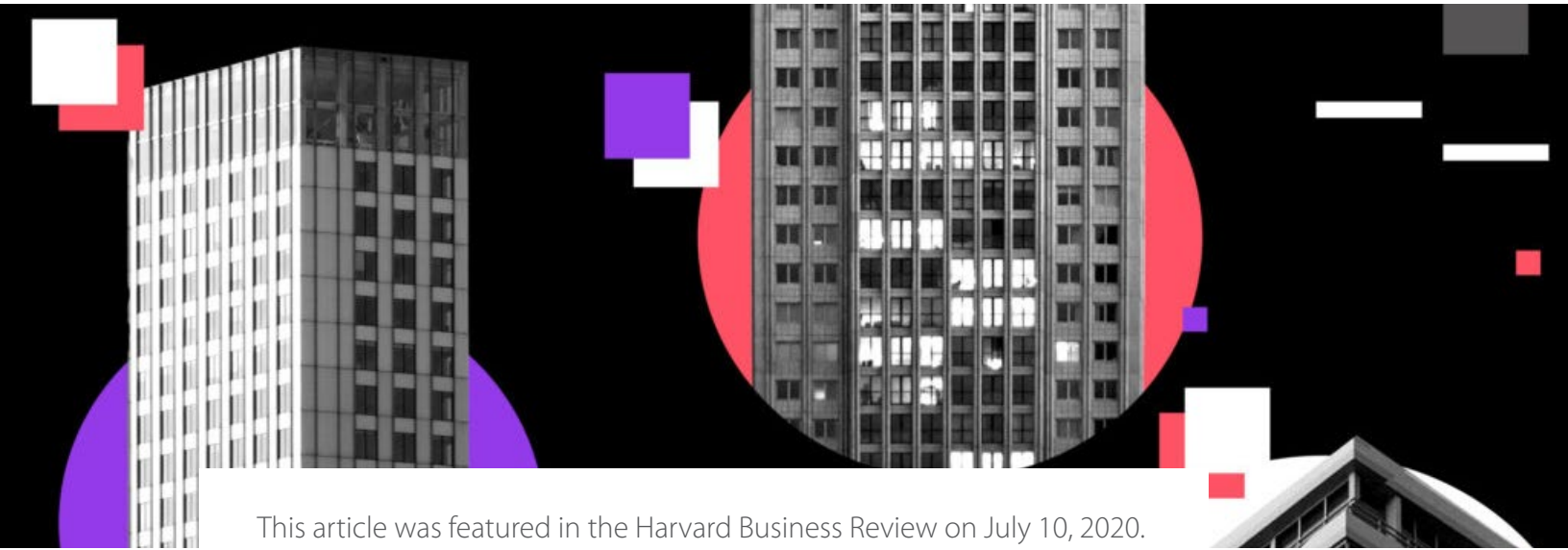


What Should We Do with 45,000 Half-Empty Public Buildings?

by Sheila Botting

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A decorative graphic at the top of the page features several tall, modern buildings with glass facades. The buildings are partially obscured by large, overlapping circles in shades of purple, red, and white. The background is black, making the buildings and shapes stand out.

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Could underutilized government offices, empty parking lots, or shuttered public schools help solve your community's shortage of affordable housing or senior care facilities? Research suggests that it's entirely possible. The U.S. government alone owns an estimated [45,000 underused or underutilized buildings](#), plus abundant surplus land. And, as a result of the current pandemic, organizations across the public and private sectors are now recognizing that many of us don't really need to be in the office every day to get our work done. This underutilized space and property represents enormous untapped value which could be leveraged to finance investments in other areas.

Take the challenge of affordable housing. Today, nearly [40 million Americans](#) cannot afford their current homes – spending as much as half of their incomes on housing. It's estimated that as many as [7.2 million new affordable housing units](#) are needed to meet demand. What if the public sector could leverage assets they already have to help bridge that gap?

In Canada, various governments have already done just that. By selling more than [240 surplus properties](#) valued at some \$120 million, the province of Ontario was able to save almost \$10 million in annual operating costs. Some of those properties are now being repurposed for low-income and senior housing. Similarly, the city of Toronto launched an initiative to repurpose 18 city-owned properties into almost 13,000 affordable housing units.

What can we learn from these successes? There are several steps that policymakers and public sector officials — along with multidisciplinary teams of finance, human resources, technology, and corporate real estate stakeholders — should take in order to begin leveraging the untapped potential of unused buildings and property.

1. Analyze current and future requirements.

Examine how buildings are being used today and determine occupancy requirements. Consider what will be needed to support existing programs and operations, anticipated future employees and work styles, and anticipated future business needs stemming from digitization, flexible work arrangements, or alternate service delivery methods.

For example, if people are offsite inspecting locations or meeting with clients daily (i.e., property inspectors, community nurses, municipal planners), do they really need a dedicated workplace? Similarly, if customers can access license applications or other services online, are multiple customer care locations required? This analysis makes it possible to more effectively match business requirements with available real estate.

2. Rethink your assumptions.

Of course, properties of historic or cultural value should generally continue to be held by the public sector, but challenge traditional assumptions around individual entitlements and legacy properties to identify gaps and better understand long-term space requirements and opportunities. Is that empty parking lot really helping anyone? How about that mostly unused office space for contract workers? Do leaders really need large private offices, some with showers?

3. Identify surplus properties.

Identify underpopulated, obsolete, or no longer desired properties that can be repurposed, if owned, or consolidated, if leased. Entities can unlock capital value from their owned properties by borrowing against equity that has built up over time, or they can consolidate leases and move to a centralized location, reducing their footprint and operating costs. For example, officials in Kansas City found that their unused school buildings could be worth up to [\\$15 million](#) if sold or otherwise repurposed — a welcome source of revenue for districts facing shrinking budgets.

4. Segment surplus properties

Segment the properties into tranches by market value, geography, and occupant requirements. Sometimes groups of lower-value or geographically diverse properties can be combined with higher-value properties to enable a swift transaction.

5. Determine the property's potential value

Understand each property's future use potential and "[land value capture](#)," or increases in land value resulting from public investment or other government action which communities can recover and reinvest. These transactions can facilitate a public-private partnership to create new infrastructure or other assets. For example, the province of Ontario [recently sold](#) a prime downtown Toronto property to a developer, who incorporated that property into a larger project that includes a day care and 700 rental housing units (including 200 affordable units). Alternatively, assets can be sold and the funds applied toward modernizing government operations through investment into updated technologies, processes, and service delivery tools.

6. Develop a transition strategy

These transformations will take place over many years, depending on the size of the organization and current real estate commitments. A multidisciplinary team will need to determine what will be needed, including people, processes, technology, and budget, to release property and transition to the new model.

7. Communicate the transformation process

Articulating clear goals will help organizations engage the right expertise, evaluate interested parties, and decide what role central agencies will play in working with developers or investors.

There is no denying our pandemic experience will result in changes to the way we all live and work. Some of those changes will be an acceleration of trends that were already underway long before any of us had even heard of Covid-19. Others will be new adaptations. But what if a silver lining of this crisis is the opportunity for governments to unlock public resources, redistribute investments, and optimize space to meet community needs? As we all face unprecedented uncertainty, this is one change that would be most welcome.



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