

Considering becoming an Owner-Builder?

There are a number of important issues to consider before beginning a construction project as an owner-builder. As an owner-builder you undertake legal obligation and risks. You should be aware of the information in this handout; it is intended for your benefit and protection.

What is an Owner-Builder?

An owner-builder is a person who owns the property and acts as their own general contractor for their construction project, and either does the work themselves or has employees and/or subcontractors working on the project. As the owner-builder you assume all responsibility and liability for your project.

Owner-Builder Risks

Unless you are knowledgeable about construction, mistakes will be made due to lack of experience and oversight. Mistakes can be costly and take additional time to repair or correct. In general, owner-builder projects take longer and have more cost overruns.

If workers are injured, or your subcontractors are not licensed, or do not carry liability insurance or workers' compensation insurance and they are injured, you could be asked to pay for injuries and rehabilitation through your homeowner's insurance policy or face lawsuits.

Subcontractors and suppliers who are not paid on schedule may file mechanic's liens against your property. Educate yourself about mechanics liens and how to prevent them.

You should be cautious of unlicensed individuals claiming to be contractors who prey upon homeowners. They may promise to save you money and guide you through the process for a consulting fee, but in reality they are doing you a disservice. Many times unlicensed contractors botch a job, or leave with the down payment, or abandon the job midway leaving the owner-builder to deal with the consequences.

Owner-Builder Responsibilities

As Owner-Builder you are responsible for all phases of the project and its integrity. Responsibilities include but are not limited to:

- Pull all building permits.
- Making and maintaining the construction schedule.
- Ordering materials and making sure suppliers are paid.
- Jobsite and worker safety.
- Supervising workers, subcontractors and work-progress during all phases of the project.
- Scheduling and passing all building code inspections.
- Collecting all required reports and documents for project closeout
- Paying subcontractors.

If you use anyone other than licensed subcontractors, you may be considered an “employer”.

Employers must register with the state and federal governments and are obligated to participate in state and federal income tax withholding, federal Social Security taxes, workers' compensation insurance, disability insurance costs, and unemployment compensation contributions.

Unless you are very experienced in construction management, **we recommend these matters be left to a licensed contractor**; especially in the Hillside Residential Zone (West of Santa Teresa Blvd.) due to projects involving deep pier and grade beam foundations, large retaining walls, and Wildlife-Urban Interface Fire Area requirements.

Did You Know

Licensed contractors must:

- Demonstrate they have the experience and skills to manage a construction business.
- Pass a knowledge exam related to their craft
- Be Insured and Bonded
- Get Live Scan fingerprinted
- Pass a full criminal background check

When you hire a contractor, you become 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.

For example:

California Civil Code 896: “In any action seeking recovery of damages arising out of, or related to deficiencies in, the residential construction, design, specifications, surveying, planning, supervision, testing, or observation of construction, a builder, and to the extent set forth in Chapter 4 (commencing with Section 910), a general contractor, subcontractor, material supplier, individual product manufacturer, or design professional, shall, except as specifically set forth in this title, be liable for, and the claimant’s claims or causes of action shall be limited to violation of, the following standards, except as specifically set forth in this title...”

The *Contractors State License Board (CSLB)* also protects consumers by licensing and regulating California contractors. Consumers who have unresolved issue with a contractor can file a complaint with CSLB. Whenever possible, CSLB aims to settle complaints with early intervention and mediation.

For more information see http://cslb.ca.gov/Consumer/Filing_A_Complaint/

OWNERS BE ADVISED, AND CONSIDER THE RISK VS REWARD BEFORE DECIDING IF YOU WANT TO HIRE A CONTRACTOR OR BECOME AN OWNER-BUILDER FOR YOUR CONSTRUCTION PROJECT.