

REAL ESTATE

ONLY NEW WILL DO

Remodelers who put their
stamp on extreme fixer-uppers

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Alan Morcos
turned his vintage
San Francisco
duplex into what
he calls a
"contemporary
Edwardian" by
gutting, then
rebuilding 80
percent of it.



Alan Morcos

Alan Morcos renovated 80 percent of his home on Church Street, adding about 200 square feet and overhauling both bathrooms, plus putting in a modern chef's kitchen and a sunroom.

GOOD BONES

Unsatisfied with quick flips and dated inventory, some home buyers are tearing down to build the house of their dreams

By *Heather Boerner*
SPECIAL TO THE CHRONICLE

Alan Morcos was looking for a fixer when he bought his two-unit property a block from Dolores Park in 1999 — and boy, did he get it.

The Edwardian facade of the house on Church Street in San Francisco was “Band-Aided together,” recalls Morcos. The whole back of the house had been built

without permits. As an architecture buff, Morcos wasn't really digging the vibe of stodgy old traditional. He wanted clean lines, modern touches and an updated, open floor plan.

A bundle of money later, he has his dream house, with renovations designed by architect John Lum, who recently completed the Sunset Idea House in the Mission.

“To go out and buy something equivalent would have been more expensive than what the renovation cost me,” said Morcos, who spent a year on the project and renovated 80 percent of the house. “I looked at more than 80 houses before I bought this one. It's definitely my dream house. I wouldn't have put that much money into it if it weren't. It has everything: views, a good flow. The end result is great.” Morcos declined to say how much he spent on the renovation, but architects and builders say that depending on finish materials, custom remodeling in San Francisco can approach \$400 per square foot.

Prospecting and flipping hous-

es may be a cottage industry in San Francisco, where home prices routinely buck national trends. But for some dedicated and visionary homeowners, buying a house filled with someone else's labor is second best. When they can afford it, they are willing to overhaul everything to make their house fit them perfectly.

“What I've seen is that people pick a neighborhood where they want to be, but those neighborhoods often have older, smaller homes than what they want,” said Derek Cavasian, president and general contractor of Distinctive Builders, a San Rafael company that does new construction and remodeling all over the Bay Area. “If they can't find the house they want in that location to fit their requirements, they remodel extensively to get that.”

These aren't cash-strapped first-time buyers who buy a fixer-upper in order to break into the market. People who are attracted to teardowns and extreme remodel-

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els can pay more than \$1 million for a property and then pour an additional half-million dollars into it.

But that doesn't mean that extreme remodelers are financially reckless. Before buying his home, Morcos weighed the purchase price and the work that would go into it against what he expects he'll be able to sell it for when he decides to move. Because the house is in a prime location and has an income-generating rental unit downstairs and he had the income to support it, he made the educated decision, he said, to sink money into the property. Morcos

estimates that to buy a place with all the finishes he's put into the house still would cost him \$200,000 more than what he paid for his house plus the remodel.

In a way, he said, extreme remodelers need to think about the house like a flip, even if they plan to live in it for years.

"I recently counseled a couple different clients of mine on whether it makes sense to renovate their current place or move," said Morcos, a Realtor. "I say absolutely renovate if you still couldn't purchase something equivalent, and have the equity appreciation based on when they bought the house. But for another client, I recommended against it. Theirs basically was a house without a lot

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TERRY BALDWIN, *real estate agent*

of square footage, and in their renovation, they were not going to gain any square footage."

In his remodel, he updated the plumbing and electrical systems and replaced the windows throughout. He stripped the fa-

cade to its studs and had it rebuilt as what he calls "a contemporary Edwardian," in keeping with the bones of the house. He had the back of the house rebuilt — this time with permits — overhauled both bathrooms, increased the

height of the doorjamb, and put in polished concrete floors, a modern chef's kitchen and a sun-room. He added about 200 square feet.

But there is a risk here: "You need to take the value of what the house is worth now plus the cost of renovating it," Morcos said. "Sometimes it comes out to more than you could get for it. You want to make sure you're not over-remodeling for the area."

What's over-remodeling? Think of it the way East Bay agent Terry Baldwin does: Take a house that overlooks the Golden Gate Bridge and place it in the Tenderloin. Is the house still worth the same amount it was when it had a

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SOME TEARING DOWN TO BUILD HOMES UP

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view of the bridge?

Not likely.

"A lot of people, they have this idea of a dream house, but I'll show you some dream houses in an area that are just way overbuilt" for the neighborhood, he said. "They'll put in a \$1 million house in a \$600,000 neighborhood. What kind of value do you get for that house when you sell? And just try to get financing."

Because of financing, Baldwin said several of his clients who want to renovate into their dream home have decided to wait.

"It's a dream," he said. "But working with contractors? That's a nightmare."

Lisa Gorham knows.

"Everyone we talked to has said, 'These kinds of things destroy marriages. You are going to fight and cry so much,'" the San Francisco resident said. "I think I'm prepared for it. Talk to me again in a year."

After more than a decade living in the city, most recently in their home in foggy Twin Peaks, Gorham said she wants her kids to live someplace where they don't have to bundle up in sweaters and coats in July.

To that end, Gorham and her husband, Mike, who run a company that sells furniture on the Internet, bought a small cottage in

February in Ross. They want to tear it down and build a 2,700-square-foot house with a one-car garage.

They hope to get approval to build their dream home by the end of this month.

That dream includes saving the vegetation on the property, including apple and fig trees and a large redwood.

They want their house to have solar panels and recycled wood floors. They imagine an open floor plan for the kitchen, dining room and living room, and a small bedroom and bathroom. On the second floor, they want four bedrooms and three baths.

"We definitely made an investment in the land, the neighborhood and the school district," she said. "This certainly wasn't the plan. We saw the property and fell in love with it."

One of the things they fell in love with was the school, which is only a few doors away. Another thing is the warm weather. For Lisa Gorham, who grew up in the heat of Southern California summers, giving her kids a warm summer is part of the dream.

"This is the house we hope we can raise our kids in, where we want to grow old," she said. "This will be our dream home if the city approves it."

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