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## BUILDING & SAFETY DIVISION POLICIES & PROCEDURES

### Policy No. PP-1 Determining Valuations for Building Permits

#### Background:

Most permit fees are determined by three methods: new square footage multiplied by the Building Valuation table, construction valuation based on a contract, or a combination of both.

This policy is designed to help staff explain to the customer an acceptable method for determining construction valuation for building projects that are not covered by one of the methods described above, or are permits that are being prepared by an Owner-Builder.

#### Definition:

Construction valuation is defined as the value to be used in computing the building permit and building plan review fees shall be the total value of all construction work for which the permit is issued, as well as finish work, painting, roofing, electrical, plumbing, heating, air conditioning, elevators, fire extinguishing systems and any other permanent equipment.

#### Policy:

- Owner-Builders, “do-it-yourselfers” or people claiming “sweat-equity” will need to estimate the construction valuation for their permits with the idea that they were hiring a licensed contractor to perform the work, as defined above. Written estimates from contractors or subcontractors would be an acceptable way to determine construction valuation.
- Upon request by this department, Contractors may be required to provide a copy of their construction contract for verification of the construction valuation. Contractors providing low valuations on permit applications will be referred to the California Contractors State License Board (CSLB) for potential prosecution.

The Owner-Builder can also determine a “ball-park” estimate for their construction valuation by providing a cost breakdown using the following formula:

#### **Retail Cost of Materials + (# of labor hours to complete project x \$50.00 per hour)**

##### *Example:*

A homeowner comes in to submit for a permit to remodel a bathroom. This will include replacement of toilet, shower enclosure, sink, flooring, and new outlets and lighting. The retail cost of materials is \$4,000.00.

- The customer will need to determine an approximate number of hours that each part of the project would logical take. For this example, we will say it will take 40 hours to complete this project.
- Now, the customer will multiply the number of hours (40 hours) by an average hourly rate that a contractor would charge. For estimating purposes, it has been determined that \$50.00 per hour is an adequate figure for residential permits.

So, having this information the following calculation can be made:

$\$4,000.00$  (retail cost) + (40 hours labor x \$50.00 per hour) =  $\$6,000.00$  construction valuation for project.

Also keep in mind that the permit valuation does not have to be an exact science. For every \$1,000.00 of construction value, permit fees only increase about \$10.00 to \$15.00 for a residential permit and \$20.00 to \$30.00 for a commercial permit.

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