Boston Extends Tax Breaks Aimed at Easing Office-to-Residential Costs

City Pumps $15 Million More To Developer Incentives in Major Conversion Push

National office landlord CIM Group is planning to convert 95 Berkeley St. into more than 90 apartments through Boston's office-to-residential overhaul program. (CoStar)

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Boston's office-to-residential conversion program, one of the largest of its kind in the United States, is getting a renewed lease on life with additional funding and an extended timeline.

The city's incentive push, initially slated to expire at month's end, is getting another year and a half as well as $15 million in more state funds to help juice Boston's office-to-residential pipeline amid a glut of otherwise obsolete properties. The program runs through December 2025, Mayor Michelle Wu said in a statement about the program that aims to ease costs associated with transforming underused office buildings into housing.

"As we work to make Boston a home for everyone, our office-to-residential program will create more housing and more affordability in Boston," the mayor said. "This investment from the state will support our efforts to incentivize lenders, property owners and downtown stakeholders to increase housing production in our downtown area."

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Boston's conversion program was launched last year as part of a multipronged approach to boost the city's downtown recovery efforts. Since its introduction, it has netted six conversion proposals that could result in upward of 215 housing units.

Successful applicants can get a property tax abatement that averages about 75% over 29 years and would be able to benefit from a fast-tracked approvals process that would require only one public meeting, according to Boston Planning & Development Agency filings.

With the extension, city officials estimate another 300 to 500 housing units could be added to the development pipeline.

"Each new building that comes through this will also make it easier for those that follow," Wu said of the extension.

Developers and city officials across the United States acknowledge that conversions will be a critical component to wading through the record-high office vacancies plaguing many downtown markets. However, while there has been plenty of talk about the value of conversions to create more housing and boost foot traffic, the expense has proven to be too high for most projects to pencil out.

Cities such as Chicago, San Francisco, Denver, New York and Philadelphia have rolled out a mix of strategies aimed at helping potential conversion projects become more economically feasible.

Office-to-multifamily conversions, including mixed-use residential, account for nearly 65% of the office space undergoing or set to be converted, according to a CBRE report. The roughly 170 projects moving through the national planning and construction pipeline are estimated to produce another 31,000 apartments over the next several years.

While there are still challenges in overhauling an older office property into housing — windowless floor plans, aging infrastructure and undesirable locations, among others — Boston's incentive program could serve as a blueprint for other cities hoping to boost their own conversion pipelines.

Since Wu launched the program in late 2023, a handful of smaller conversion projects have been approved, including local developer Greg McCarthy's pitch to convert former Boston Medical Center offices at 615 Albany St. in the South End into 24 apartments. The plan to transform the vacant, 19,800-square-foot office property into housing is estimated to cost about $4.4 million.

At 95 Berkeley St., national developer CIM Group is proposing to convert the office building, which is roughly 92% vacant, into more than 90 apartments.

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