

TRG 37 Transcript

Nichole Stohler

What if you could be doing something smarter with your money that creates income right now? If you're an IT professional is wanting to get ahead financially and enjoy greater freedom of choice. And if you wonder who else in tech is creating ways to make their money work for them? You want actionable ideas with honest pros and cons and no fluff. Welcome to The Richer Geek Podcast for helping IT professionals find creative ways to build wealth and financial freedom. I'm your host, Nichole Stohler and in this podcast, you'll hear from others who are already doing these things and learn how you can too.

Hey, everyone, thanks for joining us today. This is our last episode in our mini series around accessory dwelling units also known as ADUs. Every guest that we've had on in the past three episodes have talked about the need to work with experts in this space and that could be everything from Your real estate agent, the architect that you choose your construction company. Today's episode is focused on construction and we talk about realistic timeframes costs and what to expect if you're building a brand new at you. Our guest today is Sarah Senderhauf. She's a sales manager for Ind construction. And Sarah tells us during the interview that 90% of I&d business is in building ADUs. So these guys are definitely the experts in helping us understand the nuances and they are located in the Denver market. Now if you're wondering, when does it make sense to build an ad you Sarah told me that if you're planning to stay in your home for five to seven years, this is a good range that they typically recommend for the investment to significantly pay off. As an example, the owner of Ind built his own at you about four years ago and he rented the unit as a short term rental, which brought in roughly \$40,000 per year. Then he recently sold the property. And this is the question I asked her is I wanted to understand if you've invested and built an ad you do you then get to sell your property for the price of a regular home plus at you and she confirmed that, yes, he recouped the majority of the initial construction costs during the sale of the home. I'm so excited to have Sarah joining us today. Sarah, welcome to the show.

Sarah Senderhauf

Thank you. Thanks for having me on.

Nichole Stohler

Let's jump in with a little bit about I&d and how your company got into the ADU space.

Sarah Senderhauf

Yeah, so lmd construction started in business here in Denver about 10 years ago, and started off doing a lot of commercial projects, a lot of pop tops, remodels. And about three years ago, we started diving into the at New World at us our accessory dwelling units and region. I really saw an opportunity here in Denver to start building these. David Schultz, the owner of I&d construction was thinking about building one on his property. And I had recently moved back to Denver had been in the real estate business for quite a while. And we talked about joining forces to start working in the ad world. And so his project was the first one that we had done

and now this year at us are about 90% of our business. So we're really, we're really focused in the ad world here in Denver.

Nichole Stohler

Such a great specialty to have. Can you share just a little bit I know, it's specific to Denver, but the overall market and the trends you're seeing in Denver?

Sarah Senderhauf

Yeah, so I think it's really exciting. You know, I think across the nation, we're starting to see a lot, you know, a lot of big news, as you mentioned, and I think that this is a great way to solve our middle middle house. housing issues and a lot of the housing shortages that we have. And we're really experiencing that here in Denver. And since I started three years ago, I would say at you and people would look at me with a blank stare. And it's really exciting. Now I say at you and people know what I'm talking about. And part of that is just we're seeing more of them being built in Denver. And it's been 2010 is when our zoning laws changed here in Denver to start allowing for them. And so each year we see more and more being built. So it's definitely more awareness. I think people are starting to see that they we can keep our neighborhood heal and increase density, and that this is a good housing solution for so many different types of people. So it's really exciting.

Nichole Stohler

It is exciting, and it's also interesting, all of the different dynamics based on cities and states. And your work is absolutely beautiful. And I know done has some very some very strict rules actually around at us. So tell us, okay, let's say someone comes to you and they say, I want to build an Edu but they have not done any research at all. What kind of resources and advice do you provide?

Sarah Senderhauf

Yeah, like you said, it's every city everyone this is a little bit different. And, you know, in a lot of ways, I think that we have some good laws around zoning for 80 years here in Denver. Definitely some areas that I would love to see some changes. And I think we're going to possibly see some of those down the road. The first thing that we always have to check as people's zoning to see if they're even allowed to build an ad you it's really only about 25% of the city of Denver where the zoning allows for it. So I would say about half of the calls that I have that come in, I'll ask them if they've checked their zoning and some of them have some of them have it but once we take a look, I would say half of them are an area that isn't zone for an ad. You So they're going to have to go through a whole process to rezone their property. But that's, that's definitely the first step for us. We do have some of the restrictions around lot size. So if somebody is zoned for an ad, you, their lot might not be big enough to build an idea. So then they're going to have to go through a variance process. So those are a couple of the obstacles that we have. The other thing that we do have here in Denver, we have a story and a half roll. And so that makes it a little bit challenging for some of the more modular type construction that's out there because of the story and a half rule. The story and a half rule is kinda doesn't make a whole lot of sense. But what it what it is, is, whatever the garage if you're doing garage

with living space up above whatever the garage spaces for easy math will say it's 1000 square foot garage. The living quarters up above can only be 75% of whatever that garage spaces so that only gives us 750 Square feet of living space up above. So those are some of the things that we see on zoning and some of the challenges within Denver. But there's, you know, a fair amount of people that can build them and are moving forward with the project.

Nichole Stohler

Something you said that I didn't really think about you talked about rezoning or a variance process. I just assumed that if you weren't zoned automatically, that you were just kind of out of luck. But it sounds like you could pursue action and take some steps. I don't know how long that would take your kradic it would be but you could do that if you just really didn't want to move but you really wanted an ad you.

Sarah Senderhauf

Yeah, yeah. So it's this is relatively new to the Denver area. So in the spring, the City Council adopted blueprint number and a comprehensive plan and basically what it was is a vision of Denver for the next 20 years. And they talk about everything in this plan and One of the things that they talked about is allowing a to use by right throughout the city. And when that comprehensive plan was adopted, it really opened up the possibility for people to go in and do a rezoning on their property. And so I've seen quite a few, I know have about five or six properties that have been resolved at this point, and a lot more that are going through, which is really what it's going to take for us here in Denver. The more people that we see, going through this rezoning will, it's going to push city council to say we don't want to these coming through one at a time, we need to put a policy in place. rewrite the Denver zoning code to allow at us by right. So that's eventually what I'm hoping that we're going to get to I think we're still a few years out from actually seeing that. But the more people who go through this rezoning process the butter, it's a bit of a halt. It's about a six to eight month process. You know sitting meetings and putting a sign in your yard saying that you're looking to rezone the property. So it is a process for homeowners but, you know, if they're willing to do it, I definitely encourage people to to go through the process.

Nichole Stohler

So for those listening who do not live in Denver, and or some of the other areas that we've had on other episodes around at us, it seems like I mean, there's there's all across the board different ways to approach this. So it even seems like maybe you could take that route for rezoning, etc. Obviously, very dependent on your location. Okay, let's say you're all good. You are already zoet. They've reached out to you, what does the process look like for then building the Edu?

Unknown Speaker

Yeah, so for us as a company, we really like to work with clients from the very beginning of the project, through design, through permitting with the city and through construction. So what we do is, I think Get a call somebody who's interested in possibly building, make sure their zoning looks good. See if they have financing in place. And then what I'll do is go out and do a site visit.

So we'll just take a look at the site conditions, talk with them a little bit more about their goals, what they're wanting to do. And we'll go ahead and get them an estimate just based on our conversation, to try to get that first estimate within about five to 10% of what we think the project will be, because obviously, that we don't have plans at this point. And they can use that to go and check into the financing, make sure that the project could potentially work for them. And then what we do is we have a pre construction service. So we have a contract that we signed, charge a small fee to help people through that we have some in house architects that we work with, and we'll start working through design, pricing that project three times throughout to make sure we're staying on budget. And then we'll go into the city for permitting and Then once we get that building permit, then we'll of course do the construction as well.

Nichole Stohler

And how long would you say that end to end process takes.

Unknown Speaker

So usually tell people to count on about a year. So it's a, it's a bit of a process. So, and we're working really hard on our side to try to cut that timing down. Right now it takes about two to three months for design takes two to three months with the city of Denver to get a building permit. And then once we get to construction, that's actually the quick as part of the process. We're looking at about four, maybe five months build time.

Nichole Stohler

Okay, so for those listening that are considering this, so from a brand new build, which is, as we heard on one of the earlier episodes, there's a requirement in Denver, you can't use like an existing structure, or I guess there's some foundational requirements, I guess I should say around that. For brand new build, you're looking at about 12 months. Now something else that you mentioned, you said that You figure out if they have financing lined up, I was actually wondering, do you help advise around the financing or provide recommendations?

Sarah Senderhauf

So we do we do and it's other than zoning. It's one of the biggest issues that we have around 80 years. And I think that this is something that we do really see nationwide. As far as financing for a to use on, it's hard to get a construction loan on these we and part of the issue with it is getting an appraisal because not a whole lot of them have been built, and not a whole lot of room have been built and sold. And there's not a whole lot of standards around how an appraiser will appraise the EU. We see some appraisers that will just add it on as as abroad not counting the living area. Some of them will add it on as maybe basement square footage or just one addition to the house. So we really see appraisals fluctuate. That's why we there A lot of things that are able to finance on these radios. So there is one bank that I've started working with on here in Denver, North Point bank, I work with Troy Williams over there, he's great. We've been able to get a few projects going and through with him. And there also are some home renovation loans that just a mortgage lender could offer. Some of the bigger banks, you know, we aren't really seeing the construction loans at this point. There's talk about it, but we're just we haven't quite seen that happen yet.

Nichole Stohler

Okay, so let's say we're good we lined up financing. How much financing do you need? So actually, how much how much are we looking at kind of ballpark ranges obviously, and on your website? There's some beautiful and obviously people upgraded and put amazing, you know, countertops, etc. But what ballpark are you talking about?

Sarah Senderhauf

Yeah, so right now, where we're looking is anywhere from 255 thousand to \$300,000 plus range. We have some ideas that are more around that 350,000 range. But I would say that 280 to 300,000 is kind of the sweet spot where we're seeing most of the ideas. Now that's going to be all in I'm including all of the hard and soft costs in that. So basically from that first phone call that you make to me until you're moving in furniture, so that's going to be an all in cost.

Nichole Stohler

I'm just curious when you're working with clients, what are their typical plans for the ad? Are they wanting to rent it out long term? Or is it for you know, multi generational living? Do you seem?

Sarah Senderhauf

Yeah, so this is kind of an exciting thing that I'm starting to see shift. A little bit of majority of my clients initially will use these as short term rental, they can generate a lot of income, get that mortgage paid down and then change it over into a long term rental once they get burned out from changing the sheets every night or every couple of nights. So that's kind of where I started seeing a lot of these, a lot of people building ideas, and we're still seeing some of that. But I have a couple projects right now where a parent is actually building an Edu on their kids property. And we have two of these being built right now. And which I think is just, it's really exciting, because I feel like at us just offer you that separate space. Parents can have their privacy, the kids can have their privacy, but then they're right there, if anybody needed anything and starting to get more inquiries about that, and I just I think that it's a great option for people thinking about going, you know, possibly building and I do see some of the multi generational living. I have one client who's looking at possibly building one and her nephew is trying to get started in Denver, who runs a really high, really expensive Get going. And so she wants to build this to, so he can live there to kind of get a start and get going, you know, as a young man here in Denver, so that's, that's kind of where we're seeing. But I'm excited about more of the multi generational living that I'm starting to see the flexibility with it to you know, it's even for people that maybe needed a caretaker, you know, they could live in the edu or I think one of the things that I love the most about 80 years is they can grow and change once you, you know, so it's maybe for an aging parent Now, what's it going to be down the road? You know, maybe it's a short term rental, a long term rental, maybe the kids start having kids of their own, and they need a nanny to move in. And so that's something that we always talk about in the design process. What's the use for it now, but what is the use going to be, you know, down the road, and I think that that's important for people to look out when they're thinking about diving into this world.

Nichole Stohler

So and that's a great segue. Let's say someone wants to dive into this world. And I want to make this really applicable to wherever you are in the country listening. If you were to go out and go find a construction company to help you build an edu. Sarah, what recommendations would you have? What are the right questions that someone should be asking?

Sarah Senderhauf

Yeah, that's, that's a great question. And the one thing I will say is you will see prices all over the place for what somebody says they can build an ad for. I get a lot of times people say, Oh, I got a bid for 100,000. And I'll take a look at the bid and we take a look at what what's included in the bid and what's excluded in the bid. And that is the number one thing that I would say, anybody thinking about building needs to have a clear understanding of, because oftentimes, I will see exclusions in a bid add up to at least \$50,000. That's right. real money. And so it's important to be real clear on on what those numbers are. And I oftentimes, I wonder if part of the reason there are all of those inclusions is the contractor doesn't know what those fees are going to be. But those are real cost to a homeowner. So just I encourage people to really be clear on that. And then, you know, always check references and how they built in at you before building those urban infill building on the small lots in Denver has different challenges. And so wanting to make sure that your contractor is familiar with that process and and knows, knows what they're doing. And I would say also familiar with the zoning code.

Nichole Stohler

All great points.

Sarah Senderhauf

Yeah, and one other thought to as I dive into that, even if you're going to start working with an architect It's easy to design a beautiful ad you, but does it fit into your city zoning code? I, at least once a month, I get plans across my desk that somebody wants us to bid, I open them up and within the first minute of me taking a look at him, I'm like, Oh, this isn't gonna work, this isn't going to be approved by the city of Denver, then they have to go back to the drawing board. And so I just make sure that your architect that you're working with is familiar with the code as well.

Nichole Stohler

That's a great point because you would have wasted all that money on the architect fees and time is or have you worked with an architect obviously from the get go that understood the details around at us. All right. Are there any challenges that you recommend folks be aware of that you've seen? Besides, you've already given us a view as we as we chatted, but any any I haven't asked about or covered?

Sarah Senderhauf

Yeah, I feel like we've talked about quite a few. I do see a lot... I hear a lot of horror stories about people that it's like, oh, it took me two years to just get to the point where I was going to

be able to start building. And I think that comes back to make sure your architect Make sure your builder are familiar with this process. The other thing I would say another challenge that I see is people spending maybe 10,000 \$15,000 on architect fees, thinking that the Edu is going to cost them 100,000 to build, they bring it to a builder and then find out that no, this is actually a \$300,000 project. That's a pretty dramatic difference there. But I do see hundred thousand dollar swings and sometimes even more than that. So I would say really be clear on what your budget is and make sure from the beginning that your decision And at you that's going to fit within the zoning code and fit within your budget. And that's part of why it Ind construction. We like to work with people from the beginning. So they don't have fancy artwork for their wall because they spent so much on the plans and then can't actually build the ad that they designed.

Nichole Stohler

That would be so frustrating, just the time to in addition to the cost,

Sarah Senderhauf

Right.

Nichole Stohler

Alright, so Sarah, how can listeners get in touch with you or learn more about Ind? construction?

Sarah Senderhauf

Yeah, so a follow us on Facebook. We have a Facebook page, we offer a lot of happy hour events where we do educational events on so we'd love to have you come to those. I'm also the first point of contact it would be construction so I answered my phone anytime. Give me a call. My number 7208832717. You can always reach out on our website LD construction denver.com or shoot us over an email Sarah Sa ra h at LDconstructiondenver.com.

Nichole Stohler

Perfect. Thank you so much for coming on and sharing this information with us today.

Sarah Senderhauf

Yeah, absolutely. Thank you so much. Thanks for having me, and I'm excited to see more ADUs across the country.

Nichole Stohler

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