

A slice of a London castle for \$4.2 million **M12**



MANSION

'Decorate your home. It gives the illusion that your life is more interesting than it is.'
—Charles M. Schulz

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THE WALL STREET JOURNAL.

Friday, May 6, 2016 | **M1**

THE LAND OF FACELIFTS

In California's hot housing market, buyers pay huge sums for frumpy houses and spend more to fix them up; why nobody moves out.



Before

TIRED TUDOR Justin and Michelle Wilson paid \$1.58 million in 2013 for this dated Tudor-style home in Mountain View, Calif.



FROM TOP: STUDIO 5 SQUARED ARCHITECTURE INC. ("BEFORE"); VIVIAN JOHNSON FOR THE WALL STREET JOURNAL

After

MODERN LOVE The home underwent a seven-month renovation that cost \$600,000. Upgrades include a new contemporary facade. Today, the home is worth an estimated \$3 million. California buyers are paying a premium for homes with a modern aesthetic, one broker said.

BY KATY MCLAUGHLIN

JUSTIN AND MICHELLE WILSON didn't have much of a choice when they turned a \$1.58 million ugly duckling into a \$3 million swan.

There were very few options in Mountain View, Calif., within their \$2 million budget, and each house they liked got snapped up in a bidding war. So they settled for a dated \$1.58 million beige-and-brown Tudor-style house and gave it a \$600,000 makeover that took seven months. Now, the contemporary home's facade

features stucco, stone and steel as well as a striking portico.

"It makes us happy to drive up and come home," said Mr. Wilson, a 34-year-old financial executive.

If listed today, the home would likely sell for about \$3 million, said Brett Jennings, a broker associate at Keller Williams Bay Area Estates. "Buyers are paying a premium for homes that are updated, and a premium-plus for the modern aesthetic," he said.

California may be a capital of cosmetic surgery, but it's not just noses and eyelids falling

under the knife. A hot housing market is driving buyers to pay exorbitant sums for old, frumpy houses, knowing they'll pay plenty more to remake them to modern tastes. Others currently own dowdy houses and choose to renovate rather than relocate.

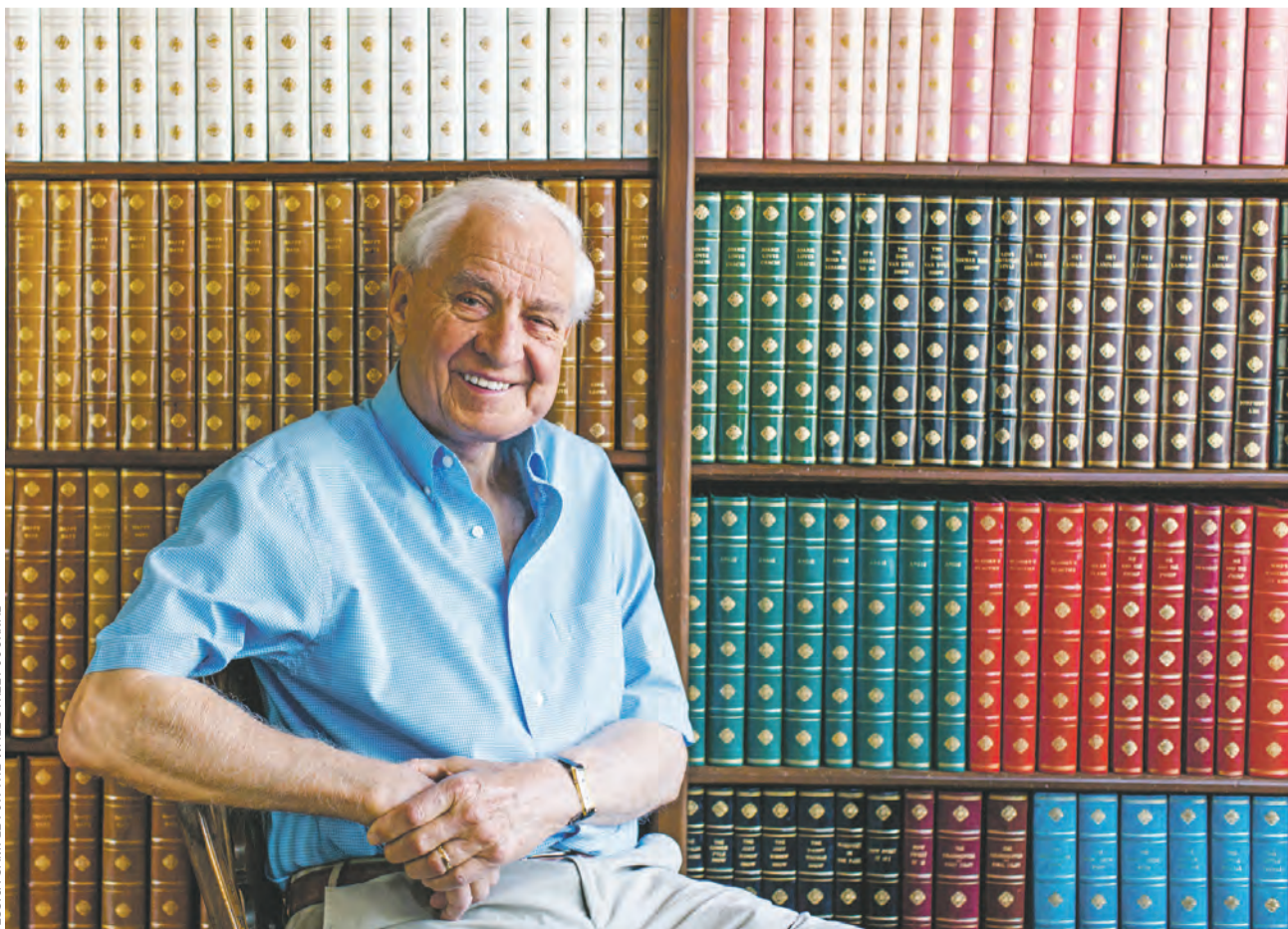
While the dynamic is playing out in a number of U.S. cities, California's plight is particularly intense because of Proposition 13, a 1978 amendment to the state constitution. It set property taxes based on 1975 assessments and capped future property-tax increases at 2% a year. The

Please turn to page M6

HOUSE CALL | GARRY MARSHALL

HIS MOM: FUNNIEST LADY ON THE BLOCK

A TV and movie director recalls his Bronx roots and the basement where his mother taught him comic timing.



Garry Marshall, 81, is a director, writer and producer. He co-developed "The Odd Couple" for TV and created "Happy Days," among other shows. He has directed 18 films, including "Pretty Woman," "Runaway Bride" and the newly released "Mother's Day." He spoke with Marc Myers.

My mother was a Bronx stage mom. She added the second "r" to my first name—based on a sports-writer's byline. When I was 3, she entered my photo in a newspaper contest, which I won. And she constantly said that personality and humor were everything. At first I had no idea what she was talking about.

My family lived in a three-bedroom apartment on the first floor of Argonne Manor, a five-story apartment building on the Grand Concourse in the Bronx. Our building and neighborhood were filled with mostly Jewish and Italian families.

The Jewish kids couldn't go to Villa Avenue, one block over, without being chased
Please turn to page M5

INSIDE



IN CONTRACT Actress Ashley Olsen buying N.Y. condo **M3**



FUN AND GAMES Inside a \$95,000 playhouse **M4**



MAY DAYS Victorian mansions in Cape May, N.J. **M10**

LAUGH TRACK Garry Marshall in his home in Toluca Lake, Los Angeles, in the San Fernando Valley. Behind him on the shelves are the bound scripts of his hit TV show 'Happy Days' and other film and television projects.

JESSICA SAMPLE FOR THE WALL STREET JOURNAL

MANSION

MAKEOVERS FROM A LAND OF FACELIFTS

Continued from page M1
catch: When a home in California is sold, the property is reassessed based on its current sale price, resulting in a large tax increase for the new buyer. To avoid this tax hit, many homeowners simply stay put rather than move, which further suppresses the inventory of home listings and keeps prices high.

“Prop. 13 has a strong tendency to keep people in homes longer than they otherwise would be,” said Paul Habibi, a professor of real estate at the Ziman Center for Real Estate the University of California, Los Angeles. “If the market is rising faster than the assessed values, you have all the economic incentive to stay in place,” Mr. Habibi said.

A study released in 2005 by the National Bureau of Economic Research, a Cambridge, Mass.-based think tank, found that in California, on average, homeowners stay put for 1.4 years longer than in other states due to Proposition 13. In coastal cities, the “lock-in effect,” as the study called it, is even higher. Homeowners in Los Angeles stay put over two years longer, and San Francisco homeowners keep their homes over three years longer than homeowners in other states.

When Marc and Jen Roskin, both 47, wanted to enlarge and modernize their Manhattan Beach, Calif., home, they didn’t even contemplate moving, since their property taxes are based on the \$1.315 million purchase price in 2004. “It’s cheaper to keep our house and to renovate,” said Ms. Roskin, a jewelry designer.

They hired Robert Sweet of Rsa, a Los Angeles design and build firm, to transform the Spanish-style bungalow into a white modernist cube. Parts of the house are clad in burnt-cedar siding, a process borrowed from Japanese tradition. Contractors blow-torched unstained cedar on site, “which burns the sugars in the woods, making it impervious to bugs and weather,” Mr. Sweet said.

The project also made the home’s exterior spaces dynamic and usable, said Mr. Roskin, a producer and director. One side of the house includes a built-in barbecue, outdoor shower, fireplace and a pass-through window that connects to the kitchen. The other side has a terrace with seating. The Roskins declined to disclose project costs.

Daniel M. Salzman, principal of Evergreen Design Build in Manhattan Beach, estimated it would cost between \$1.3 million and \$1.6 million to transform a comparable home to a similar result.

The house today would likely sell for somewhere between \$3.5 million and \$3.75 million, said Kofi Nartey, director of the sports and entertainment division at the Agency, a Los Angeles brokerage. In its unrenovated state, it would have fetched about \$2 million on today’s market, Mr. Nartey estimated.

Not all exterior makeovers are moneymakers, due in part to the

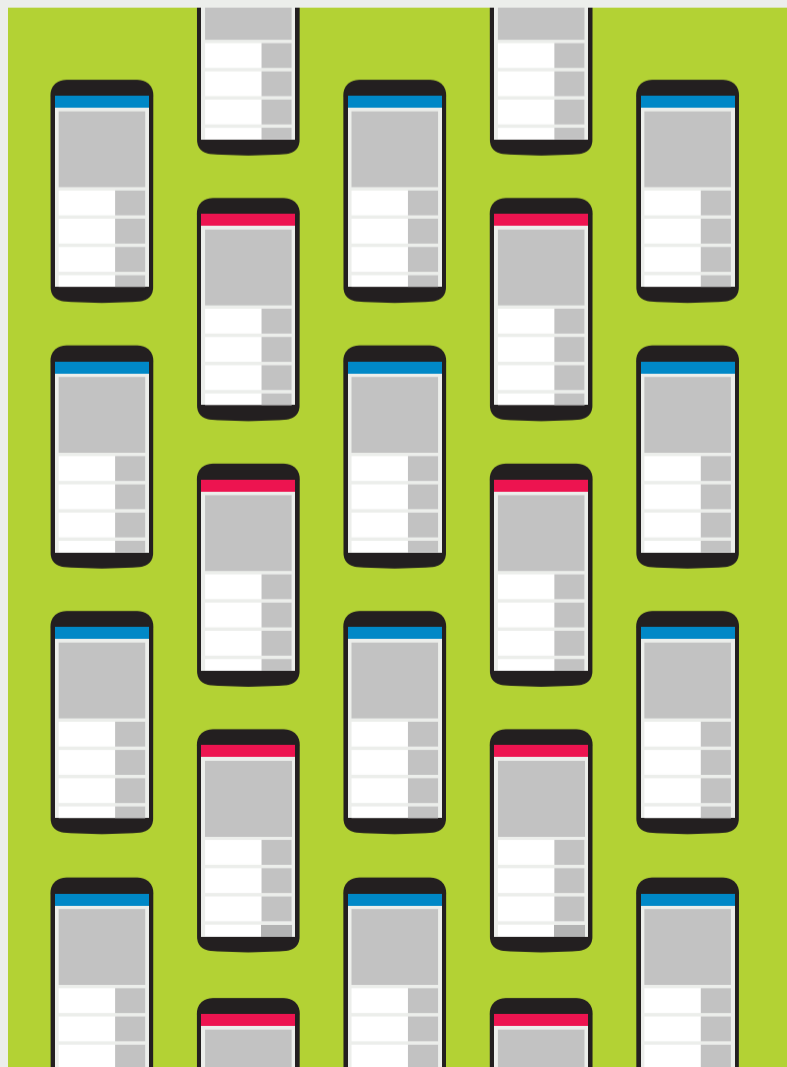


TIME DELAY Rather than move to a larger place, Scott Croyle, above, and Michele Godwin decided to expand their San Francisco home, which now measures almost 2,000 square feet. Their architect, Cary Bernstein, said planning and permitting the project took about a year and a half.



RISKY BUSINESS A couple dabbling in house flipping hired Los Angeles architectural firm Poon Design to turn a rundown contemporary home in L.A. into a Mediterranean-style home. It was listed for \$9.5 million, but the real-estate crash forced the couple to sell for \$6.35 million.

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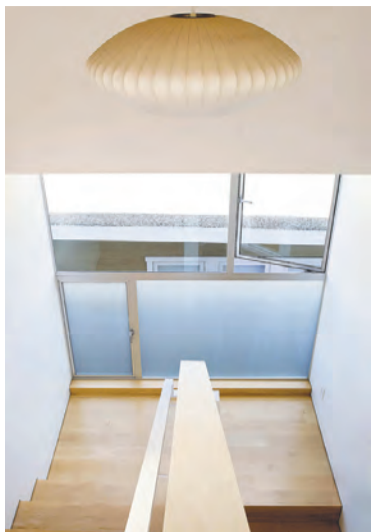


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capricious nature of facade fashion. Nine years ago, a married couple dabbling in house flipping hired Los Angeles architectural firm Poon Design to turn a run-down Bel Air contemporary into a Mediterranean dream house.

"It was a no-brainer back then to convert it to Mediterranean for the market," said Anthony Poon, a principal of the firm. The architects' design called for a rotunda in the heart of the house, a clay-tile roof and hand-troweled plaster. Romantic outdoor spaces feature a fireplace and wood trellises. Mr. Poon estimated that today it would cost around \$3.5 million to do the same to a similar, 9,000-

square-foot house.

But by the time the house was finished 28 months later, the housing crisis had depressed the market considerably. Another problem: Mediterranean houses were no longer hip, and the modern look came roaring into vogue. The house sold for \$6.35 million in 2009, though it had been listed for \$9.5 million, said John Kim, a principal at Poon Design.

William Tran, an agent for Sequoia Real Estate, a boutique agency, represented a small group of local investors in the purchase of a small, nearly windowless house clad in faux-stone in San Francisco's Noe Valley neighborhood in 2012. The investors paid \$908,000 for the property and hired Mr. Tran to be the project manager of the redesign.

The plans enlarged the home to 2,750 square feet and gave it a sleek exterior featuring glass, aluminum and integrated lighting. In total, \$1.3 million was put into the renovation, Mr. Tran said. This past August, Mr. Tran said he helped sell the property to a tech entrepreneur for just over \$4 million.

"If you have a modern-looking home, and a brand new home, you'll get the money," Mr. Tran said.

Scott Croyle, 44, chief design officer for a technology company, and his wife, Michele Godwin, 43, a teacher and librarian, also wanted a modern style house in San Francisco. Instead of shopping for a new home, they hired architect Cary Bernstein to turn their squat, stucco house—"it looked like the Alamo," Mr. Croyle said—into a larger contemporary house.

Getting through the planning and permitting phase took about a year and a half—"which is not bad for San Francisco," Ms. Bernstein said. "The city gives a lot of scrutiny to how your project is going to fit into the neighborhood," requiring plans, drawings and a written narrative, Ms. Bernstein said. Construction was complex, involving expanding the house out to both sides and doubling the size to 1,970 square feet.

Ms. Bernstein then turned her attention to the exterior. Aiming for modern while avoiding "the glass box look," Ms. Bernstein clad the house with natural, textured materials, such as clay tile and cedar siding.

Joey Toboni, managing partner of the Toboni Group, a high-end builder in San Francisco, estimated that it would cost roughly \$800,000 to \$900,000 to renovate a comparable property to a similar standard.

The house today would likely sell for \$2.25 million, said Mary Ann Montano, a broker associate at Coldwell Banker's Pacific Heights office in San Francisco. If it went to market in its smaller, unrenovated state, it might sell for \$1.25 million, Ms. Montano said.

Mr. Croyle, however, has no plans to capitalize on his investment. "We built the ideal house for us and can't imagine leaving the home," he said.



STAYING PUT Marc and Jen Roskin, above, renovated their Manhattan Beach, Calif., home to avoid a property-tax increase that would likely occur if they bought a new home of comparable size. At top, views of a stairwell and the living room.

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