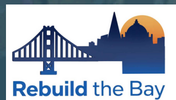
National Revitalization of Shopping Centers Act of 2025 Legislative Proposal

Rebuild the Bay



Executive Summary:

With rising e-commerce as a result of the Coronavirus pandemic, a 2024 report found that up to 87% of large American shopping malls are projected to close in the next 10 years. Nationwide action to repurpose decaying malls is overdue; Rebuild the Bay proposes the reintroduction of the GREATER Revitalization of Shopping Centers Act of 2023 as the National Revitalization of Shopping Centers Act of 2026, altering the original bill to promote abandoned shopping center redevelopment by advancing local deregulation—establishing $50,000,000 in annual grants under 42 U.S.C. 5308 during fiscal years 2026 and 2027. Grants will be distributed to applying local authorities for the purpose of facilitating grayfield mall redevelopment into transit-oriented, mixed-use affordable housing, primarily by incentivizing revisions of zoning regulations, as well as promoting abatements of local taxation and various local regulatory fees.

Version Note:

Rebuild the Bay had previously circulated a reintroduction proposal with minimal changes to the original 2023 bill. This new proposal includes a substantial shift of grant criteria towards deregulation, and it is to serve as an updated version for the previously circulated proposal, providing an alternative option for reintroduction. Rebuild the Bay plans on making further, substantial changes to this version in the near future.

About Rebuild the Bay:

Rebuild the Bay is a youth-led urban development advocacy organization based in the San Francisco Bay Area, with members working nationwide in Arkansas, Illinois, Missouri, New Jersey, New York, Texas, Washington, and Wisconsin. Our advocacy work revolves around sustainable urban development and equitable infrastructure revitalization through grassroots action. Rebuild the Bay partners with non-governmental organizations and international organizations, like the United Nations, to further urban development advocacy within national and international spaces. Our team works with local partners to amplify our regional vision for multimodal transport and promote federal policy that provides top-down incentives for local action, empowering communities to establish self-sustaining communities nationwide.

Acknowledgements:

Rebuild the Bay's youth-led urban development advocacy efforts are only made possible through the support of nonprofit organizations, public officials, and elected representatives. We would like to thank staffers from nonprofit organizations like the Housing Action Coalition and Destination: Home; officials like California Treasurer Fiona Ma and California League of Cities President Gabriel Quinto; officials from the County of Marin and County of Santa Clara; officials from the City of Fremont, the City of South San Francisco, the City of El Cerrito, City of Mountain View, City of Berkeley, City of Oakland, City of Milpitas, and other Bay Area jurisdictions; staffers from the Office of Congressman Emanuel Cleaver II (D-MO-5), Office of Congressman John Garamendi (D-CA-6), Office of Congressman Kevin Mullin (D-CA-15), and Office of Congressman Ro Khanna (D-CA-17) for their input and advice into our bill reintroduction initiative.

Definitions:
Car-dependency: the product of infrastructure and city planning that prioritizes automobiles over all other means of transport.
Multimodal: a system of transportation that integrates multiple modes of transit, including buses, streetcars, bicycles, and pedestrian routes.
Grayfield: an economically obsolescent, outdated, failing, moribund, or underused real estate asset; used to describe a mall with these characteristics
Medium or high-density developments: residential options with equivalent or higher residential density than detached single-family homes, typically including townhomes, duplexes, condominiums, apartments, medium-rise or high-rise developments, and mixed-use buildings.
Transit-oriented developments: projects that facilitate multimodal transportation connectivity and accessibility, often located near transit hubs.

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I. A Brief History of Housing Regulation

Early housing regulations in the United States emerged from efforts to address slum conditions and urban poverty. The National Housing Act of 1934 established the Federal Housing Administration (FHA) which ultimately institutionalized redlining. This practice labeled predominantly Black or immigrant neighborhoods as high-risk, marking them as blight. This characterization led to denied access to home loans and investments, ultimately targeting these communities for slum clearance efforts. The Wagner-Steagall Act, also known as the Housing Act of 1937, marked the first federal public housing initiative. Passed during the Great

Depression, it aimed to create jobs and provide affordable housing for working-class families. A major change came with the Housing Act of 1949, which launched the Urban Redevelopment (Renewal) Program. This law provided federal grants to cities to clear out "blighted" areas and rebuild them with new infrastructure. The federal government covered two-thirds of the redevelopment costs, leading to widespread demolition of older, often marginalized neighborhoods for the sake of urban renewal.

Race

Immigrant communities across the United States were specifically targeted during periods of urban renewal, with city officials justifying that these neighborhoods were blighted. Hence, immigrant communities were cleared during redevelopment projects that disproportionately benefited wealthy, white residents. Notably, in Boston's West End, an immigrant community composed of Italian and Jewish families was displaced as their neighborhood was demolished in the 1950s. Similarly, in Bunker Hill, Los Angeles, a neighborhood of working-class immigrants was leveled to clear the way for corporate skyscrapers and freeways.

Black families have been especially targeted during periods of urban renewal. These projects were not done randomly, but were a result of systemic racism that caused a disregard for Black neighborhoods by framing them as disposable. One of the most infamous figures behind this systemic destruction was Robert Moses, an urban planner whose New York Projects displaced hundreds of thousands of low-income, minority residents. For instance, his Cross-Bronx Expressway devastated Black and Puerto Rican communities by tearing through the South Bronx. Similar scenarios can be observed in other cities. Whether it be demolishing a vibrant Black neighborhood in Mill Creek Valley in St. Louis, erasing Black culture through urban renewal in San Francisco's Fillmore District, or road construction fragmenting Black communities in Atlanta's Old Fourth Ward and Detroit's Black Bottom, urban renewal programs have historically sacrificed minority communities in the name of social progress.

The Parking Lot

The creation of the Interstate Highway System fundamentally reshaped American cities. Beginning in 1956, the Federal Highway Act authorized over 41,000 miles of new highways nationwide. These new roads funneled unprecedented levels of automobile traffic directly into urban cores. This is problematic because these areas had never been designed to handle mass car entry and storage. Even more, highway construction disrupted urban neighborhoods in disparaged neighborhoods disproportionately.

Post war federal policies encouraged low density suburban growth while neglecting investment within public transportation. Between 1950 and 1980, the United States suburban growth grew from 36 million to 111 million, while urban populations stagnated. These new suburban communities were spread far apart, zoned for single use properties and lacked access to transit. This forced constituents to rely on automobiles or cars as a primary form of transportation. Simultaneously, the federal government heavily subsidized automobile infrastructure but invested minimally in mass transit. From 1965 to 1975, less than 1% of federal transportation funding went towards public mass transit, while 80% was invested into highways. This imbalance cultivated in car dependency reflected in the current state of the US having 90% of commuters driving to work. The absence of public transportation linking spaced out suburbs to urban cores necessitated vast parking infrastructure in cities.Workers commuting from residential suburbs required downtown parking. This urban design displaced low income individuals living in these regions and worsened the imbalance in housing.

The traditional property tax systems in US cities value 2 key components consisting of land values and value of improvements. This structure disincentivizes reinvestment and punishes density because improving or redeveloping a property increases the owner’s tax bill while demolishing it is cheaper. This concept of “tax on productivity” encourages speculative holding patterns; property owners sit on valuable downtown land. As a result, they demolish old buildings and replace them with low maintenance parking lots that foster steady revenue while keeping costs low. In many US downtowns, surface parking became a financially safer and more predictable investment than maintaining or developing buildings. Unlike commercial real estate, parking lots required minimal upkeep and lower property taxes. This made them an attractive holding strategy for land owners waiting for property values to rise with a speculative low risk asset. A UCLA study highlights that parking revenues in high demand areas can yield 5-10% annual returns on minimal capital investment compared to 3-4% for old commercial buildings requiring maintenance.

Meanwhile, malls offer abundant, free parking directly adjacent to stores, a sharp contrast to congested downtowns with limited spaces. The US Department of Transportation found by 1960, nearly 70% of suburban retail centers offered free off street parking while downtowns typically had metered street parking. Prior to 2012, the FHA guideline generally capped the amount of non-residential space allowed in a mixed use building at 25% of floor area. In 2012, a HUD FHA Mortgagee Letter (ML 2012-18) loosened those restrictions allowing more commercial floor area under certain conditions and making it possible for mixed used condo projects to qualify as long as the residential character wasn’t adversely affected.

Furthermore, VA loan guidelines similarly require that properties be primarily residential in nature. Under 38 CFR and 36.4354, it stipulates that the property must be residential in character which emphasizes that commercial use must be secondary to the dwelling purpose. As a result, a mixed use property can only qualify if the commercial space does not dominate the structure or interfere with the residential character. In practice, these stipulations have discouraged investment of mixed use buildings because they rarely meet the VA threshold requirements.

Especially in downtowns, vacant and surface parking lots emerge as temporary placeholders while owners speculate on future growth. In Downtown Los Angeles, hundreds of parcels in the South Park areas were demolished and converted into surface parking lots. Property owners recognized that holding land idle was more profitable than redeveloping because property taxes under California's Proposition 13 were based on acquisition value, not the current land value. Landowners could sit on underdeveloped downtown parcels for decades, paying minimal taxes and waiting for property values to appreciate. Many lots near Figueroa Street and Arts District remained vacant and used only for parking until the downtown 2000s resurgence made large-scale redevelopment lucrative again.

Many California cities have long imposed strict parking minimums that effectively mandate car oriented development and discouraged mixed use design. For instance, the City of Fremont's zoning ordinance requires new buildings or changes in land development to provide substantial off parking use. Even in spaces designed for downtown development, these minimums apply to both residential and commercial projects, forcing developers to dedicate large portions of valuable land to parking rather than significant housing. Although Fremont offers exemptions for parcels near BART stations, the city's overall code structure still prioritizes car storage over density.

The Suburb
Implemented by President Franklin D. Roosevelt as a part of the New Deal, the National Housing Act of 1934, increased housing accessibility for middle-class Americans after the Great Depression. The act established the Federal Housing Administration and the Federal Savings and Loan Insurance Corporation (FSLIC), which insured mortgages against defaulting homeowners. The Act also created an underwriting manual for risk evaluation. This manual encouraged the construction of homogenous, low-density neighborhoods, refusing to insure any loans to African American families. The practice outlined in the manual is known as "redlining," named after the racially color-coded maps of the underwriting manual. In 1938, an amendment to the National

Housing Act created the Federal National Mortgage Association (more commonly known as Fannie Mae), which was authorized to buy FHA-insured mortgages from private lenders. This led to the secondary loan market, allowing for increased liquidity and flexibility for private banks.

After the Second World War, the G.I. Bill authorized low interest home loans with zero down payment for all veterans. However, it excluded African American veterans, who, unable to receive these mortgages, were trapped in the inner city. On the other hand, White veterans quickly took advantage of these opportunities, moving out of urban apartments and into suburban single-family homes. The G.I. Bill rapidly accelerated the process of suburbanization, often leaving inner cities decaying without tax revenues or business.

As part of his Fair Deal program, President Harry Truman's Housing Act of 1949 expanded further on his predecessor's housing legislation. Title I of the law funded slum clearance through loans, allowing cities to buy up blighted land, clear it, and sell it to private developers. This was not without problems, however: it disproportionately targeted neighborhoods inhabited primarily by people of color, who were often displaced. Title III of the law allocated funds for public housing construction, with the Pruitt-Igoe housing projects in St. Louis being prime examples for this type of development. The Housing Act established a national goal of a "decent home and a suitable living environment," but many of these housing projects failed over time.

The Highway

With the popularization of the automobile in the 1950s, US urban development has traditionally prioritized freeway access and monomodal transport, neglecting infrastructure for other forms of transit. The Federal Aid Road Act of 1916 was the first national highway funding law, establishing cost-sharing for construction of toll-free and public highways between the federal government and the state. As a part of the federal-state partnership, the law provided matching funds for approved road construction projects. States were required to create highway departments to monitor construction and administer the received funds. The law appropriated $75 million dollars for this purpose. It laid the groundwork for later highway construction, leading into later highway acts.

The Federal Aid Highway Act of 1921 expanded on the previous law, providing further support to states to construct and improve highways. Road safety was a major focus of this piece of legislation; roads were given certain width mandates by the law. States were also allowed to designate up to 7% of their roads as part of a statewide highway system, of that, 3% was to be

designated a part of an interstate system. This law introduced the idea of "main arterials" connecting towns and cities, encouraging long-distance connectivity. However, most roads created through this plan were still at grade: the newly constructed roads connected to existing roads at the same height level.

Signed into law by President Franklin D. Roosevelt, the Federal-Aid Highway Act of 1944 authorized the 40,000 mile interstate highway system that connected cities and industrial areas. It also provided for the construction of "feeder" roads designed to bring traffic to these interstate highways. The law authorized a total of $500 million in total; this amount was to be distributed to states by considering state size, population, and road length that would be built. Access-controlled expressways and cloverleaf interchanges now common across America were first recognized and endorsed by this law.

As the largest public works project in American history, the Federal-Aid Highway Act of 1956 funded the bulk of the actual construction of plans laid out in the Federal-Aid Highway Act of 1944. The Act authorized $25 billion in funding for construction while creating the Highway Trust Fund to allow funds to be used at a 90-10 federal-state matching ratio. The highways funded by this law had mandatory controlled access: no road could have a driveway or cross street. All road crossings had to be built with interchanges, with Section 108 of the bill specifically authorizing land acquisition for interchanges. This law was a major contribution in the popularization of the automobile, allowing intercity commutes and suburban living far from commercial and office space.

These car-dependent communities, often suburban, were built in the second half of the 20th century, encouraged by federal highway construction programs and favorable tax policies. The predominant model of the urban economy became a poly-centric city, where employment is concentrated not just within the historical downtown but in sporadic areas devoted to commercial use, such as office parks, suburban malls, and industrial districts (Kashef and El-Shafie). Many suburban areas, marked with sprawl and a lack of public transportation, became hotspots for business activity in clusters outside of the historic center of a metropolitan area, such as Silicon Valley in the San Francisco Bay Area (Katz and Bradley). The Massachusetts Institute of Technology's Norman B. Leventhal Center for Advanced Urbanism (LCAU), in collaboration with experts in Australia and Canada, found that approximately 73% of the population in US metropolitan areas lived in suburban neighborhoods, with 63% residing in "auto-suburbs" where almost all people commute by automobile (Beger et al.).

The economic effects of car-dependency are tangible but difficult to quantify, as suburban communities drove the decline of urban Central Business Districts (CBDs) with suburban retailing often consisting of large department stores. Traditional 19th and early 20th century urban CBDs consisted of a mix of wholesale, retail, financial institutions, and manufacturing, all coexisting in close proximity. The decline of CBDs effectively eliminated the diversity of urban economic activity, as corporations — Walmart, Target, Home Depot, Costco, and such — began to dominate retailing instead of small businesses. Large corporations often secure prime suburban retail locations with favorable lease terms and significant capital, as landlords prefer large retailers that can afford higher rents. Conversely, small businesses frequently struggle to afford rising rents and secure high-traffic storefronts. Anecdotal evidence demonstrates that a single Walmart's opening resulted in the loss of more than 300 full-time jobs in nearby neighborhoods. The presence of cohesive federal policy on suburban neighborhoods is needed to address persistent economic issues in suburbs — where a million more people live below the poverty line — compared to those who live in cities.

Unfortunately, suburbanization has been shown to increase the risk of mental and physical diseases through social isolation and promotion of inactivity. Residents of detached suburban residential areas are isolated, both from each other and from community spaces that promote human-to-human interaction. According to a study conducted by Yale, adjusted for other underlying risk factors for depression, suburbanites have a 20-30% higher depression risk compared to rural residents and a 10-15% higher risk compared to urbanites. This depression risk was attributed to the lack of meeting spaces and public green spaces, leading to a monotonous lifestyle. Another study found that the compounding chronic health conditions resulting from the lower physical activity and pollution from car dependence resulted in a four year aging acceleration in cities with heightened urban sprawl. Numerous studies have demonstrated the link between urban sprawl and lower levels of physical activity, contributing to the current American obesity epidemic. The speed-inducing wide design of sprawling roads has also been cited as the reason for thousands of traffic accidents nationwide.

II. The Declining Mall Industry

Zoning Practices

The existence of the modern mall industry has been fundamentally shaped by public policy, specifically zoning practices that prohibit mixed-use communities near shopping centers. The Supreme Court Case of *Village of Euclid v. Amber Realty Co.* (1926) affirmed that municipalities can implement zoning ordinances for public welfare; it precipitated the eventual local codifying of exclusion against multifamily housing near suburban retail, largely cementing—by law—the

absence of affordable, higher density housing near commercial hotspots in context of other economic developments of the time. The Housing and Urban Development Act of 1965, in the meanwhile, only reinforced suburban retail and residential complexes. A following act of the same name in 1968 promoted master-planned suburbs with commercial centers — bringing forward the era of the suburbanized mall industry.

The Post-COVID Economy

By 2023, online sales accounted for roughly 15.3% of all retail, and this percentage is only growing, with the Commerce Department reporting a 0.5% increase in 2024. As consumers shift to online shopping, this ongoing growth has reduced demand for products once predominant in strip malls, such as books and consumer electronics. This decline in demand resulting from the growth of e-commerce has led to the closure of large strip mall tenants, which can be seen with the bankruptcy of Sears and the repeated rounds of Macy's shutdowns. Consequently, malls have experienced a loss of foot traffic because, without these strong consumer anchors, smaller tenants struggle to survive. Investment bank UBS found in 2023 that 50,000 US stores are projected to close by 2027, in a nationwide pattern of closures due to elevated inflation and the continued shift to e-commerce, which may result in up to 90,000 store closures if consumer spending is weaker than expected. Mass closures of traditional department stores like JCPenney, Sears, and Macy's have accelerated, while financial services firm Capital One projects that up to 87% of large shopping malls may close in the next 10 years. This decline is only exacerbated by shifts in consumer behavior. Most notably, aging baby boomers are reducing car trips while younger generations, especially Gen Z are displaying stronger preferences for walkable locations and mixed-use retail products, and have reduced car dependence.

By the early 2000s, the U.S. had built more than 24 square feet of retail per capita, far exceeding levels in Europe or Asia. Hence, the U.S. faces the unique problem of saturation of suburban strip malls that produce weak rents and high tenant turnover. Moreover, not all retailers suffer equally. Recent trends indicate that retailers of daily necessities, such as groceries, are experiencing stable consumer inflow. For example, grocery-anchored centers maintain low vacancy rates of around 3.5%, an all-time low. In contrast, older malls and unanchored strip centers face much higher vacancies, with the Wall Street Journal reporting a vacancy rate of 9.1% and climbing. This uneven performance highlights a growing imbalance in suburban economies: while essential retailers thrive, other local businesses decline. Look toward Walmart, where anecdotal evidence demonstrates that a single Walmart's opening resulted in the loss of more than 300 full-time jobs in nearby neighborhoods. Such disparities underscore the need for cohesive federal policy on suburban development to stabilize local economies — especially in suburbs, where over a million more people live below the poverty line than in cities.

However, reports from CBRE, Cushman, and MCB illustrate that secondary and unanchored centers are prime candidates for redevelopment. Local studies corroborate rising vacancies along suburban strip malls, suggesting oversupply and underutilization. For investors and planners, these conditions present an opportunity rather than a setback. Aging retail centers often occupy valuable land in high-traffic suburban corridors, offering ideal locations for mixed-use redevelopment, affordable housing, or community-centered commercial projects. With consumer preferences shifting toward walkable, experience-driven environments, the reimagining of these outdated retail spaces could revitalize suburban economies, increase property values, and better align land use with modern demand.

Evidently, there is high demand for land, but little demand for the malls and strip malls themselves.

III. Expensive Housing Costs

Financial Barriers

Mortgage rates have nearly doubled since 2021, with an average interest rate of ~3% in early 2021 for a 30-year fixed rate and ~6.5 - 7.5% from 2024-2025. Buying a home in 2024 costs nearly double as it did in 2021. As home prices are at or near record highs, prices in many metropolitan regions are 50%-70% higher than 2015 levels. At the same time, the median household income has risen only ~20% in the same period highlighting the discrepancy between the rapid rise in home pricing compared to the stagnant raise in wages. The National Association of Realtors has even reported that “housing affordability declined almost 30% since December 2021, close to levels last seen in the late 1980s” In this way, 2025 salaries are clearly not enough to buy new homes. A typical median down payment for a house sits at 15% of the median purchase price; the median US home price (Q2 2024) stands at $422,100 or ~ $63,315 for a down payment. According to data from the Federal Reserve, median US household savings are ~ $8000; thus, most American households cannot reasonably save for a down payment. When looking to older generations, many existing homeowners have locked in low mortgage rates and are refusing to sell. As of mid-2024, inventory levels have fallen from 1,110,654 listings in January 2019 to 665,603 listings in January 2024; buyers are now competing for fewer plots of housing available, raising prices.

Underbuilding and Construction Costs

Additionally, an underbuilding crisis is unfolding before the United States’ economy: from the 2008 stock market crash until 2020, the country of the United States reportedly underbuilt ~3.8M housing units while grandfathered zoning laws have blocked new construction

initiatives. As immigration is at its zenith within the United States (3 million immigrants arrived in the United States in 2023), there is too much demand and too little supply for the increased housing desire. In light of the current administration's new tariff policy(s), buildings are facing even higher construction costs, meaning there are simply not enough homes relative to the increased demand. Along with this, institutional investors have bulk-purchased about 18-24 % of foreclosed homes and converted them into rental properties further stemming the supply of owned housing. To put this into perspective, first-time homebuyers now only make up ~24% of the home purchase market share, the lowest share since the inception of the NAR's tracking in 1981. Over 61% of renters believe they will never be able to buy a home and mortgage applications reside at a 30-year low.

IV. Quantifying Greyfield Mall to Housing Conversion Potential

According to a nationwide report by the International Council of Shopping Centers (ICSC), there are an estimated 68,936 American strip malls—a term for car-centric retail developments common in suburban neighborhoods. Although a lack of cohesive statistics on strip mall performance renders nationwide analysis difficult, anecdotal evidence demonstrates that redevelopment is a distinct necessity for existing grayfield sites. The Metropolitan Area Planning Council (MAPC), the regional planning agency for 101 cities and towns in the Boston Metropolitan Area, found that there are more than 3,000 underutilized, underperforming, or obsolete strip malls in the region alone. The report furthered that 30% of the analyzed sites already exist near public transit, and that 124,000 homes could be built if just 10% were redeveloped into mixed-use projects. "The primary barrier toward redevelopment is regulatory," the MAPC report noted, "despite demand for mixed-use development throughout the region, many zoning codes prohibit… redevelopment to occur."

Using MAPC's regional analysis and the agency's definition for lower and medium-density developments, nonprofit firm Enterprise Community Partners projected that at least 700,000 residential units could be developed if just 10% of US strip mall space is converted to housing. We analyzed the firm's paper and its original ICSC and MAPC data, and found that the original estimate may be a significantly more conservative figure than previously reported. We find that ICSC data on strip malls, when including conventional strip malls, neighborhood and community centers, amount to 111,300 malls available for residential development, amounting to 5.18 billion square feet of strip mall space, up from the original estimated 947.5 million figure. Assuming a very conservative quantity of 10% of strip mall space — nearly 518 million square feet — can be converted to medium-density multifamily housing, and that 47.38 million square feet of available space translated to 400,000 new units in the original paper, up to 4.37 million units of housing

can be constructed. Our upper-bound projection assumes that only medium-density multifamily housing will be constructed in the available space, which excludes indoor malls characterized as regional or super-regional malls by ICSC. If coordinated policy from local jurisdictions to the federal government can provide significant incentives for developers to redevelop former malls into medium or high-density housing, strip mall revitalization as housing can comprise a significant fraction of the nationwide effort to reduce the 4.9 million housing unit deficit.

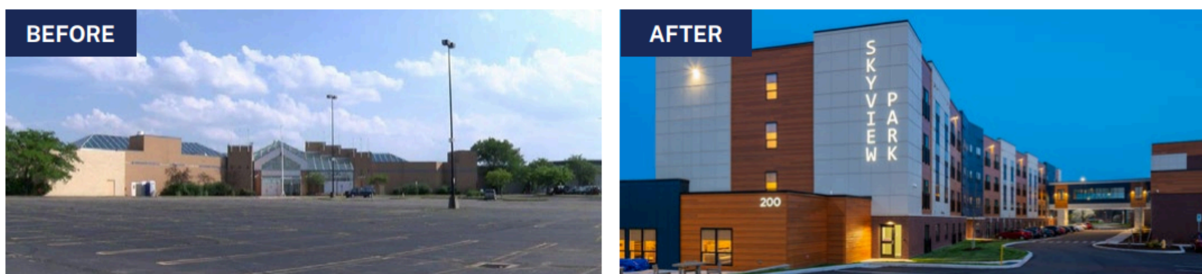
V. Case Studies

Successful examples of grayfield redevelopment into affordable medium or high-density housing often utilized government assistance in project financing. On the other hand, privately-financed redevelopment projects produced luxury apartments that did not cater towards low-income buyers.

1) **Skyview Park Apartments in Irondequoit, New York**

Former Use: A Sears department store that was part of the former Irondequoit Mall

Project Team: PathStone Corporation, Christa Construction LLC, and Passero Associates



The redevelopment project was supported through a 4% Low-Income Housing Tax Credit (Housing Credit) award, a subsidy from New York State Homes and Community Renewal, Tax-Exempt Bonds, Community Development Block Grant (CDBG) funding from the town of Irondequoit, and HOME Investment Partnerships Program funding from Monroe County.

Source: Enterprise Community Partners

2) **La Placita Cinco in Santa Ana, California**

Former Use: An underutilized strip mall site that consisted of two single-story commercial buildings, a gas station, and an asphalt surface area that encompassed over two-thirds of the property

Project Team: Community Development Partners, City Fabrick, TCA Architects, and Walton Construction

Utilizing a 9% Low-Income Housing Tax Credit (Housing Credit) award to secure financing from R4 Capital — a lending corporation providing mortgage capital — and a $6 million grant from City of Santa Ana, La Placita Cinco created 51 affordable housing units and various outdoor community areas — while keeping its original retail lenders in place.

Source: Enterprise Community Partners

3) **Santana Row in San Jose, California**

Left: Town & Country Village (image source unknown)
Right: Santana Row (Photo by Jay Graham, courtesy of SB Architects)

Developed by Federal Realty Investment Trust, Santana Row is a residential, shopping, dining, and entertainment district built around a main street in San Jose, California. The grayfield redevelopment project replaced a 1960s-era single-story, suburban shopping center composed of ten buildings surrounded by sprawling parking lots with a high-density, multi-storey mixed-use neighborhood. The mixed-use project is one of the nation's largest and was fully financed by private funds, without any government assistance. To appeal towards Silicon Valley's affluent consumer base, the privately-financed project created 1,201 luxury dwelling units and two hotels. The development has since become a popular destination for Bay Area residents with its high-end restaurants and retailers, inspired by European streets with an emphasis on a pedestrian-oriented environment.

Source: ULI Development Case Studies

VI. Prior Legislative Action

On May 10th, 2023, Representative Emanuel Cleaver introduced the GREATER Revitalization of Shopping Centers Act of 2023 and was referred to the House Committee on Financial Services (*H.R. 3178, 118th Congress*). An identical bill was introduced in the Senate by Senator Cory Booker on the same day, and referred to the Senate Committee on Banking, Housing, and Urban Affairs (*S. 1533, 118th Congress*). The bill was a reintroduction of former Representative Carolyn Bourdeaux's GREATER Revitalization of Shopping Centers Act of 2021 (*H.R. 5041, 117th Congress*). The legislation amended the Housing and Community Development of 1974 to issue $500 million worth of grants to redevelop grayfield shopping centers.

VII. National Revitalization of Shopping Centers Act of 2025

With extensive feedback from city leadership bodies, local planning boards, transit agencies, housing advocacy organizations and state officials based in the San Francisco Bay Area, Rebuild the Bay proposes the reintroduction of the GREATER Revitalization of Shopping Centers Act of 2023 as the National Revitalization of Shopping Centers Act of 2026, or the Grayfield Redevelopment and Economic Advancement Through Effective Repurposing and Revitalization of Shopping Centers Act of 2026. The proposed reintroduction of the bill adopts several significant changes to the 2023 bill, and shifts the general direction of the grants, as prescribed by the bill, to that of local deregulation instead of one-time relief for developers. These changes are more likely to result in the dissemination of grant funding towards a greater number of projects and encourage permanent deregulatory initiatives in applying local jurisdictions. Changes to the 2023 bill are marked in bold purple font; this section only explains major changes Rebuild the Bay has proposed compared to the 2023 bill.

Section 108 of the Housing and Community Development Act of 1974 guarantees eligible public entities to finance projects like housing rehabilitation, appropriating $2 billion in loan guarantees for each of the 1993 and 1994 fiscal years (42 U.S. Code § 5308). Pursuant to Section 108, Congress has appropriated $400 million for loan guarantees in the Consolidated Appropriations Act, 2024, an increase of $100 million compared to fiscal year 2023, in response to increased demand for loan guarantees. In recognition of the increase, the proposed bill will maintain the $400 million funding level for fiscal years 2026 and 2027, instead of the $500 million proposed in the 2023 bill.

The bill will appropriate $50 million in grants for fiscal years 2026 and 2027, contingent on several criteria on part of local applying agencies. Altering the original 2023 bill, the number of storefronts and qualifying developments have been reduced from 40 to 5, and the original development requirement of 20 acres have been removed in accordance with ICSC categories for strip malls and neighborhood centers—allowing all types of projects meeting ICSC criteria to qualify for grants. To prioritize the redevelopment of shopping centers that are largely vacant already, the occupancy requirement has been raised from less than 30% to less than 20% as well. A significant change in the new proposal is in its wider scope, expanding potential candidates from large malls to also encompass smaller strip malls that are heavily underutilized; it also removes the requirement that an anchor tenant had to exist at a certain point in time within the qualifying project.

Applying agencies must meet three criteria in exchange for receiving a grant. Any project(s) that is essentially financed (the primary focal point of the grant application) by the grant must be accompanied by initiatives implemented by the applying jurisdiction (or a designated public agency) and/or other non-federal agencies. These initiatives—which can apply specifically to the projects or are permanent policy changes made for all similar projects—can come in the form of simplifying or removing local regulations to the extent that it promotes the redevelopment of abandoned strip malls; they also must be made within the reasonable jurisdiction of the applying agency or within an agency designated by the applicant. Firstly, the grant conditions stipulate that applying agencies must simplify or remove regulations relating to zoning and land use. This change is stipulated to promote rezoning in local jurisdictions that favor the future redevelopment of abandoned strip malls; it is designed to improve the viability of similar redevelopment projects in the future, and thereby create a lasting deregulatory effect beyond the immediate project(s) itself. Exemption for the project itself will not satisfy grant requirements, because all redevelopment projects already require rezoning in the first place. Secondly, applying

agencies must also exempt or reduce local taxation for related activities that help implement the project, which includes taxation for construction and planning. Since taxation comprises a substantial fraction of developer costs, the tax exemptions should further redevelopment efforts in the present, as well as in the future; this is especially true for local jurisdictions that already have high local taxation, which is more likely to be prohibitive for developers. Amounts paid because of taxes not under the jurisdiction of the applying agency may also be eligible for reimbursement (tax credit) under this bill, but reimbursement may not be more than 30% of the grant amount, and that permanent tax abatements must be responsible for more than 50% of the grant amount. This is to ensure that permanent abatements for shopping center redevelopment projects are the primary result of grants, not one-time exemptions. Thirdly, applying agencies must exempt or reduce regulatory fees, which can help cut unnecessary red tape that suppress the normal market rate of housing production.

The grant amount requested by the applying agency, and thereby the distributed grant amount, must not exceed $5 million and is subject to review by the Comptroller General of the United States. The original bill's one-time relief funds, while momentarily effective, will not produce systemic change necessary to promote redevelopment projects in the long term; this bill will also improve the utility of federal support by prioritizing smaller projects and issuing grants that impact more projects for the same amount spent. In addition, the proposed bill mandates that the Secretary of the Department of Housing and Urban Development give preference to projects that initiate efficient and prompt engagement that reflect community sentiments, phrased as such in the updated bill in order to discourage project delays and promote timeframe productivity. Likewise, the original section is also amended to prefer projects based on the degree to which they provide medium or high-density, affordable, and transit-oriented housing; in other words a preference towards projects that benefit lower-income communities and fill equity gaps. Most importantly, the Secretary must prefer projects that apply initiatives to the extent it exceeds the three criteria, which most supports the future redevelopment of abandoned shopping centers. Collectively, these revisions to the proposal are likely to encourage permanent policy change that simplify redevelopment hurdles by local jurisdictions.

VIII. Thornton Ave. Redevelopment Proposal

To illustrate the beneficial effects of local deregulation, *Rebuild the Bay* researchers used data from Google Earth, the Alameda County Assessor, City of Fremont, along with relevant local agencies to conduct a brief case study* of the potential costs of revitalization efforts in a generic grayfield shopping center site at Fremont, California.

*the relevant information is preliminary and is by no means exhaustive; it may include inaccurate statistics or claims.

Rebuild the Bay

Render 1 - Top-down preliminary plan of project

Render 2 - Community Area/Park

Introduction & Overview of Neighborhood

Cabrillo Shopping Center, located at 4673 Thornton Ave, Fremont, Alameda County, California, is an unoccupied and grayfield 45,000-square-foot multi-tenant commercial building surrounded by an asphalt parking lot, an ideal candidate for housing redevelopment. The property, with 161,172 square feet of commercial land with parcel number 501-0080-080-09, no longer has any

tenants and contaminated soil has been found on site since 1999. 13 tenants had occupied the building in the past, and had provided vital services for the community. The property is connected by transit, and is located in the Centerville neighborhood—daily necessities, including restaurants, grocery stores, etc., are reachable within a 10-minute walk in the mixed residential and commercial neighborhood. It is surrounded by multi-family developments in three directions, and is approximately 0.67 miles away from downtown Centerville, where another planned mixed-use residential development is set to revitalize retail and foot traffic in the future.

Transit:
Nearby the property is the Fremont Amtrak station (0.67 miles away—a roughly 20-minute walk), which serves the Sacramento-bound Capital Corridor (CC) service, and the Central Valley-bound Altamont Corridor Express (ACE); both lines cross the San Francisco Bay and terminate at San Jose. Alameda County Transit (AC Transit), a regional bus service system, operates line 251 with a stop directly servicing the property, connecting it with the Fremont Bay Area Rapid Transit (BART) station (17-minute bus ride)—a high-frequency regional commuter rail/heavy rail system in San Francisco, the North, East, and part of the South Bay. Future extensions of the BART system will extend southwards and reach the Caltrain system in the Peninsula; the property will be able to reach both San Francisco and Silicon Valley via transit.

Travel times with walking/transit:
Restaurants
1) Tacos Sin Fronteras
    - 1 minute via walk
2) Mi Lindo Sinaloa
    - 6 minutes via walk
3) McDonalds
    - 9 minutes via walk

Groceries
1) Whole Foods Market
    - 12 minutes via AC Transit

Education
1) Thornton Middle School
    - 7 minutes via walk

2) Ohlone College Newark Center (Community College)
    - 20 minute via walk

Other

1) St. James' Episcopal Church
    - 1 minute via walk
2) United States Postal Service
    - 9 minutes via walk

Regional Connectivity:

1) San Jose
    - 59 minutes via AC Transit and BART.
2) San Francisco
    - 1 hour and 13 minutes via AC Transit and BART.
3) Palo Alto
    - 1 hour and 26 minutes via AC Transit, CC, and Caltrain.

<u>Proposed Redevelopment:</u>
In an ideal redevelopment scenario for 4673 Thornton Ave., the grayfield property can be converted into a multi-story affordable housing development that includes mixed-use elements to better service the community. It can take advantage of the property's central location to downtown Centerville, as well as its close proximity to transit.

With rendering from our graphic artist, Rebuild the Bay's research team has designed a 498-unit mixed use, high-density affordable housing redevelopment proposal for the property. There will be 196 units of 1-bedroom, 267 units of 2-bedroom, and 35 units of 3-bedroom flats, with an increased proportion of 2- and 3-bedroom units to reflect Fremont's need for affordable housing for young families, which is often neglected in private developments in favor of more studio or 1-bedroom units. On the street level of the property is a cafe, which is connected with a large park/community area for residents' use. The property has 16 buildings in total, split into four groups of four.

<u>Current Status:</u>
The property is vacant and all its storefronts are shuttered; windows are boarded up and most signage is removed. The parking lot asphalt is damaged with weathering and large cracks can be observed throughout the lot; a metal fence is set up around the property and the site appears to

have been grayfield since at least a period of time before 2021. In 2023, the California Regional Water Quality Control Board adopted site cleanup requirements for suite 6 of the Cabrillo Shopping Center; elevated rates of *trichloroethylene* (TCE), *cis-1,2-dichloroethylene* (cis-1,2-DCE), *trans-1,2-dichloroethylene* (trans-1,2- DCE), and *vinyl chloride* (VC) were observed (potentially hazardous at rates found). The extent of site damage is unclear, and any planned or adopted redevelopment and/or repair efforts are not known as of the release of this document.

Former Tenants:
All storefronts have closed as of the release of this document, with a majority shuttering since 2021. At least one tenant appears to have been active until 2024. Based on the decrepit signage remaining in the property, the last tenants to occupy the shopping center include a restaurant/cafe, a dry cleaner service, a coin laundry service, a barber shop, an antique store, a dollar store, a furniture & rug store, an oriental rug shop, an Afghan grocery store, and a church. The former shopping center provided vital services to the Centerville community and employed up to 200 people (assuming a standard rate of 3-4 jobs per 1,000 ft^2 of the building); surrounding property valuation losses from shuttered stores is difficult to estimate, but it may be veritable because shopping centers appreciate property valuations. Its closure likely produced substantially negative economic impacts for the neighborhood.

Redevelopment Hurdles:
Developers who seek to redevelop the abandoned property may face profound hurdles due to local regulations—an issue that has delayed the construction of housing nationwide. The property has an estimated **land value** of $1,605,982.00 and an **improvement value** of $1,218,580.00. Given that there are environmental liabilities to the property, and that the property has been vacant for years—requiring renovations, the actual improvement value may be substantially lower than the estimated value.

In addition, there are 9 neighboring single family parcels that have an estimated land value of from $27,705 to $154,233, but their estimated market value is between $975,000 to $1,670,000, likely due to the inflated housing prices in Fremont from the sustained housing shortage. We take the median of each of the two datasets, finding a median land value of $99,528 and a median market value of $1,100,000. Removing the valuation differences between commercial and residential improvement values, we calculate that the market value of a parcel in the neighborhood is roughly 11 times that of its land value. Therefore we conclude that the market value of 4673 Thornton Ave to be *$17,665,802*; we assume that a hypothetical developer

purchases the property at this price. We seek to find the total cost of redeveloping this property and identify each local tax and regulation that are cost contributors to a potential redevelopment project.

1) *Local Taxes*

   First, we identify all local taxes immediately triggered by redevelopment. Buyers typically pay a **transfer tax** upon property transfer, at a rate of $12.00 per $1,000 for Alameda County, which totals **$211,989** for this property. There is a county **property tax** that has a 1% baseline with additions, which add up to 1.1327%, totaling **$200,100** every year.

   We then attempt to calculate the potential cost of construction itself, totaling it from three sections: 1) demolition, 2) primary building(s), 3) other structures. The demolition process will cover the 45,000-square-foot commercial building; subject to an average cost of $6 per square foot, the total demolition cost is projected to be *$270,000*. The construction of the building, which is 9-stories tall and comprising roughly 45% of the 161,172 square foot lot, will have a total area of 652,743 square feet. Taking a higher estimate of the construction cost at $500 per square foot, the building construction cost is estimated to be *$326,371,500.* Assuming that the building will be a mix of 30% one-bedroom (750 sq feet), 60% two-bedroom (1,100 sq feet), and 10% three-bedroom (1,400 sq feet), and subtracting 20% of the square footage for hallways and stairwells, we get a net leasable residential area of *489,557* sq feet. The larger ratio of two-bedroom units reflects the affordable nature of the project, and the need for housing for families in Fremont. Based on the ratios and the net residential area, we estimate that there will be 196 units of 1-bedroom flats, 267 units of 2-bedroom flats, and 35 units of 3-bedroom flats, totalling 498 units. The remaining 55% of the parcel will be used for miscellaneous non-residential developments, mainly greenery. Assuming that the park and other facilities will cost $1,500,000, the total cost of construction (demolition, building, and other structures) is *$328,141,500,* with a per-unit cost of $658,918. This estimate is slightly lower than the average construction cost in the San Francisco Bay Area; in 2019, an average of 7 below market rate housing projects (total of 416 housing units) in Alameda County netted a per-unit construction cost of $726,469, with the region-wide estimate being slightly lower at $664,455 per unit.

   With material costs being around 70% of a project's total cost, physical construction material like lumber, steel, and concrete are all taxable items. Given that the sales tax rate

for Alameda County is 10.25% (up to 2% lower in adjacent counties), up to **$23,544,173** may be paid in **sales taxes** alone. Considering that taxation is a significant contributor to housing construction costs, the simplification, abatement and and reimbursement of taxes paid for strip mall development will likely promote local deregulation and incentivize the initiation of new housing projects—built at a lower cost. Altogether, estimated local taxes (total transfer tax, property tax and sales tax) for proposed development of this property is expected to be **$23,956,262**, comprising **7.3%** of total construction cost alone. Given that Fremont, CA has substantially higher construction cost and local taxation rates than many other parts of the US, this amount is naturally expected to be lower in average qualifying developments.

2) *Local Fees*

Fee Category	Basis/Assumption	Estimated Amount (total)
School District Developer Fee (Fremont Unified School District)	$5.17 per sq ft commercial. 489,557 sq ft × $5.17 per sq ft. Fremont Unified School Distirct	$2,531,010
Development Impact Fees (Section II - I)	Split into a) Capital & Fire Facilities, b) Traffic, Parkland & Park Facilities fees. Deed-restricted affordable projects pay 50% less on above section b fees. Fees are listed by the number of bedrooms in the given units.	≈ $8,500,000
Planning & Zoning Fees (Section II - A)	These are deposit fees that are refunded if not used by the city, and depend on how much labor is required to process planning & zoning; therefore, this is a very rough estimate.	≈ $105,000
Building Permit Review Fees (Section II - B)	Assuming 80 planning hours (at $183/hr) and 120 engineering hours ($202/hr), depends on	≈ $38,880

	how much labor is required to process; this is a rough estimate.	
Misc. Fees — Environmental Assessment, Subdivision, Grading, Encroachment Permit, Public Works & Engineering (Section II - C-G)	Placeholder value of $20,000 (assuming limited construction on sidewalks and asphalt surrounding property)	≈ $20,000 (placeholder)
Construction Tax (Section II - J)	Listed as a fee on the Fee Schedule. $2,257 per unit x 498 units.	≈ $1,124,000
Community Planning Fee (Section II - K)	15% of Building and Safety Fees, generally.	≈ $3,000 (estimate of placeholder)
Permitting Technology Fee (Section II - L)	3% of Planning & Zoning fees, Building & Safety, Inspections	≈ $5,000 (estimate of placeholders)
Building and Safety Fees (Section II - P)	Depends on labor cost for inspections.	≈ $20,000 (placeholder)
Total Estimated Local Fees	Sum of estimated amounts	≈ $12,346,890 ($25,000 per unit)*

*Each city has different local fee schedules, and estimates differ dramatically. South San Francisco, for example, has a local fee estimate closer to $40,000 per unit. Without a formal estimate of labor required to process the project, it is also possible that placeholder mistakes have contributed to a cost underestimation.

3) *Local Zoning*

   Fremont's long-term land use is in the Fremont General 2030 (Adopted since December 2011) which guides land use, density, and transit oriented development. The city is preparing additional General Plan amendments such as conservation elements to comply with state law.

   Under Senate Bill 9, in Fremont single family zoned parcels can be split or two units built without discretionary review. Fremont's zoning codes include development impact fees for infrastructure and park land. For larger projects, the city offers affordable housing

incentives consisting of density bonuses and concessions. In many jurisdictions, "union" threshold refers to prevailing wage rules. Project labor agreements or public financing triggers. In order to have the most meaningful impact, equipping a framework of rezoning allows a meaningful increase in density while avoiding large public subsidies that require extensive union labor.

Zoning changes in Fremont that maximize gain without triggering regulatory burdens typically fall into the medium density, mixed use category. Residential projects such as transitioning from a single family to a multi family zoning allows 30-100 dwelling units per acre depending on lot size and configuration. This scale can support townhomes or small apartment complexes because they are dense enough to be profitable but are below the 150 unit range that draws union attention or public financing scrutiny. Rezoning small parcels from Community Commercial or Thoroughfare Commercial to Mixed Use districts can permit residential over retail or office light industrial hybrids. This cultivates flexibility and aligns with Fremont's transit oriented development priorities.

California's Density Bonus Law allows up to a 50% increase in allowed units and waivers of certain zoning standards if a portion of the project is reserved for affordable housing. For example, setting aside 10-15% of units for low income households makes them eligible for 20-35% density bonus and reduced parking minimums. Fremont explicitly encourages this approach through its Affordable Housing Ordinance and Housing Element 2023-2031, which identify priority sites for higher density infill.

IX. Conclusion

With isolated local action alone insufficient to incentivize the redevelopment of grayfield shopping centers, cohesive federal legislation, if passed, will provide the means for developers to redevelop economically stagnant malls into crucial affordable housing developments. Ultimately, this bill's introduction will signal a willingness for Congressional action amidst increasing voter preference for shopping mall revitalization. A 2023 poll found that 3 in 4 Americans agree that the government should provide incentives for repurposing abandoned malls, with 30% willing to pay higher taxes to fund redevelopment (IPX 1031). The bill will be a first step towards cohesive federal policy to address America's housing deficit, and through its introduction, will amplify future youth advocacy and perspectives.

The revised bill will promote the transformation of underutilized grayfields, reducing the amount of "visual blight," thereby contributing towards an aesthetic revitalization and promoting an increase in property values in the surrounding area (Christopher). Increased foot traffic in medium to high-density developments will result in a decrease in car dependency, and support a local-level transition into multimodal transit (Cervero and Arrington) (Abramo). With future legislation and change in developer preferences from federal incentives, potential cascading effects resulting from this bill will increase housing supply in the long run — estimated at 4.37 million new units — and improve housing affordability. This will slowly alleviate the root cause of the national homelessness crisis, support small businesses, and expand economic opportunities through new construction jobs.

Sincerely,
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