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REAL ESTATE

# There's a quiet housing fix spreading across California

Could this new apartment type chip away at California's housing crisis?



A view of downtown Los Angeles.  
Getty Images

By **Tessa McLean**, California Editor

Oct 22, 2025



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In a five-story, 204-unit apartment building in downtown Los Angeles, around 5,000 square feet of retail space on the ground floor sat vacant for more than a decade. Decals covered the windows, showcasing racks of clothing and a cartoon woman drinking coffee. City code incentivized these types of commercial spaces, and typically, a coffee shop or a boutique opened up. But the years ticked by and no project ever materialized at this building, known as Canvas LA.



No city wants vacant retail spaces lining its streets, but walk through downtowns and neighborhood corridors in any California city these days, and you'd be hard-pressed not to find unleased storefronts dotting the landscape. City zoning codes, which historically prized or outright required retail when permitting new buildings, don't seem to have caught up with the country's shrinking retail landscape.

Now, under the pressure of state housing mandates, some cities are beginning to embrace more creative solutions. Converting these streetside storefronts into housing is difficult — and it won't work for every building, just as it won't work to turn every vacant office building into housing. But anecdotally, there's been an uptick in new proposals for retail space conversions that could make these formerly unfillable spaces into residences — and put a tiny dent in the state's housing crisis.

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## A growing trend

When a new 287-unit apartment building opened in Glendale in 2015, it boasted more than 16,000 square feet of retail space on a busy corner. A commercial tenant could take advantage of the high-trafficked street and the hundreds of new apartment dwellers inside as customers. But the space languished on the market. Meanwhile, the new buildings at 3900 San Fernando Road, dubbed the Camden, already had 16 live-work units — residential spaces with a designated commercial use, such as simultaneously showcasing an artist's work for sale and serving as their studio — that had leased fairly quickly.



An exterior view of the Camden Glendale apartments in Glendale, Calif.  
Image via Google Streetview

Giving up on the retail element, the building owner rehired its original architects, the firm TCA Architects, to turn that vacant space into seven more live/work units and ditch the retail space entirely. Those new spaces are now fully occupied.



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TCA is working on or has completed half a dozen similar projects in the last 10 years converting ground-floor retail into residential, including the Camden. The firm has two projects in Los Angeles, one in Glendale, two in San Jose and another for a client in an undisclosed location.

San Jose is one of the cities making these conversions much easier than they once were. If retail spaces remain vacant for 12 months in downtown San Jose, developers can now apply to turn those once-mandated retail spaces into residences. In San Jose's Japantown, a proposal to create 11 residential units from around 14,000 square feet of retail space at 620 North Sixth St. is already in progress. At least two other projects, one downtown and another in the Diridon West neighborhood, are in the proposal phase.

"What we're trying to do is create more flexibility and enable projects to get built, or be financially viable once built, by loosening those rules up," San Jose Mayor Matt Mahan told SFGATE. "And the added benefit, in my view, is that we can incrementally add to the housing stock."

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Cities historically preferred retail at the ground level, often requiring it in zoning codes or incentivizing developers with tax incentives or other density bonuses. While not all

cities will permanently change these requirements, Mahan said, they can reevaluate the requirements at a neighborhood level. Other cities are taking this approach, and in 2020, San Diego changed its ground-floor retail requirements, allowing more conversions of existing retail spaces and allowing more live-work units in more districts across the city. In the past year, at least two examples of these types of conversions are in process downtown.



An aerial view of downtown San Diego, Calif.

Michael Lee/Getty Images

“Since the City is facing a housing crisis and needs more homes at prices San Diegans can afford, land should be used in the most effective way possible,” Peter Kelly, spokesperson for the San Diego Planning Department, told SFGATE via email. “Allowing vacant ground-floor commercial space to be converted to homes is a better use of land and provides the benefit of more homes in the city.”

Larisa Ortiz, an urban planner who specializes in rethinking retail environments in cities, said in almost every city she's analyzed, the supply of retail space far outweighs the demand, especially in the wake of the COVID-19 pandemic. The biggest barrier for cities is understanding there's a different way to design streets, and oftentimes that's simply seeing more examples of these conversions in action.

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"There's a lot more retail that can be residential than we think," Ortiz said. "But we have to get past the knee-jerk reaction that the ground floor has got to be retail or it's not going to be a great street. That is ridiculous."

In a few years, California will have more of those completed examples to not only point to, but also measure the success of. An under-review proposed conversion in Woodland Hills at 20600 Ventura Blvd. would convert five ground-floor retail spaces into five apartments, adding to the 123 units above the ground floor. The application was submitted this year.



An exterior view of the apartment complex at 20600 Ventura Blvd. in Woodland Hills, Calif.  
Image via Google Streetview

In 2020, builders finished a mixed-use development that includes 356 units opened at 2929 Pennsylvania Ave. in Santa Monica that replaced a trailer park. It had 25,000 square feet of ground-floor retail space. After five years, only a small bakery had moved in at one corner. Still in the proposal phase, the new project would convert 20,385 square feet of the remaining commercial space into 18 residential units, buffering the street frontage with landscaping and planters.

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## Why ground-floor retail can be so hard to rent

Developers know these ground-floor retail spaces are hard to fill, especially in corridors that have either too much retail or almost none at all. They're often so aware, they build these losses, or lack of potential gains, into their budgets.

"I think the notion of you build it, they will come, that just doesn't work in the retail space," Teresa Ruiz, vice president of business development at TCA Architects, told SFGATE.

Plus, the COVID-19 pandemic hit retail hard. Many storefronts that were already seeing diminishing sales due to e-commerce never recovered. Nearly five years later, store closures have only increased, with a projected 334% increase year over year in 2025 alone, according to Coresight Research. Meanwhile, retailers are struggling to keep up with consumer expectations and economic factors like inflation and tariffs.

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Often, owners have no incentive to fill these storefronts with anything but a market-rate tenant. If a retailer signs at below-market prices and gets locked into a multi-year lease, when it comes time to refinance the building, that below-market rent can devalue the space, triggering a new appraisal that the landlord can't make work financially.



An aerial view of downtown San Jose, Calif.

Steve Proehl/Getty Images

Leaving the space empty, on the other hand, allows building owners to keep searching for a market-rate tenant, which lenders in turn may still think they can get, artificially keeping the building value higher. Meanwhile, the developers hadn't built any financial gains from the required retail into their original plans, so it's all the same to them.

## A case-by-case basis

Not all ground-floor retail spaces are candidates for conversion, however, and for those that are, there's often significant construction needed before a tenant can move in. For certain buildings, it's adding permanent landscaping or planters in front to provide a privacy buffer. For others, it's changing the entrances.

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Critics cite perceived safety as a concern for these new units, and overcoming that barrier with design tweaks is crucial in transforming a property. "You've got to use design to balance providing privacy while maintaining vibrancy," TCA's Ruiz said. "Sometimes those two can seem like opposing forces, but we like those challenges because that's when creativity comes in."

Ground-floor living works well for certain tenants, especially older people or those who don't want to live above anyone else. There's another benefit to these units: Ruiz said typically the resulting residences are larger because retail spaces have a larger depth than residential ones.



An exterior view of the Canvas LA apartments on North Beaudry Avenue in Los Angeles.  
Image via Google Streetview

Each project is unique, given the different structures and floor plans of buildings, she continued. For one of TCA's LA projects, they had to make renovations while accounting for the slope of the building, whereas at others, the work involves figuring out how to reintegrate the building's mechanical, electrical and plumbing systems with the other residential units.

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## ‘Every additional home helps’

These projects are also complicated, and even if cities get on board with approving more of them, the conversions themselves can take almost as much time as constructing the building originally. In a public meeting about the Santa Monica project, the developer said the application process could take up to 12 months, building permits another 12 months, and only then would construction start. That’s a minimum of 2.5 years for 18 additional units.

Cities will have to walk a fine line between encouraging these types of conversions and not discouraging retail — a significant tax driver for a city, in addition to providing active streetscapes.

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Even so, these conversions are being considered more frequently than they used to be, Ruiz said. Retail may bring the kind of vibrance a city wants, but “at the end of the day, we want some sort of street activation,” Ruiz said. “And vacant storefronts is the opposite of street activation.”

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It's time for California policymakers to try all kinds of solutions to better their cities, even at a small scale, San Jose's Mahan said.

"It's not a huge amount of housing, but every additional home helps," he said.

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**Tessa McLean**

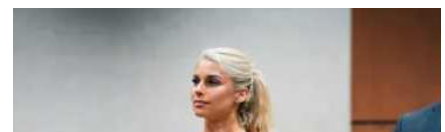
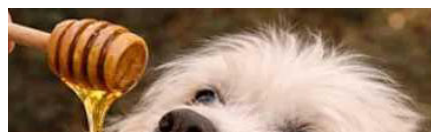
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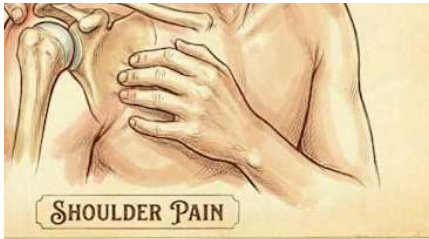


Tessa McLean is the California editor for SFGATE. She joined the team in 2019, spending four years helming the local section. She now writes features with a statewide lens, telling stories about the issues, trends and news that matter in the Golden State. To submit tips, comments or messages about why you love California, please reach out to her at [tessa.mclean@sfgate.com](mailto:tessa.mclean@sfgate.com).

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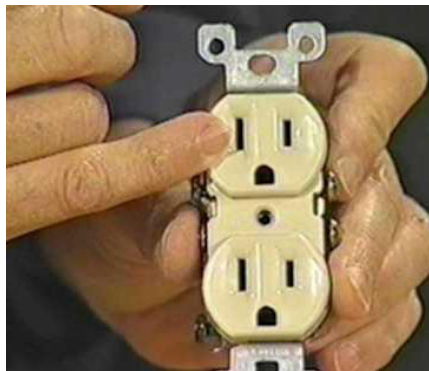
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