

San Francisco's Adaptive Reuse Program Has Been Adopted — What's Next?

28 August 2023

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INTRODUCTION

Panelists



Sujata Srivastava

SPUR
Moderator



Lily Langlois

SF Planning
Department



Marc Babsin

Emerald Fund



Jacob Bintliff

SF Office
of Economic
& Workforce
Development



Lisa Follman

SOM
Architect + Adaptive
Reuse Practice Leader



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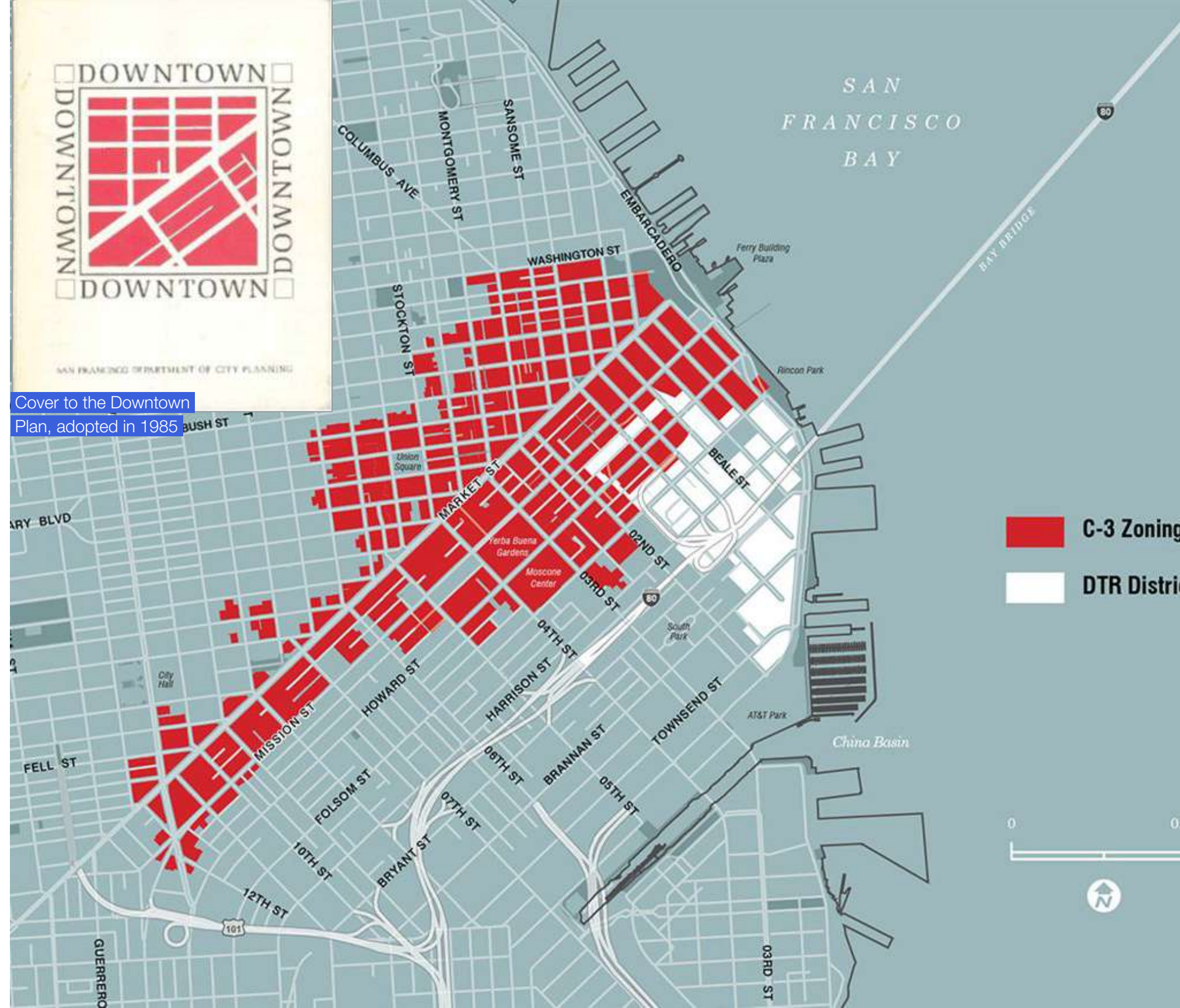
ADAPTIVE REUSE PROGRAM

SAN FRANCISCO

Downtown Plan

Widely praised for its ambitious effort to manage growth, and developed in response to:

- ➡ Office growth spreading outside of FiDi
- ➡ Growing outrage over the consequences of rapid uncontrolled growth, especially loss of historic buildings, poor design, and impacts to housing and transportation



ADAPTIVE REUSE PROGRAM

New Planning Code Section 210.5

Commercial to Residential Adaptive Reuse Program

Commercial to Residential Adaptive Reuse is defined as *to change the use of existing Gross Floor Area from a non-residential use, other than a hotel use, to a residential use.*

- ↳ DBI and Fire created an administrative bulletin/procedures manual that outlines Standards for Adaptive Reuse Projects.
- ↳ Two projects have been approved under this program.



ADAPTIVE REUSE PROGRAM

New Planning Code Section 210.5

Commercial to Residential Adaptive Reuse Program

ELIGIBILITY CRITERIA

- ↳ Located in C-3 zoning district or C-2 zoning district that is east of or fronting Franklin Street/13th Street and north of Townsend Street.
- ↳ Not seek approval under Section 206.5 or 206.6.(State Density Bonus).

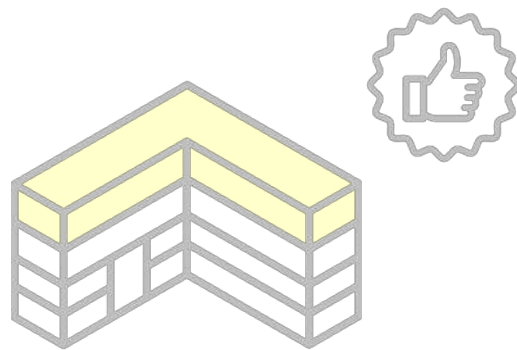


ADAPTIVE REUSE PROGRAM

Commercial to Residential Adaptive Reuse Program—**Waivers**

Project which meet the eligibility criteria, could receive **zoning modifications (or waivers)** from some Planning Code requirements.

Planning Code waivers could also apply to an expansion of the building (**up to 33%**).



WAIVERS

- ↳ **Bike parking** Section 155.1
- ↳ **Dwelling unit exposure** Section 140
- ↳ **Dwelling unit mix** Section 207.7
- ↳ **Live Work and Intermediate Length Occupancy** uses would be permitted
- ↳ **Lot coverage** Section 134
- ↳ **Off-street loading** Sections 152 and 152.1
- ↳ **Open space** Section 135
- ↳ **Planning Commission Hearing** Section 309
- ↳ Protected Pedestrian, Cycling, and Transit-Oriented **Street Frontages** Section 155(r)
- ↳ **Streetscape and pedestrian improvements** Section 138.1
- ↳ **Transportation Demand Management (TDM) Plan** Requirements Section 169

ADAPTIVE REUSE PROGRAM

Reducing Financial Barriers

- ↳ **Housing Fee Reform Plan** lowers inclusionary housing requirements and impact fees for housing developments citywide (Sept 2023)
- ↳ **Transfer Tax Waiver** waives the real estate transfer tax on up to 5 million square feet of conversion projects citywide (March 2024)
- ↳ **Inclusionary Housing and Impact Fee Waivers** would be available for conversion projects downtown under pending legislation (April 2025 Board File 240927)
- ↳ **Property Tax Reinvestment** would establish the downtown revitalization financing district to reinvest the increased property tax revenue generated by adaptive reuse projects to offset development costs. Legislation introduced April 2025, expect program to be established January 2026.





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**DOWNTOWN REVITALIZATION
FINANCING DISTRICT
(AB 2488)**

DOWNTOWN REVITALIZATION FINANCING DISTRICT

Program Overview

- ↳ Enabled by **AB 2488**, effective Jan 1, 2025
- ↳ Allows San Francisco to create a Downtown Revitalization Financing District to support **Commercial-to-Residential conversions**
- ↳ Provides **annual payments for up to 30 years** for conversion projects to offset development costs
 - ↳ Capped at **City's share of the property tax increment** generated by conversion, to offset
- ↳ Projects must opt in to program by **December 31, 2032**
- ↳ Governed by a separate **District Board of Directors**
- ↳ District formation began in April to be complete this year and **begin accepting applications in 2026**



DOWNTOWN REVITALIZATION FINANCING DISTRICT

Projected Impact

- ↳ **1,300 parcels** with eligible commercial buildings
- ↳ **49 likely candidates** for conversion
 - ↳ Built before 1990
 - ↳ Building class B or C
 - ↳ At least 20,000 sq ft of rentable floor area
 - ↳ Existing vacancy rate > 50%
- ↳ These properties could yield **4,400 units** housing some **10,000 new residents** Downtown
- ↳ Up to **\$15.2M of annual property tax increment** could be generated and disbursed under the program



A blurred city skyline at sunset or sunrise, with a large number 3 on the left and the word FEASIBILITY on the right.

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FEASIBILITY

Financial Feasibility

Financial Feasibility Analysis	Cost per Unit
Building Details	
Building GSF	240,000
Floor Plate	16,000
Net Residential Area	180,000
Residential Efficiency Total	75%
Units	250
Average Unit Size	780
Wtd. Average Market Rent	\$4,444
Development Cost	
Acq Cost - Land + Existing Bldg (gross bldg sq ft)	\$225.00
Acq Cost - Land + Existing Bldg (per unit)	(\$230,000)
* Total Construction Costs	(\$412,000)
Soft Costs	(\$101,000)
** Total Development Cost	(\$743,000)
Building Value	
NOI/Unit in Year 1 Stabilization	\$40,000
*** NOI Value at Stabilization, 6.5% ROC	\$615,000
Transfer Tax Implied Cost	(\$51,000)
Building Value at Stabilization	\$564,000
Feasability Surplus/(Deficit)	(\$179,000)

Cost Reduction Measures	Cost Reduction per unit
HISTORIC TAX CREDITS	
Federal Historic Tax Credits	
TAXES	
Transfer Tax	\$51,000
**** Property Tax	\$48,000
INCLUSIONARY COST	
0% BMR	\$103,000
Sum of all policy measures	\$202,000
Net Project Feasibility	\$23,000

* Construction cost - \$409/gross sq ft, incl \$50/gsf of seismic upgrade

** Total development cost - \$760/gross sq ft

*** Market Cap Rate with Required Investment Yield, 6.5%

**** Property Tax Relief for City of SF Taxes on Residential Conversion Improvements for 30 years w/ 6% Discount Rate General Fund (.55%) and Special Revenue Fund (.09%)



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CODE PROVISIONS



With feedback
and support from:

AIASF

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STRUCTURAL ENGINEERS ASSOCIATION
OF NORTHERN CALIFORNIA

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COMMERCE

Building & Fire Codes

Code Area	Current Code Compliance Required	Deviations / Equivalencies Allowed
Height & Bulk	Must comply with CBC Chapter 5 for allowable height, stories, and area.	None.
Fire Protection	Full NFPA 13/13R sprinklers required for new R-2 occupancy (CBC 903.2.8, SFFD AB #2.04).	None.
Exterior Walls & Openings	Fire-resistance ratings (CBC 705.5) and limits on openings (CBC 705.8) apply.	Existing non-rated walls may remain with water curtain protection (AB-009). Excess openings may be allowed with equivalency.
Ventilation	All units must have natural/mechanical ventilation (SFBC 1202.5, Health Code Art. 38).	Mechanical ventilation may substitute for natural openings.
Energy	New systems must meet efficiency & ventilation requirements.	Historic buildings exempt from energy conservation standards, except for new non-historic systems.
Lighting	Habitable rooms require natural light (SFBC 1204 & 1205).	Use of light courts, skylights, or adjoining space glazing allowed. Historic buildings may use CHBC 8-303.6 standards.
Egress	Must meet CBC Chapter 10 for exits, travel distances, emergency escape openings.	Existing stair pitch/geometry may remain (CEBC 506.3) Existing smaller operable windows allowed (CEBC 506.4) Historic fire escapes may remain (CHBC 8-502.5, AB-019)***

Building & Fire Codes

Code Area	Current Code Compliance Required	Deviations / Equivalencies Allowed
Fire (CFC)	Sprinklers, standpipes, FA/EVACS, ERRCS (if radio test fails) required.	Existing elevators not required to be upgraded. ERRCS not required if radio test passes.
High-Rise (CBC 403)	Smoke control systems, emergency systems, FSAE, FCC required.	Equivalencies for FSAE, FCC room size, smoke systems (AB-005/AB-047). Fire pumps/water tanks may be waived if demand met. FARS not required if not existing.
Seismic	Additions & substantial alterations must meet current seismic/wind code (SFEBC 502/503).	Reduced seismic forces (75%) allowed (SFEBC 503.11) Performance-based design (ASCE 41) allowed Pending approval, retrofit standard for non-ductile concrete (Mayor’s Directive 24-01) may be used.

An aerial, slightly blurred photograph of a city at dusk or dawn. The city features a prominent grid street pattern. In the background, a body of water is visible under a soft, hazy sky. The overall color palette is dominated by blues, greys, and muted oranges from the low light.

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BUILDING ANALYSIS

BY THE NUMBERS

Collecting the Data

Parcel	Lot	Property Address	Property Name	Owner Name	Latitude	Longitude	City	Submarket	Zoning	Property Type	Building Type	Year Built	Year Renovated	Land Area	RBA	Total Area	Number of Units	Typical Unit Size	Percent Leased	Vacancy Rate	Construction Type	Building Class
3703	065	1059-1061 Market St	Ede Building	J.C. Investment	37.7809731	-122.4113344	San Francisco	MidMarket	C3G	San Francisco Office	Existing	1910	0	8276	65600	23370	6	8200	64.38	35.6	Masonry	C
0351	022	1182 Market St	Orpheum Theater	Shorenstein Properties	37.7791714	-122.4146766	San Francisco	MidMarket	C-3-G	Office	Existing	1900	0	32670	117498	9820	4	29375	91.64	8.4	Masonry	C
3721	120	555 Mission St		Union Investment	37.7886271	-122.3986485	San Francisco	South Financial	C-3-O	Office	Existing	2008	0	34412	561714	208950	34	16521	81.06	22.8	Steel	A
3704	021	972 Mission St		972 Mission LLC	37.7817121	-122.4083545	San Francisco	MidMarket	C3G	Office	Existing	1925	1964	12197	62000	11000	5	11000	82.26	17.7	Steel	C
3508	024	1360 Mission St		Market Street	37.775839	-122.415743	San Francisco	MidMarket	C-3-G	Office	Existing	1930	0	9148	35293	12035	4	8823	65.90	34.1	Reinforced Concrete	C
0291	012	44 Montgomery St	44 Montgomery	Beacon Capital	37.7898946	-122.4018129	San Francisco	Financial District	C-3-O	Office	Existing	1966	2021	22216	692000	186839	43	16093	87.84	12.6	Steel	A
0268	006	220 Montgomery St	The Mills Bldg	The Swig Company	37.7913313	-122.4022409	San Francisco	Financial District	C-3-O	Office	Existing	1892	2003	46174	469617	179242	22	35844	65.77	36.9	Steel	B
0259	029	315 Montgomery St		Vornado Realty	37.7920824	-122.4030631	San Francisco	Financial District	C-3-O	Office	Existing	1921	2017	18731	236685	96105	17	13923	100.00	8.1	Steel	A
0176	007	801 Montgomery St		PACIFIC PARTNERS	37.7965346	-122.4037835	San Francisco	Jackson Square	C-2	Office	Existing	1985	0	6098	34104	11880	5	6080	65.17	34.8	Masonry	B
0268	012	369 Pine St	Exchange Block I	The Swig Company	37.7917179	-122.4019949	San Francisco	Financial District	C-3-O, San Francisco	Office	Existing	1918	0	14375	63769	10966	8	7971	82.80	17.2	Reinforced Concrete	B
0311	013	57-65 Post St	Mechanics Institute	Mechanics Insurance	37.7887783	-122.4030141	San Francisco	Financial District	C-3-O	Office	Existing	1910	0	6970	59751	4382	9	6600	93.06	7.3	Steel	B
0310	020	155-165 Post St		Hanford-Freund	37.7885502	-122.4045705	San Francisco	Union Square	C-3-R	Office	Existing	1908	0	7405	39000	20441	5	7100	47.59	33.9	Masonry	C
0310	019	177 Post St		Banham Nourmand	37.7884935	-122.4047689	San Francisco	Union Square	C-3	Office	Existing	1908	1974	6534	59786	25928	9	6500	96.31	3.7	Steel	B
0296	063	490 Post St		Kahala LLC	37.7883745	-122.4099222	San Francisco	Union Square	C-3-G	Office	Existing	1925	0	18731	129000	6509	17	1000	94.91	5.0	Reinforced Concrete	B
0206	008	500 Sansome St		Gate Capital Partners	37.7951717	-122.4011875	San Francisco	Financial District	C-3-O	Office	Existing	1929	2001	16988	152400	89744	8	16443	41.11	58.9	Reinforced Concrete	B
0135	007	1000 Sansome St		Carmel Partners	37.799645	-122.402108	San Francisco	Waterfront	C-2	Office	Existing	1904	2016	16117	62000	8838	3	16000	100.00	14.3	Reinforced Concrete	B
0286	007	312 Sutter St	World Affairs Center	World Affairs Institute	37.789861	-122.405933	San Francisco	Union Square	C-3-R	Office	Existing	1909	0	6534	33824	19261	6	5637	43.06	56.9	Reinforced Concrete	B
0295	010	445-447 Sutter St	Philippine Center	Philippine Consulate	37.7890976	-122.4078239	San Francisco	Union Square	C-3-R	Office	Existing	1916	1970	13939	81123	14936	8	10165	83.98	16.0	Masonry	B
0285	006	450 Sutter St		Schnitzer Properties	37.789748	-122.4078405	San Francisco	Union Square	C-3-R	Office	Existing	1929	0	23522	265000	2899	26	8269	99.47	0.0	Reinforced Concrete	B
0284	004	500 Sutter St		USL Property Management	37.7894356	-122.4089706	San Francisco	Union Square	C-3-R	Office	Existing	1916	1981	8712	64876	19923	9	6082	69.29	30.7	Masonry	B
0296	151	575 Sutter St		One Timberlake	37.7888966	-122.4097479	San Francisco	Union Square	C-3, San Francisco	Office	Existing	1919	0	8276	30900	19340	4	7725	62.67	37.3		0 B
0013	005	2720 Taylor St	Savoy Bldg	Fabrice & Edouard	37.8076482	-122.4153765	San Francisco	Waterfront	C-2	Office	Existing	1972	0	18731	59000	46073	4	13500	21.91	78.1		0 C
0196	024	520-550 Washington St	Eclipse Champagne	Tusker Corporation	37.795854	-122.402539	San Francisco	Jackson Square	C2, San Francisco	Office	Existing	1940	0	14152	28304	6718	2	14152	83.21	16.8	Masonry	B
3707	002	22-28 2nd St		Jesus Montemayor	37.788811	-122.401154	San Francisco	South Financial	C-3	Office	Existing	1914	1981	4356	30621	11695	7	3500	87.83	12.2	Steel	B
3735	063	222 2nd St		Tishman Speyer	37.7864212	-122.3982965	San Francisco	South Financial	C-3-O (SD)	Office	Existing	2015	0	23958	452418	38106	26	21261	100.00	0.0	Steel	A
0108	007	1160 Battery St	Levi's Plaza 1160	Jamestown, LLC	37.8019563	-122.400873	San Francisco	Waterfront	C-2	Office	Existing	1982	0	75794	215359	45421	5	52673	90.49	9.5	Steel	A
0084	008	1265 Battery St	Levi's Plaza	Jamestown, LLC	37.8029119	-122.4023264	San Francisco	Waterfront	C-2	Office	Existing	1913	1981	24394	86115	55665	5	17223	100.00	0.0	Masonry	B
0040	017	295 Bay St		Hotaling & Company	37.8055711	-122.4116273	San Francisco	Waterfront	C-2	Office	Existing	1967	2016	15682	35590	0	4	8898	0.00	0.0		0 B
0025	014	781 Beach St		B.D. Benton	37.806225	-122.421669	San Francisco	Waterfront	C2	Office	Existing	1912	0	9583	38247	25093	4	8000	34.39	65.6	Masonry	B
0267	004	100 Bush St		100 BUSH COFFEE	37.7916854	-122.3999113	San Francisco	Financial District	C-3-O	Office	Existing	1930	1990	17424	233654	106718	28	10932	54.75	45.7	Steel	B
0288	030	333 Bush St		333 Bush 4002	37.7906012	-122.4030681	San Francisco	Financial District	C-3-O	Office	Existing	1986	0	32234	541900	147338	36	17500	75.33	25.6	Steel	A
0271	027	530-540 Bush St		HCV Pacific Partners	37.7907946	-122.4062703	San Francisco	Union Square	C-3, San Francisco	Office	Existing	1917	1981	13504	104885	60297	10	10488	44.82	55.2	Masonry	B
0263	011	101 California St		Hines	37.7931691	-122.3979515	San Francisco	Financial District	C-3-O	Office	Existing	1982	2023	75359	1250000	403699	48	25064	81.17	21.8	Steel	A
0261	010A	351 California St	Harold Dollar Building	Tidewater Capital	37.7928852	-122.4007781	San Francisco	Financial District	C-3-O	Office	Existing	1920	2010	11761	140000	93765	16	8750	57.50	54.7	Steel	B
0259	026	555 California St	Bank of America	Vornado Realty	37.7924498	-122.4037759	San Francisco	Financial District	C-3-O	Office	Existing	1969	2017	156380	1507000	76144	52	28981	98.72	1.3	Steel	A
0236	006	222 Front St		Wilson Loke	37.7938102	-122.3986272	San Francisco	Financial District	C-3-O	Office	Existing	1988	1991	3920	30000	8990	7	3196	70.03	30.0	Steel	B
0309	038	166 Geary St	The Grace Building	The Jackson Group	37.7878271	-122.4061235	San Francisco	Union Square	C-3-R	Office	Existing	1907	1980	5227	50575	5053	16	2600	95.03	5.0	Masonry	B
0310	018	170 Grant Ave		Grosvenor	37.7885953	-122.4049855	San Francisco	Union Square	C-3-R	Office	Existing	1907	2007	3485	28165	6881	7	3600	87.84	12.2	Steel	B
0136	001	55 Green St	Green Front	Brick & Timber	37.8003816	-122.4004883	San Francisco	Waterfront	C-2	Office	Existing	1984	2019	10890	54412	35773	5	10882	34.26	65.7	Masonry	B

BY THE NUMBERS

Qualifying Buildings



725

commercial buildings in
C-2 and C-3

MIXED-USE DOWNTOWN

Adding to Downtown SF Skyline Since the 1947

38

SOM Legacy
Projects

BY THE NUMBERS

Building Age

71%

pre-war

29%

post-war



An aerial, grayscale photograph of San Francisco, showing the city's dense grid of streets and buildings. A large portion of the buildings, particularly in the downtown area, are highlighted in a vibrant blue color, indicating they are historic. The city extends to the water's edge, with a bridge visible in the lower-left corner. The overall perspective is from a high angle, looking down on the city.

BY THE NUMBERS

Historic

47%

Article 10 + Article 11
Historic Buildings

BY THE NUMBERS

Office Class

17%

Class A

52%

Class B

31%

Class C



BY THE NUMBERS

Occupancy

29%

< 70% occupied

71%

> 70% occupied

BY THE NUMBERS

Building Height



25%

high-rise

29%

mid-rise

46%

low-rise

BY THE NUMBERS

Building Area



BY THE NUMBERS

Floor Plate Size

38%

< 5,000sf

12%

> 20,000sf

SCENARIOS

- ↳ **scenario 1 = 9 properties**
50,000gsf minimum
50% vacant
class B
historic tax credit eligible
- ↳ **scenario 2 = 26 properties**
100,000gsf minimum
50% vacant
class B or C
- ↳ **scenario 3 = 46 properties**
20,000gsf minimum
50% vacant
class B or C
built before 1990

An aerial, high-angle photograph of a dense urban landscape, likely New York City. The image shows a vast expanse of skyscrapers and buildings, with a mix of architectural styles. The colors are somewhat muted, with a lot of greys, blues, and browns, suggesting a slightly overcast or late afternoon setting. The text "WHAT'S NEXT?" is overlaid in a bold, white, sans-serif font on the right side of the image.

WHAT'S NEXT?