)
- require ground-floor uses to remain commercial
- exclude live/work, artist-in-residence and hotel uses from the program.

Expanding ARO provisions citywide and allowing buildings constructed as recently as five years ago would be a major step to enabling more adaptive reuse projects in the city; however, restrictions on housing affordability, ground-floor uses and excluding a swath of housing types and all hotels would greatly limit the viability and impact of the program.

Limiting new housing under the proposed program to moderate income households seems to be premised on the belief that converting existing structures is less expensive than new construction. Based on preliminary discussions with developers and contractors, we understand that the costs of adaptive reuse vary widely but are often just as expensive or even more costly than ground-up new construction. Still, this needs further study, and the City should seek input from experienced contractors and developers. Additionally, the City has started to move away from requiring commercial uses on ground floors in planning efforts, and instead requiring "active uses" which is more practical and provides flexibility while achieving urban design and public realm best practices. This departure has been catalyzed by the recent COVID-19 pandemic, but prior to this, ground floor commercial and retail spaces were already seeing a surge in vacancy.



The proposed Rendon Hotel in Downtown Los Angeles illustrates how non-historic background buildings can be reused in conjunction with new construction to densify our city. An Omgivning Project.

Image Source: ONEHOUSE

04

Recommendations to Expand Adaptive Reuse in Los Angeles

To maximize impact, the City's efforts to update adaptive reuse provisions should be coordinated and unified under a comprehensive proposal. We believe the most effective adaptive reuse proposal would include the following principles:

- Apply citywide
- Apply to a broad range of buildings of different land uses and ages
- Maximize flexibility for residential unit sizes, types, design and densities and programming of commercial spaces
- Make it easy to provide amenity spaces throughout buildings, including in rooftops and basements
- Incentivize development and rehabilitation by allowing new floor area to be added in tandem with preserving existing buildings
- Ensure projects are allowed by-right
- Do not require any new parking and provide opportunities to convert existing parking to more active uses

To achieve this holistic approach to adaptive reuse in the City of Los Angeles, we recommend the following:

Recommendation #1

The proposed DTLA 2040 and re:code LA adaptive reuse regulations are the farthest along in development and offer the most promise for a cohesive and flexible approach. **As such, the City Council's efforts should be consolidated and aligned with City Planning's current work to reexamine and update adaptive reuse most expeditiously, without necessarily tying its implementation to updates to individual community plans.**

Recommendation #2

While DTLA 2040 and the new citywide zoning code make many positive changes to the existing ARO, additional refinements can make it more usable and inclusive. **These proposals should be amended to align with the final version of the DTLA 2040 Adaptive Reuse incentives by:**

- Allowing buildings built more recently than 1974 to utilize the ARO provisions by-right rather than requiring them to be approved via discretionary review and subject to CEQA requirements.
- Expanding citywide applicability provisions to include light industrially zoned areas where industrial uses are no longer active or appropriate for their contexts.
- Allowing adaptive reuse projects with any use, not just residential, to have new intermediate floors and mezzanines that do not count towards floor area.
- Calculating amenity space based on the new development floor area only, instead of the floor area for the full site.
- Removing requirements to maintain loading dock areas, which limits opportunities for redesign and reuse, particularly for industrial areas with large loading bays.

Recommendation #3

The updated adaptive reuse provisions that apply to Downtown will be enacted when the DTLA 2040 Community Plan is adopted by City Council, which is expected to occur in 2021. However, updated citywide adaptive reuse rules will be adopted over a much longer timeframe as they will be dependent on the adoption

of each new Community Plan Update. By the time DTLA 2040 is likely adopted, the entire process will have taken seven years. While some Community Plans are in the process of being updated, others have not yet even begun. The need for more flexible and expansive adaptive reuse regulations across the city is far too urgent to wait until all new Community Plans have been updated and adopted. **The City Council should advance citywide adaptive reuse provisions envisioned under re:code LA, with the recommended changes outlined in Recommendation #2, in the short term via a citywide ordinance and amendments to existing AROs.**

Recommendation #4

Here again, more flexible and broadly applicable ARO provisions are an urgent and time-sensitive need to support the city's economic and fiscal recovery from COVID-19, but the City should seek every efficiency to expand adaptive reuse. Notably, the City's zoning code already allows residential development in certain commercial zones (i.e., the C2 zone allows R4 uses), which suggests that existing structures should be allowed to more flexibly change uses by-right in these zones as well. Changing uses

from commercial to residential is also a decrease in the intensity of uses. The reduced intensity of use coupled with the ARO's application to already existing structures suggests that adaptive reuse projects would not result in significant environmental impacts (to the contrary, they have net positive sustainability impacts as detailed previously).

Additionally, the Senate Bill (SB) 6 and Assembly Bill (AB) 115 currently under consideration by the State legislature would allow for more residential uses in commercial zones by-right statewide. To better foster adaptive reuse projects, these bills should not require projects to have any net new parking and not be subjected to cities' maximum density or minimum unit size requirements. **Given the emergency nature of such a policy response to the pandemic and the housing crisis, the City should work to find opportunities to expand adaptive reuse expeditiously under the existing zoning code while advocating that the State legislature improve bills like SB 6 and AB 115 to facilitate adaptive reuse projects across California.**

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