

White House Unveils Plan For Residential Conversion Push

The actions seem to rest on existing programs without additional funding.

By Erik Sherman

The White House announced a plan on Friday to help commercial property owners — with a focus on office — convert buildings to residential use.

“These announcements will create much-needed housing that is affordable, energy efficient, near transit and good jobs, and reduce greenhouse gas emissions, nearly 30 percent of which comes from the building sector,” a Biden administration fact sheet noted.

However, an initial review by GlobeSt.com of the available documents suggests that the announcements and actions look to open existing programs to conversion projects and don't provide net new funding, which means more competition for the same funds.

Quoting a Council of Economic Advisers post that mentioned a 30-year high national office vacancy rate “placing a strain on commercial real estate and local economies,” the administration said it would be “sparking investment through new federal funding and repurposing property” through the following ways:

- The Department of Transportation released new guidance on “how the Transportation Infrastructure Finance and Innovation Act (TIFIA) and Railroad Rehabilitation & Improvement Financing (RRIF) programs – which combined have over \$35 billion in available lending capacity for transit-oriented development projects at below market interest rates — can be used to finance housing development near transportation, including conversion projects.” DOT also has guidance so transit agencies can more easily repurpose properties for affordable housing, including conversions.
- The Department of Housing and Urban Development has an updated notice on “on how the Community Development Block Grant fund, \$10 billion of which have been allocated during this Administration, can be used to boost housing supply – including the acquisition, rehabilitation, and conversion of commercial properties to residential uses and mixed-use development.” The department is “also accepting applications for the \$85 million Pathways to Removing Obstacles to Housing program, which includes the development of adaptive reuse strategies and the financing of conversions as eligible activities.”
- The General Services Administration is promoting its Good Neighbor Program to sell surplus federal properties that might be appropriate for residential conversions.
- The Department of Energy has a “toolkit” of technical and financial guidance for using various tax deductions and credits that can apply to residential conversions.
- The Treasury Department is reminding developers, investors, and owners about multifamily construction tax deductions.

The White House additionally published a ***guidebook for commercial-to-residential conversions***, which includes a list of “federal loan, grant, tax credit and technical assistance programs across seven agencies that can be used to convert commercial properties to residential use.”

Although the information will be useful to CRE professionals performing conversions and having it compiled in a single place, it’s not clear that any of the programs previously explicitly excluded such activity.