



DESIGN. PERMIT. BUILD.

Feasibility Study

LIFE HOUSE DESIGN AND CONSTRUCTION

Bringing your vision to life

Presented by

CJ Johnson & Life House



Life House Design and Construction

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San Diego, CA 92121
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Aug 23, 2024

650 BRADFORD RD, County of San Diego, CA 92019

SUBJECT: PROJECT FEASIBILITY & COST ESTIMATE

To whom it may concern,

I am pleased to present a meticulous analysis pertaining to the potential Accessory Dwelling Unit (ADU) development on your property located at 650 BRADFORD RD, County of San Diego, CA 92019

This report presents a comprehensive examination of the proposed ADU project. Please be informed that this property is governed by the RR zoning designation. The rural residential (RR) zones are intended for land areas that are planned or are existing single-family rural residential areas characterized by moderately large parcels and with residential densities that range from one to two (2) dwelling units per acre.

PRELIMINARY ESTIMATE

Assuming medium-tier unit the below estimates are for mid-grade finishes.

Option 1: (1) detached one-Story 2/2 ADU (approx. 800sf) + Converting existing square footage into a 1/1 JADU (Approx. 400sf)

****Deed restriction owner-occupancy (owner is required to live on the lot)***

A. Hard costs totaling:	\$361,100	
1. Habitable (\$300/sf):	\$240,000	*Taxes on materials approx. additional \$11,160
2. Habitable (\$225/sf):	\$90,000	*Taxes on materials approx. additional \$4,185
3. Site Preparation:	\$15,500	*Trenching, grading, utility connection, demo
4. Utility Meters:	\$4,800	
5. Solar (Detached Units)	\$10,800	*CA requirement for new construction
B. Soft costs totaling:	\$31,632	
1. Design fees:	\$15,000	*Title 24 additional \$500 each unit
2. Structural engineering:	\$4,500	
3. Permit fees:	\$4,500	*Determination at plan review
4. School & DIF:	\$3,832	*Estimated, to be determined at initial review
5. Water/Sewer Fee:	\$3,800	*Connection Fee
Total estimated cost:	<u>\$392,732 - \$432,005</u>	*A through B with 10% Contingency

Option 2: (1) detached Two-Story 2/2 ADU (approx. 1,000sf)

****Interior Design Package can be added to all ADU projects***

C. Hard costs totaling:	\$346,100	
1. Habitable (\$315/sf):	\$315,000	*Taxes on materials approx. additional \$14,647
2. Site Preparation:	\$15,500	*Trenching, grading, utility connection, demo
3. Utility Meters:	\$4,800	
4. Solar (Detached Units)	\$10,800	*CA requirement for new construction
D. Soft costs totaling:	\$33,632	
1. Design fees:	\$12,500	*Title 24 additional \$500 each unit
2. Structural engineering:	\$4,500	
3. Civil engineering:	\$4,500	*Topographic Survey, Grading Plan
4. Permit fees:	\$4,500	*Determination at plan review
5. School & DIF:	\$3,832	*Estimated, to be determined at initial review
6. Water/Sewer Fee:	\$3,800	*Connection Fee
Total estimated cost:	<u>\$379,732 - \$417,705</u>	*C through D with 10% Contingency

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Option 3: SB9 Add (1) Single Family Home 3/2 (approx. 750sf) + (2) ADUs 2/1 and half bath (Approx 615sf each)

****SB9 Regulations***

I. Hard costs totaling:	\$622,050	
1. Habitable (\$300/sf):	\$615,600	*Taxes on materials approx. additional \$27,621
2. Site Preparation:	\$35,500	*Trenching, grading, utility connection, stairs
3. Utility Meters:	\$15,800	
4. Solar (Detached Units)	Leased	*CA requirement for new construction
J. Soft costs totaling:	\$113,777	
1. Design fees:	\$30,500	*Title 24 additional \$500 each unit
2. Structural engineering:	\$7,500	
3. MEP:	\$8,500	
4. Civil Engineering:	\$18,600	
5. Permit fees:	\$17,500	*Determination at plan review
6. School & DIF:	\$10,377	*Estimated, to be determined at initial review
7. Water/Sewer Fee:	\$20,800	*Connection Fee
Total estimated cost:	<u>\$775,827 - \$853,409</u>	* I through J with 10% Contingency

TIMELINE (START TO FINISH: 57 - 78 weeks)

1. **Schematic design:** 4-6 weeks - This is when designers create the initial drawings and plans for your project.
2. **Design development:** 6-8 weeks - The design gets refined and more detailed during this phase.
3. **Civil Engineer:** 6 weeks - Experts study the soil on your property to make sure it's suitable for construction. (not likely needed)
4. **Structural engineering:** 4-5 weeks - Engineers design the structure of the building to make sure it's strong and safe.
5. **Permitting:** 16-24 weeks - This is the time it takes to get all the necessary permits from the city. This can vary a lot depending on the city's review process.
6. **Project coordination:** 1-4 weeks - During this phase, your project manager (CJ or Laura) and a General Contractor will work together to get everything ready for construction.
7. **Construction:** 16-24 weeks - This is the time it takes to actually build the project, which can also vary depending on factors like weather, inspections, and contractor availability.

ADUs and Taxes

In California, property taxes are typically 1% of the property's assessed market value. Upon construction of your ADU, you will be reassessed, but it will be a blended assessment. ADUs will be assessed independently. It is generally the case that whatever the determined market value is, a 1% tax will be assessed and added to the current tax bill (making it a blended rate). Your tax rate can increase over time, but it is capped at 2% due to prop 13.

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Know work to be completed (ADU)

- **Site prep:** Including landscape demolition, haul away, and excavation.
- **Trenching:** For new utility connections.
- **Foundation prep and Pour Foundation:** Essential for a new structure.
- **Framing vertical walls:** To outline the single-story layout.
- **Roofing for ADU:** To cover the new structure.
- **Connect heating system and insulation in walls and ceiling:** For energy efficiency.
- **Siding, drywall, doors (interior & exterior):** To enclose and finish the ADU.
- **Painting interior & exterior:** To complete the aesthetics.
- **Flooring:** Throughout the ADU.
- **Complete electrical:** For a fully functional living space.
- **Installing medium-grade finishing:** To ensure a comfortable living environment.
- **Connect utilities:** Essential for independent living space.
- **Meet with inspectors:** To ensure all construction meets local codes.
- **Debris removal, site maintenance/dump fees**

FINANCING PROJECTIONS:

Assuming 100% financed at 5.5% over 30 years. (Monthly financing does not include insurance or taxes)

Rental Strategy:	<u>Option 1: (1) detached one-Story 2/2 ADU (approx. 800sf) + Converting existing square footage into a JADU (Approx. 400sf)</u>	<u>Option 2: (1) detached Two-Story 2/2 ADU (approx. 1,000sf)</u>	<u>Option 3: SB9 Add (1) Single Family Home 3/2 (approx. 750sf) + (2) ADUs 2/1 and half bath (Approx 615sf each)</u>
Monthly Rental Income	\$4,260	\$2,800	\$8,930
Monthly Financing	-\$2,655	-\$2,570	-\$5,045
Monthly Cash Flow	\$1,605	\$230	\$3,885
Annual Cash Flow	\$19,260	\$2,760	\$46,620
5-Year Cash Flow	\$96,300	\$13,800	\$233,100
30-Year Cash Flow	\$577,800	\$82,800	\$1,398,600
ROI (based on 30 year payback period)	65.43%	9.70%	80.18%
# Years to pay off ADU (*if apply monthly cash flow to principle)	12.3	24.3	10.8

If you have any questions please contact me by email or by phone. The LIFE HOUSE team can finance, design, permit, build, and lease your ADUs. Our Architect and Draftsmen team have over 30 years combined experience. We look forward to being part of your ADU journey.

Very respectfully,

Cärrin (C.J.) Johnson

Cärrin Johnson

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LIFEHOUSE DOES NOT REPRESENT OR WARRANT THAT ESTIMATED FEES AND/OR TIMELINES WILL MEET THAT WHICH IS DESCRIBED IN THIS PRELIMINARY FEASIBILITY REPORT. IT SHOULD BE VIEWED AS A PRELIMINARY EVALUATION BASED ON THE INFORMATION PROVIDED BY YOU, THE CLIENT, A VIEW OF THAT INFORMATION THROUGH LIFEHOUSE'S UNDERSTANDING OF YOUR BIG PICTURE GOALS, AND THE PRESENT MARKET FOR SERVICES REQUIRED TO ACHIEVE THOSE GOALS BASED ON THE INFORMATION PROVIDED. LIFEHOUSE HEREBY DISCLAIMS ANY AND ALL WARRANTIES WITH REGARD TO THE ACCURACY OF SUCH ESTIMATES.

Address: 650 BRADFORD RD, County of San Diego, CA 92019 | APN: 511-320-12-00

Lot size ≈ 1.1 acres | ≈ 47,480 SF

Jurisdiction: County of San Diego

Zoning

Zone: RR

Density: None

Height limit: Maximum height (feet): 35 Maximum number of stories: 2

Floor Area Ratio: None

Front setback: 60'

Interior Side yard setback: 15'

Exterior Side Yard Setback: 35'

Rear Yard setback: 25'

Rear setback: 25'

Building Type: Residential: Single Detached (1 dwelling unit per lot). Mixed Residential/Nonresidential: Limited nonresidential, Nonresidential: Detached & Attached

Flood: Yes

Brush Management: Yes (Native/Naturalized Vegetation)

Very High Fire Hazard Severity Zone (VHFHSZ): No

Site Overlay

Steep Hillsides

Site Conditions

Access/Parking

- Current vehicular access from Bradford Rd

Existing Structures

- 3 Bedroom 3 Bath 3720 sqft
- Built in 1969
- Property is on Septic
- No fire sprinklers
- No PV System
- Has Pool
- Nearest Public Transportation 4 min (1.3 miles) via E Washington Ave

School District

Cajon valley union school district \$2.97 per square foot

Grossmont Union High School District \$1.20 per square foot

Notes

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1. JADU Required Deed Restriction (Owner must live on the the lot)

*Per Department of Housing & Community Development memorandum dated January 10, 2020 local agency cannot impose min/max square footage requirements for an ADU less than 850sf or any other min/max lot coverage, FAR, lot size for 800sf ADU or less.

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Cost Segregation Example Sheet for ADU Investment

Asset Category	Cost (USD)	Standard Depreciation Period (Years)	Accelerated Depreciation Period (Years)	Annual Depreciation (USD)
Building Structure	\$200,000	27.5	-	\$7,273
Land Improvements	\$30,000	27.5	15	\$2,000
Personal Property	\$70,000	27.5	5	\$14,000
Software	\$5,000	27.5	3	\$1,667
Total	\$305,000			\$24,940

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Notes:

- Building Structure: This includes the cost of the actual building construction which is depreciated over the standard 27.5 years for residential rental property.
- Land Improvements: These are improvements directly to or added to land, such as landscaping, paving, and fences, which can be depreciated more quickly over 15 years instead of the building's longer depreciation schedule.
- Personal Property: This category includes items within the ADU that are not part of the building structure, such as appliances, furniture, and fixtures, which can be depreciated over a much shorter period, typically 5 years.
- Software: If any software was purchased specifically for the management or operation of the ADU, it could be depreciated over an even shorter period, such as 3 years

Cost Segregation Report

Unlock the full potential of your investment with our specialized Cost Segregation services. Our expert tax CPA is adept at meticulously analyzing your property to identify opportunities for accelerated depreciation, potentially spanning up to 27.5 years. This strategic approach can significantly enhance your cash flow by reducing your tax liability and increasing your upfront deductions. Imagine the benefits of reallocating your savings into further investments or operational enhancements for your ADU. If the prospect of optimizing your asset's financial performance appeals to you, consider investing in a Cost Segregation report. Typically priced at around \$4,500 for a single ADU, this service is not just an expense but a strategic investment in your financial savvy. Let us know if you're interested in leveraging this opportunity to maximize your returns.

1031 Exchange

In the dynamic world of real estate investment, flexibility and strategic foresight are key to maximizing your returns. This is where the 1031 Exchange comes into play, offering you a powerful tool to defer capital gains taxes by reinvesting the proceeds from the sale of one property into another. Our seasoned consultant is here to guide you through this complex process, ensuring that you not only comply with all legal requirements but also strategically position your investment for growth and sustainability. By opting for a 1031 Exchange, you're not just deferring taxes; you're reinvesting in your future. Whether you're looking to expand your portfolio, diversify your investments, or simply optimize your tax strategy, our consultant is ready to tailor a solution that aligns with your goals. Embrace the opportunity to transform your tax obligations into investment opportunities with our expert guidance.

Why Choose Our Services

Choosing our services for your Cost Segregation report and 1031 Exchange needs means partnering with a team that prioritizes your financial growth and tax efficiency. Our expert CPA and seasoned consultant are not only leaders in their respective fields but are also deeply committed to ensuring that you benefit from every available tax advantage. With our strategic approach, you can look forward to a future where your investments are not just protected but are actively working to secure your financial legacy. Let us help you navigate the complexities of real estate investment tax strategies, turning potential tax burdens into powerful incentives. Reach out today to explore how our services can elevate your investment strategy and keep more money in your pocket.

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Site Photos



Aerial view with (2) 400sf ADUs + (1) 1200sf ADU

