



FACE THE
HOUSING
CRISIS

**Policy Discovery
and Insight Guide:**

Adaptive Reuse

APPLYING SYSTEMS THINKING



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DISCLAIMER

This is one in a series of discovery and educational guides. Information presented in the series and this document is intended to foster shared understanding and highlight the value of evaluating policies through a systems thinking approach. Inclusions or omissions should not be construed as endorsements, recommendations, or rejections of any particular policy or approach. The views and opinions expressed or implied within this document are not intended to express those of Habitat for Humanity Greater Orlando & Osceola County, its board of directors, or any of its delegate reviewers.

Letter from CEO

Dear Reader,

It is my pleasure to introduce this policy guide, part of a series produced for Habitat for Humanity Greater Orlando & Osceola County's Cornerstone Housing Initiative. In this guide, we explore the potential of adaptive reuse – transforming buildings previously used for other purposes, such as offices or hotels, into housing. Adaptive reuse is potentially part of a broader portfolio of solutions to the housing crisis. As with the other guides in this series, we employ systems thinking to foster a shared understanding among our diverse stakeholders, recognizing that the housing crisis cannot be solved in silos.

Our initiative is rooted in the belief that establishing common ground is the most fundamental element of systems change. Without a shared and comprehensive understanding of how policies, market forces, and community needs interact, efforts to address the housing crisis will remain fragmented and ineffective. This policy guide is not only an educational tool but also a call to action – to engage with and contribute to this shared dialogue.

As the Cornerstone Housing Initiative expands and accelerates, your investment in reading this guide as part of the work to establish shared understanding will prove invaluable. In the next phase of collaborative community discussions, the ideas explored in this guide and throughout the series will serve as a foundation for scenario planning and community charrettes in 2025. There is much work to be done. Together, we can Face The Housing Crisis.

Sincerely,



Catherine Steck McManus
President & CEO
Habitat for Humanity Greater Orlando & Osceola County



Introduction

Central Florida’s housing crisis presents a complex challenge that requires innovative and holistic solutions. This series of policy guides aims to establish a shared understanding of various housing policies, examining each through the lens of systems thinking. By focusing on different policies, we seek to foster a comprehensive dialogue among stakeholders, highlighting the multifaceted nature of housing issues and promoting collaborative approaches to address them effectively.

Adaptive reuse – transforming buildings previously used for other purposes, such as offices or hotels, into housing – offers a possible pathway to increase available housing in Central Florida and also reimagine the use of buildings that no longer offer owners the same value proposition in a post-COVID 19 environment.

For example, some major office hubs across the country have experienced rising vacancy rates since the pandemic. Permanent remote and hybrid work arrangements have lessened the amount of daytime activity in many downtown areas. As cities aim to improve the vibrancy of increasingly vacant downtowns, transforming empty office buildings into housing offers a possible “win-win-win” solution for developers, residents, and downtown advocates. Meanwhile, hotel occupancy rates for economy class hotels (hotels with the lowest average daily room rates) have been falling across the US since April 2022. These declines in occupancy have been creeping up the class scale, reaching upscale hotels by the first quarter of 2024. As hotel occupancy rates fluctuate, some hotel owners and city governments may see more value in transforming underperforming hotels into housing.

The broadest definition of adaptive reuse is repurposing existing structures for different functions while retaining their original form, and the adaptation does not always have to be for housing. Technically, modifying an existing office space to be more flexible, open, and environmentally conscious is adaptive reuse. However, this guide will narrow the focus, examining only adaptive reuse as it applies to creating long-term housing solutions.

Adaptive reuse is repurposing existing structures for different functions while retaining their original form.

To be even more specific, this guide will focus on the systematic impacts of transforming existing office buildings and hotels into housing. There are examples of housing transformations from other building uses; the creation of trendy loft style apartments from old, manufacturing buildings is not new. Warehouses and retail

space offer other opportunities for conversion to housing. In addition, there has been a small but growing trend as churches look to diversify their own portfolios and add housing options on their property – part of the Yes in God’s Backyard (YIGBY) movement. However, our narrowed focus on only office and hotel conversions provides enough variety to showcase how each conversion project offers its own unique set of benefits and challenges.

Arguments for office conversions tend to include an environmental lens. While all adaptive reuse projects offer a departure from the linear approach to building life cycles – construct, use, demolish, and rebuild – and increased circularity in the built environment by extending the lifespan of structures, the language around office conversions is even more heavily tilted toward highlighting the environmental benefits. Sustainability has become a major decision driver for property developers and owners. Repurposing buildings offers developers environmental benefits for their projects without paying large upfront costs to buy greener building materials. Often the more environmentally-conscious decision is to use existing materials instead of buying something new.

The adaptive reuse of office buildings for housing also takes on an economic development lens, with many cities and downtown boards promoting office conversions as a means of revitalizing empty central business districts. Washington D.C., the current leader in office to residential conversions with 5,800+ apartments planned to come online in 2024 and another 9,000 planned for the future, has promoted adaptive reuse as part of a larger D.C. Comeback Plan for 2023 through 2027. To create equitable, post-pandemic growth the city aims to add 15,000 new residents to the downtown area. To achieve this, D.C. is pairing zoning reform and tax abatements for adding affordable units with other downtown revitalization efforts such as more bike lanes, pedestrian-friendly streets, small business grants, and allowing restaurants to winterize their once-temporary outdoor dining areas.

Meanwhile, the lens used to view the benefits of hotel conversions differs from office conversions. Rather than environmentally-conscious revitalization, the adaptive reuse of hotels is promoted to quickly add housing options to a community for individuals with the lowest incomes. This helps fill some of the “missing middle” – housing options beyond single-family and large apartment complexes – of the housing market. For example, Project Homekey is a statewide effort in California that aims to rapidly add affordable housing stock by making funds available for the acquisition and renovation of hotels and motels. The program builds on a COVID-19 era public health project, Project Roomkey, where the state temporarily housed the homeless and displaced in hotel rooms during the pandemic.

This focus for the adaptive reuse of hotels makes sense. Hotel rooms are already equipped with much of the plumbing, electrical, and HVAC infrastructure needed for long-term housing, making these adaptive reuse projects cost-effective and faster for developers looking to quickly create housing units. Furthermore, because many governments and housing affordability programs measure affordability by the unit, not square footage, hotels with pre-defined units are uniquely positioned to take advantage of affordability incentive programs. At least three such projects already exist in Osceola County, where motels are being converted into affordable housing by a local nonprofit, Hope Partnership, the City of Kissimmee, and a private developer.

Of course, despite the benefits, there are challenges to adaptive reuse.

The cost benefits of renovating an existing building are not always available. Older buildings likely require upgrades to bring electrical and plumbing infrastructure up to code. For example, updating fire sprinkler systems is a significant financial barrier. Compliance with modern building codes that did not apply when an older building was constructed (such as stair width and building setbacks), also adds to the costs (or even makes the conversion impossible). Yet older office buildings (built before the 1970s) are usually the best suited to transform into individual units, because of their smaller floor plans. Natural light requirements for residential units may make converting an existing office building, especially newer, larger buildings with large amounts of interior, windowless space, cost prohibitive.

Navigating the historic preservation of older buildings presents challenges as well. Community opposition may come in the form of historic preservation concerns. While adaptive reuse can be promoted as a means of historical preservation, by keeping the façade of the building intact, strict interpretation of preservation code may become a barrier. For example, historic preservation guidelines may clash with modern energy efficiency – historic preservation guidelines may call for a specific style of windows on a building while new requirements for lessening energy use call for installing more efficient windows.

There may also be pushback or concerns over the size and conditions of the units being proposed. Hotel and motel rooms tend to be much smaller than traditional housing, and community advocates may raise concerns about the living conditions for people in smaller-than-average apartments.

These barriers reveal how each adaptive reuse project presents its own unique set of challenges, dependent on the specific building under proposal. However, there are certain best practices in zoning reform and affordable housing incen-

These barriers reveal how each adaptive reuse project presents its own unique set of challenges, dependent on the specific building under proposal.

tives that cities and counties can introduce to encourage the revitalization of a region's existing building assets into much-needed housing stock.

This policy guide on adaptive reuse provides an in-depth analysis of the current landscape, challenges, and opportunities presented by transforming existing office buildings or hotels into long-term housing. Readers are encouraged to consider multiple perspectives, understand the various viewpoints of stakeholders, and use this shared understanding to pinpoint key leverage points within the housing system. Applying systems thinking can help develop innovative solutions that address the root causes of housing challenges rather than just the symptoms. By engaging with this insight guide, stakeholders can work collaboratively to create more inclusive, affordable, and resilient housing solutions for Central Florida.

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Context:

Housing and Systems Thinking

To address the affordable housing crisis in Central Florida, policymakers must move beyond surface-level solutions and engage with the problem in its full complexity. Housing markets are not isolated, self-contained systems but are deeply interconnected with social, economic, and political forces. By applying a systems thinking approach, we can begin to see the broader context in which new and long-standing policy solutions alike can be improved to enhance their role as part of a holistic solution.

At its core, systems thinking encourages us to recognize the interconnectedness of elements within a system. In the case of housing, this means understanding that shifts in one domain – such as financing structures, public policy, or land use regulations – inevitably create ripple effects across others. Each of these sub-systems influences and is influenced by the others. For example, housing shapes broader economic outcomes, such as consumption patterns, wealth distribution, and regional development. This relationship anchors the belief that housing is the cornerstone of community progress.

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The broader introduction of adaptive reuse into the affordable housing landscape can thus be seen as one piece of an evolved system, whose success depends on how well it interacts with existing market conditions, governmental incentives, and community needs.

One of the fundamental principles of systems thinking is the concept of feedback loops, which serve to either reinforce or counterbalance changes within the system. When effectively implemented, adaptive reuse can initiate positive feedback loops, creating self-reinforcing cycles that generate long-term affordability. For instance, successful adaptive reuse projects might encourage targeted policies and lessen the perceived risk of adaptive reuse for financial institutions, increasing investment and the number of buildings that are converted, and lowering pressure on existing housing stock. Yet, systems thinking also cautions us about potential negative feedback loops, such as the risk of gentrification and shifts toward luxury development that would erode affordability over time. Policies may need to be structured to protect long-term affordability.

Equally important in the systems thinking framework is the identification of leverage points – those areas within a system where targeted interventions can have outsized effects. In the case of adaptive reuse, these leverage points might include policy instruments such as land-use and building code reforms, tax incentives to include affordable units in adapted developments, or seed funding to acquire properties for affordable housing development. By focusing on these high-impact areas, policy-makers can amplify the positive outcomes generated by adaptive reuse and drive substantial, systemic change.

However, it is not enough to simply identify leverage points; the housing market is dynamic and constantly evolving in response to economic shifts, demographic trends, and policy changes. Systems thinking, therefore, emphasizes the importance of adaptability – the ability of policies and institutions to learn from their outcomes and make adjustments over time. In this context, adaptive reuse policies must be designed with mechanisms that allow them to adapt to shifting market conditions, ensuring that their mission to provide affordable housing remains sustainable even as broader economic conditions change.

As we evaluate the role of adaptive reuse in Central Florida, systems thinking offers a framework that not only deepens our understanding of how these policies and programs function, but also highlights the complexity of the housing crisis itself. It allows us to see beyond individual policies or isolated projects and encourages a broader view – one that takes into account the interdependencies of financing, regulation, community engagement, and long-term sustainability. This holistic perspective is critical to crafting solutions that not only address the immediate need for affordable housing but also create conditions for long-term stability and equity in the housing market.

Systems thinking, therefore, emphasizes the importance of adaptability—the ability of policies and institutions to learn from their outcomes and make adjustments over time.

The challenge and importance of systems thinking

In applying systems thinking to adaptive reuse, we can better appreciate how these projects fit into the broader housing ecosystem and how their success depends on identifying the right building that offers cost benefits to the developer and allows the operating organization to keep rents affordable. Rather than treating adaptive reuse as a silver bullet solution, systems thinking invites us to see it as part of a dynamic, interconnected strategy to address housing affordability – a strategy that

must remain flexible, responsive, and adaptive to the changing needs of Central Florida's communities.

Systems thinking offers a unique lens for understanding complex, interconnected problems like the affordable housing crisis, but it also presents a significant challenge for those accustomed to more traditional, linear approaches to problem-solving. The primary difficulty lies in the fact that most of us, consciously or unconsciously, see the housing system only from the vantage point of our specific roles within it—whether we are homeowners, renters, policymakers, developers, or investors. This “role bias” shapes how we interpret the dynamics at play, often leading us to prioritize the parts of the system that most directly benefit us, without recognizing how other parts of the system may be affected or how our actions might inadvertently exacerbate the problem.

The true difficulty in adopting systems thinking is that it requires stepping outside the very system we are embedded in to see its broader dynamics, interdependencies, and flaws. This kind of self-awareness and detachment can be exceptionally difficult because it forces us to challenge our assumptions and biases about how the system operates and who benefits from it. As Einstein famously observed, “We can’t solve problems with the same tools or thinking that created them.” In the context of housing policy, this means that we cannot address the crisis using the same fragmented, piecemeal approaches that led to it in the first place. Instead, systems thinking demands that we view the housing market as a whole and explore how the various parts—financing, land use, government regulation, community needs—interact, sometimes in ways that are counterproductive.

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Traditional collective action initiatives often struggle to bring about real systems change precisely because the participants involved dig in to preserve the parts of the system that benefit them. This tendency is natural, as stakeholders tend to focus on protecting their vested interests, whether that means securing profits, maintaining control over land use, or preserving certain policy preferences. However, this very instinct to protect the status quo can blind us to how our historical preferences and entrenched policies might actually be contributing to the problem. For instance, exclusionary zoning laws or narrowly focused subsidy programs may serve the immediate interests of one group but ultimately harm the system as a whole by limiting affordable housing supply or creating inequities.

This is where systems thinking becomes crucial – it encourages a more holistic understanding of how each participant’s actions, however well-intentioned, might ripple through the system and create unintended consequences. For housing policy to truly evolve, stakeholders must be willing to step outside their own interests and examine the housing system from multiple angles. They must be open to the possibility that their past preferences, however successful they may have seemed, might need to change to solve the deeper systemic problems that plague the housing market today. Only by adopting this broader perspective can we cut the Gordian knot of causes and effects that perpetuates housing instability and inequality.

The shift to systems thinking is not easy, but it is essential if we are to move beyond short-term fixes and toward long-term, sustainable solutions that address the root causes of the affordable housing crisis.

Policy Focus: Adaptive Reuse

Adaptive reuse offers one method of addressing the housing crisis by transforming existing buildings previously used for some other purpose into housing. To be more detailed, it is the process of re-zoning and transforming a building previously used as office, industrial, retail, religious, or short-term lodging space into housing.

Transforming existing buildings to meet current needs also has benefits from an environmental standpoint. The embodied carbon already present in the existing building means that reusing the structure for another purpose is more efficient and less resource-heavy than tearing it down and rebuilding. As more city building codes incorporate energy efficiency requirements for new construction and consumers demand greener buildings, adaptive reuse offers one path toward meeting those requirements.

The role of adaptive reuse in alleviating the housing shortage

One of the greatest strengths adaptive reuse offers is the speed with which many units could potentially be added to local housing stock. The acquisition of hotels and motels for this purpose is a great example. Finding turnkey properties that require fewer renovations to be suitable for long-term housing, such as previous extended stay hotels, decreases the development timeline. Project Homekey in California used COVID relief dollars to catalyze hotel purchases and renovations, adding 6,000 units of housing in six months from July to December of 2020.

Furthermore, adaptive reuse adds a diversity of housing options to local housing stock. Some hotel conversion projects operate as supportive or transitional housing managed by local housing authorities. For example, the Champlain Housing Trust in Vermont operates multiple converted hotels, each for a population with a very specific need such as domestic violence victims or individuals who have been homeless for more than five years.

Adaptive reuse project leaders in Oregon made a strong case for the role of hotel and motel conversions. Megan Loeb of the Oregon Community Foundation noted that “no region wants to overbuild shelter infrastructure. This model helps meet both needs of immediate shelter and long-term housing in one investment.”

However, hotel or motel projects must not always be converted to supportive or transitional housing. Projects such as Haven on Vine in Kissimmee will include 40 units reserved for emergency bridge housing, but another 80+ units will be designated as affordable rental housing for those whose incomes do not allow them to afford a market-rate rental property in Central Florida.

Adaptive reuse also offers one pathway for increasing density and revitalizing neighborhoods by filling otherwise vacant buildings. Increased density reduces urban sprawl and concentrates the need for government services. Increased foot traffic from renters builds local economies by supporting restaurants and retail beyond the typical 9-5 office hours, after which many central business districts become nightly ghost towns.

The idea of adaptive reuse is not new. For example, Richmond, Virginia began converting old tobacco factories into apartments in the 1980s. The Post Parkside apartment building on Lake Eola in Downtown Orlando was previously the Cherry Plaza Hotel in the 1950s and 60s.

However, it is difficult to quantify just how many apartments exist because of adaptive reuse. One source, apartment research firm RentCafe, tracks adaptive reuse projects and reports that every year for the past decade, at least 10,000 new converted apartments have been added to US housing stock. In 2016 and 2017, those annual numbers were as high as 16,000 units. In 2023, 12,700 new apartments came online, and it was the first year that the number of conversions from hotels overtook conversions from office buildings. However, note that these numbers are based on a methodology which only counts buildings containing at least 50 units. For example, a project such as Thrive Studios, being built in Kissimmee by Hope Partnership and containing 33 units of affordable housing, would not be included.

Meanwhile, a research paper from the MIT Center for Real Estate studying New York City notes that during roughly the same time span, more than 20,000 residential rental units were created from conversions in New York City alone. Los Angeles's adaptive reuse ordinance (ARO) was first implemented in 1999 and has helped create over 46,000 residential units.

Despite the challenges quantifying just how many adapted apartments exist across the US, these examples offer many proof points that adaptive reuse can be done successfully and has played a role in increasing available housing stock. Yet, knowing

“No region wants to overbuild shelter infrastructure. This model helps meet both needs of immediate shelter and long-term housing in one investment.”

—Megan Loeb, Oregon Community Foundation

the historic trends also forces consideration of why adaptive reuse has not, thus far, been a larger factor in alleviating the housing crisis.

Barriers to widespread adoption

The greatest barrier to widespread adoption may be the fact that there is no one-size-fits-all solution when it comes to adaptive reuse. Each building that might be converted to housing presents its own unique set of circumstances.

For instance, older office buildings (built in the 1970s or earlier) are often more suitable for conversion because they have smaller floor plans (usable square footage) and narrower layouts, making it easier to break them into individual units. They also do not have the typical large glass window plates of newer buildings that can be a challenge for creating privacy. However, renovating older buildings may create snags with modern building code or energy efficiency requirements.

Stair width, window efficiency, parking minimums, and building setback requirements are all examples of barriers that may arise when attempting to renovate an older building that has been grandfathered in as new building codes were adopted.

When it comes to identifying buildings for hotel conversion, practitioners must heavily vet buildings for their physical condition and ease of conversion. In 2020, the San Diego Housing Commission (SDHC) reviewed and passed on 27 possible properties before eventually selecting two former Marriott Residence Inns for conversion. The SDHC was prioritizing speed, so they sought properties that did not require extensive rehabilitation and already provided the proper physical configuration of the units, with kitchens and separate living areas. This prioritization of speed meant that the properties were turnkey and thus more expensive to acquire. However, the SDHC saved time and money on the renovation side. A less expensive property may require extensive renovations to make units larger or bring HVAC and plumbing infrastructure up to code.

While there is no one-size-fits-all solution for properly renovating a building for adaptive reuse, there are some universal barriers that could be removed to help foster adaptive reuse projects – mainly, legislative fixes to zoning. Both California and Oregon passed state legislation to help speed up the zoning process for adaptive reuse projects. In California, state legislation granted Project Homekey awardees automatic permit and zoning approval. In Oregon, HB2984 passed in 2023, allowing for the conversion of commercial buildings to housing within an urban growth boundary and prohibiting

There is no one-size-fits-all solution for properly renovating a building for adaptive reuse.

local governments from enforcing parking minimums for those conversions. Locally, in 2021, Osceola County commissioners approved an ordinance that allows for adaptive reuse of properties in the East and West US 192 Community Redevelopment Area, with certain building and aesthetic restrictions. However, note that adding limiting factors to legislation, such as aesthetic parameters, makes conversions more costly and may reduce the number of conversions that can feasibly take place.

Applying systems thinking: The importance of establishing shared understanding

Addressing the housing crisis is a wicked problem, characterized by its complexity, interconnectedness, and the diverse interests of stakeholders involved. Solutions to such problems cannot be addressed in isolation; they require an understanding of the entire housing system and the ways in which its various parts interact. Systems thinking is a powerful framework for understanding these dynamics, as it encourages policymakers and stakeholders to examine not just the symptoms of the housing crisis, but the underlying structures and relationships that give rise to them.

At the core of systems thinking is the concept of shared understanding – the process of creating a common language and perspective among all stakeholders. In the housing system, where the actions of one group can have profound effects on others, establishing this shared understanding is crucial. It allows stakeholders to see the housing system as a whole, appreciate its complexities, and recognize the unintended consequences of siloed solutions. When stakeholders – homeowners, renters, local government officials, community organizations, and the real estate and construction industry – come together with a common understanding of the challenges and opportunities within the housing system, they are more likely to craft integrated solutions that address the root causes of the problem, not just its surface-level symptoms.

One of the key tools to facilitate this shared understanding is stakeholder analysis. This method allows stakeholders to examine their own perspectives and those of others in the system. By understanding each group's needs, concerns, and influence, stakeholder analysis helps identify common goals and areas of conflict, making it easier to align efforts and pursue collaborative, sustainable housing solutions. The following section will explore the perspectives of key stakeholders in the housing system – homeowners, renters, local government, community organizations, and the real estate and construction industry – and will emphasize the importance of fostering common ground to create an effective solution portfolio.

Stakeholder perspectives

Understanding the perspectives of all relevant stakeholders is crucial for effectively addressing the affordable housing crisis through the implementation of adaptive reuse. Each stakeholder group has distinct goals and objectives, shaping their views on adaptive reuse and influencing the success of policy changes that may be considered. What one stakeholder views as a benefit could be a concern for another. The following section outlines benefits and concerns to various stakeholders for the adaptive reuse of offices and hotels.



1. Homeowners

Benefits:

- **Neighborhood revitalization:** Adaptive reuse attracts new residents, which may in turn bring investment in infrastructure, local business activity, and services. This new activity may raise property values and enhance the overall quality of life in a region. The boost in economic activity will also impact those homeowners who are also business owners and work in local establishments.
- **Increased safety and security:** If the property under consideration is currently vacant, then new residents will increase foot traffic and contribute to a greater sense of safety and security.

Concerns:

- **Property values:** While adaptive reuse has the potential to increase property values via neighborhood revitalization, homeowners may perceive an influx of new rental units, specifically affordable rental units, as a threat to their property values.
- **Strain on resources:** More residents means greater demand for local resources, parking, and community services. Homeowners may worry about how their existing utilities and infrastructure will handle the increased demand.



2. Renters

Benefits:

- **Diverse housing options:** Renters benefit from the addition of diverse types of units. The domino effects of creating a diversity of housing options means that individual households are better able to select the type of rental that works best for them, without occupying the rental space that may work best

for another household. Sometimes this is referred to as filling the missing middle of housing development.

- **Increased affordability:** More rental units mean the price of renting falls. Furthermore, many adaptive reuse projects are supported by public subsidies or social programs to create affordable housing for households with the lowest incomes in a community. This increases household security and stability.
- **Enhanced urban lifestyle:** Creating more mixed-use spaces by converting some office buildings downtown to residential use combined with ground floor retail and restaurants creates a blend of urban activities that offer some residents easy access to amenities, without the need for transportation.

Concerns:

- **Mismatched services:** Adaptive reuse projects in typically high tourist areas or central business districts may initially lack the services needed for residents such as grocery stores, childcare, and doctors' offices.
- **Smaller units:** Apartments converted from hotel rooms tend to be smaller than apartments found in new construction buildings. Units may be lower quality if constructed quickly and cheaply.
- **Rental price volatility:** There is the potential that adaptive reuse projects could drive up the price of renting in revitalized neighborhoods and displace existing lower-income residents.

3. Local government



Benefits:

- **Neighborhood revitalization:** Adaptive reuse can breathe new life into aging neighborhoods or vacant downtowns by converting buildings to residential units, thereby increasing the local population and supporting neighborhood economies.
- **Historic preservation:** Adaptive reuse offers one avenue to preserve the architectural significance of existing buildings and maintain neighborhood or city character.
- **Quickly addressing housing shortages:** The efficient use of existing infrastructure offers a possible pathway to quickly create more housing units and address local shortages.

Concerns:

- **Public opposition:** Homeowners and other community stakeholders may oppose the increased density and neighborhood changes brought about by new rental units. Navigating this public opposition is a challenge for local governments.
- **State preemption of local control:** Local government may be resistant to sweeping mandates requiring removal of zoning hurdles or automatic approval of adaptive reuse projects.

**4. Community organizations (nonprofit social service providers)****Benefits:**

- **Increased housing for vulnerable populations:** Some adaptive reuse projects help increase the supportive and transitional housing resources in a community without having to build out the traditional shelter infrastructure.
- **Collaboration opportunities:** Nonprofits can partner with local governments or developers to shape adaptive reuse projects and provide social services at concentrated points of contact.

Concerns:

- **Quality standards:** Some projects may raise concerns about privacy issues and the quality of units, depending on which units in an adapted building are reserved as affordable.
- **Competition for resources:** Securing funds for adaptive reuse projects may take funding away from other housing or social service initiatives.
- **Mismatched rents:** In some cases, hotel rooms are already serving as a form of affordable housing for people who cannot afford to pay first and last month's rent and security deposits. There may be a concern that transforming hotels into affordable units will displace many people who previously used the hotel for housing but still cannot afford the rent once it is remodeled for long-term living.

**5. Real estate and construction industries:****Benefits:**

- **Transform underutilized assets:** Adaptive reuse offers the opportunity to find new purposes for and income streams from underutilized or vacant buildings.

- **Shorter development timelines:** Shorter construction timelines factor into the bottom-line of development and help realize returns faster.
- **Green project development:** Adapting a building that already exists is more environmentally friendly than building a new one. This opens up the possibility of different funding streams from governments and stakeholders who increasingly care about environmental impacts for new development.

Concerns:

- **Unforeseen renovation challenges:** Converting buildings to new uses may present challenges such as outdated infrastructure or design limitations that are not discovered until renovations have begun.
- **Financing and profit margins:** Developers may be concerned about the profitability of projects if unexpected costs appear.
- **Impact fees:** Repurposing a building does not automatically negate the requirement to pay impact fees, which are paid by developers to local government to help offset the costs of public infrastructure such as roads, water, schools, police, etc.

6. Financial institutions









Benefits:

- **Enhanced risk management:** Adaptive reuse projects that focus on affordable housing often come with government subsidies, grants, and tax incentives. These reduce the financial risks for banks by securing part of the investment with public funding.
- **Reputation and investing opportunities:** By financing adaptive reuse projects, particularly those that promote affordable housing or sustainability, banks improve their standing among stakeholders and investors who prioritize ethical business practices and impact investing.

Concerns:

- **Project risk:** Financial institutions may be wary of the risks associated with adaptive reuse projects, particularly if there are concerns about regulatory approval, construction delays, or market demand.
- **Longer payback periods:** Affordable housing projects may have longer payback periods or lower profit margins than market-rate housing, which could make them less attractive to banks as compared with other real estate investments.

Stakeholder Perspectives on Adaptive Reuse

Stakeholder	Benefits	Concerns
 Homeowners	Neighborhood revitalization, increased safety and security	Property values, strain on resources
 Renters	Diverse housing options, increased affordability, enhanced urban lifestyle	Mismatched services, smaller units, rental price volatility
 Local government	Neighborhood revitalization, historic preservation, quickly addressing housing shortages	Public opposition, state preemption of local control
 Community organizations	Increased housing for vulnerable populations, collaboration opportunities	Quality standards, competition for resources, mismatched rents
 Real estate and construction industries	Transform underutilized assets, shorter development timelines, green project development	Unforeseen renovation challenges, financing and profit margins, impact fees
 Financial institutions	Enhanced risk management, reputation and impact investing opportunities	Project risk, longer payback periods

Systems Analysis of Policy Interventions and Opportunities

To realize the full potential of adaptive reuse in addressing the housing crisis, policymakers must address these stakeholder concerns and possible barriers through thoughtful reforms and targeted interventions. However, the possibilities for renovating existing buildings are endless and there is no one-size-fits-all approach to adaptive reuse.

To maximize program effectiveness, adaptive reuse policies will need to start with a set of priorities. For example, is the main priority to revitalize a more vacant downtown (by bringing rental income and foot traffic to the area)? Or is the priority to create as many deeply affordable units as possible? Both outcomes are achievable with adaptive reuse, but the intent of the policy will influence which types of buildings or renovations are undertaken. Aiming to achieve both outcomes simultaneously will limit the number of properties that feasibly allow for such a conversion.

In systems thinking, this dynamic is known as Limits to Growth, and it is one example of a system archetype. System archetypes emerge from the interconnected nature of housing systems, where the actions of one group or policy can have unintended consequences that ripple across the system. While a policy that aims to both create affordable housing and redevelop unused office buildings downtown is well-meaning on all fronts, the Limits to Growth archetype tells us that there are only so many specific buildings (in the right condition and configuration to create affordable units) that will fit all these requirements.

Stakeholders in the housing system—homeowners, renters, local governments, developers, community organizations, and financial institutions—all operate with differing objectives and constraints. These stakeholders interact with existing housing policies, financial incentives, regulatory frameworks, and the behaviors of individuals within the housing market, creating complex feedback loops that often reinforce existing problems rather than resolving them.

By studying system archetypes, policymakers are exposed to the feedback loops that proposed solutions may create before the policy is ever enacted.

Adaptive reuse as a solution to system failures

Three system archetypes may be avoided by pursuing adaptive reuse as a solution to the housing crisis.



SYSTEM FAILURE PATTERN #1

Fixes that Fail

The Fixes that Fail archetype describes a scenario where short-term solutions appear to solve an immediate problem but ultimately produce unintended consequences that exacerbate the original issue.

In the housing system, urban sprawl and building affordable rentals farther and farther away from job centers and amenities is one example of the Fixes that Fail archetype. Building farther outside of a city center gives developers the ability to build more affordable homes or demand less in rent, which appears to be a fix for housing affordability. However, the decreased access to good jobs and greater time spent commuting erodes regional quality of life and increases other household costs to the point where residents are trapped in a cycle of long commutes, rising costs, and less household spending power.

In the housing system, urban sprawl and building affordable rentals farther and farther away from job centers and amenities is one example of the Fixes that Fail archetype.

Meanwhile, adaptive reuse offers one strategy to increase density and add regional housing supply without changing the existing look and feel of the neighborhood. Reimagining existing building assets as long-term housing solutions has the potential to add density and a diversity of housing options much closer to the neighborhoods with existing job opportunities and amenities.



SYSTEM FAILURE PATTERN #2

Shifting the Burden

The Shifting the Burden archetype in housing policy emerges when short-term solutions are implemented to address immediate symptoms of a larger issue while leaving the root causes unresolved.

Increasing local homeless shelter capacity is one example of Shifting the Burden. While shelter resources and temporary housing solutions are vastly important for

those who fall through society's many cracks, they do not address the root causes of homelessness. One of those root causes is the lack of deeply affordable rental units for working families.

Three projects currently underway in Osceola County are good examples of how adaptive reuse offers a solution to the Shifting the Burden archetype (see below).

Adaptive Reuse in Osceola County, FL

Local nonprofit Hope Partnership is renovating the former Crown Motel on Highway 192. When it is complete, the reuse project will provide 33 studio-style apartments and be named Thrive Studios. The project will serve a mix of people experiencing chronic homelessness and low-income seniors. Up to 15 of the units will be utilized for Permanent Supportive Housing. The remaining units will house seniors who make 60% or below the area's median income (roughly \$46,320 or lower for a household of two).

Meanwhile, The City of Kissimmee is also renovating a former Motel 8 into 123 units of housing. That project is called Haven on Vine and once completed, 83 of the units will be affordable housing and 40 will be emergency, bridge housing. Osceola County approved \$3 million for the city to acquire and renovate the hotel, with much (if not all) of the money coming from federal sources.

These projects signal how adaptive reuse helps localities break away from temporary solutions such as increasing homeless shelter capacity. These project leaders recognize that the root cause of the problem is not enough affordable housing units for the local workforce. However, they also recognize that two hotel conversion projects will not be enough on their own to absorb the increasing numbers of people who need affordable housing solutions in Osceola County.

Finally, note that private developer Styx Co. has also been taking on adaptive reuse projects in Osceola County. The now up and running Teale apartments are studio spaces converted from the 134-room Magnuson Maingate hotel. The apartments include electricity, water, and internet. Rent starts at \$1,157 for a 200-square-foot studio apartment.



SYSTEM FAILURE PATTERN #3

Tragedy of the Commons

In the Tragedy of the Commons archetype, individuals acting in their own self-interest deplete shared resources, leading to negative outcomes for the collective. In cities facing housing shortages, developers often prioritize luxury developments that maximize their short-term profits. This depletes the available land for affordable housing, exacerbating the housing crisis, and creating a Tragedy of the Commons scenario.

Again, adaptive reuse offers one solution to this common systems failure by using land that has already been developed. Adaptive reuse projects need to have a specific focus on affordable housing to completely avoid the luxury development scenario described above. If developers can create housing at lower costs by focusing on adaptive reuse, and use government incentives to do it, there may be less of a financial impetus to build luxury units as a means of recouping expenses. Increasing housing density by adapting existing structures, leaving the outlying land for purposes that benefit the public good such as natural space, agriculture, sports facilities, etc.

System failures arising from adaptive reuse policy

However, there are four system archetypes that adaptive reuse may fall victim to, if not thoughtfully implemented or studied.



SYSTEM FAILURE PATTERN #4

Accidental Adversaries

The system archetype of Accidental Adversaries occurs when stakeholders have different priorities (e.g. maximizing profit vs. providing affordable housing). Their actions then undermine each other, creating inefficiencies and conflict.

A meaningful example of this system archetype colliding with adaptive reuse policy is New York City's attempt to transform hotels into housing. In 2021 and 2022, then New York Governor Andrew Cuomo pledged \$200 million through two different pieces of legislation to help fund hotel conversions to housing, called the Housing with Dignity Act. Meanwhile, New York City Mayor Eric Adams announced a goal of creating 25,000 permanent, affordable housing units from hotel conversions. However, a lack of zoning reform made the program difficult to implement and a strong and politically connected hotel workers union, the Hotel Trades Council (HTC), had interests in preserving unionized hotel jobs rather than creating affordable housing with those spaces.

The HTC supported various legislative initiatives that made it difficult for hotel owners to sell their properties and for properties to be rezoned. For example, the HTC added a caveat to the legislation funding the conversion program that owners who employ union staff were required to gain approval on the sale from the union itself. The HTC also negotiated increased severance pay for employees whose hotels would be converted. Typically, the closing of a unionized hotel elicits severance pay equal to four days of wages for each year of service. For hotels switching to residential uses, that severance pay requirement increased to 15 days of pay for each year of service. Even before the Housing with Dignity Act was announced in 2021, the HTC supported a change in NYC zoning requirements that requires new hotel construction projects to gain a special permit in an increased number of districts. This effectively limited the number of new hotels that have been built, increased the share of hotels that are unionized, and made hotels a scarcer asset in New York City.

This series of policy tweaks by the HTC meant that, realistically, hotels in the heavily unionized borough of Manhattan would not be converted to housing. Meanwhile, outlying boroughs with more non-unionized hotels were typically farther from public transportation and other services, making them less suitable for those who would be living in these affordable housing projects.

Between union-backed legislative requirements, other zoning issues, and disincentives for hotel owners to sell their properties, it was death by a thousand cuts for the Housing with Dignity Act. This attempt at adaptive reuse has been wildly regarded as a bungled opportunity to create permanent, affordable housing units.



SYSTEM FAILURE PATTERN #5

Relative Control

The Relative Control archetype appears when a critical stakeholder or group within a system feels like it has control but external forces actually have a greater influence. This often leads to a detrimental false sense of security or stability. In many regions, local governments try to control housing affordability through policies like zoning codes, but in reality, market forces (e.g., housing demand, investor behavior) often overpower these regulations, leaving municipalities struggling to maintain affordable housing.

Boston offers an example of an adaptive reuse program working to overcome these forces by not only instituting

In many regions, local governments try to control housing affordability through policies like zoning codes, but in reality, market forces (e.g., housing demand, investor behavior) often overpower these regulations,

zoning reform, but also attempting to entice and foster demand with tax incentives and a specialized project manager.

The adaptive reuse PILOT (Payment In Lieu Of Taxes) program in Boston will allow office properties that convert to residential a tax abatement of up to 75% on fair market assessed value for up to 29 years. The program will also allow the buildings to switch from commercial property tax rates (of \$24.68 per \$1,000 of assessed value) to residential property tax rates (\$10.74 per \$1,000 of assessed value). This tax break is an attempt to increase interest on the development side for these conversions.

To help applicants navigate rezoning, energy code requirements, and new affordable housing standards (17% of all newly created units must be deed restricted and affordable for households making up to 60% of the area median income), the city appointed a special program manager to review applications and guide developers through the process.

The program was launched in 2023 by Mayor Michelle Wu and received additional investment and incentives from Governor Maura Healey. In 2024, the state added \$15 million in funding to incentivize larger conversion projects with more affordable units. The state will provide \$215,000 per affordable unit with a cap of \$4 million per project. As of January 2024, eight buildings, all class B and C office space, had filed applications to convert 104,000 square feet into 170 apartments.

The Boston program is an example of policy that not only changed zoning requirements to make these conversions easier, but the city and state also recognized the need for incentives to broaden the market for these conversions. By adding tax incentives and dedicated application assistance, the program is attempting to stoke demand for these types of conversions.



SYSTEM FAILURE PATTERN #6

Success to the Successful

The dynamic driving the Success to the Successful archetype occurs when successful players in a system receive more resources, enabling them to become even more successful, while those who are less successful are starved of resources, leading to greater inequality. In housing markets, luxury developments often receive disproportionate investment, further inflating property values and exacerbating inequality. Affordable housing, on the other hand, struggles to attract capital, deepening disparities in housing availability.

This same dynamic could easily result from adaptive reuse policies that create only luxury apartments without any consideration for extended affordability. As one bullish article about the possibilities of transforming office buildings to apartments noted, some consumers are willing to pay a premium to living in an architecturally unique and significant building.



SYSTEM FAILURE PATTERN #7

Limits to Growth

A system is subject to the Limits to Growth pattern of failure when it experiences growth but eventually encounters constraints that limit further expansion, leading to stagnation or decline. The initial success of a policy designed to boost housing supply often slows when it hits barriers such as land availability, financing constraints, or regulatory challenges, which prevent further expansion of affordable units.

This is no different for adaptive reuse, which is limited by the availability of buildings that are both structurally suitable and available for conversion into housing. The more bells and whistles policy attempts to add to an adaptive reuse program – such as energy efficiency requirements, affordable unit minimums, and historic preservation adjustments – the fewer buildings will be available for transformation into housing.

Conclusion

This policy guide on adaptive reuse highlights its potential as a valuable tool in addressing Central Florida's housing crisis, offering both environmental and economic benefits on top of increased housing supply. Adaptive reuse allows for the repurposing of underutilized office buildings and hotels into housing units, providing an innovative way to address a shortage of housing options while revitalizing urban areas. By leveraging existing structures, adaptive reuse bypasses the limitations imposed by land scarcity and avoids the environmental costs associated with new construction. These benefits are particularly pronounced in projects that focus on sustainable growth, reducing the need for new infrastructure and maintaining the architectural heritage of communities.

However, this guide also acknowledges significant challenges to widespread adoption, including the variability in building suitability, regulatory barriers, and the complexity of modern building codes. The adaptability of older buildings, zoning reforms, and streamlined permitting processes are critical to overcoming these challenges.

It is also important to point out that while adaptive reuse offers the possibility of producing affordable housing, the creation of these units is not guaranteed simply by encouraging building transformations. A project either must be conceived with affordable housing as a top priority, which will influence the types of buildings selected (such as readily transformable hotels), or incentives will likely need to be added (such as tying tax incentives to affordable unit minimums) to encourage developers to build affordable units. Adaptive reuse is not an affordable housing solution on its own.

However, the idea is catching on around the country. Beyond major cities such as Boston and Washington, D.C., other regions including Cleveland (OH), Richmond (VA), Grand Rapids (MI), and Albuquerque (NM) have created programs since 2021 aimed at revitalizing downtowns with more adapted housing. Meanwhile, California and Oregon have major statewide programs specifically geared toward creating long-term affordable housing units from hotels and motels, after seeing how successful these operations were for quickly housing people, at least temporarily, during the pandemic.

In conclusion, while adaptive reuse is not a panacea for solving the housing crisis, it is a classic tool gaining new usefulness and effectiveness in a post-COVID 19 environment.

Call to collective action

As we move forward, we call on readers—policymakers, community leaders, and stakeholders across Central Florida—to recognize the power of systems thinking in tackling the housing crisis. This policy guide is just the beginning. It is part of a series that explores different housing policies and solutions, using the systems thinking framework to uncover hidden dynamics and reveal opportunities for lasting change.

We encourage you to use this series of policy guides as a foundation for community engagement events. These events, including facilitated scenario planning and community charrettes, will bring together diverse stakeholders to collaboratively explore potential solutions to the housing crisis. Through these interactive sessions, participants will engage in open dialogue, test different scenarios, and work together to develop actionable strategies that are informed by the insights gained from this series of guides.

Together, we can create a more equitable, sustainable, and affordable housing system for Central Florida—one that reflects the needs and aspirations of all residents. Let us embrace the systems thinking approach and work collaboratively to design the future of housing in our communities.

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**Thank you to Cornerstone Housing Initiative Delegates
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To learn more, visit

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