

# How To Do A Real Estate Development Deal Build A Custom Home From The Ground Up

Intro: We're here today with one of my good friends Matt, and we're going to be talking about a really cool development project that he's doing here in Carlsbad and tell him the whole story of, A to Z, how we put the project together, so right now, why don't we come in and take a look. Matt, say hi.

Matt: How you doing?

Oliver: Why don't you tell us ... we're just going to go on a quick tour and show us around and tell us a little bit more about this beauty that you're building here.

Matt: Here in the upstairs, we got 3330 square feet. It's single-level living. You've got oversized two-car garage. It's like 24 and a half feet deep so it'll fit Suburbans with eight-foot garage door. On your front entry, you see the ocean, and from every single west window in the upstairs unit, you have an ocean view, every single one of them.

Come in the front door, this plywood wall will be all stone, so it's a stone wall, floor to ceiling, and as you come in this space and as you turn around, you look towards the great room; you see 14 foot vaulted ceiling in the family room, got a pretty sweet large dining room here, easily sit 14 people no problem, and then you come into your vaulted ceiling, your kitchen's over here on the right, got a chimney style hood, here. We've got a couple floating shelves that are in the wall with a back splash all the way to the ceiling.

This is an island that has a vanishing waterfall edge on both sides.

Oliver: And on that note, right, a lot of times with properties like this where they're one on top of the other, noise can be an issue, and I think one thing that you guys really did a good job is soundproofing between the two units.

Matt: We're incredibly proud of that.

Oliver: I mean, you could pretty much drive a freight train through the middle of this place and you wouldn't hear it downstairs.

Matt: So, we've got a nice wide hallway as we're walking down to the bedroom. On our left-hand side, we'll start here. We got really large bedrooms. Directly across the hall from us is what I call the secondary master. We call it that, obviously, because it's got its own en suite, and again, if you notice, every window's got an ocean view on the west side.

Evan: Sure does.

Oliver: And now we're coming to the crown jewel.

Matt: Yeah, I like that. The crown jewel, it's a great size room. It's really big as you look that way and see the closet, big master bathroom. You can tell I've got some tools on the ground here, which is really fun cause I'm excited about this. We've got a massive shower. The shower's over six feet wide. It's over four feet deep. You walk out this back deck, you've got a private covered wraparound deck off the master and you have beautiful views of down south coast San Diego.

Oliver: Love it. So, I'm sitting here today with Matt Taylor of Ryan Development. We are here on-site at one of the projects that he's building and we're just going to talk about the development process and what it takes to build a house like this.

What did you like about it when you bought it? What was it that caught your eye, that this was the one?

Matt: As soon as I drove down the street. So, about three years ago was when we bought it, three years ago this last January, and real estate was just taking off by the beach. Stuff was getting picked up. There was this property and there was property on the street and there was one more on the other side, and we had first looked at one down the street and it was on Garfield. It has a lot of car traffic.

It was one of those things that you're kind of sitting there and liked it but weren't really loving it. That property, we wound up getting in a bidding war on it. We lost the bidding war. I was super discouraged, got in my truck, started driving away, and I drove a few blocks away. I randomly turn down this street to actually leave Carlsbad, turn down the street, saw a sign on the front, stopped, and I have a video on my phone where I pan straight ahead and pan to the left at the house and then pan back to the water and thought, "This has an awesome ocean view. It doesn't have any beach traffic so there's not a lot of cars driving by. You're on the same side of the street as the sidewalk and the staircase to go down to the beach, so you have awesome beach access that's very safe for kids," and I thought, "This is where we're going to build."

We made an offer that night and we closed about 15 days later and now three years later, we're almost done building it.

Oliver: And so, you got yourself a really prime spot here in Carlsbad, which is really great. You're 500 feet from the water and tell me about what was here when you bought it.

Matt: Awesome. There was a 1940s bungalow on a 7,000 foot lot. It had been added onto and kind of pieced together through the years. There's probably some slumlord rentals going on in there, back and forth, and they had just kind of made it work. We saw the property, and by the time we looked at what was possible from a remodel standpoint, we realized very quickly that it was going to be a ground-up.

We literally hit the drafting table and I drew the design myself. I drew it about eight or ten different ways and we settled on this layout and we're extremely pleased with how it's turning out.

Oliver: Just to take a quick sidestep, I forgot to give a quick shout out to Coors Light for hooking it up on a couple Silver Bullets while we do the interview, so cheers to that.

It was a 1940s bungalow and you drove by, great location; everything kind of fell together. It felt right for you. Tell me about what happened next. What was the next step in the development process?

Matt: Ryan Development was started. I went my own a little over four years ago. When I got out of college, I worked for another construction company that based in San Diego called Lusardi Construction. They're a great contractor. They build a lot of commercial projects, and then, once I left that part of my life, the economy kind of took a tank. I spent a number of years specializing in risk mitigation and construction insurance and then started flipping houses, and when I got done flipping houses, I went on my own, became a general contractor.

Oliver: You got the bug.

Matt: I got the bug and built a lot of remodel projects, and then, when we bought this, we were in the process of flipping a couple other houses. My wife and I actually moved into the bungalow while we were in plan check, a little naively think I can get out of plan check a little faster than I could, but we enjoyed a few months of some really fun time at the beach, and so I can tell you first-hand it's an awesome street. It's an awesome neighborhood. The beach access is incredible. The beach location's incredible. The nice part about these units is the top unit has four parking spaces, two in the garage, two in the driveway. Same with the downstairs unit, so this development project parks eight cars, and in an area that doesn't have a lot of parking, that's awesome.

Oliver: That's a premium for sure, yeah.

Matt: And it's even better because that means people can't come to the beach, so when you go to the beach, you have a private beach. There's nobody there and it's an awesome thing.

Oliver: It's a good thing not to have free parking by your house for those beach living folks.

Matt: Correct.

Oliver: So, why don't you tell me a little bit about: Okay, so it all came together; location was great. How was it that you decided what to build on this property?

Matt: Great question. In this zone where we're at in Carlsbad, there's an overlay map that they've done, and they give you the guidelines on what you're allowed to build, your setbacks off the side, setbacks off the front, the rear and your height, so once we were able to utilize those requirements, we kind of hit the drawing board and then figured out, like most developers, how do you maximize the space?

We started with three units like 99% of the other projects that are out here. When I looked at what I was able to do with three units, I was not happy with the amount of space on the land. I wasn't happy with the amount of stairs that were on the land. I didn't like the chopped up living, so I had to make a decision to either do three or do two. I decided to do two. We decided to do them top and bottom. We made them large square footage houses. We made them totally reversed in living space so you're not

bothering one another. We did an awesome floor system to soundproof both units, and that's kind of how we got down the path of what to build on this property.

Oliver: Yeah, I think that's actually a really important decision you made because a lot of times, developers will come in, like you said, to try to maximize the land, and what they'll do is they'll build cramped living spaces that are stacked up as high as possible.

Matt: Vertical.

Oliver: So, it's like living room, staircase, kitchen, staircase, bedroom.

Matt: And when you do that, you get a lot of soffits, right? You get a lot of small rooms, and you get short ceilings, and so in these spaces, both top and bottom, you have ten foot ceiling heights. In this room that we're sitting in right now, we actually have a 14 foot ceiling height at the peak, so when you come in here and you see a five foot window that's three feet off the ground that has ocean view in every single west-facing window, you don't get this anywhere else. You don't get this single living anywhere else, and while it isn't three units from a development standpoint, I built two, that in my opinion, are badass, and that was the thought process.

Oliver: They are pretty badass.

So, you came up with the idea. I know in this case you drew the plans yourself. Let's go both options, right, you either do it yourself, which most people aren't going to do.

Matt: Smart. They're smarter.

Oliver: Because that's pretty crazy, but very impressive that you were able to do that, and then there's also the hiring a professional to do that, so what's the next step there and how does that work?

Matt: So, once we drew the plans ... I draw everything in Google SketchUp, plug for Google. No affiliation, but you have an awesome program. So, we draw everything in Google SketchUp Pro, and once we get really comfortable with our floor plan layout and our elevation drawings, in this project in particular, we hired a draftsman. The draftsman put our plans on Title Block, which makes it look like normal plans. Title Block is the side, you know, and from that point of time, that goes through the city process, goes through planning. Planning approves it. Once planning approves it, you send it to your structural engineer. You have the project engineered, and then that goes through the city again, through a third party that they hire called EsGil, which is down in San Diego, and then once all that's approved, then you build. In this case, it was a 19 month process.

Oliver: Wow, so from first submission of design or from idea to completion?

Matt: From first submittal of design.

Oliver: So, first submittal of design took 19 months to get the approval?

Matt: Took 19 months to get the approval, and there's ... that's an inflated number. It's an actual number, but it's inflated because what happens is the city will give it back to us, and you don't always know what you're going to do to address the commentary, so especially for me, I'm a very passionate person. I'm very creative, and I need to think about it, so sometimes I'd sit on it for a month, maybe two months, and I'd come here and I'd sit there in the yard. I'd literally put a chair about where we're sitting in the yard and I'd look at the house, and I'd look at the ocean, and I'd figure: What do I want to build here? How do I want to feel?

When you come through Carlsbad, you don't see one site that has a 40 foot deck across the front, not one. It's 40 feet. It's covered. It's got heaters. It's got lighting. It's got speakers. It's got a built-in barbecue. This house, I literally love this house.

Oliver: It's outdoor living, which in Southern California is-

Matt: It's outdoor living, but it's covered.

Oliver: As good as it gets.

Matt: As good as it gets. When we designed the panel doors, a lot of people put a bunch of panels. Well, the problem with a bunch of panels is you see the styles in the door. It blocks your view. We only did three on each side, plenty of room. You've got a 16 foot door. You've got plenty of room to talk through. This one, we intentionally designed so the doors go in either direction, so when you're having a party, but them in the middle. You can walk around both sides.

The wind's blowing? Put them to the west. On this one, by the kitchen where the barbecue's at, you only want them sliding east because your barbecue's on the east wall and the wind's going to blow that way, and that one has a screen door, so if it's hot—every once in a while, it gets hot, and we put in an amazing HVAC system so you never have to worry about not being comfortable at the beach—but if it ever gets hot, you got a screen door here and that's your screen, so we really tried to make it as livable as possible and think through every detail.

Oliver: Yeah, and I think that's one thing I really appreciate about this project, is the attention to detail. A lot of the things you're doing, you're putting in the high-end finishes. You're putting in the smart home features. You're doing a lot of things that are really kind of making this the premium product. Why did you decide to go that route?

Matt: So, it's kind of a loaded question for me. It has a little bit to do with ... it has a lot to do with how I got to where I am and why I'm here.

My grandfather was a self-taught engineer and was meticulous to details. My father was a successful executive and was always, always instilling in my head that if you're going to do it, do it right or don't do it. When you come in here, you don't just see Fleetwood doors; you see Fleetwood windows. You don't just see a tongue-and-groove subfloor; you see a tongue-and-groove soundlfloor. You see a sound mat.

You see a poured-in-place floor over the top of it. You don't just see insulation underneath that; you see a layer of wool or a layer of spun cotton, and then a layer of fiberglass underneath that, and sound clips and hat channel and double-air drywall, all these technical terms that the normal buyer doesn't know, and that's okay; you don't have to know, but I'm telling you, we know for you, and not only do we know for you, we're going to tell you.

We're going to tell you why it's done the way it is, and there's a lot of people that are doing it. I don't want to say that they're not, but there's also a lot of people that don't, and when we set out to build this project, we wanted it done right, and so when you see the Fleetwood doors, I sat here and I thought about how the doors were going to open. We didn't just order doors, and it was important to me that this one opened in either direction and that one only stacked that way, and it was important to me, when I go outside, I envision myself outside with my wife or my family with a cocktail at a dinner party or whatever you're going to do, so when you're out there, you enjoy the space.

So, we try to look at all those details and build it like we're going to live in it.

Oliver: I think a really important lesson, a takeaway from that is: If you're going to do it, do it right, right? That's what Steve Jobs always said. That's why the Apple iPhone crushes every other phone on the market is because it's the premium product. He thought of everything. He thought of all the details. He thought of everything that a customer could want, and I think that that's what you've done here, which is really, really amazing.

Matt: Thank you.

Oliver: Why don't we do a quick round two, because I'm empty.

Matt: We go way back.

Oliver: Yeah, cheers.

So, after the 19 months, you finally get the go-ahead and get the green light on the project. Tell me about what happens then.

Matt: That first process, the way that works is you set up demo crews. They bring big excavators. Actually, before that, you do remediation, so if there's any old stuff in the house, asbestos or lead, you have to have that remediated. We did, and then you bring in the excavators and they tear down everything that was here. They haul that stuff off, and then once that's all hauled off, then you start grading, and grading's a different permit, so you get a demo permit; you get a grading permit. Most of the time they're issued together. Project by project, sometimes that's different. In our case, we had them issued separately in order to help streamline the process, and then once the excavator came for the grading process, we round up going five feet down, so we dug down five feet on this site, make sure we got compaction and then built the pad back up six inches at a time, and then we were able to go to foundation digging.

Then, we dig the foundation, set the rebar, all that's inspected. There's a lot of inspectors in the whole process, and once that happens, rebar's set, then you pour the footings and you pour the slab and then you drop lumber.

Oliver: Not to cut you off there, but now we're at the slab, right? Between go-ahead and slab, how many inspections did you have to go through, and how long did that process take?

Matt: Okay, so easier to tell you the process than the inspections because I don't remember how many, but we basically ... we started deconstruction the last day of August. That was a weekday, so whatever that was, and then we poured slab, poured footings in November. So, to give you an idea, basically, September, October and part of November is that process.

Oliver: So, we're back to the slab.

Matt: Back to the slab.

Oliver: Next.

Matt: Once the slab gets poured, you come in and we chalk out all of our walls, so we chalk out our exterior walls first and then all our interior walls, make sure everything lines up, make sure your plumbing lines up, all your anchor bolts are in the right spots; your hold downs are in the right spots, all that fancy stuff that we have to have in California for all of the earthquake possibilities, and then we drop lumber and then we start framing.

Oliver: The building time, start to finish, what are you ... obviously, you're still not done, but what do you anticipate?

Matt: We anticipate end of May, early June for completion date.

Oliver: And then, how did you assess the costs of the entire project?

Matt: So, construction costs right now, specifically right now, and we're taking this the beginning of March: Lumber, there was an article in the Wall Street Journal within the last week; I don't remember what day. It might have been on Sunday. Lumber pricing is skyrocketing, so it's very hard to estimate projects at this size, so this is 6,000 square feet of conditioned space. When you get a much bigger project ... I came from the commercial side so when you're building hundreds of thousands of square feet, it's much easier to estimate, right, because there's more room for error.

When you get down to this footage level, a little bit of lumber change can make a big effect to your bottom line, and so that, it's a very difficult process.

Oliver: What about everything else, right, because obviously lumber is a big part of it, but you chose Sub-Zero appliances and things like that, so how do you make the decision there?

Matt: As we looked at this project, going back to a few questions ago, why we're doing the finishes that we're doing: I actually set out the project with a different appliance package in mind. There was some heated conversation with my dad, actually, about what to do with this project. I'm a big believer in Whirlpool's product. I think Jenn-Air makes a great product, a professional product, and I'm proud of what they're doing and it's in my own house, but it's really hard to compete with the king that's already on the top of the hill, and that king on the top of the hill-

Oliver: The brand name.

Matt: Without question, it's Sub-Zero. Sub-Zero owns the market. They're what everybody else benchmarks to, so we pulled the appliance package with the Jenn-Air professional and we put in all the Sub-Zero/Wolf. I'm happy with it. It's more money. It's more expense, but they own ... they're the king at the top of the hill, so that's how we went that path.

Oliver: One of the cool things about the property and the stage that it's in now is that if someone wanted to buy it, they could still pick their own finishes, right?

Matt: Absolutely, so we're at the stage now that's really fun and exciting because we're right at the point where drywall's going to start next week, and when that starts, that's when our team gets hot and heavy into looking at what finishes are, so we're at that really fun part in the stage in the game where we can come in; we can pick countertops and back splash and flooring and tile.

If you're a buyer, now's the time to come in and be able to design your own house without the wait.

Oliver: Reach out. Give myself a call. Give Evan a call. If you want to say what's up, Evan, we're going to be representing the sale of the property.

Evan: How you doing?

Oliver: And looking forward to getting this thing sold and right now's the perfect time because you can still come in, pick finishes and design this place exactly the way you want.

So, I imagine the entire development process, you probably learned a lot, right, and you've probably faced a lot of different challenges. What would you say is the biggest challenge that you've faced during this whole build.

Matt: Honestly, this is going maybe weird to some. The challenges are my favorite part, and when you build ground up, you have a little bit different animal, but those challenges are typically in layout, so the camera can't see, but our kitchen's over here, and if you got in real close to the nitty gritty, you'd notice that there's two holes in the floor where the drain lines used to be for the sink that are now ten inches further from where they are. That's one of those things where I stand there and I'm actually in the space, and I'm thinking, "I'm at the sink and my wife's at the range or I'm at the range and my wife's at the sink and we're back-to-back, do you have enough space?" And this is one of those examples where I was there and I was like, "You know, we need a little bit more space," and we got this awesome 48 inch

Wolf range. It's absolutely top-of-the line, chef grade, beautiful hood above it, and you've got an amazing island behind you with an awesome farmhouse sink in it.

Do you want it to be a little too close? And even though it was already set much more than any other standard home, we just needed a little bit more, so that ten inches more, those are the details; those are the challenges. Those are the hurdles that you overcome in the process when you're here every single day all day long. I'm the first guy here. I'm the last one to leave. I got a broom in my hand, a nail gun in my hand. I wear my bags—For people that don't know, that's your tool bags—on a daily basis, and we build it as if we're going to live here and we're literally attached to the house, so when we talk about problems, we love problems because problems have solutions that live a much better house than would be built by anybody else.

Oliver: I love that, so basically, you're attacking the problems that come up as if you were the person living here.

Matt: 100%.

Oliver: And kind of redesigning things and making adjustments as you go.

Matt: 100%.

Oliver: Based on that.

Matt: How do you want to live in this space?

Oliver: What feels right?

Matt: So, when you come in and you've got an interior designer, or maybe you do your own interior design work, and you set in your furniture, it's set up in a way that's ready to be lived in.

You know, we've thought about it. There's a fireplace behind me, and even though I don't see that as a place for a TV, we've wired it in the wall behind it. It's there.

Oliver: Just in case.

Matt: Just in case, because you might want it done.

Oliver: What would you say, over the course of the process, was the biggest lesson that you've learned?

Matt: The biggest lesson.

Oliver: That one got him, pow.

Matt: Yeah, man, there's so many lessons.

Oliver: Cause I'm sure there's a lot, right?

Matt: There's so many lessons. We've had the opportunity to work with some good inspectors on this job, and they've shed light on some different ways to build that have made the house better. There's some code requirements that I have an opinion of that are not better, and those things we've discussed with them and we've been able to change the status quo system model in order to accommodate a better way to build, so the lessons I've learned is stay involved always.

And really, they turn over the keys, and they haven't had a lot done. I can tell you were all the wires are in the wall because I was there when they were put in if I didn't put them in myself, and the same thing with the framing and the same thing with the fireplaces. That fireplace isn't even on the plan. It doesn't exist. That was something when we sat here, we said, "That needs a fireplace, and this is where it's going to go and this is how we're going to build it," so the lesson I've learned is one I try to implement on every one of our jobs, is be present. Be present with your subs. Be present with your partners. Be present with your employees. Be present with your future customers and listen to what people want, and figure out a way to implement it and do it the right way.

Oliver: I love being present, and another thing that I'm also hearing a lot is, "Add value," because I think that a lot of times, people try to tear through development projects and they aren't taking the extra time to do the extra things that you're doing and really adding the value, and I think by adding the value, you're not only building a beautiful house, but you're improving the neighborhood. You're improving the status quo on the way things are built. You're educating city inspectors on how to do things possibly better.

Matt: And vice versa. They're educating us on stuff, too, and that's important, too, because I don't want to have that, go down a rabbit hole of bad things because those guys, there's a lot of those guys that bring a lot of good stuff to the table, and I think the best relationship we can have as we move forward with our municipalities, and I'm very passionate about this, is work together.

Some cities get it. Some cities don't, and they've seen a lot and we've seen a lot, and if we can come together and put our heads together and have a common goal to build better, we're going to build better, but if we come together and butt heads, we're not, and so the most important thing is to create a relationship with those municipalities, with those inspectors, with those building departments to say, "Hey, let's build it better."

Oliver: And I think, ultimately, that's how everybody wins, right, the buyer, the community, the city, everybody wins win you build it better, so if they want to learn anymore or get ahold of you, how can they do that?

Matt: They can get ahold of me through Big Block Realty or they can reach me at my email, [mtaylor@ryan-corp.com](mailto:mtaylor@ryan-corp.com).

Oliver: He's a very hot commodity. He's built, booked out already for the next couple years.

Matt: Yeah, we're booked out through '19.

Oliver: So, very exciting. I really appreciate you taking the time today and educating us on the development process and the really cool project that you've got put together here and look forward to many future builds in the future.

Matt: Well, I appreciate the time. Thanks everybody.

Oliver: Absolutely, 'preciate it. Now you're in the know.

Have Questions?

(800) 550-3209