



**CITY OF GRASS VALLEY**  
**BUILDING DEPARTMENT**  
125 EAST MAIN STREET, GRASS VALLEY CA 95945

(530) 274-4340  
[www.cityofgrassvalley.com](http://www.cityofgrassvalley.com)

---

## **Considering Becoming an Owner-Builder?**



**Important information you need to know *BEFORE* pulling your permit!**

**The term "Owner-Builder" can mean three different things:  
"Owner as *Worker*", "Owner as *Contractor*" or "Owner as *Employer*"  
(It is possible to assume a combination of two or all of these classifications)**

**It's important to understand that each Owner-Builder classification  
comes with its own Benefits and Risks.**

**Owner-as-Worker** is when a property owner *personally performs* the construction work, the permit is taken out in the owner's name and the owner is *personally responsible* for the construction management, knowledge, workmanship, and completion of the job.

Owner **Benefits** from not paying others to perform the work. Owner's **Risk** depends on their ability to complete the job legally and successfully.

**Owner-as-Contractor** is when a property owner *personally* acts as their own General Contractor, the permit is taken out in the owner's name and they hire California licensed sub-contractors to perform portions of the construction work.

**WARNING:** The **Benefits** of 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.

**Owner-as-Employer** is when a property owner pays *any* unlicensed individual to perform *any* construction work valued at more than \$500, the permit is taken out in the owner's name and they are personally responsible for their employment requirements, supervision, performance, safety and welfare while on the owner's property.

**WARNING:** Cost savings **Benefits** can turn into serious financial risk if you fail to deduct *payroll taxes* or provide *workers compensation insurance* for each worker.

### **It is Highly Recommended for Homeowners to Hire California Licensed Contractors**

**Hiring a California Licensed Contractor** means the owner does not personally perform any of the construction work, the permit is not taken out in the owner's name, they are not personally responsible for the construction and are *not* considered an Owner-Builder. Instead, the owner is a "Customer" and California law provides owners the benefit of protection from poor workmanship, failure to finish the job and financial risk due to worker injury.

**FOR MORE INFORMATION VISIT: <http://www.cslb.ca.gov>**

***(Health and Safety Code Section 19827)*** The California Legislature declares an "urgent and statewide public interest in assuring" that contractors comply with Contractors' License Law, Business and Professions Code and Workers' Compensation Insurance requirements to ensure property owners are informed about, and protected from the following when improving their property as Owner-Builders:

- Fraudulent representations
- Liability for worker's injuries
- Liability for material and labor costs unpaid by contractors
- Licensing requirements
- Employers tax liabilities

**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.

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

## The following are alarming examples of what has occurred with Owner-Builder permits:

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

- Owner/Builder permit pulled to rebuild structure.
- Unlicensed contractor built substandard structure – must be torn down and replaced.
- Estimated financial injury is \$225,000.
- Additional financial injury - IRS threatened to tax insurance payout if house 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.

**Did you know** – unlicensed persons frequently have the property owner obtain an “Owner-Builder” building permit which erroneously implies that the property owner is providing his or her own labor and material personally?

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

**Did you know** – if you are considered an “employer” under state and federal law, you must register with the state and federal government, withhold payroll taxes, provide workers compensation and disability insurance and contribute to unemployment compensation for each “employee”?

**Did you know** – if you fail to abide by these laws you may be subjected to serious financial risk?