

CARRIAGE HOME BUILDER LLC

AFFORDABLE CHARM



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# A HANDBOOK FOR BUILDING AN AFFORDABLE ADU OR TANDEM HOUSE





# 1. WHAT ARE ADUS & TANDEM HOMES

Adding a second residential unit to an existing residential property can be a complex and daunting process. This handbook has been created to guide homeowners through the process of accessory dwelling units (ADUs) and Modular home development. The purpose of this guide is to explain the basics of building a detached ADU or a Modular home.

- 1.A - What are ADUs and Tandem Houses?
- 1.B - Why are Second Units Important?
- 1.C - Attached ADU Development.





## 1A. WHAT ARE ADUS AND TANDEM HOUSES?

Accessory Dwelling Unit (ADU) is the term that planning and design professionals use to describe a second, usually smaller, house on a homeowner's residential lot. Granny Flat, Carriage House, In-Law Suite, Casita, Backyard Cottage, and many other names are common terms for an accessory dwelling unit (ADU). Depending upon zoning and the residential lot, this could mean that utility systems are shared. Also, in most cases, a primary house and its ADU must be owned by the same owner and the owner must live in one of the units.

Tandem House is a second house on a property that the Local Zoning Codes consider equal in stature to the other house on the lot. This means a tandem house can be sold separately from the other house. Also, a tandem house has more flexibility in building design and form than an ADU.

## 1B. WHY BUILD AN ADU OR A SECOND UNIT?

Second units offer homeowners many benefits that can maintain and increase quality of life. Homeowners can either use a second unit themselves, rent it, or move into it to free up their primary house for others to use as a rental. General benefits include:

- **Affordability:**

The cost of a permitted and completed ADU usually costs around half of the median single-family home price in Colorado. Affordable housing advocates promote ADUs as a way to modestly increase housing stock without drastically altering the neighborhoods that surround them.

- **Family Support:**

Ability to house multi-generational families, and age in- place. This supports familial strength, health, safety and stability. It greatly improves the quality of life, and promotes savings on senior- living, and long-term care costs. Additionally, an ADU creates a private, independent living space while increasing autonomy. It reduces social tension, and helps cramped households reduce clutter, and takes away the inconvenience of shared bathrooms, crowded kitchens, and communal sleeping arrangements.

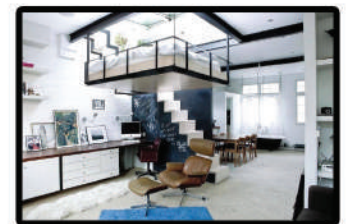
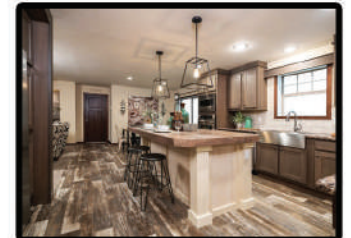
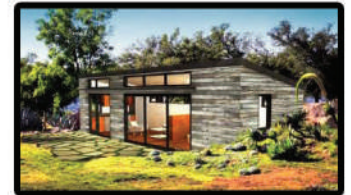
- **Starter Home For New Families:**

Colorado is getting expensive. Housing prices in Colorado are increasing at an unprecedented rate. Young couples and families looking to purchase a home have few options. Families with ADUs offer their children and families a way to establish independence and save for a future home purchase.

- **Long Term Investment:**

Homeowners want to maximize the value of their homes for sale or future generations. Many studies show that ADUs can increase the value of your property by 40% or more. They make use of underutilized property to create not only a secondary dwelling unit, but also potential passive income property.

Although the benefits and use cases for ADUs and Tandem Houses are extensive, there is one thing that links it all together: Housing plans or family integrity planning, this process creates a long term investment for homeowner's looking to create the most value for their families, both financially and in lifestyle enjoyment.





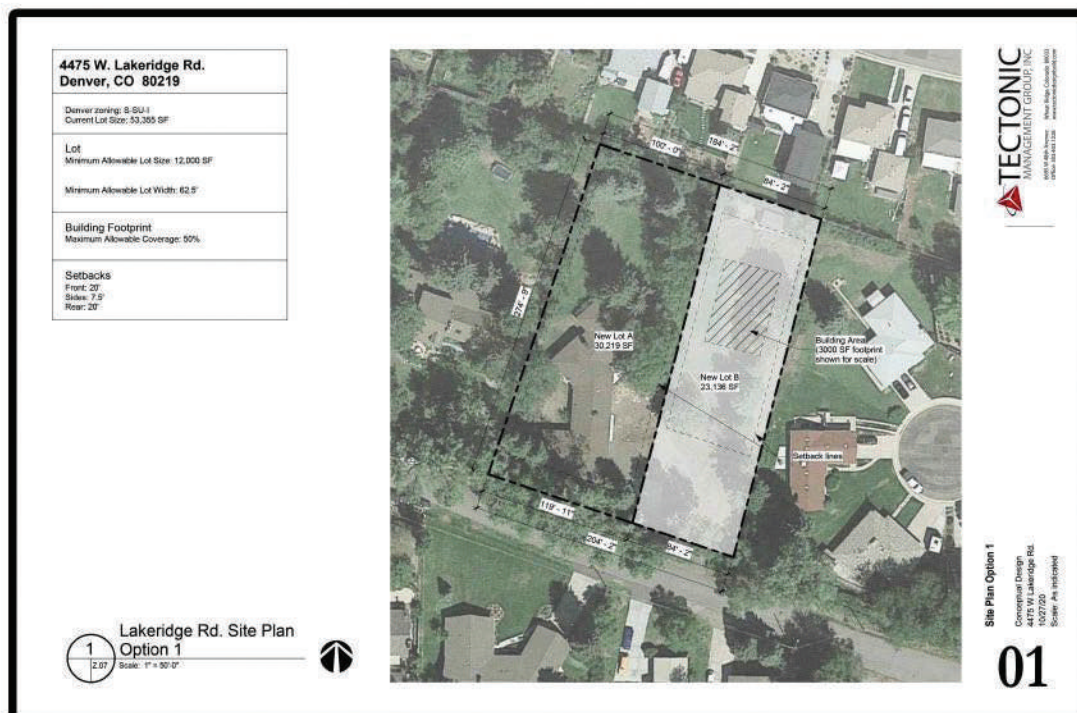
## 1C. ATTACHED ADU DEVELOPMENT

Attached ADUs, where zoning allows, may offer an alternative building option for homeowners that choose not to build a detached second unit. An attached ADU may offer an alternative and less intensive building option for homeowners that choose not to build a detached second unit. Some benefits include:

- Savings on excavation, construction, utility connections, and energy use attached ADUs are integrated into the systems of the existing house
- Opportunities to grow income
- Preserving the existing yard for open space
- Thee ability to connect directly with the primary house by installing a passage way
- Increased housing capacity while avoiding overcrowding and visible density

## 2. THE CARRIAGE HOME BUILDERS PROCESS

- 2.A- Preliminary Work
- 2.B - Design and Permitting
- 2.C - Construction





## 2A. THE PRELIMINARY PROCESS:

During the initial one to two months, the preliminary work will be completed. There's a lot more to designing, navigating, and building an ADU than picking a design and hiring a contractor. The owner should establish an ADU budget, set goals, needs and concepts.

It's important to hire a project manager that will formulate a detailed plan, and coordinate your construction team. This isn't just the ADU plan, but a construction schedule and work details that are as specific as possible. Professionals are central to helping verify zoning eligibility, site impacts on a second unit, and help create a vision and permittable plan for building an ADU or Tandem House. Thoroughly planning the construction will save time and money and result in a much better quality home.

Carriage Home Builders principals have over 75 years of combined real estate experience in Colorado. We are a custom home builder that takes pride in delivering on our customer's dreams at a reasonable price. We educate and offer advice to our customers at each step of the process, from concept to completion, so you can feel confident in each step of the process.

Our goal is to minimize risk, reduce costs and reduce anxiety, so our customers can enjoy the process of creating their new ADU. As your project manager, Carriage Home Builders will determine and complete the following to see if you can build an ADU on your property:

## 2B. DESIGN & PERMITTING

The design and permitting phase will take three to four months. Carriage Home Builders will institute the plan, and coordinate the architect, engineer, suppliers, contractors and manufacturers as follows.

### 1. Understanding The Site

Understanding the site is an important part of building any structure. Clarification on the legal site dimensions, site elevations, and location of utility lines such as gas, water, electricity, TV / Internet cable, and sanitary & storm sewers, topography, existing trees, the quality of the soil, and locations of utility lines are important before any new structure is designed or built.

### 2. Site Plan And Survey

Carriage Home Builders will conduct a site survey to determine setback requirements, restrictive covenants, easements, encroachments, and excessive grades and slopes. With that information we'll develop a site plan with a residential diagram depicting the plot of land on which the ADU sits, and any other exterior features or structures such as, a detached garage, large trees, fencing, utility poles and power lines, driveways, easements, etc. Next, surveyors will stake out the corners of the house. This is the first important step in construction because everything else is based on those survey stakes.

### 3. Soils Report

Understanding the ground which a structure will be built upon is essential for building a foundation and a long-lasting structure. CHB will have a soil report conducted that will identify expansive soils, and shifts in subsurface rock structures. It will also guide the design team in planning the depth of the foundation, soil strength, groundwater level, slope angles, floodplain threats, and the effects of grading for a second unit.

With a survey and soil information report, your project management team will be able to evaluate the site, determine the needs of the foundation, and establish how utilities should to be connected. This process will be closely coordinated with the design of the new unit to ensure the new unit, the foundation, and utility lines fit together seamlessly.





#### **4. Water.**

CHB will confirm that water is accessible to build an ADU on your building lot. If you must dig a well we understand the requirements for typical wells for your area, (depth, gallons per minute, water quality, etc. If you have public water, we'll research requirements for pressure regulators and the cost of connecting to the system.

#### **5. Septic and Sewer Systems**

CHB will confirm if you have a conventional/class I system or an alternative system. Septic systems are typically sized by number of bedrooms. We plan accordingly. If you have public sewer, we do the research about connection and other fees that may be charged by the municipality.

#### **6. Home Utility Systems**

Home utility systems and energy efficiency are a significant component to creating a comfortable and habitable living space. Utility systems will be discussed, planned, and agreed upon by the management team, manufacturer, and homeowner to achieve the homeowner's goals and budget, and to meet local building code requirements.

#### **7. Design Drawings and Construction Documents**

Layouts and floorplans can vary greatly, so a few factors can help guide how they are created: the site, safety, noise, sunlight, the age and number of the users, adjacent properties, homeowner preferences, and the project management team's advice. The architect will create the initial concept drawings. The engineer will coordinate the design drawings, and initiate the construction documents.

#### **8. Plan Approval**

Carriage Home Builders will submit your application to the local planning department. Any changes requested by zoning staff will be implemented. The architect will refine the design drawings and the engineer will complete the construction documents. The plan will be resubmitted for approval and a building permit will be obtained.

#### **9. Order & Schedule Construction**

After receiving a building permit Carriage Home Builders will order your ADU and it will be placed in the queue at the factory. Then we will schedule the construction and coordinate the sitework.





## 2C. CONSTRUCTION

The construction process will take approximately 4 to 6 months. Our design and construction philosophy is centered around eliminating risks, reducing costs, and delivering vetted custom residential construction, and interior design solutions that are beautiful, functional and cost effective, helping homeowners move forward with their ADU projects.

### 10. Excavation:

Carriage Home Builders works with licensed excavators to determine the proper excavation depth for your foundation, dig the foundation according to the plan provided by the manufacturer, and haul off the soil. Excavation can happen quickly. In some cases you can break ground, install a rough driveway, and dig the foundation in a single day. It will be important to make sure that any trees you want to keep are marked and protected.

### 11. Foundation:

CHB will direct a licensed foundation contractor to install the foundation according to the plan provided by the manufacturer. If your plan requires a crawlspace we will check with your local building code to insure minimum cross ventilation requirements are met.

### 12. Delivery, Set and Stitch:

When the foundation is completed your ADU will be delivered to the site. A modular ADU typically comes in one or more modules. A crane is used to set the ADU modules on the foundation. After the modules are set, a licensed stitcher uses tiedowns and straps to install and connect the modules. Bolts or other devices are used to connect first floor modules to the foundation.

### 13. Utilities hook up:

Most Zoning Codes require a primary house to share utilities with the ADU. Meaning there is a single tap for sewer and water pipes, and a single meter for electricity and gas utilities. After the home is set on the foundation, a licensed subcontractor will hook up the utilities, including water, gas, electricity and plumbing.

# CARRIAGE HOME BUILDER LLC

## AFFORDABLE CHARM



CATEGORY	ITEM	REPORTED	COMPLETED
<b>Ceilings</b>			
	Are there any visible drywall tape joints? Check in natural light and with lights on		
	Are the holes for light fixtures and vents oversized so there are gaps at the coverplate		
	Do you notice any cracks in the ceiling		
	Do you notice any cracks at the corners of skylights		
	Do you have adequate access to your attic and is it insulated properly		
	Are skylights sealed		
	Are smoke detectors installed and operational		
<b>Walls</b>			
	Are there any visible tape joints not properly sanded or missing paint		
	Are there any cracks at the corners of door and windows		
	Do you see any active heads popped through the drywall		
	Do you see any nail heads popped in wood framing		
	Is there adequate paint coverage or do you see thin spots		
	If your walls are textured, is it uniform		
	Do you notice any gouges, dings or crushed corners		
	Are there any cracked or chipped wall tiles		
	Are there any broken grout pieces on the walls		
	Is wall covering secure at wall ends and corners		
	Are any trim pieces tight to the wall with no gaps		
<b>Doors and Windows</b>			
	Check frames for damage - dents, scratches, buckling		
	Doors should open and close smoothly without catching		
	Self-closing doors should latch on closing		
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**14. Finish Work.**

CHB will oversee that all finish work to the exterior and interior of the buildings and structures contracted for is completed, including: landscaping, decks, siding, fencing, etc.

**15. Punch List**

At the final stages of the construction project the owner will make a punch list, or detailed list of items that need to be completed to comply with the terms of the contract. Note all deficiencies that need to be resolved, stating who needs to do what, and by when. When the contractor has completed that list, final payments is made.

**16. Final Inspection**

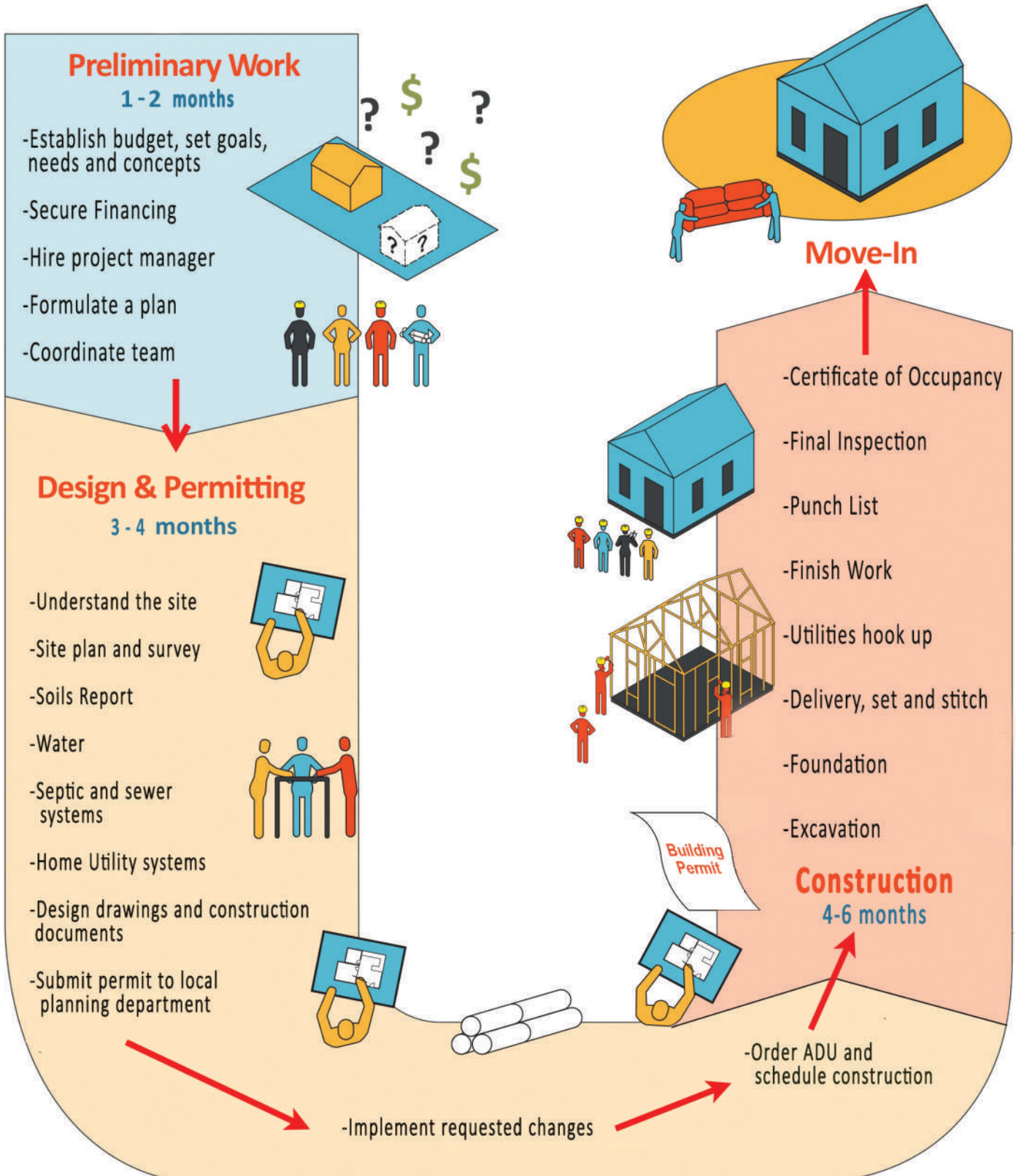
CHB will check that the house is complete and meets all safety and building code, and manage the final inspection. A building inspector will inspect that the house is complete and meets all the safety and building codes, including electrical systems, plumbing foundation, attic, HVAC, fixtures and numerous other systems.

**17. Certificate Of Occupancy - Move In**

After the final inspection is complete Carriage Home Builders will apply for the Certificate Of Occupancy and your new ADU will be ready for move in.



# THE CARRIAGE HOME BUILDERS PROCESS AND TIMING







## 3. MODULAR CONSTRUCTION ADVANTAGES

Many people new to building a home don't understand how modular construction can save time and money, while providing a higher quality home. Using a modular building system allows for controlled our costs by having much of the home built in the factory. Homes built in a factory regulated environment are unaffected by variables that plague site-built homes, such as poor weather, waisted materials, and theft or vandalism.

Modular construction is like the hybrid car of the home-building industry. Not only do these homes save time, money, they make sense. In many ways, modular homes are superior to stick-built homes, and, once assembled, cannot be distinguished from their traditionally built counterpart.

There is practically nothing you can't do with a modular home today. Modern modular homes can take on the appearance of a traditional home or can assume the look and style of today's most contemporary structure. Carriage Home Builders can build just about any type of design including: traditional, modern, cabin style, log style, or customize a design to fit your plan.

3.A - How much does an ADU cost?

3.B - Financing a second unit







There are not many funding entities that currently offer financing for ADU development. Therefore, homeowners commonly need to assemble funding from many different sources building in flexibility for cost overruns. Sources of funding could be:

- If available, **Cash** is the easiest option to pay for an ADU. Paying for an ADU with cash can increase your monthly return if you're using the property as a rental. A combination of cash and financing can be a good blend for balancing ROI and use of available resources.

- **Construction loans** are structured differently than mortgages. When getting a construction loan, ask for a single close construction to permanent loan. By only closing once instead of twice, you can save thousands in fees and costs.

- A **HELOC** (Home Equity Line Of Credit) on the existing property is another option when there is available equity. Factors such as income, property value, debts and credit score will affect the amount you will be able to borrow but you can usually go up to 90% LTV.

- **Construction Refinancing** is another option for financing an ADU with a fixed interest rate. Once the construction is complete the construction financing is converted into permanent financing based on current rates.

This is a full refinance so the loan would include paying off your current mortgage lien(s) and the cost of construction up to 1 million dollars. For this financing there are 2 appraised values involved; the current value of the property and the value of the property once the ADU is completed.

- **203k Renovation** refinance is similar to the Construction refinance product but there is no interest only period for construction and the loan amount is limited to \$510,400. You can usually go up to 95% LTV.

- An **Unsecured Loan**, sometimes known as a hard money loan is granted based on credit score and income of the borrower, and not the property value. It can be used as a bridge loan through the construction phase and then converted to a full mortgage refinance once the project is completed.

- **Credit Cards** can be another option for financing your ADU without a lender. If you have good credit with high limits it may be another available option to use. The credit card would be paid off by financing to a full mortgage once the project is completed.

- An **Appraisal** will be required before an ADU can be financed. Since ADUs are not yet very common in Colorado, there are often limited comparable properties in the market to compare values. As more ADUs are built the appraised values will more accurately reflect the true value of the addition to your property. Until then a cost approach can be used.





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## 4. MAINTENANCE

There is no sure method of predicting specific maintenance costs since there are many variables that factor into yearly expenses. But there are some general rules that a homeowner considering building an ADU or tandem house can use:







## Budgeting ADU Maintenance Costs

- **The 1% rule**

The 1% Rule says that homeowner's yearly maintenance budget should equal 1% of a unit's market value. For example, if a homeowner's new unit is appraised at \$200,000, then they should budget \$2,000 yearly for maintenance.

- **The Square Foot Rule**

The Square Foot Rule suggests that a homeowner's budget \$1 for every square foot of their unit. So if their unit is 650 SF, then the budget is \$650. This approach results in a smaller budget for smaller units and may be more applicable after the first few years.

- **The Combined Rule**

Since the Square Foot Rule would not account for local market prices for materials and labor, like the 1% Rule does, the Combined Rule takes the average of the results from both rules to determine a budget. Therefore, a homeowner's \$200,000, 650 SF second unit would have a yearly maintenance budget of \$1,325:

$$\$2,000 + \$650 = \$2,650$$

$$\$2,650 / 2 = \$1,325$$

A homeowner should keep in mind that there are more factors such as age, weather and if it is an attached or detached structure that will influence their budget, condition, or location



## 5. WHY DO BUSINESS WITH CHB?



As a custom home builder, we knew our passion was in providing beautiful, well-built homes. As the price of materials and labor began to skyrocket, we learned the traditional method of stick building homes outdoors just wasn't the most cost effective way to deliver custom homes to our customers.

Modern modular construction is emerging as the preferred solution for custom home buyers. In this age of automation, modular construction offers healthy, safe, and energy-efficient homes at a great value. Flexible design options and the ability to construct a home 30-50% faster in virtually any style are hallmarks of today's modular home industry.

Carriage Home Builders builds ADUs with affordable charm. Our goal is to reduce anxiety so our customers can enjoy the process of creating their new home. As your project manager, Carriage Home Builders strives to provide you with a stress-free and successful home building experience.

Our process leads to ADUs that respond to your unique site and aesthetic values. Our company culture is founded in accountability and process. We're here to support you, and guide your project through every step, so you can move through the process with assurance that your project will be completed, on time, and on budget. Some of the benefits of working with Carriage Home Builders include:

- **Locally owned and operated company**
- **75 years of combined real estate experience in Colorado**
- **Accessory Dwelling Units are our passion.**
- **Stay current with the changing ADU regulations as they evolve**
- **Manage projects from concept to completion including**
- **1 year manufacturer's warranty.**

You can browse dozens of manufacturer sites and hundreds of standard plans. However, there are times that you still just can't find that perfect home plan. That is where Carriage Home Builders can help. The majority of homes we deliver are customized designs. And remember, custom doesn't have to mean expensive!

We hope you will share in our passion for customized modular home building and allow us to build your new home. Choosing one of our modular homes gives you more than a place to live. It makes you part of a special community of discriminating homebuyers who'll settle for nothing less than the best.

Don't put off planning for your 2021 new home build any longer. Contact us today to get the process of building your new home started. Please contact us with your general questions or book a fr



CARRIAGE HOME BUILDER LLC

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**We hope you've found this handbook to be helpful. Carriage Home Builder's Modular Consultants are always happy to talk with you and answer your questions. You can reach us at:**

**(303) 618-1790**

**If you prefer to write to us with your questions you can fill out our contact form here:**

<https://carriagehomebuilder.com/contact-us>