

# Owner-Builder Information

Understanding and applying California's new owner builder law. AB 2335 (Nakanishi)

## **Why did the law change?**

(Health and Safety Code Section 19827) The California Legislature declared 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 insure property owners are informed about, and protected from fraudulent representation, liability for worker’s injuries, liability for material and labor costs unpaid by contractors, licensing requirements and employer tax liabilities.

An owner-builder permit applicant is required to complete an acknowledgement form indicating they understand all the legal liabilities associated with improving their property as owner-builders.

As a builder-owner

**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 materials personally?

**Did you know** – your homeowner’s insurance may not provide coverage for injuries sustained on your property construction project 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** – that if you fail to abide by these laws you may be subjected to serious financial risk?

**Did you know** – that over 20,000 consumer complaints are filed each year with many relating to owner-builder projects?

You may not be “saving lots of money” by hiring an unlicensed person and being your own “contractor”. Owners beware and consider the risks before accepting full responsibility for your construction permit.

The intent of the law is not to discourage an owner-builder who understands construction and all legal and licensing requirements but to assist property owners not familiar with construction laws in protecting against unlicensed persons and suffer financial harm due to defective workmanship and injured employees.

*Excerpts from the [California Contractors State License Board](#) and other general information:*

## **Who is considered to be an owner builder?**

*An owner-builder is any individual or group of individuals who own the property or building on which they plan to construct, alter, repair, improve, or remodel a building or structure. Also, a tenant may be considered an owner-builder (case by case).*

## **Is an owner-builder required to have a CSLB license?**

*An owner-builder does not need to have a CSLB license, but there are limitations. A license is not required if:*

- The owner-builder does the work himself or herself or through his or her own employees, with wages as their sole compensation and the structure(s) is/are not intended for sale; or
- The owner-builder contracts with properly licensed subcontractors. This exemption applies to the construction of a single family residential structure and limits the number of structures intended or offered for sale to four or fewer in a calendar year.

*The number of structures is unlimited if the owner-builder contracts with a General Building (B) contractor.*

## **Is a homeowner required to get a CSLB license if he/she wants to improve his/her home?**

*A homeowner improving his or her principal place of residence does not need to have a CSLB license if all of the following exists:*

- The work is performed prior to sale;
- The homeowner resides in the residence for the 12 months prior to completion of the work; and
- The homeowner has not taken advantage of the exemption on more than two structures during any three year period.

*The County of El Dorado Building Safety Division verifies a contractor's license is in full force and effect at the time of application and again at permit issuance.*

*An owner-builder must sign an owners acknowledgment and verification form indicating they understand all laws associated with exemptions from licensing requirements.*

## **Does the owner-builder exemption apply to an individual who builds homes for resale (speculation homes), and are there any limitations?**

*Yes, the owner-builder exemption would apply to an individual who builds homes for resale under any of the following conditions:*

- Licensed tradesmen are hired to perform all work on the project (provided no more than four structures per calendar year are intended for resale);

- A licensed general contractor is hired to perform and/or subcontract the completion of all work on the project (In this case, there is no restriction on the number of structures completed per calendar year); or

*An owner-builder is responsible to verify a contractor's and sub contractor's licenses and insurances are in effect during the life of the project. The county does not verify the license of a contractor if the permit application is made by an owner-builder or their agent.*

- The owner-builder performs the work, all or part, and resides in the completed structure for one year prior to resale. (This applies to not more than two structures in a three year period.)

**Are there any trades that the property owners are prohibited from performing themselves?**

*Yes, property owners are prohibited from performing well-drilling work covered under Well Drilling (C-57) contractor classification.*

**Is it true that a contractor's license is not required if the work to be performed is under \$500?**

*Yes, the B&P Section 7048 (Small Operations) provides an exemption from licensure for minor work if the aggregate contract price, including labor, materials, etc., is less than \$500. This exemption does not apply if the minor work is part of a larger project.*

*A county building permit may still be required for the work even if the value for work allows an exemption from a contractor license.*