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INFORMATION BULLETIN

OWNER BUILDER PERMIT REQUIREMENTS

This Information Bulletin explains when a property owner may obtain a building permit.

What is an Owner-Builder?

An owner-builder is the person who owns the property and acts as the general contractor on the job and either does the work or has employees (or licensed subcontractors) work on the project.

Some homeowners believe they can save money by not hiring a licensed general contractor to oversee property improvements, or they try to save money by hiring unlicensed individuals and mispresenting on the permit application by saying they, as homeowners, will do the work.

Unfortunately, most homeowners do not know they can face very serious legal and financial problems if they choose to be an owner-builder and do not follow the law.

Responsibilities of an Owner-Builder

When you sign a building permit application as an owner-builder, you assume full responsibility for all phases of your project and its integrity. You may be considered an employer if you hire unlicensed contractors to do the work.

This could make you responsible for:

- Registering with the state and federal government as an employer;
- Withholding state and federal income taxes, Social Security taxes, paying disability insurance, and making employment compensation contributions; and
- Providing workers' compensation insurance

Owner-builders are also responsible for:

- Supervising the job, including scheduling workers and obtaining building permits and requesting inspections;
- Correcting the work and getting it re-inspected if any of the construction doesn't

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pass building inspections; and

- Making sure all workers and material suppliers are paid, or face the possibility of mechanics liens against their home or property

The Basic Rule

A property owner may apply as an owner-builder when the owner qualifies for an exemption under California Business and Professions Code Section 7044. The owner must sign the required declarations and accept responsibility for the permitted work. A tenant may act as an authorized agent, but being a tenant does not make the tenant an owner-builder.

A California licensed contractor may apply for work within the contractor's license classification. A contractor's agent may apply with the required written authorization.

I. Non-Residential Properties

This section applies to commercial and other non-residential buildings, including tenant improvements.

Property Owner

- The owner may apply as owner-builder if the owner personally performs the work, or uses the owner's own employees paid wages only, and the improvements are not intended or offered for sale.
- The owner may also apply when directly hiring contractors who are properly licensed for each part of the work.
- An owner-builder permit does not allow an unlicensed tenant or outside contractor to perform work that requires a contractor license.

Tenant Improvements

A tenant who does not own the property cannot claim the owner-builder exemption just because the tenant leases or operates the business. A tenant may submit an application as an authorized agent for the property owner or licensed contractor. The work must be performed by the eligible owner and employees or by properly licensed contractors.

II. Residential Properties

This section applies to single-family homes, duplexes, multifamily buildings, and condominiums. State law and local permit rules both apply.

Single-Family Dwelling

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A homeowner improving their principal place of residence is exempt from licensure per Section 7044 of the Business and Professional Code, if all of the following exist:

- 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 this exemption on more than two structures during any three-year period.

New Single-Family Dwelling

For single-family homes intended for sale, special limits apply. Owners directly hiring licensed trades are generally limited to four such homes per calendar year unless they contract with a licensed general building contractor.

Duplexes, apartments, and condominiums

A licensed general building contractor will be required for any permit.

For condominium common areas, exterior work, or shared systems, provide the required homeowners association (HOA) authorization.

Before Applying for a Permit

Confirm who owns the property and who is authorized to sign for an LLC, corporation, trust, or homeowners' association.

Trust – If the property is owned by a Trust, a copy of the trust paperwork showing the trustee or executor as an authorized signatory for the property.

Corporation, LLC or Partnership – If the property is owned by a Corporation, LLC, or Partnership, you will need to provide a copy of the operating agreement or corporate paperwork from when the corporation was formed, which verifies the President, Vice-President, CEO, Partner, or Managing Member.

Condominiums and Townhomes– If the project is in the common area or exterior of a condominium building, a letter of authorization signed by the HOA president is required along with documentation (e.g. HOA minutes) verifying the authenticity of the president's position with the HOA. Alternatively, authorization from all condominium owners may be considered.

Important Code References

California Business and Professions Code Section 7044 describes owner-builder exemptions from contractor licensure. Health and Safety Code Section 50692 defines "owner-builder" for the HCD Housing Advisory Service chapter, which addresses self-help

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housing and principal residences. Section 50692 is not a general restriction that limits all owner-builder permits to owner-occupied homes.

More information

- CSLB Owner-Builder Overview
- California Business and Professions Code Section 7044
- California Health and Safety Code Section 50692

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