



THE COMPLETE HOMEOWNER'S GUIDE

Addition vs. Selling

ROI Factors & Hidden Costs You Need to Know

Prepared by Harrison Tran, General Contractor
West Coast Builders Group



ABOUT THIS GUIDE

How to Use This Guide

Every year, homeowners face the same decision: invest in an addition, or sell and move on. Both can be the right call — but only when the numbers, the neighborhood, and the timeline actually line up.

This guide distills the questions we walk clients through before any renovation or listing decision — covering both sides of the decision in full: the ROI math, the hidden costs of renovating, and the often-overlooked hidden costs of selling.

Feel free to share this guide with family, friends, or anyone weighing the same decision. It's meant to be used, marked up, and handed off.

Harrison Tran

LICENSED GENERAL CONTRACTOR

West Coast Builders Group

CA License #B-1144681, #B-1005499



A note on scope: this guide is educational, based on general industry patterns. For decisions involving taxes, legal matters, financing, or your specific property, consult a licensed CPA, attorney, or lender.



What's Inside This Guide

About This Guide	2
The ROI Decision Checklist	4
Typical ROI by Project Type	7
Your ROI Worksheet	8
Making the Call: Interpreting Your Results	9
Hidden Costs of Renovating	10
Hidden Costs of Selling	12
Hiring Smart: Questions & Red Flags	13
Glossary of Terms	14
Closing Thoughts	15



The ROI Decision Checklist

Part 1 of 3 — Core financial factors.

How to Use This Checklist

Check the box once you've found or discussed the answer. Then circle a number from 1 to 5 for your gut read — how resolved or clear that answer feels to you right now.

Don't overthink any single item. The pattern across all your circles matters more than any one answer — we'll help you read that pattern on page 9.

A. CORE FINANCIAL FACTORS

- ☐ For this type of project, how much of what I spend typically comes back as resale value in my area?
Still unclear (1) (2) (3) (4) (5) *Fully resolved*
- ☐ What's the ceiling price for homes in my neighborhood — would this push me past it?
Still unclear (1) (2) (3) (4) (5) *Fully resolved*
- ☐ Have I compared the full cost of selling & moving vs. the full cost of building?
Still unclear (1) (2) (3) (4) (5) *Fully resolved*
- ☐ Have I gotten a comp-based valuation, not just a renovation quote?
Still unclear (1) (2) (3) (4) (5) *Fully resolved*
- ☐ What's my break-even timeline — how many years until the added value (or rental income) pays this back?
Still unclear (1) (2) (3) (4) (5) *Fully resolved*



The ROI Decision Checklist

Part 2 of 3 — Financing, tax, and location factors.

B. FINANCING & TAX

- ☐ How does my current mortgage rate compare to today's rates? Moving may mean losing a lower locked-in rate.
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Have I compared financing options — HELOC, construction loan, cash-out refinance — and their true costs?
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Could this addition trigger a partial property tax reassessment? Ask a tax professional about scope-specific rules.
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Have I checked how financing costs (loan fees, interest during construction) factor into the total project cost?
Still unclear (1) (2) (3) (4) (5) Fully resolved

C. LOCATION-SPECIFIC CONSIDERATIONS

- ☐ Would an ADU serve my goals better than a traditional addition — for rental income or multigenerational living?
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Have I confirmed zoning, setback, and HOA restrictions before finalizing a design?
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ If removing trees, have I checked local protected-tree ordinances?
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Have I checked whether my property sits in a flood, fire, or other natural hazard zone that could affect insurance or resale?
Still unclear (1) (2) (3) (4) (5) Fully resolved



The ROI Decision Checklist

Part 3 of 3 — Selling-side costs, and beyond the numbers.

D. IF YOU'RE LEANING TOWARD SELLING

- ☐ Have I budgeted for agent commission (typically 5–6% combined) and closing costs (roughly 1–3%)?
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Am I aware of the capital gains tax exclusion rules for a primary residence? Confirm current eligibility and limits with a CPA.
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Have I priced in likely buyer-requested repairs after inspection?
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Does the current market favor buyers or sellers right now, and does that change my timeline?
Still unclear (1) (2) (3) (4) (5) Fully resolved

E. BEYOND THE NUMBERS

- ☐ Am I renovating to sell soon, or to live here long-term?
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Have I talked to a GC and a realtor before committing to either direction?
Still unclear (1) (2) (3) (4) (5) Fully resolved
- ☐ Does this serve a need money can't measure — more space, aging-in-place, a home office?
Still unclear (1) (2) (3) (4) (5) Fully resolved

Add Up Your Confidence Score

Add up all 20 numbers you circled across this checklist — out of a possible 100.

- 80 – 100** High confidence — you've done your homework
- 50 – 79** Medium confidence — a few gaps worth closing
- Below 50** Low confidence — significant unknowns remain



REFERENCE

Typical ROI by Project Type

General tendencies, not guarantees — your home and market always come first.

PROJECT TYPE	RESALE PAYBACK	KEY CONSIDERATION
Minor Kitchen Remodel	Higher	Cosmetic updates (cabinets, counters, fixtures) tend to outperform full teardowns.
Bathroom Remodel / Addition	Higher	Adding a bathroom where none existed often outperforms remodeling an existing one.
Primary Suite Addition	Moderate	Strongly capped by the neighborhood ceiling — check comps first.
Whole-House / Major Addition	Moderate	Most sensitive to the neighborhood ceiling of any project type.
Garage Conversion	Moderate	Check parking and zoning requirements before converting.
ADU (Accessory Dwelling Unit)	Varies Widely	Often valued more for rental income potential than resale bump.
Home Office	Lower (resale)	Mostly a livability benefit rather than a resale driver.
Swimming Pool	Lower, sometimes negative	Regional climate matters enormously; can even deter some buyers.

These reflect general, widely-cited industry tendencies (such as patterns seen in Remodeling Magazine's annual Cost vs. Value Report), not a guarantee for any specific home. Finish quality, your specific market, and timing matter more than the category alone — always verify against current local comps.



RUN THE NUMBERS

Your ROI Worksheet

A quick gut-check you can fill in by hand, right now.

Current estimated home value	\$	_____
Estimated addition / renovation cost	\$	_____
Estimated added home value after project	\$	_____
Annual rental income (if ADU)	\$	_____

Two Quick Formulas

Net gain (or loss) on resale: Added Value – Project Cost

Years to break even (ADU): Project Cost ÷ Annual Rental Income

These are simplified estimates for a first gut-check, not a substitute for a formal appraisal or pro forma.

Turn It Into a Percentage

Net Result ÷ Project Cost × 100 = your ROI %. This matters more than the raw dollar amount — a –\$25,000 result means something different on a \$120,000 project than on a \$500,000 one.

+10% or better	Strong financial case to build
0% to +10%	Modest financial case to build
–10% to 0%	Modest case to sell or scale back
Below –10%	Weak case — lean selling unless the space itself matters more

Worked Example: Adding a Primary Suite

Current home value	\$850,000
Addition cost	\$120,000
Estimated added value	\$95,000
Net result	–\$25,000 (–21%)

The project cost more than it added in resale value — but this homeowner planned to stay 10+ years and weighed the space itself as worth it. Neither answer is automatically right.

Want a second set of eyes on these numbers?

Call 626-244-9136 or email builders626@gmail.com — happy to talk it through.



DECISION FRAMEWORK

Making the Call

A checklist and a worksheet are only data. Here's how to read them.

A number on a page doesn't make a decision — it just gives you something to read. The same way a lab result means little without someone to explain what it's actually telling you, your worksheet numbers only become useful once you know how to interpret them. That's what this page is for.

Start With Two Questions

- ☐ From your worksheet: which ROI % band did you land in — positive, negative, or right at the edge?
- ☐ In your gut: are you staying put for 5+ years, or planning to sell relatively soon?

Then Find Your Scenario Below

POSITIVE RESULT + STAYING LONG-TERM

The Clear Case to Build

The math and your plan point the same direction. This is the cleanest “yes” this guide can give.

POSITIVE RESULT + SELLING SOON

Build — But Confirm the Ceiling First

The math only works if the neighborhood supports it. Re-check Checklist 1, Section A before committing.

NEGATIVE RESULT + STAYING LONG-TERM

A Lifestyle Investment, Not a Financial One

That's a perfectly valid choice — as long as it's a conscious one, not an accident of not running the numbers.

NEGATIVE RESULT + SELLING SOON

Selling (or a Lighter Project) Likely Wins

Both the math and the timeline point away from a large build. Consider a smaller-scope project or listing as-is.

When It's Not This Clean

Most real decisions land somewhere in the middle. When they do, the tie-breaker is rarely the ROI number itself — it's the answers in Checklist 1, Sections C–E, plus a quick skim of your circled confidence numbers: mostly 4s and 5s mean you can trust the scenario above; several 1s and 2s mean it's worth digging deeper before committing.

Talk to a professional if...

- ☐ Your numbers are within 10% either direction
- ☐ Considering an ADU without real rental comps yet
- ☐ Unsure about tax exposure — reassessment or capital gains
- ☐ Making a six-figure call based on a single quote



Hidden Costs of Renovating

Part 1 of 2 — Before you start, and during the project.

BEFORE YOU START

- ☐ Budgeted 15–25% contingency (higher end for older homes or full-scope remodels)
- ☐ Asked about likely code-upgrade triggers (electrical, plumbing, seismic retrofitting)
- ☐ Discussed structural unknowns (mold, wiring, termite, foundation)
- ☐ Confirmed permit and impact fees with the city — often underestimated
- ☐ Budgeted for architect / engineer stamped drawings, if required
- ☐ Asked about soil or geotechnical testing (common on hillside or expansive-soil lots)
- ☐ Tested for asbestos or lead paint if the home was built before 1978
- ☐ Checked for protected tree removal permits before finalizing the site plan

DURING THE PROJECT

- ☐ Planned for living / storage costs during construction
- ☐ Built in schedule slack for permits & inspections
- ☐ Agreed upfront on how new add-on costs get approved
- ☐ Asked about material lead times and price volatility
- ☐ Budgeted for dumpster and debris hauling
- ☐ Confirmed temporary utility needs (temp power panel, water access)
- ☐ Built in a buffer for weather-related delays



Hidden Costs of Renovating

Part 2 of 2 — After completion.

AFTER COMPLETION

- ☐ Checked property tax reassessment impact
 - ☐ Called insurance about premium AND coverage amount changes — the rebuild cost, not just the premium
 - ☐ Budgeted for furnishing the finished space
 - ☐ Set aside funds for punch-list fixes after substantial completion
 - ☐ Budgeted for landscaping or driveway repair after construction traffic
 - ☐ Confirmed final inspection and permit closeout with the city
-

Renovating Is Only Half the Decision

If you're leaning toward selling instead — or still weighing both — the hidden costs don't disappear. They just show up on the other side of the transaction. Turn the page.



Hidden Costs of Selling

The costs renovation checklists never mention.

BEFORE LISTING

- ☐ Budgeted for pre-listing repairs and cosmetic touch-ups
- ☐ Got a pre-listing inspection to catch issues before buyers do
- ☐ Budgeted for staging, photography, and minor cosmetic work
- ☐ Confirmed payoff amount on the current mortgage — not just the balance
- ☐ Accounted for any existing liens or outstanding HOA dues

DURING ESCROW

- ☐ Budgeted for buyer-requested repairs after their inspection
- ☐ Planned for appraisal risk — what happens if it comes in low
- ☐ Confirmed timeline overlap if buying and selling at the same time
- ☐ Planned for temporary housing if there's a gap between sale and next move

AFTER CLOSING

- ☐ Budgeted for agent commission (typically 5–6% combined, and negotiable)
- ☐ Budgeted for closing costs and title fees (roughly 1–3%)
- ☐ Considered capital gains tax exposure — confirm exclusion eligibility with a CPA
- ☐ Budgeted for moving costs and any local transfer taxes



BEFORE YOU SIGN

Hiring Smart: Questions & Red Flags

Whichever direction you choose, choose your contractor carefully.

QUESTIONS TO ASK ANY CONTRACTOR

- ☐ Can I see your current CSLB license number, and can I verify it myself?
- ☐ Are you carrying general liability and workers' compensation insurance?
- ☐ Can you provide references from similar projects in the last 12 months?
- ☐ What's included in this bid, and what's likely to become a change order?
- ☐ Who pulls the permits — you or me?
- ☐ What's your typical timeline, and what could realistically delay it?

RED FLAGS TO WATCH FOR

- ☐ Asking for full payment upfront — California law limits down payments on home improvement contracts
- ☐ No written contract, or one missing a detailed scope of work
- ☐ Reluctance to pull permits
- ☐ A bid dramatically lower than every other bid, with no clear explanation
- ☐ Pressure to sign immediately (“today-only” pricing)

Verify Any License in California

Look up any contractor's license at cslb.ca.gov before signing anything — it's free and takes about two minutes.



REFERENCE

Glossary of Terms

Plain-language definitions for terms used throughout this guide.

Comp (Comparable Sale)	A recently sold home similar in size, condition, and location, used to estimate what a home is worth.
Contingency	A budget cushion — commonly 15–25% of project cost — set aside for unexpected costs during a renovation.
ADU	Accessory Dwelling Unit: a secondary, independent living space on the same lot as a primary home.
HELOC	Home Equity Line of Credit: a revolving loan secured against the equity you've built in your home.
Escrow	A neutral third-party process that holds funds and documents until every condition of a sale is met.
Appraisal	A licensed professional's estimate of a home's value, typically required by a lender before financing.
Change Order	A formal, priced addition or change to the original scope of work, made during construction.
Resale Payback Rate	How much of what you spend on a project typically comes back as added home value when you sell.
Neighborhood Ceiling	The practical price limit buyers will pay in a given area, regardless of how nice the upgrades are.
CSLB	California's Contractors State License Board — the agency that licenses and regulates contractors.



FINAL THOUGHTS

Still Deciding?

Every project is different, and the right call depends on your neighborhood, your timeline, and your goals — not just the numbers on this page. This guide is meant to help you ask better questions, of yourself and of anyone bidding on your project or listing your home.

If you'd like a second opinion before you commit either direction, we're glad to walk through it with you — no pressure, no obligation.

Harrison Tran, General Contractor

626-244-9136 • builders626@gmail.com • builders626.com

West Coast Builders Group • Lic #B-1144681, #B-1005499

This guide is provided by West Coast Builders Group as an educational resource for general planning purposes. It does not constitute financial, tax, or legal advice, and figures cited are general industry patterns rather than guarantees for any specific property. Please consult a licensed CPA, attorney, or lender for guidance specific to your situation.