



# COMMERCIAL-RETROFIT

A DIVISION OF TITAN CONTRACTING SERVICES • CSLB #976552

# How to Comply with the Soft-Story Ordinance & Add Cash Flow with ADU's

# Presentation Outline

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## TODAY'S TOPICS

- New California Legislature
- Combining ADU and Soft Story
- Before and After Soft Story Retrofit
- Before and After ADU/Soft Story Combo
- Construction of ADUs
- Costs associated
- Other types of ADUs
- Our Services and Expertise

# About Titan Commercial Retrofit

## OUR STORY

Titan Commercial Retrofit specialize in multi-family ADU conversions while complying with your city's seismic retrofit ordinance. With over 35 years in the structural steel business, completing hundreds of soft story retrofit jobs, and building dozens of custom homes, we are equipped to complete any ADU project.



# Effective January 1, 2020

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- California legislation passed amendments to law that states you can build up to two new detached ADUs on ANY multifamily property, AND can convert attached existing spaces into more ADU's under the 25% rule.

**(Code Section 65852.150)**

# HERE IS A TYPICAL EXAMPLE OF ONE OF OUR JOBS

The Lido Capri is a typical building that requires a soft story retrofit.



**FOR THE SOFT STORY RETROFIT ORDINANCE,  
THE CALCULATIONS SHOW THAT A  
STRUCTURAL STEEL MOMENT FRAME WITH A  
CONCRETE GRADE BEAM IS REQUIRED.**



**Alternatively, we can  
comply with the soft  
story retrofit  
ordinance with an  
ADU conversion!**

**HERE IS A  
BEFORE PHOTO  
OF THE LIDO  
CAPRI BUILDING  
ONCE AGAIN**

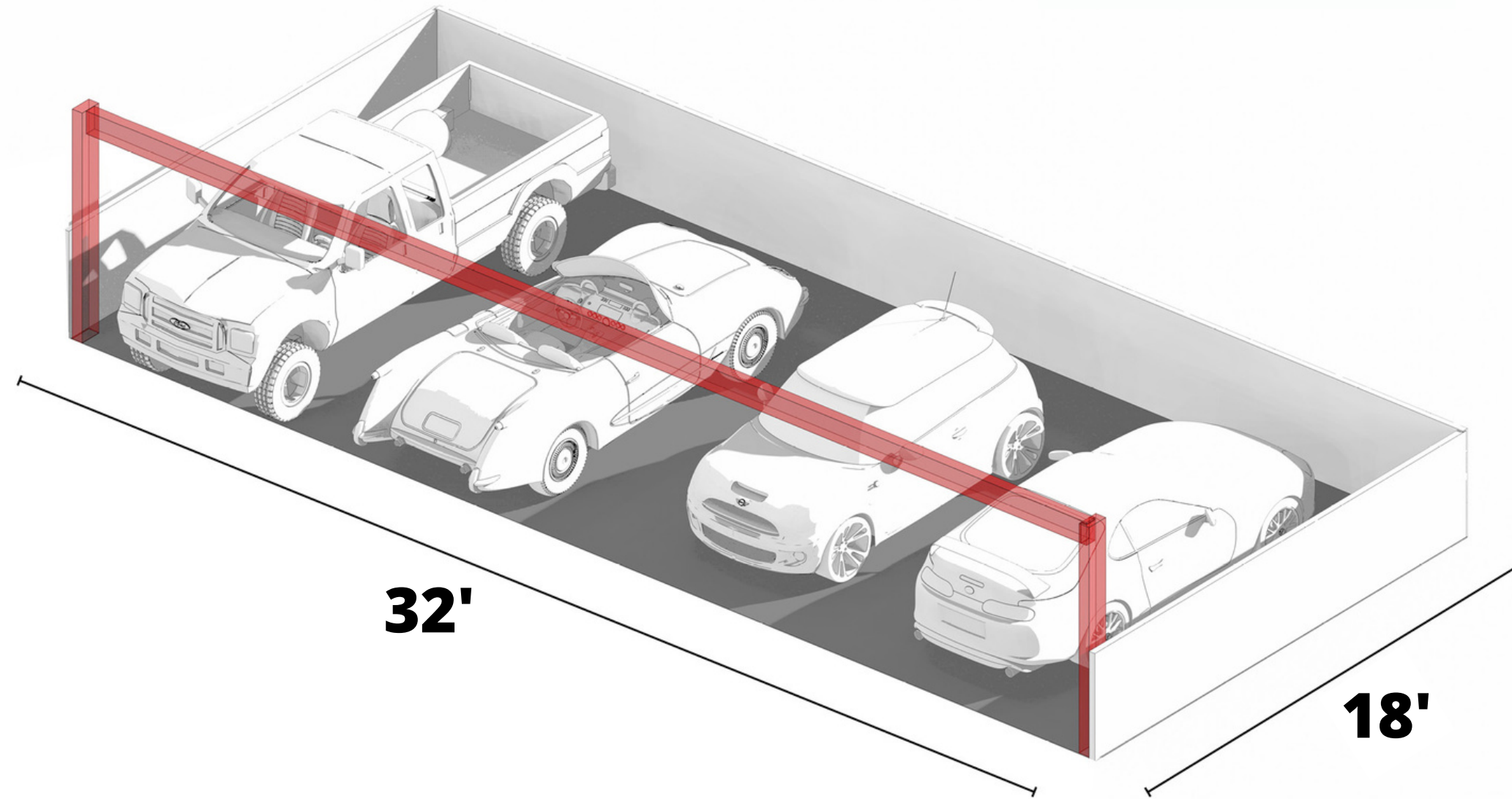


**Lido Capri after the ADU conversion now in compliance with soft story retrofit ordinance, using shear walls instead of the moment frame.**

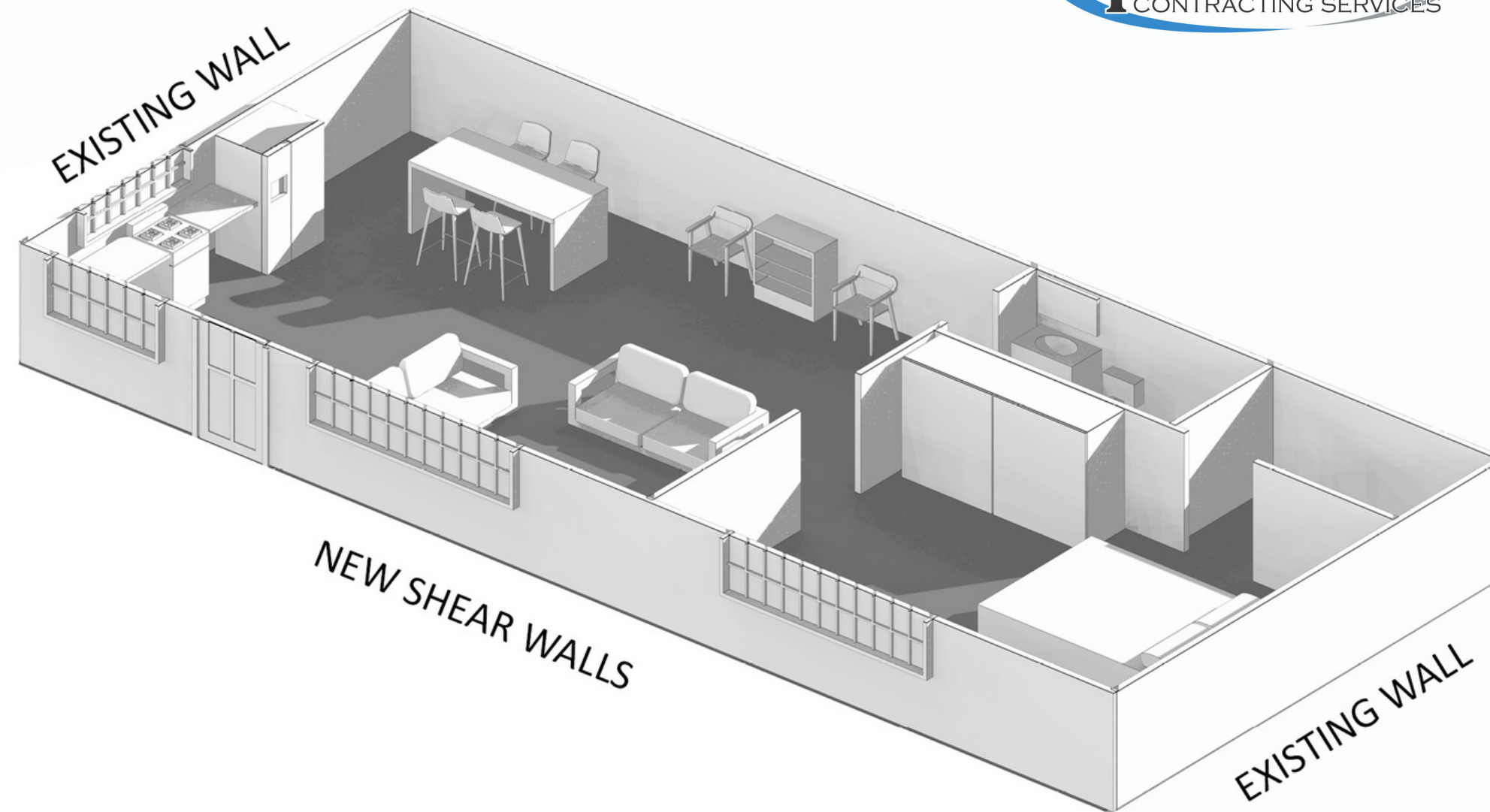


**1 Bed + 1 Bath  
570 sqft**





**Before:** Four tuck-under parking  
requiring a \$60K traditional retrofit project.  
\$\$\$ out of pocket with no ROI



**After:** Completed retrofit while adding a 570 SQFT 1 Bedroom ADU rented at \$1,900 per month with over 10% ROI



# Construction of ADU's and Estimated Cost

- Average Cost
  - \$300 per square foot
- Soft Story Retrofit Ordinance would be addressed by new unit's shear walls!
- Construction is All-Inclusive / Turnkey
  - Includes: Mechanical, Electrical, Plumbing, Finishes and Fixtures

# Standard Cost and Pricing Example

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## LIDO CAPRI BUILDING (STUDIO CITY)

- 570 SQF x \$300 construction cost
  - \$171,000 + \$15,000 engineering = \$186,000
- Rent for a 1 bedroom in this neighborhood is estimated at \$1,900 which will qualify for the 1% rule
- If you factor in the \$60,000 that would be spent on the mandatory soft story retrofit, then your added investment is \$125,000
- With these factors and the estimated rent of \$1,900, this will bring the return to an estimated 15% cap.

# Complies with city ordinance while generating more income and increasing property value (Lido Capri Example)

All-inclusive Retrofit with Engineering, THP, construction, Cost recovery:	\$60,000	Expense/No ROI
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All-inclusive Retrofit adding 570 sqft ADU x \$300 sqft (1bd + 1ba):	\$171,000	
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Engineering ADU/retrofit plans includes MEP, clearances Title 24 / Green Building	+ <u>15,000</u>	
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Total Cost for new ADU	\$186,000	
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Market rent for new ADU (1bd + 1ba):	\$1,900 x 12 mo.	\$22,800
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-20% Expenses (insur, utilities, etc.)		<u>-\$4,560</u>
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NET Income		\$18,240
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\$22,800 GSI x 13 GRM	\$296,400 Added Prop. Value
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\$18,240 ÷ 186,000 cost of ADU	9.8% ROI
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New ADU \$186K – 60K factored cost of mandatory retrofit expense =	126,000 Net cost of Unit
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\$18,240 ÷ 126,000 cost of ADU	14.5% ROI
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186,000 ÷ 17,280 = years to payoff	10.7 years
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Add total cost as Capital Improvement can be depreciated over 27.5 years



# How many ADUs can I build and where?



## ATTACHED

- You can add ADUs up to 25% of current units.
  - For example:
    - Existing 4 units - you can add a maximum of 1 attached.
    - Existing 8 units - you can add a maximum of 2 attached.
  - Plus up to an additional 2 detached units!
- You can convert tuck-under parking, attached garages, or other attached common spaces to units!

## DETACHED

- You can add a maximum of 2 detached ADUs on any property, regardless of how many existing units.
- Types of detached ADUS:
  - Detached garage conversion
  - Existing carport
    - Build a second story for two units or convert the ground floor carport!
  - Empty land

# Detached Carport Conversion



**Before**



# Detached Carport Conversion

- One of the most popular ADUs is the detached carport conversion. You can convert an existing carport into new units.
  - You have two options:
    - 1) Convert the carport into ground level units.
    - 2) Reinforce the carport and build units on the second floor.
- Generally, the carport conversion does not remove any of the existing parking spots!



# Detached Carport Conversion



**After**



# Pricing for Detached Carport Conversion



**Collins Apts. in Encino** – build over existing carports – NO Loss of parking

Total Cost for 2 new ADU's: 2,000 SQFT x \$300 cost per SQFT

\$600,000

Engineering Plans includes MEP, clearances Title 24 / Green Building

+\$15,000

\$615,000

Market rent for new ADU (2bd + 2ba): 1,000 SQFT: \$3,000 x 12 mo.

\$36,000

Market rent for new ADU (2bd + 2ba): 1,000 SQFT: \$3,000 x 12 mo.

+\$36,000

\$72,000

-20% Expenses (insur, utilities, etc.)

-\$14,400

NET Income

\$57,600

\$72,000 x 14 GRM = added equity in property

**\$1,008,000 Added Prop. Value**

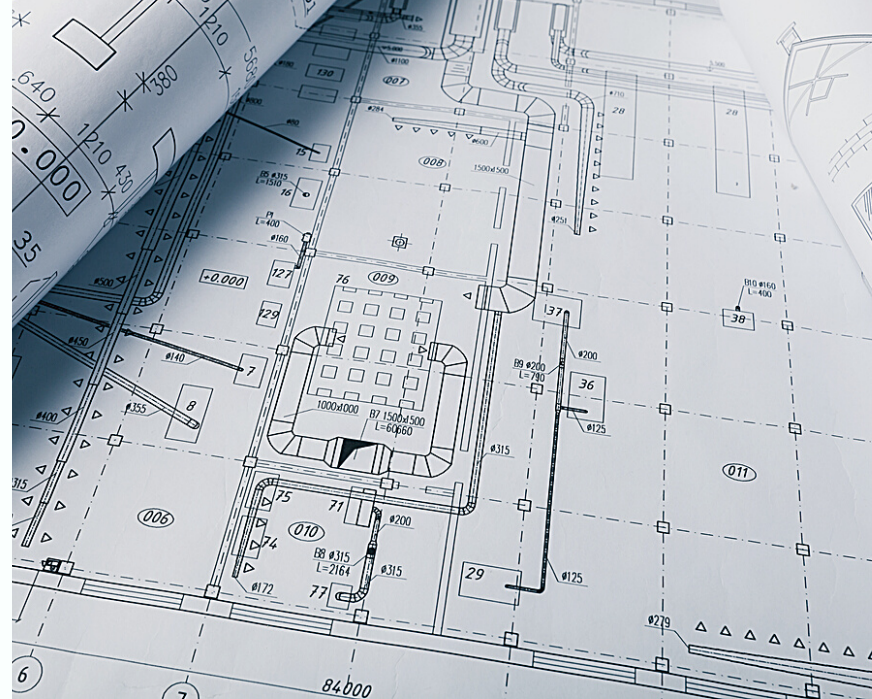
\$57,600 ÷ 615,000 cost of ADU's =

9.4% ROI

615,000 ÷ 57,600 = years to payoff

10.7 years

# Our Process



**ENGINEERING AND  
DESIGN**

**DOCUMENTS AND  
PERMITS**

**CONSTRUCTION  
ADMINISTRATION**



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**Talk to Us**



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