



**CITY OF FORTUNA, CALIFORNIA**  
Community Development Department  
Building and Safety Division

**OWNER-BUILDER OR CONTRACTOR**

01/01/09

**IMPORTANT INFORMATION YOU NEED TO KNOW  
BEFORE PULLING YOUR BUILDING PERMIT!**

*The term “Owner-Builder” could mean three different things:  
“Owner as Worker”, “Owner as Contractor”, and “Owner as Employer”.*

**Hiring a California Licensed Contractor:**

The permit is not pulled out in your name, you do not personally perform any construction work, you are not personally responsible for the construction, and you are not an Owner-Builder. You are a “Customer” and California law provides you the benefit of protection from poor workmanship, failure to finish the job and financial risk due to worker injury.

**Benefit/Risk: Highest Benefits and the Least amount of Risk**

**Owner-as- Worker:**

The permit is taken out in your name, you personally perform the construction work, and you are personally responsible for the construction management, knowledge, workmanship, and completion of the job. You do not pay others to perform this work, and this is your benefit. Your risk depends on your own ability to complete the job successfully.

**Benefit/Risk: Possible Benefit with Low Financial Risk**

**Owner-as- Contractor:**

You personally act as a General Contractor. The permit is pulled out in your name, and you hire California licensed sub-contractors to perform the construction work.

**WARNING: Any protection provided by law, when you hire only California licensed sub-contractors, can turn into serious financial risk if you hire unlicensed contractors to perform any of the work.**

**Benefit/Risk: Possible Benefit and Significant Financial Risk**

**Owner-as- Employer:**

The permit is pulled out in your name, you hire unlicensed workers to perform the construction work, and you are personally responsible for the employment requirements, supervision, performance, safety and welfare on your property.

**WARNING: Your cost saving benefit can turn into serious financial risk if you fail to deduct payroll taxes or provide workers compensation insurance for each worker.**

**Benefit/Risk: Possible Benefit with Significant Financial Risk**

## Examples of what YOU COULD SEE with Owner-Builder permits:

**Example 1:** Homeowner received insurance money to rebuild burned-down home.

- \* The permit for rebuilding the structure is pulled out as "Owner-Builder".
- \* Unlicensed contractor built substandard building, as a result, it should be torn down and replaced.
- \* Estimated financial injury is \$300,000.
- \* Additional financial injury - IRS threatened to tax insurance payout if house is not completed by the end of the year.

**Example 2:** Brother-in-law had active license but filed an exemption from Workers Comp.

- \* Owner-Builder hires brother-in-law to install a new roof.
- \* Employee falls and sustains multiple spinal and extremity fractures as well as a head injury and remains in a coma to this day.
- \* The Owner-Builder, who has sold the home, is now a defendant in a lawsuit for reimbursement for benefits paid to the injured worker.

**Example 3:** Employee of contractor without Workers Comp is hired by Owner-Builder to install septic system and suffers injury that results in permanent disability.

- \* The Owner-Builder did not have a homeowner's insurance policy on the house against which to submit a claim.
- \* The Owner-Builder is now a defendant in a lawsuit for reimbursement for benefits paid to the injured worker.

### DO YOU KNOW?

**Over 20,000 consumer complaints are filed each year.** Many complaints relate to owner/builder projects and include workmanship and workers' compensation issues. Homeowners suffer financial harm due to defective workmanship and injured employees.

**Unlicensed "contractors"** frequently have the property owner obtain an "Owner-Builder" building permits which erroneously implies that the property owner is providing his or her own labor and material personally?

**Your homeowner's insurance** may not provide coverage for injuries sustained on your property by an unlicensed contractor and his/her employees?

**If you are considered an "employer"** under state and federal law, you should register with the state and federal government, withhold payroll taxes, provide workers compensation and disability insurance and contribute to unemployment compensation for each "employee"?

**If you fail to abide by these laws** you may be subjected to serious financial risk?

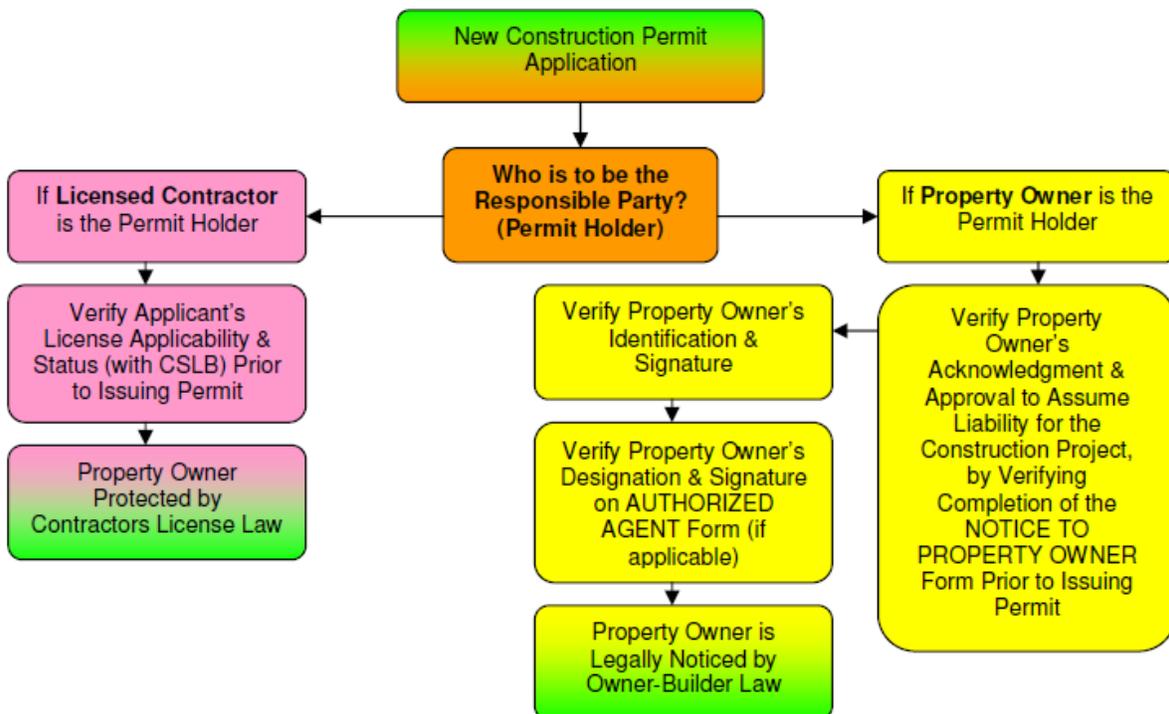
**OWNERS BEWARE AND CONSIDER THE RISK BEFORE ACCEPTING FULL RESPONSIBILITY FOR YOUR CONSTRUCTION PERMIT**

# NOTICE

## Effective January 1, 2009

Assembly Bill 2335 amends California Health and Safety Code, Section 19825, regarding disclosures and verifications required for all applicants seeking Owner-Builder construction permits. These new application requirements provide an enhanced level of consumer awareness and protection for property owners accepting the risks associated with Owner-Builder construction permits. “The Legislature hereby finds and declares that there is an urgent and statewide public interest in assuring that building contractors comply with the Contractors License Law...and provisions of law relating to Workers' Compensation Insurance for building construction, that property owners are informed about, and protected from, fraudulent representations, liability for worker's injuries, liability for material and labor costs unpaid by contractors, licensing requirements, and employer's tax liabilities when improving their property as owner-builders”

### THIS OFFICE WILL BE ENFORCING THESE REQUIREMENTS AS FOLLOWS



# DISCLOSURES & FORMS FOR OWNER-BUILDER APPLYING FOR BUILDING PERMITS

## ***Dear Property Owner,***

An application for a building permit has been submitted in your name listing yourself as the builder of the property improvements specified at

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We are providing you with an Owner-Builder Acknowledgment and Information Verification Form to make you aware of your responsibilities and possible risk you may incur by having this permit issued in your name as the Owner-Builder. We will not issue a building permit until you have read, initialed your understanding of each provision, signed, and returned this form to us at our official address indicated. An agent of the owner cannot execute this notice unless you, the property owner, obtain the prior approval of the permitting authority.

## **OWNER'S ACKNOWLEDGMENT AND VERIFICATION OF INFORMATION DIRECTIONS:**

***Read and initial each statement below to signify you understand this information.***

\_\_\_\_ 1. I understand a frequent practice of unlicensed persons is to have the property owner obtain an "Owner-Builder" building permit that erroneously implies that the property owner is providing his or her own labor and material personally. I, as an Owner-Builder, may be held liable and subject to serious financial risk for any injuries sustained by an unlicensed person and his or her employees while working on my property. My homeowner's insurance may not provide coverage for those injuries. I am willfully acting as an Owner-Builder and am aware of the limits of my insurance coverage for injuries to workers on my property.

\_\_\_\_ 2. I understand building permits are not required to be signed by property owners unless they are responsible for the construction and are not hiring a licensed Contractor to assume this responsibility.

\_\_\_\_ 3. I understand as an "Owner-Builder" I am the responsible party of record on the permit. I understand that I may protect myself from potential financial risk by hiring a licensed Contractor and having the permit filed in his or her name instead of my own.

\_\_\_\_ 4. I understand Contractors are required by law to be licensed and bonded in California and to list their license numbers on permits and contracts.

\_\_\_\_ 5. I understand if I employ or otherwise engage any person, other than California licensed Contractor, and the total value of my construction is at least 500 dollars, including labor and materials, I may be considered an "employer" under state and federal law.

\_\_\_\_ 6. I understand if I am considered an employer' under state and federal law, I must register with the state and federal government, withhold payroll taxes, provide workers' compensation disability insurance, and contribute to unemployment compensation for each employee. I also understand my failure to abide by these laws may subject me to serious financial risk.

\_\_\_\_ 7. I understand under California Contractors' State License Law, an Owner-Builder who builds single-family residential structures cannot legally build them with the intent to offer them for sale, unless all work is performed by licensed subcontractors and the number of structures does not exceed four within any calendar year, or all of the work is performed under contract with a licensed general building Contractor.

\_\_\_\_ 8. I understand as an Owner-Builder if I sell the property for which this permit is issued, I may be held liable for any financial or personal injuries sustained by any subsequent owner(s) that result from any latent construction defects in the workmanship or materials.

\_\_\_\_ 9. I understand I may obtain more information regarding my obligations as an "employer" from the Internal Revenue Service, the United States Small Business Administration, the California Department of Benefit Payments, and the California Division of Industrial Accidents. I also understand I may contact the California Contractors' State License Board (CSLB) at 1-800-321-CSLB (2752) or [www.cslb.ca.gov](http://www.cslb.ca.gov) for more information about licensed contractors.

\_\_\_\_ 10. I am aware of and consent to an Owner-Builder building permit applied for in my name, and understand that I am the party legally and financially responsible for proposed construction activity at the address listed above.

\_\_\_\_ 11. I agree that, as the party legally and financially responsible for this proposed construction activity, I will abide by all applicable laws and requirements that govern Owner-Builders as well as employers.

\_\_\_\_ 12. I agree to notify the issuer of this form immediately of any additions, deletions, or changes to any of the information I have provided on this form.

Licensed contractors are regulated by laws designed to protect the public. If you contract with someone who does not have a license, the Contractors' State License Board may be unable to assist you with any financial loss you may sustain as a result of a complaint. Your only remedy against unlicensed Contractors may be in civil court. It is also important for you to understand that if an unlicensed Contractor or employee of that individual or firm is injured while working on your property, you may be held liable for damages. If you obtain a permit as Owner-Builder and wish to hire Contractors, you will be responsible for verifying whether or not those Contractors are properly licensed and the status of their workers' compensation insurance coverage. Before a building permit can be issued, this form must be completed and signed by the property owner and returned to the agency responsible for issuing the permit.

\_\_\_\_\_  
Signature of property owner

\_\_\_\_\_  
Date:

**The following person(s) have been contracted (hired) to provide the work indicated:**

<b>Name</b>	<b>Address</b>	<b>Phone</b>	<b>Type of Work</b>	<b>License/ Class No</b>
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