

More **Cash Flow** and **Equity** with Legal Secondary Suites



Presented by: Andy M Tran

The Perception



The Reality (And Goal!)



About Me – Andy M Tran

Currently

- Consultant/Licensed Code Designer/Renovation Coach at Suite Additions
- Active Real Estate Investor

Background

- Instructor and Education Manager at Carson Dunlop Home Inspections
- Former Home Inspector and Energy Advisor
- Building Science Degree from Ryerson School of Architecture



What Are Secondary Suites?

A fully functional self-contained living unit containing its own living and dining room, kitchen, bathroom, sleeping area



What Are Secondary Suites?

Also called Accessory Dwelling Units, Second Units, In-Law Suites, Granny Suites

Not Duplexes – Very Important Distinction



Changing The Landscape – Bill 140

Bill 140 – Strong Communities Through
Affordable Housing Act

In Ontario, every municipality required to have
policies in place to allow secondary suites



How Are They Beneficial?

1. Increased Cash Flow!
2. Increased value of the property
3. Extremely flexible investment product



How Are They Beneficial?

1. Providing more affordable housing units
2. Making better use of underutilized resources
3. Allows families to save money and live closely (but not too close!)
4. Helps local businesses increase revenue

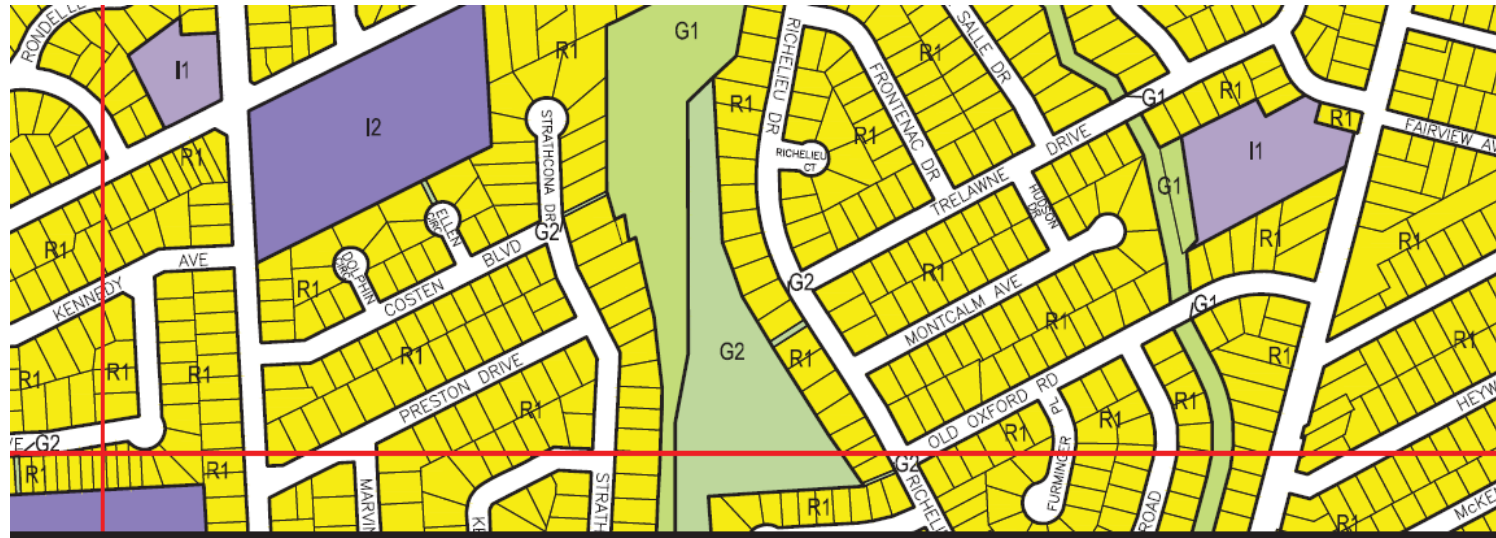


Why Is It Important They Are Legal?

1. Safety and Health of Occupants
2. Avoiding Neighbour Complaints
3. Being Shut Down or Fined From The City
4. Qualifying For Mortgage (CMHC)
5. High Quality Renovation
6. High Quality Tenants and Higher Rent
7. Full Disclosure When Selling & Higher Price
8. Reduced Liability

What Are The Requirements?

Meet The Zoning By-Laws – Correct Zone



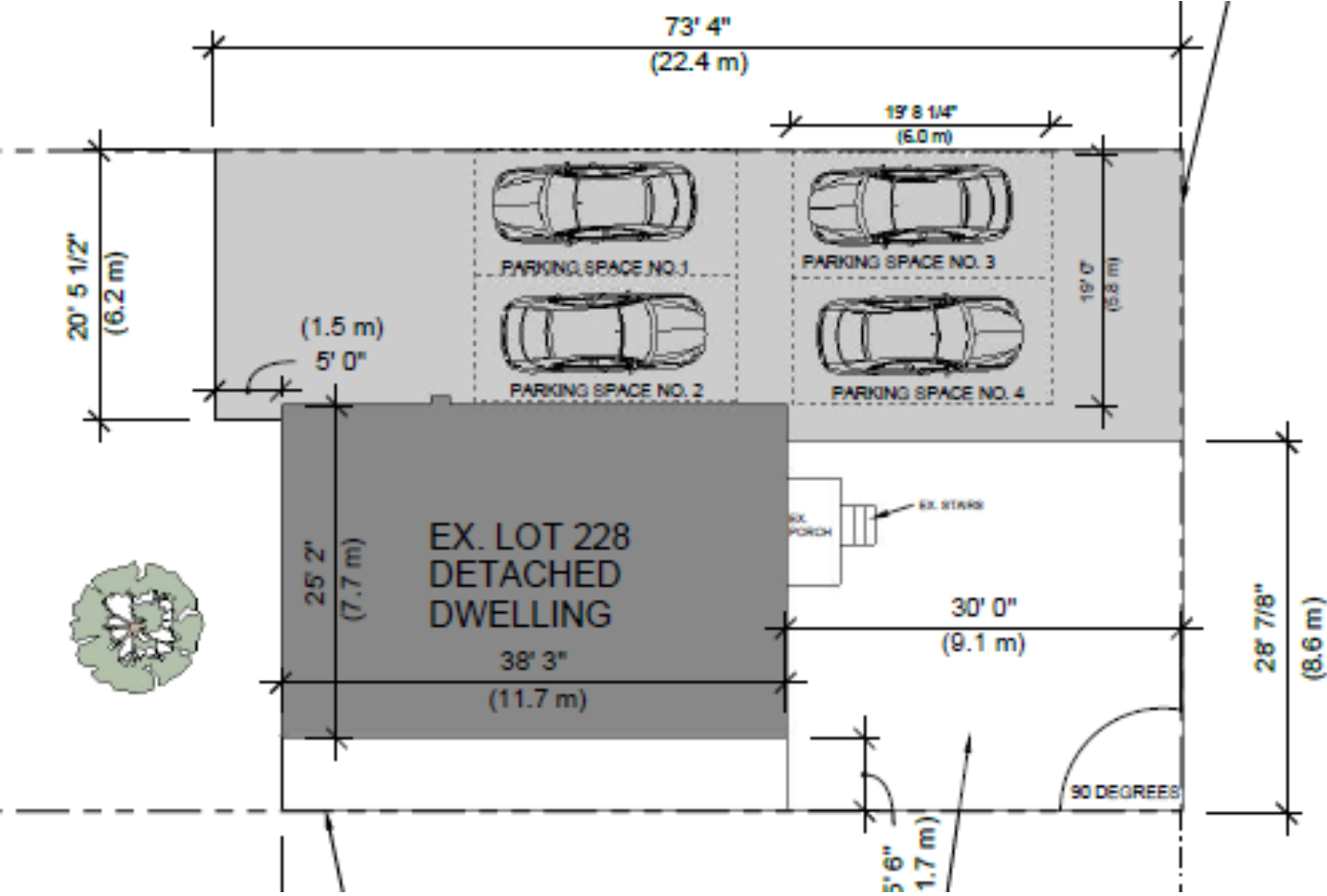
Zones

- R1** Low Density Residential
- Suburban Neighbourhood
- R2** Low Density Residential
- Traditional Neighbourhood
- R3** Medium Density Residential
- R4** High Density Residential
- C1** Local Convenience Commercial

- M1** Medium Density Mixed Use
- M2** Medium / High Density Mixed Use
- M3** High Density Mixed Use
- G1** Conservation / Natural Area
- G2** Minor Green Space
- G3** Major Green Space
- I1** Local Neighbourhood Institutional

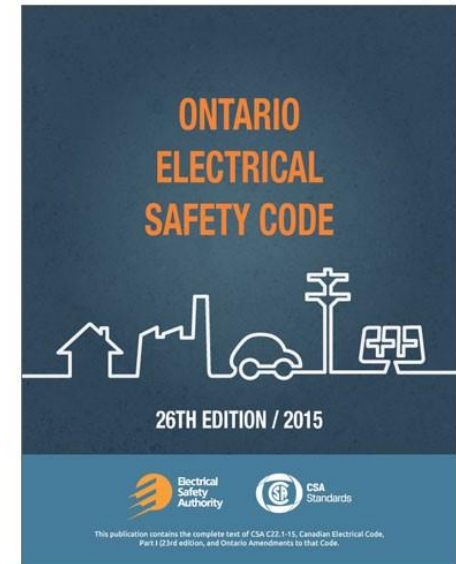
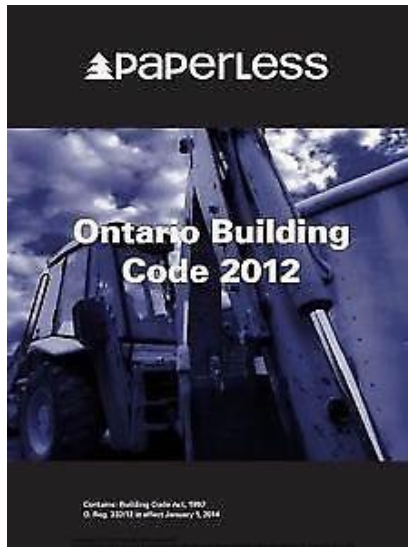
What Are The Requirements?

Meet The Zoning By-Laws - **Parking**



What Are The Requirements?

Meet The Codes



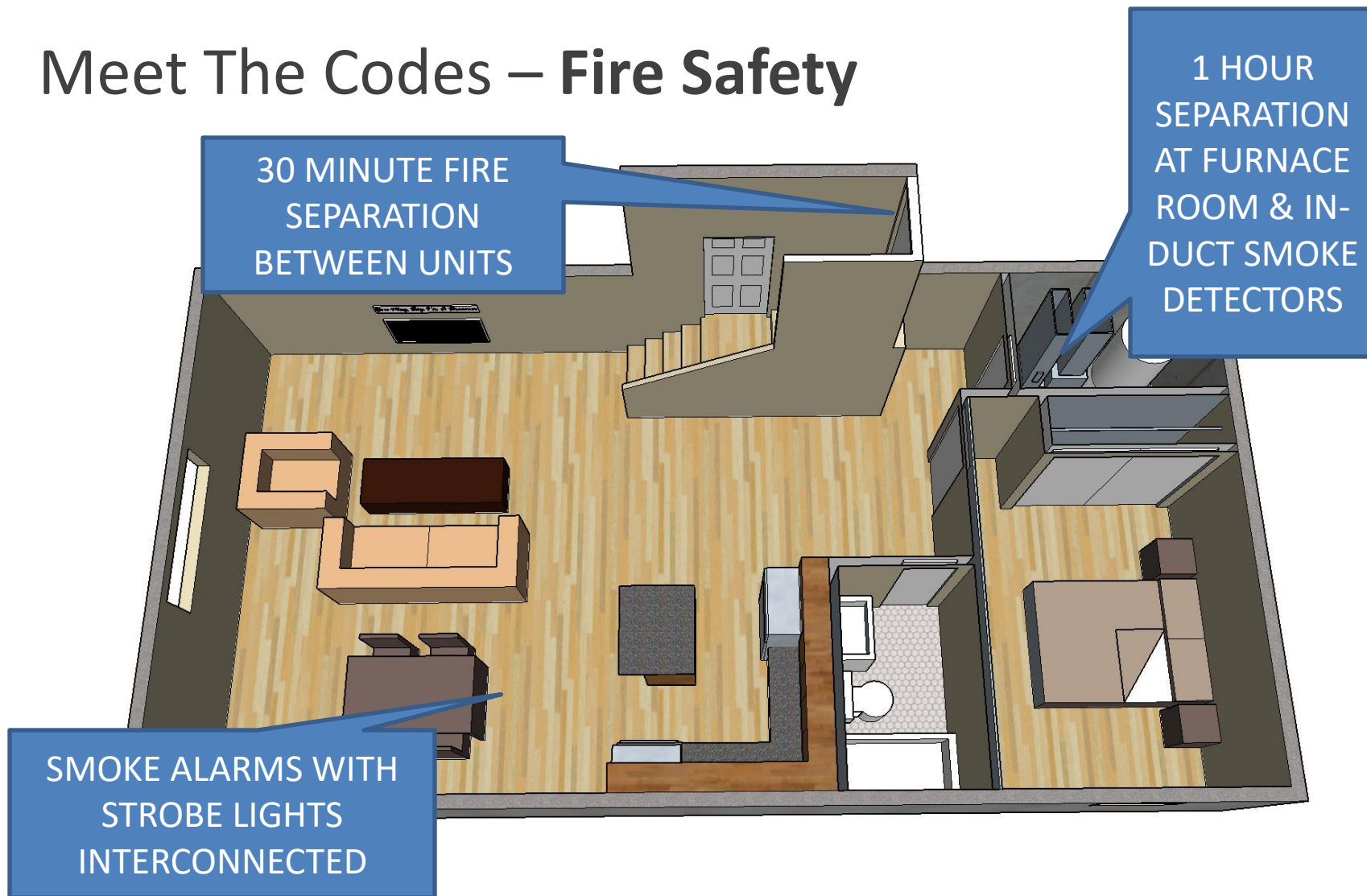
What Are The Requirements?

Meet The Codes – Ceiling Height



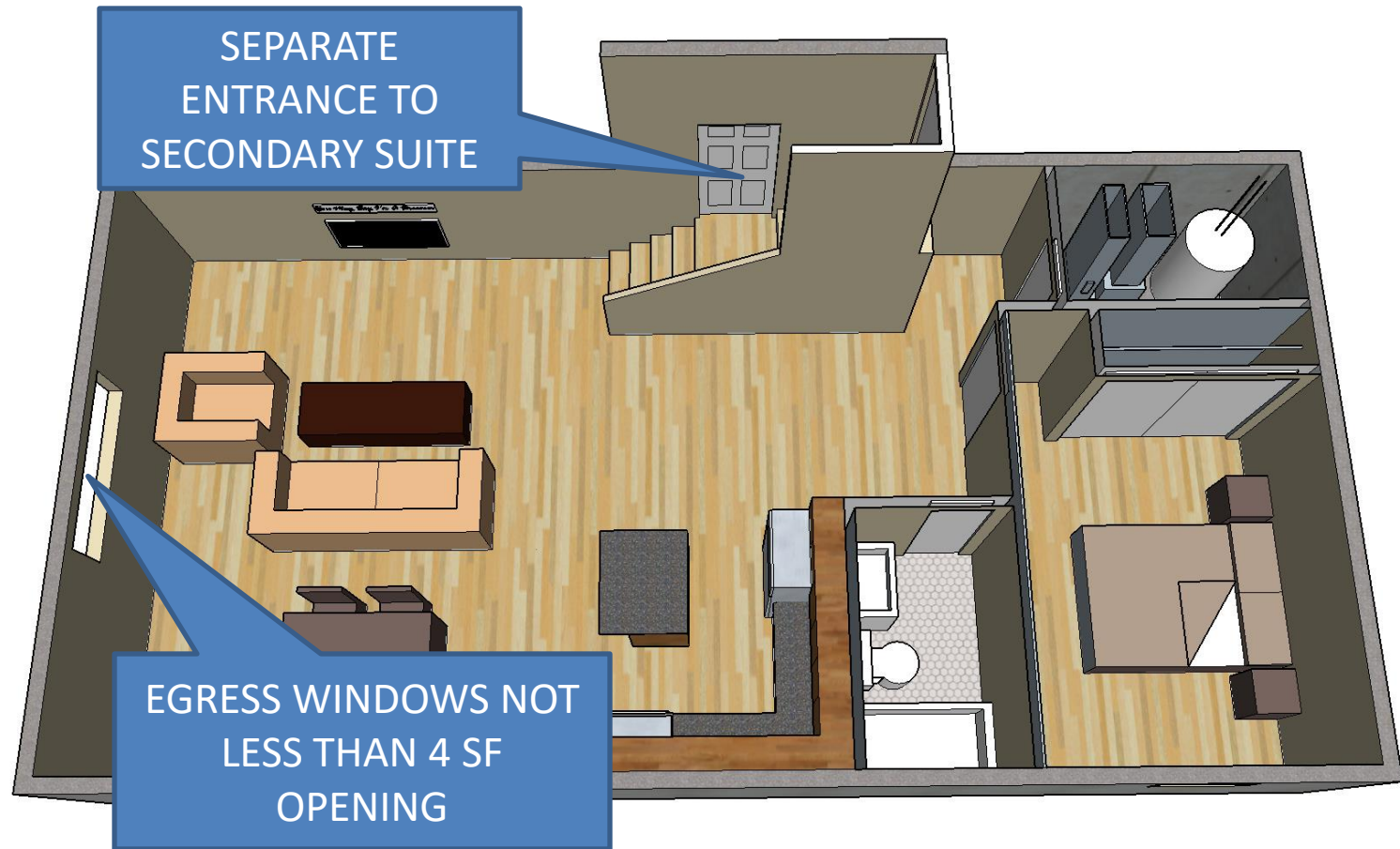
What Are The Requirements?

Meet The Codes – Fire Safety



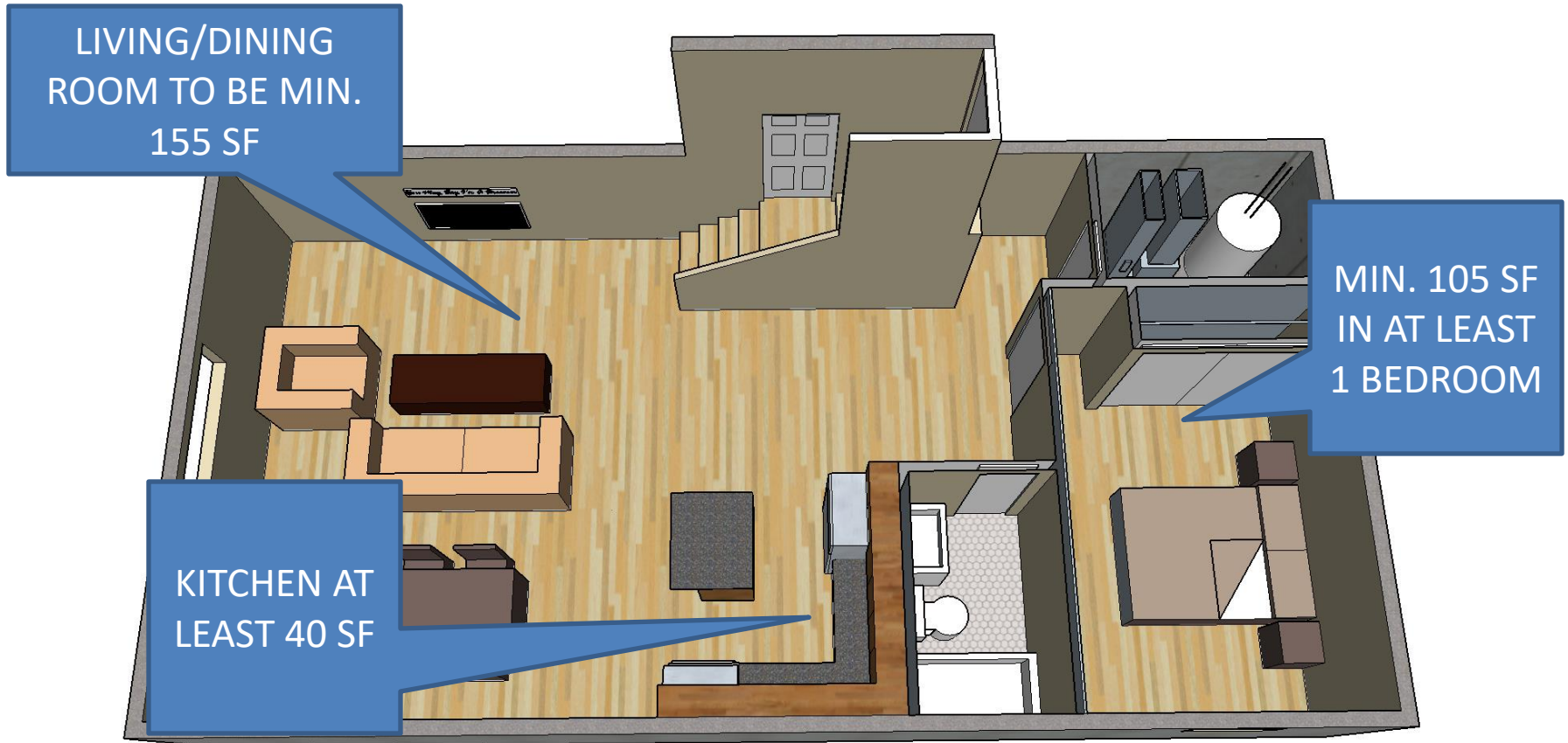
What Are The Requirements?

Meet The Codes – Egress Requirements



What Are The Requirements?

Meet The Codes – Room Space Requirements



What Are The Requirements?

Optimal Design – **Not A Requirement But Just As Important!**

1. Optimal Layout
2. Acoustics
3. Heating and Cooling
4. Plumbing Adequacy
5. Dry Living Space



An Actual Conversion – Greater Than \$400 In Cash Flow The Home At Purchase



An Actual Conversion – Greater Than \$400 In Cash Flow

Scope of Work Needed

Main floor



Basement suite



An Actual Conversion – Greater Than \$400 In Cash Flow

The Numbers

Purchase Price - **\$385k**
Renovation Cost - **\$45k**

Rent Obtained

- **\$1,500** Upper Unit
- **\$1,300** Lower Unit

Total Rent - \$2,800



An Actual Conversion – Greater Than \$400 In Cash Flow

20% down = \$308k mortgage
with 2.5% interest
= **\$1,380/month**



Monthly expenses
= **\$1,005/month**

Monthly cash flow = **\$415**

An Actual Conversion – Greater Than \$400 In Cash Flow

The Return On Investment (ROI)

Principal Paydown - **\$670**

Market Apprec. – 5% - **\$1,600**

Value Apprec. – 5% - **\$1,600**

Cash Flow - **\$415**



1 Year Total = $(670+1600+1600+415) \times 12 =$ **\$51,420**

ROI = $51,420 \div 128,000 =$ **40%**

An Actual Conversion – Greater Than \$400 In Cash Flow The Home When Completed



Comparing Single Family with 2-Units

Single Family

- Purchase – \$385k
- Renovation - \$0
- Mortgage - \$1380
- Expenses - \$1005

- Rent – \$2000
- Cash Flow – **negative \$385**

- Total Annual Gains - \$23,472
- Total Initial Investment - \$83k

Total annual ROI = 28%

2- Units

- Purchase – 385k
- Renovation - \$45k
- Mortgage - \$1380
- Expenses - \$1005

- Rent - \$2800
- Cash Flow – **positive \$415**

- Total Annual Gains - \$52,272
- Total Initial Investment - \$128k

Total annual ROI = 40%

How Suite Additions Can Help You

Onsite Consultation Services Helps You:

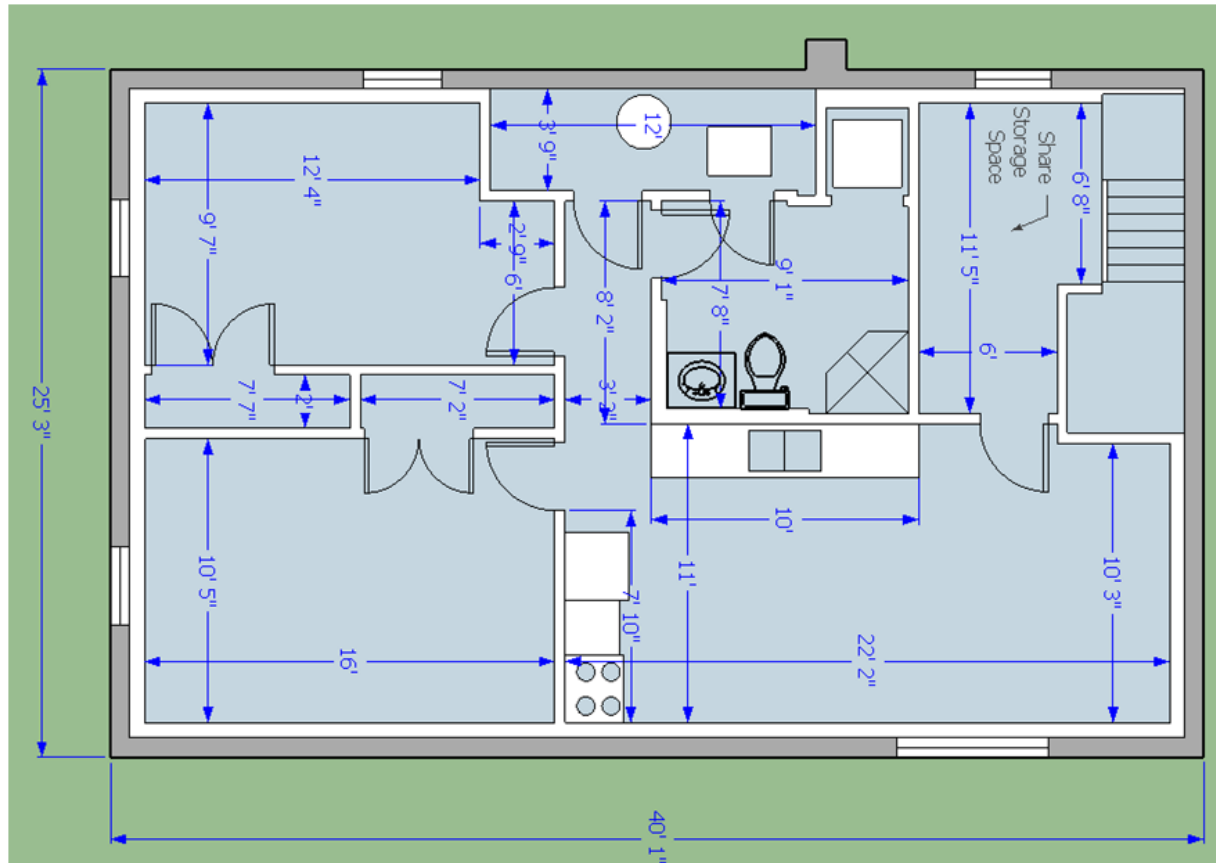
- Understand bylaws/codes for your property
- Optimize the space for an great 2nd suite



How Suite Additions Can Help You

Onsite Consultation Services Helps You:

- Come up with initial draft design



How Suite Additions Can Help You

Design/Permit Drawings/Coaching Service

Ensure proper design with city approved permit drawings



How Suite Additions Can Help You Design/Permit Drawings/Coaching Service

Alleviates pain of dealing with city with all communication handled



How Suite Additions Can Help You Design/Permit Drawings/Coaching Service

**Gain control of contractor, get accurate pricing
& high quality with detailed scope of work**



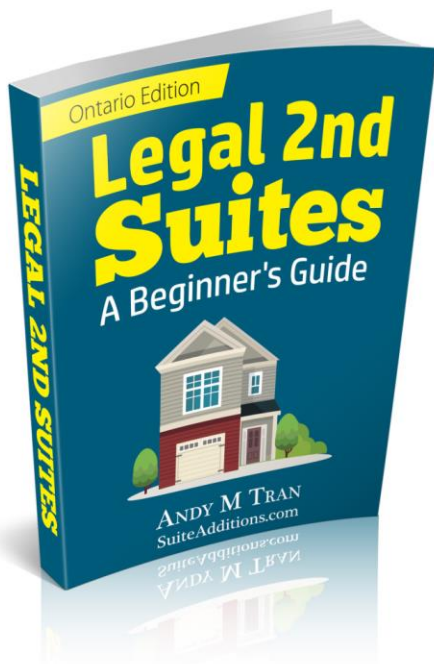
How Suite Additions Can Help You Design/Permit Drawings/Coaching Service Attend Committee of Adjustments hearings on your behalf (if needed)



Thank YOU!

info@suiteadditions.com

Grab a copy of my FREE guide and get valuable weekly emails on 2nd suite and renovation info



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