

# Downtown Conversion Program

Office-to-Residential Adaptive Reuse

Q1, 2025



Planning Department

CITY of BOSTON

# Timeline of Downtown Conversion Program



“ The Bullet Train ”

**2026**  
Target 1,000 units of new housing & 1 Million sf revitalized

**Jan 2025**

**Expand** program to Student Housing & Workforce Housing in response to market

**Jun 2024**

**Enhance** access to program with \$15M of new State funding to add larger projects

**Mar 2024**

**Exceed** Mayor's 1- year target with 216 units of housing in only 6 months

**Oct 2023**

**Launch** new tax abatement program just-in-time solution with concierge service

**2022**

**Move** quickly to identify problem(s) in Downtown Boston for real-time response

**Acceleration**

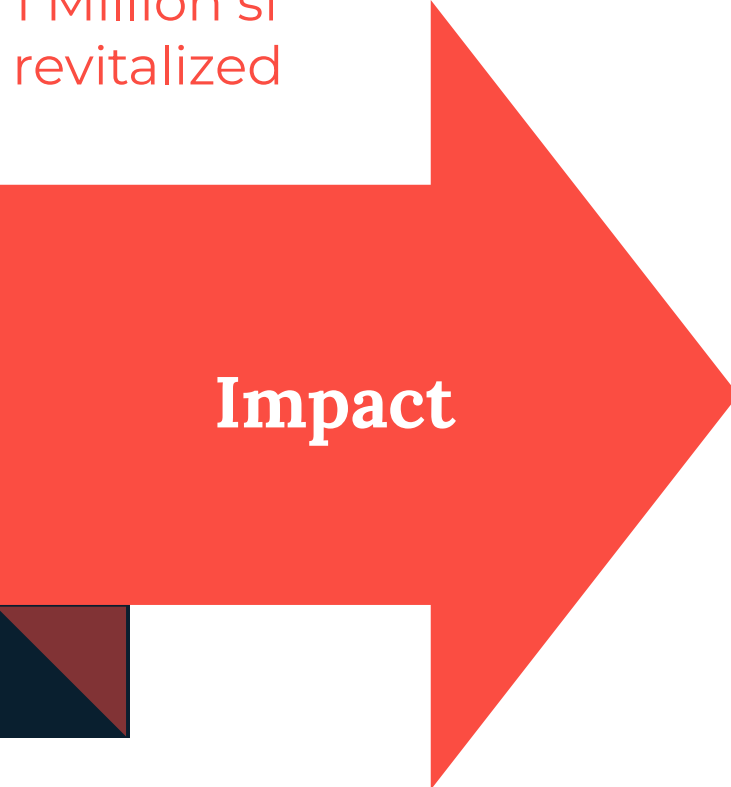
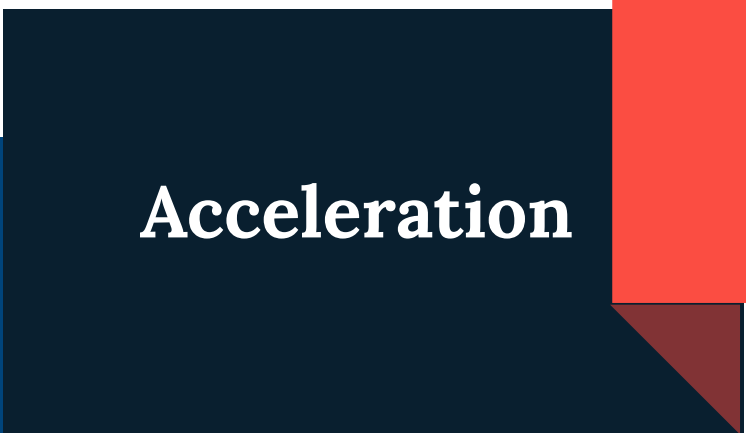
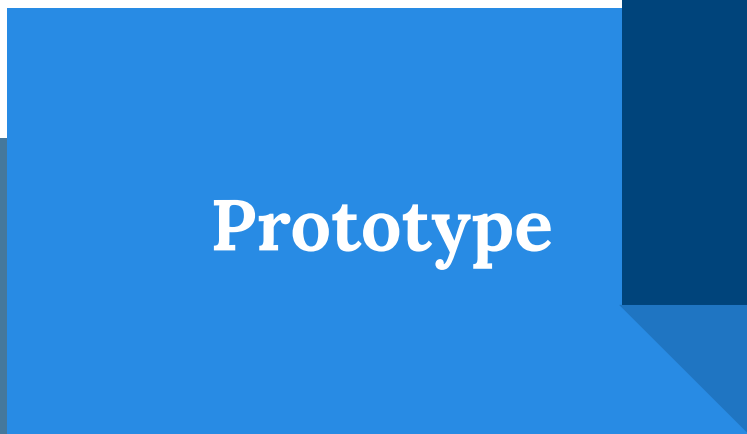
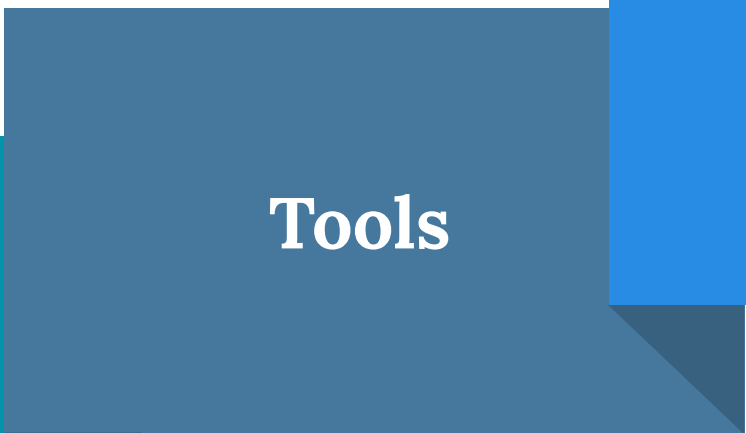
**Iteration**

**Prototype**

**Tools**

**Problem**

**Impact**



# Why Convert Office to Residential

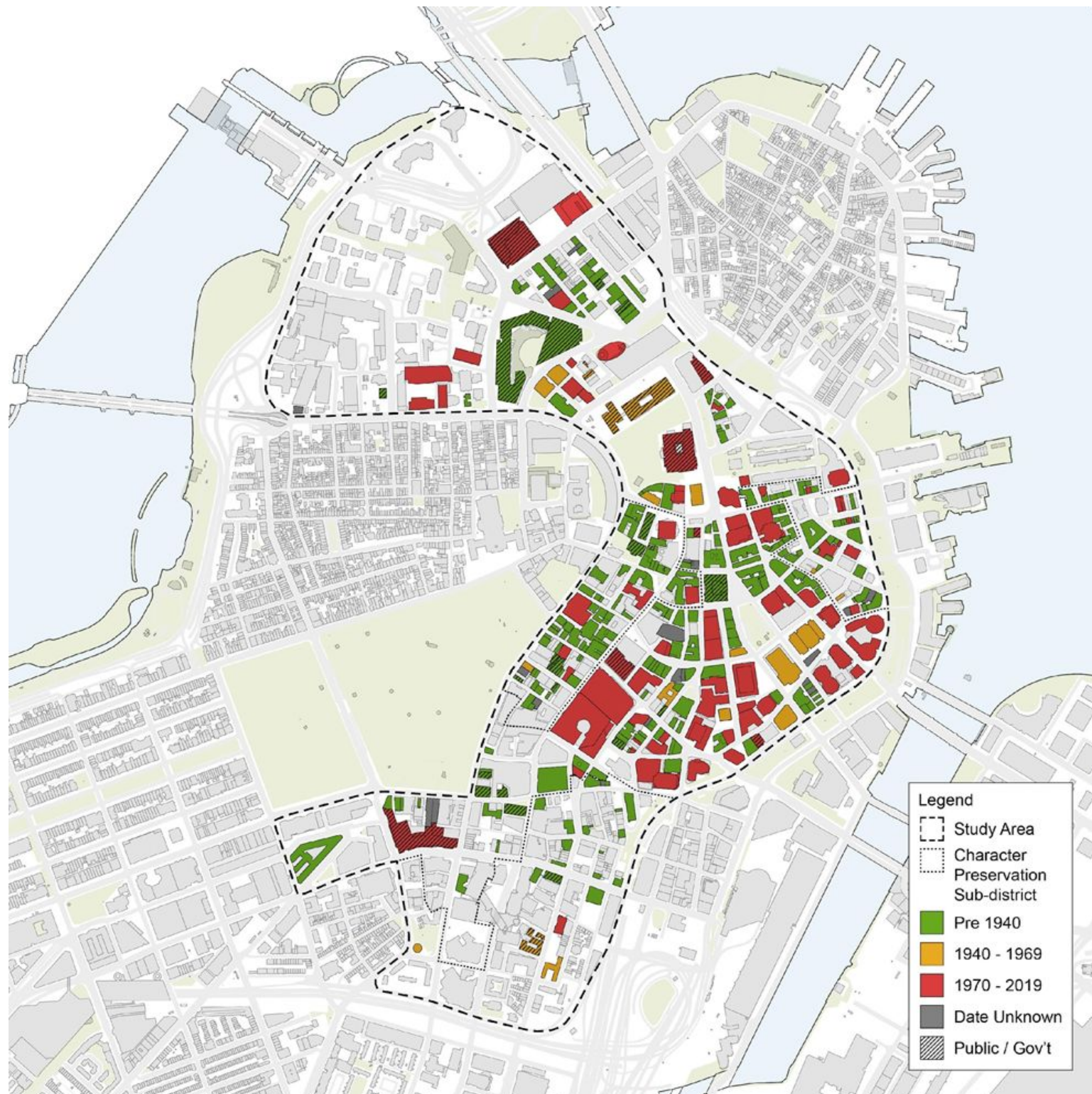
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## “ National Context ”

- **Commercial buildings in most US cities have 20-30% vacancy**
- Tenants anticipate 50% space reduction
- Interest rates have doubled since many buildings were last financed
- Upcoming refinancing needs as existing loans mature and most lenders pause
- Other programs: Chicago, Pittsburgh, NYC, DC, San Francisco, and Calgary



# Why Convert Office to Residential Now



## “ Boston Context ”

- Boston downtown office vacancy  $\approx$  20% (vs. residential vacancy  $\approx$  4%) and projecting to rise to 30%
- Average Boston office occupancy  $\approx$  60%
- Employers shifting to high amenity new buildings to woo workers back
- Commonwealth expected to vacate 250k sq ft of leases
- Class B & C office buildings most at risk (e.g. well-maintained 100 yr old 11 story property with 80% vacancy)

# Goals of Mayor Wu's Conversion Program



Office conversion is one tool that can be utilized in combination with other City actions to revitalize Boston's Downtown.



Respond to the **changing streetscape and work environment** impacted by the pandemic



**Create much needed housing Downtown,** including affordable rental units on site



Encourage diverse uses to drive foot traffic throughout the day and create a more **vibrant urban core**



Achieve sustainability goals through the **adaptive reuse of buildings**

Facilitate repurposing of older underutilized office buildings into new mixed-income, multifamily residential rental units in the Downtown area

# Boston Downtown Conversion Program: Key Elements



## Program Process

- **29 year - 75% residential abatement**
- As-of-right zoning for change of use (*in Downtown and where applicable*)
- Faster Article 80 process to save time and money
- Streamlined permitting
- City resources to help move projects



## Program Requirements

- **Apply by December 2025**
- **Full permit within 1 year of applying**
- 17% units @ 60% AMI + 3% for voucher holders
- Comply with new “Stretch Code” green energy standards (*as required*)
- Adaptive reuse only
- **2% Transaction charge for 5 years**

# Initial Progress of the Program: Feb 2025

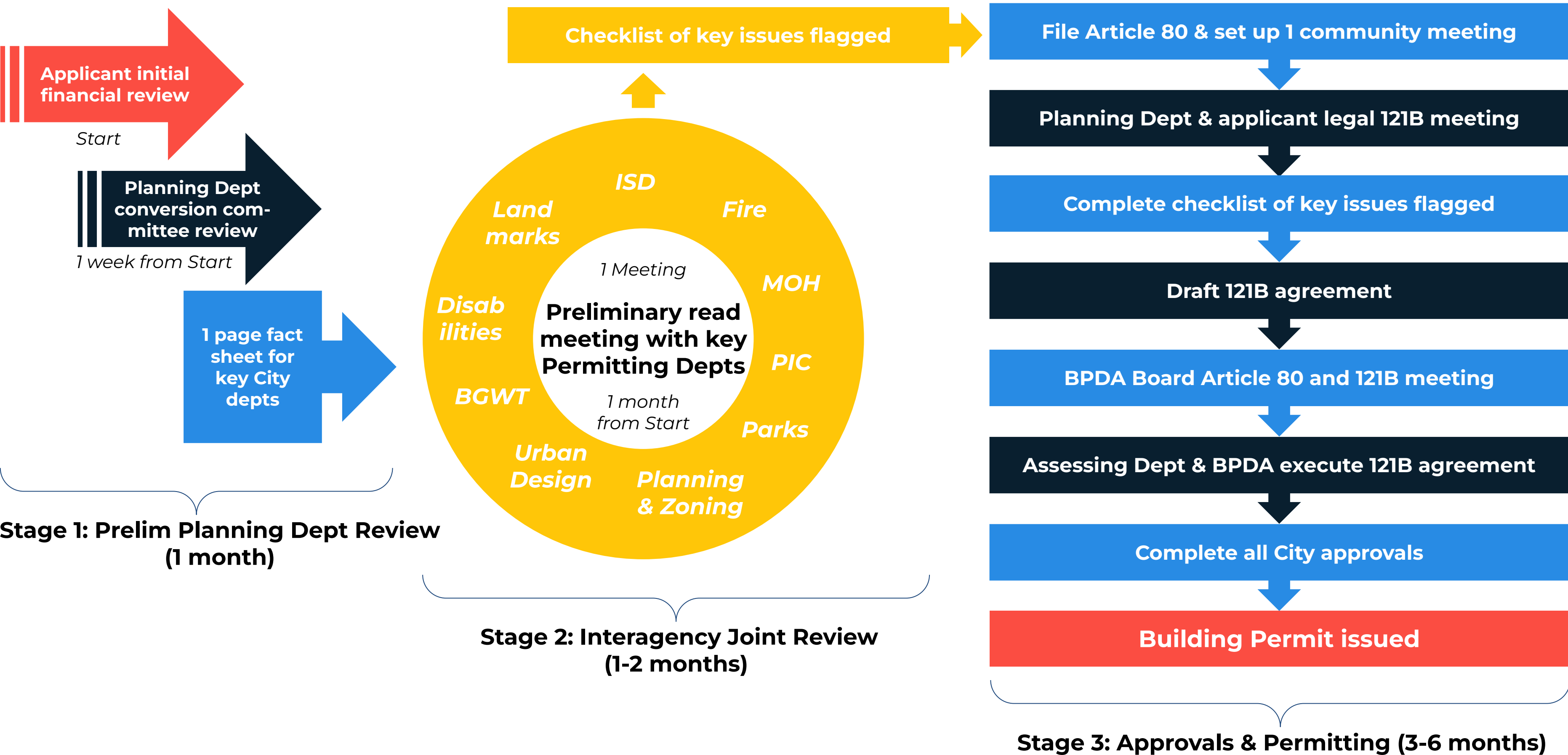
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“ Received **15 applications** to create **760 units** of housing across **20 buildings**, converting **over 667,000 sf of older office** space, exceeding initial goals ”

- Includes creating 153 affordable units on site (20%) consisting of 130 units at 60% AMI (17%) and 22 units for section 8 voucher holders (3%)
- **Results in 1,500+ new people living downtown**
- A number of additional active candidates expressing interest: from office owners to potential acquirers
- Range of project sizes (e.g. from 15 up to 150 units)

# Downtown Conversions Approval Process





# Results Feb 2025: 15 Applications: 760 units: 667,000sq.ft



	Address	Applicant	Neighborhood	# Units	# IZ Units	Resi SF	Status
1	281 Franklin St	Adam Burns	Downtown	15	3	11k	Construction
2	85 Devonshire St	KS Partners	Downtown	95	19	87k	Art. 80 Approval
3	2 & 5 Longfellow Pl	Equity Residential	West End	24	5	13k	Pre-File
4	1 & 10 Emerson Pl	Equity Residential	West End	33	7	20k	Pre-File
5	615 Albany St	Greg McCarthy	South End	24	5	20k	Art. 80 Approval
6	129 Portland St	Greg McCarthy	Bulfinch Triangle	25	5	22k	Art. 80 Approval
7	95 Berkeley St	CIM Group	South End	95	19	141k	Pre-File
8	15 Court Sq	KS Partners	Downtown	80	16	73k	Art. 80 Submittal
9	75 Central St	Wingate	Downtown	21	4	15k	Pre-File
10	263 Summer St	Adam Burns	Fort Point	77	15	53k	Art. 80 Approval
11	295 Franklin St	Franklin Holdings	Downtown	18	4	14k	Pre-File
12	4 Liberty Sq	Greg McCarthy	Downtown	36	7	23k	Art. 80 Approval
13	123 N. Washington St	Copper Mill	North End	40	8	33k	Pre-File
14	31 Milk St.	Dinosaur Capital	Downtown	110	22	95k	Pre-File
15	10 Liberty/12 P.O. Sq	Edge Property	Downtown	70	14	47k	Pre-File
<b>Total</b>				<b>760</b>	<b>153</b>	<b>667k</b>	

# Costs & Challenges Facing Adaptive Reuse



The decision to convert an office building to another use is highly dependent on five key inputs. *(identified by HR&A Advisors consultant report)*



## Market conditions

- Current and projected performance of both office and residential markets
- Alternate uses (e.g. lab, hotel, etc.)



## Physical attributes and location

- Floor-plate size
- Elevators and stairs
- Operable windows
- ADA compliance
- Fire systems
- HVAC and utilities



## Construction cost to convert the building

- Hard and soft costs
- Existing leases
- Construction and lease-up period
- Interest rates
- Loan availability



## Building performance and characteristics

- Vacancy rates
- Rent levels
- Efficiency factor



## Regulatory requirements

- Electrification standards
- Affordability requirements
- Green building standards

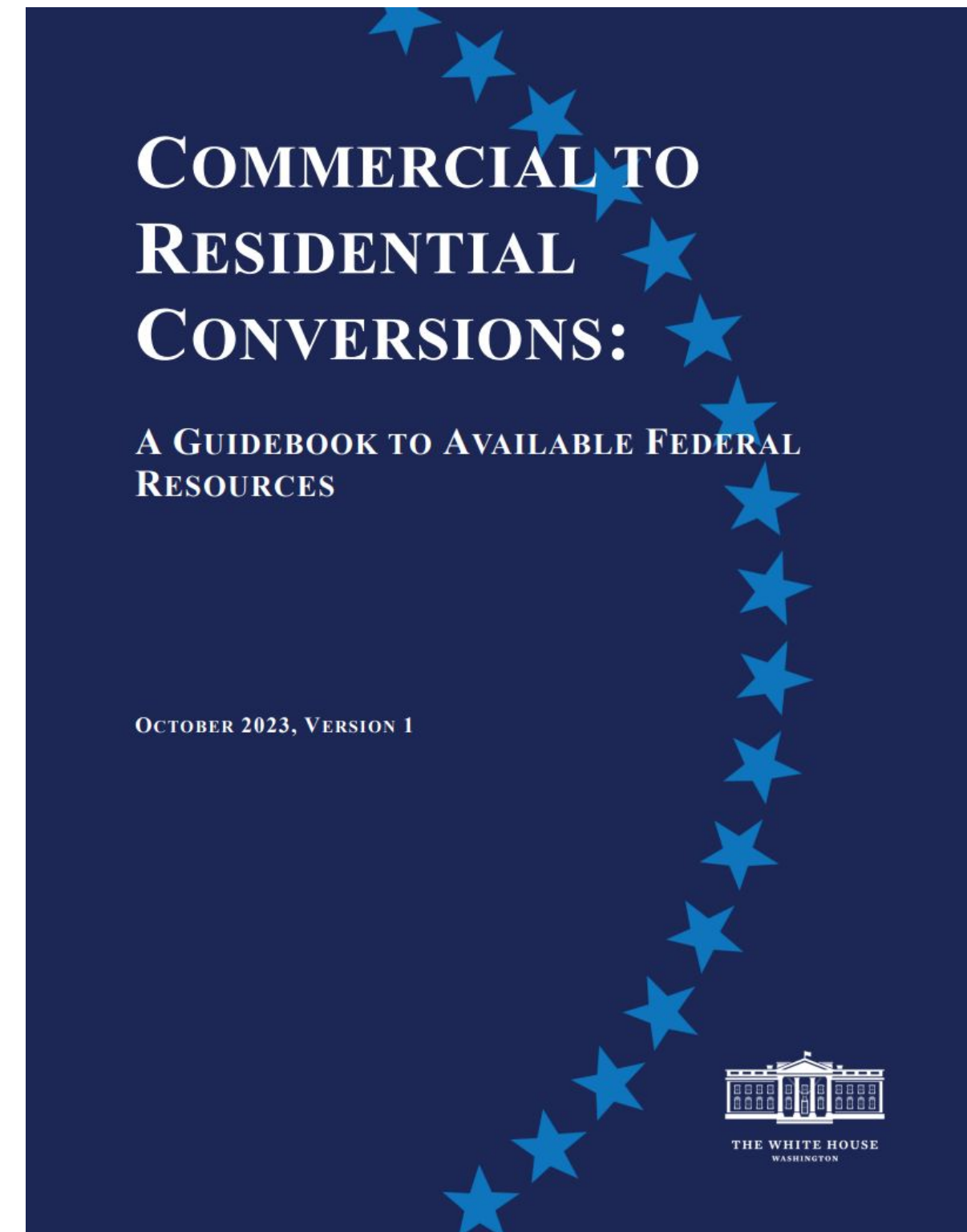
Due to these unique costs and challenges, pro formas show tax abatement is an important first step to facilitate conversions to residential today. However, many projects still show a significant financing gap

# Federal & State Recognition of the Need

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## “ Federal & State Resources ”

- **Additional Federal resources identified by the White House for conversions**
  - HUD 221(d)(4) construction & rehab loans
  - TIFIA & RRIF (transit-oriented development) low-interest loans
- **Potential State funding sources**
  - \$15M pool of funds to incentivize 3-4 larger conversion projects to apply now
  - New Qualified Conversion Credit and other funding in Housing Bond Bill



# THANK YOU

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We appreciate your time and hope you enjoyed this presentation.

## HAVE QUESTIONS?

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OR VISIT:

<https://www.bostonplans.org/conversion>

