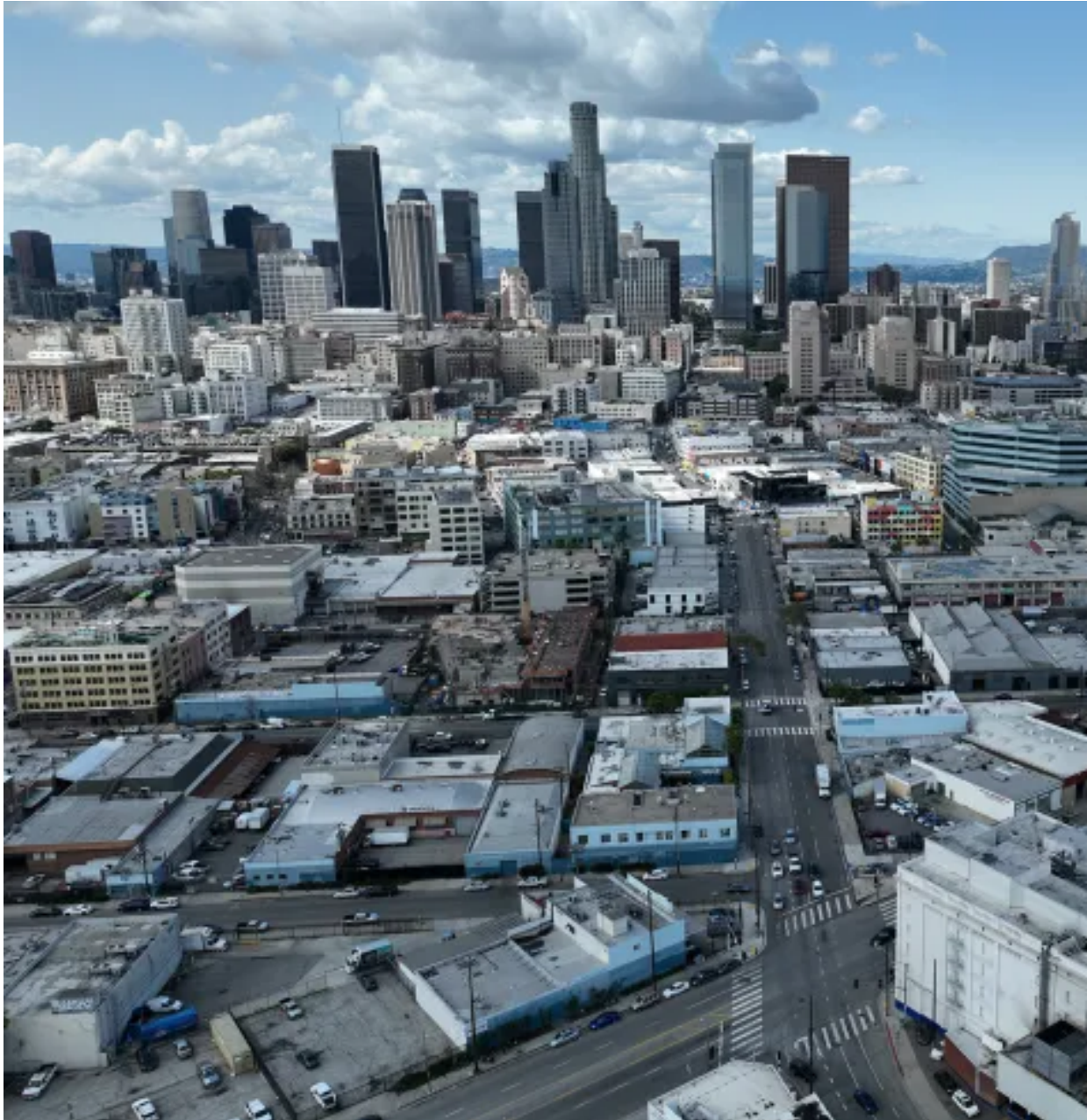


# California's Office Vacancy Is a New Housing Opportunity

By [Sheri L. Bonstelle](#)



An aerial view of the area neighboring Central Avenue and Fourth Street in Downtown Los Angeles. PHOTO: Allen J. Schaben/Los Angeles Times via Getty Images

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In the post-COVID era, California cities have debilitating office vacancies — more than 30 percent in San Francisco and 25 percent in Downtown Los Angeles. In response, the California legislature took decisive action to preserve these urban areas and address the state’s housing crisis at the same time.

AB 507, effective July 1, allows for the adaptive reuse of these buildings as residential and mixed-use projects — provided that the development meets specific affordable housing, historic preservation, and prevailing wage and labor standards. The ministerial, [CEQA-exempt](#) process provides the fastest path to construction.

Two forces converged to spur this moment. First, COVID-era remote work hollowed out office markets. In Los Angeles, there is more than 44 million square feet of vacant office space — the result of leasing pullbacks by media, tech and other companies that have embraced hybrid work, and reduced their workforce due to AI reliance. Retail has faced its own reckoning, with e-commerce gutting brick-and-mortar centers and leaving shopping malls without an anchor.



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Second, the state legislature recognized the potential source of faster, lower-cost housing.

Depending on the building configuration, vacant office buildings have the infrastructure, including electrical, plumbing, HVAC and elevator access to allow conversion. More modern buildings require less structural, earthquake and other upgrades that increase cost. Converting them eliminates demolition impacts and may preserve historic architecture. Also, many office buildings are already near transit to ease traffic and parking concerns.

Many cities and counties have adopted adaptive reuse ordinances, but these had limited effect due to the restrictions in location, building code compliance and compatibility of building type to residential use. AB 507 will substantially expand the adaptive reuse benefits statewide.

The California legislature actively sought to expand housing into areas where traditional use-based zoning excluded it. In the past five years, new bills promoted housing development in commercial zones that typically allow office, retail and parking uses.

These laws included a by-right ministerial streamlined approval for 100 percent affordable and mixed-income projects that met labor standards (AB 2011), and an alternative discretionary review process for non-compliant projects (SB 6).

In 2023, the state broadened its reach to adaptive reuse by allowing a by-right approval for 100 percent affordable

housing projects (AB 1490). Then, the state cleared other obstacles to conversions by removing residential density limits, reducing open space requirements, reducing impact fees, and expanding lot areas to 100 acres to include regional malls (AB 2243).

Now, AB 507 provides a direct ministerial path to quick administrative approval and construction of new residences in office and commercial buildings. AB 507 requires specific affordable housing units, includes specific prevailing wage and labor standards depending on the size and character of the project, and protects historic resources.

But it allows new units on undeveloped areas of the same parcel as the existing building and provides a direct path to permitting without public hearings.

In February 2026, Assemblymember Sade Elhawary introduced a bill to expand payment of adaptive reuse investment incentive funds to certain adaptive reuse projects that do not have the requisite affordability or labor standards, and to require cities and counties to pay those adaptive reuse investment incentive funds to subsidize housing units (AB 2079). This bill is pending in committee.

In February 2026, Los Angeles adopted its Citywide Adaptive Reuse Ordinance that expands ministerial approval in all areas of the city and addresses prior barriers to construction of adaptive reuse projects. It applies to more modern structures, including those that are at least 15 years old. It encourages additional density

by allowing intermediate floors and rooftop amenities, as well as removing unit size limits.

It provides maximum flexibility to reconfigure parking and supports creation of new interior light wells to optimize interior space layout. It also provides a discretionary conditional use permit approval for conversion of buildings constructed within the past 15 years.

L.A. Mayor Karen Bass strongly supports the policy, which could spur the creation of more than 43,000 units of housing. She identified the recent conversion of the World Trade Center Building in Downtown L.A. to 512 units of affordable housing as a prime example of what can be accomplished citywide.

In 2026, all development is constrained by limited funding sources, high borrowing rates and high construction costs. However, AB 507 provides the path for a by-right, less costly housing development option.

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