



Construction Business Toolkit:

Starting and Growing your Construction Business in Sonoma County

Dear Future and Current Construction Company Owners,

Congratulations on your choice to embark on the exciting path to business ownership. While being your own boss is rewarding, it does come with unique challenges. The aim of this “Toolkit” is to give you access to several resources, in a centralized format, that will provide you with the tools necessary to build your business from the ground up.

Whether you are just starting out, and need to get your California Contractor’s License, or you are a bit more established and looking to expand your business, the Toolkit contains the resources and contact information you will need to get the job done.

In addition, this Toolkit will provide you with some basic local data on economic and construction trends designed to help you make informed choices as to *how* to grow your business.

If you have questions at any time as you go through this information, or as you begin to navigate the required steps in building your business, we encourage you to contact the Sonoma County Business Assistance Hotline at (707) 565-7589. Through the Hotline, you will find prompt, personal, and free answers and resources.

We would like to thank you for your willingness to invest in Sonoma County by choosing to build your business here.

Sincerely,

Sonoma County Board of Supervisors

Sonoma County Economic Development Board

The American Institute of Architects, Redwood Empire

The North Coast Builders Exchange

The Northern California Engineering Contractors Association

The Redwood Empire Remodelers Association

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The **Sonoma County Economic Development Board** (EDB) provides a business assistance guide, demographic information, industry reports, city reports and regional outlooks to the public. Additionally, the EDB provides:

- Access to *free* market research, industry trend and site selection tools that allow entrepreneurs to receive customized assistance as they research the market for their product or service.
- **A Business Assistance Hotline** that offers one-on-one, *free* and *confidential* guidance with business licensing and regulatory requirements, identification of financing resources, finding qualified employees, and much more.

For more information, call our FREE, Confidential Business Assistance Hotline:

707-565-7589

Construction Business Toolkit

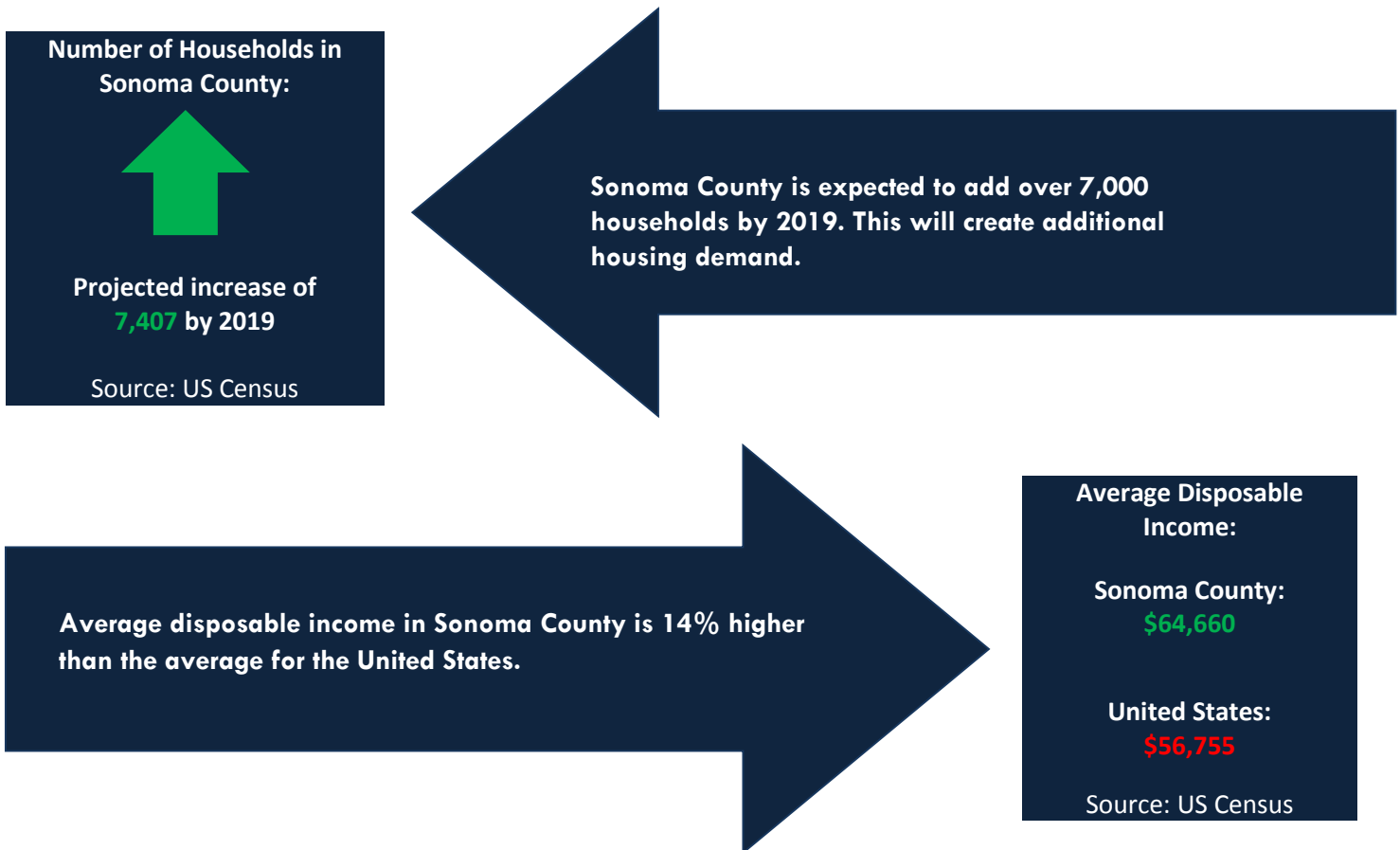
STARTING AND GROWING YOUR CONSTRUCTION BUSINESS IN SONOMA COUNTY

LOCAL AND NATIONAL CONSTRUCTION TRENDS

Executive Summary¹

After several years of difficulty for the construction industry, there is reason to be optimistic about the future, both from a national and a local perspective. While economic recovery has been slower to return to the construction industry than others, the industry is projected to grow by 6.3% annually to 2019. This recovery has created an opportunity for several new companies to join the industry over the past three years. Additionally, as credit worries ease, pent-up demand for construction projects may create greater opportunity for new companies to grow.

Key Industry Drivers (Residential Construction, Sonoma County)



¹ Information courtesy of IBISWorld Industry Report 23611a, *Home Builders in the US*, December 2014

2013 Housing Starts
(units):

Single Family
+47%


Multi-Family
+139%

Source: US Census

Housing starts showed strong gains in 2013 (the last year for which data is available).

Market pressures are slowly driving mortgage rates up. While this could cool the housing market, it also creates motivation to start projects before the rate further increases.

30 Year Fixed Mortgage Rate:



Projected to rise from current lows
Source: Bankrate

Unemployment Rate
(5/2015):

Sonoma County:
4.3%

United States:
5.5%

Source: CA EDD/US BLS

Low unemployment encourages home ownership and positively influences home values. The unemployment rate in Sonoma County is generally lower than the national rate.

GETTING LICENSED – WHY

In the State of California, only licensed Contractors may perform work totaling \$500 or more in value, including labor and materials. In fact, by law, unlicensed contractors may not even bid jobs totaling \$500 or more in value. In recent years, the State has begun to aggressively enforce laws that govern unlicensed activity, and considering that even a first offense carries the possibility of jail time, becoming licensed is more important than ever.

GETTING LICENSED – HOW

Qualifications

While there are no specific education requirements involved in procuring your Contractor's License, you must be able to demonstrate proof of four years of experience at the level of Journeyman, Foreman, supervisor, or owner-builder. The experience requirement must be documented by a qualified individual, such as a former employer, homeowner, or other journeyman. In certain cases, specialized training or an approved apprenticeship can substitute for up to 1½ years of experience.

Process²

In California, the Contractors State License Board (CSLB) issues licenses and regulates contractors. The application process varies slightly depending upon business structure, and certain business types may require additional steps. In general however, the following steps are necessary for all applicants.

- Obtain and complete an *Application for Original Contractor's License*. Be sure to carefully read all instructions included with the application, as inaccuracies and omissions can delay processing. The application can be obtained at www.cslb.ca.gov, by clicking on the *Applicants* tab, then clicking *Forms and Applications* in the left-hand sidebar. Alternately, the form can be obtained through the CSLB's Santa Rosa field office, open Monday, Tuesday, Thursday, and Friday:

**50 D Street, Room 105
Santa Rosa, CA 95404
(800) 321-CSLB (2752)**

- If you have never before served as a qualifying individual for a license, or have not passed the trade and/or law examination within the past five years, you will be required to pass the examination before becoming licensed. Once you submit your application, and pay the initial \$300 application fee, you will receive a letter of acknowledgement from the CSLB that contains a receipt number and a Personal Identification Number (PIN) that you may use to check the status of your application on the CSLB website.

² Information courtesy of California Contractors State License Board, "Blueprint for Becoming a California Licensed Contractor," September 2006. <http://www.cslb.ca.gov/Resources/GuidesAndPamphlets/BlueprintForGettingLicensed.pdf>

- Each person listed on the application is required to submit their fingerprints to the Department of Justice and the Federal Bureau of investigation. Included in the letter of acknowledgement will be a *Request for Live Scan Service*. *Live Scan* fingerprints must be submitted before the application will be fully processed by CSLB.

A list of *Live Scan* locations can be found at:

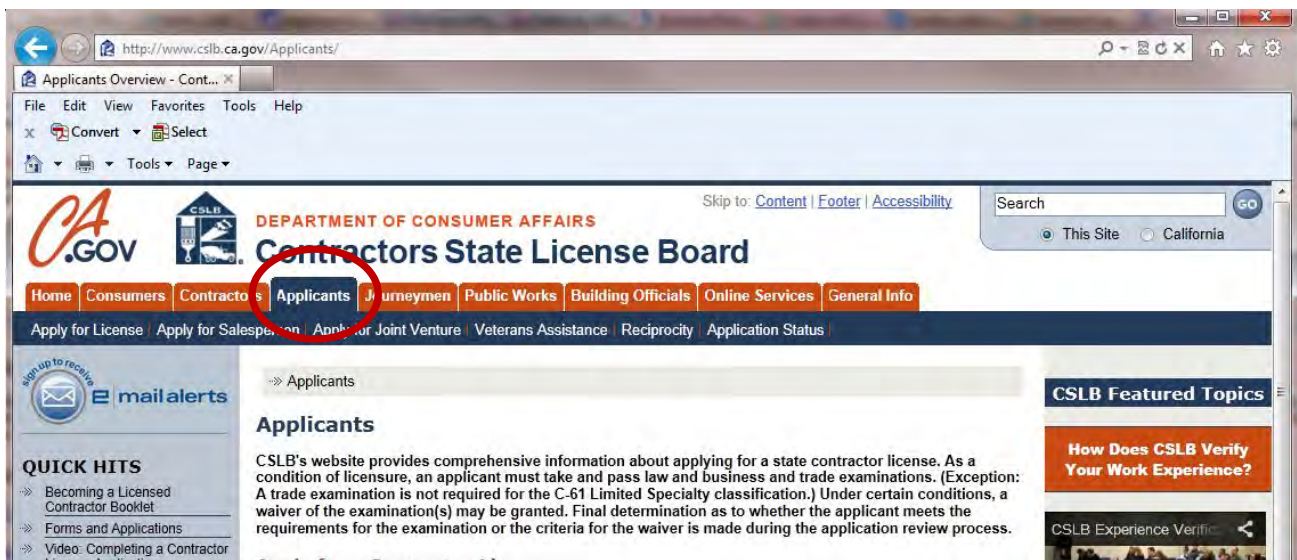
<http://ag.ca.gov/fingerprints/publications/contact.php>

- Once your application is processed, you will receive an examination date. Upon successful completion of the examination, applicants must submit the following, plus any additional information or documentation requested by CSLB:
 - \$180 initial license fee
 - Submit a Contractor’s Bond or cash deposit in the amount of \$12,500
 - Submit proof of Worker’s Compensation insurance. If you have *no* employees, you will be allowed to submit an exemption certificate.

Note: If your business is an LLC, there are additional financial requirements for licensure. They can be found here: <http://www.cslb.ca.gov/GeneralInformation/About/LLC.asp>.

Other information

During the application process, you will find helpful resources at CSLB’s website such as forms, exam study guides, processing times, and license status. Just go to www.cslb.ca.gov, and click on the “Applicants” tab as shown below:



FORMING YOUR BUSINESS

While your Contractor's License application is processed by the State, you may begin to complete the next steps in forming a business structure. The following items are the basic steps required to legally form a business entity in Sonoma County. As you progress through these tasks, it is recommended that you ask questions of the staff at the following agencies to ensure that all of the appropriate requirements are being fulfilled correctly.

Legal Business Structure

You have probably heard the terms **Sole proprietorship, General Partnership, Limited Liability Company (LLC), and Type C or S Corporation**. The determination to form a company under a particular structure has much to do with the business activity, location, and organization.

Information about each structure can be found at the California Secretary of State website: www.sos.ca.gov.

Certain legal business structures, such as LLC's and Corporations, offer their members and principals protection from *some* types of liabilities. Plus, since the legal structure of the business will dictate many of the entity's operational functions and tax liability, entrepreneurs are encouraged to seek legal advice when considering these choices. More information can be found at: www.Business.USA.gov.

Local Licensing Requirements

While the County of Sonoma has no business licensing requirements for the unincorporated areas of the county, **each city in which a business will generate receipts/income requires a license** and/or a business tax certificate. During this application process, Contractors should inquire about any further required licenses, permits or endorsements.

Contacts for each of the nine incorporated cities are below:

Cloverdale	707-894-2521	www.ca-cloverdale.civicplus.com
Cotati	707-792-4600	www.ci.cotati.ca.us
Healdsburg	707-431-3300	www.ci.healdsburg.ca.us
Petaluma	707-778-4549	www.cityofpetaluma.net/finance/bustax.html
Rohnert Park	707-585-6725	www.ci.rohnert-park.ca.us
Santa Rosa	855-219-4339	http://santarosa.bizlicenseonline.com
Sebastopol	707-823-1153	www.ci.sebastopol.ca.us
Sonoma	707-933-2237	www.sonomacity.org
Windsor	707-838-5358	www.ci.windsor.ca.us

Fictitious Business Name Statement (FBN)

If your new venture will conduct business under a name that does not contain the surname of any and all owners, or is a corporation that will do business under a different name than is registered with the State, you will need to file a **Fictitious Business Name Statement** with the County of Sonoma Clerk's Office. This application must be filed within 40 days of business start date. The Clerk's Office can be reached at:

**2300 County Center Drive, B-177
Santa Rosa, CA 95403
707-565-3800
www.sonoma-county.org/clerk**

Obtaining Necessary Permits

Whether you are building an office or shop for your business, or preparing to apply for permits on behalf of a customer's project, you will need to contact the appropriate agency in charge of regulating land use, building, and environmental regulations.

Sonoma County is comprised of nine incorporated cities, and the unincorporated area governed by the County of Sonoma. Each jurisdiction is charged with regulating permits and ensuring compliance within its own boundaries. Additionally, various state agencies also regulate air quality, water quality, food safety, employee safety, energy efficiency, and the like.

Always check with the local permitting and zoning authority to ensure your project complies with regulations, and to determine the necessary steps involved in the permitting process. Contacts for each of the planning and development agencies in Sonoma County are below:

County of Sonoma (PRMD)	707-565-1925	www.sonoma-county.org/prmd/index.htm
Cloverdale	707-894-1701	www.ca-cloverdale.civicplus.com
Cotati	707-665-3637	www.ci.cotati.ca.us
Healdsburg	707-431-3300	www.ci.healdsburg.ca.us
Petaluma	707-778-4301	www.cityofpetaluma.net/cdd/index.html
Rohnert Park	707-588-2226	www.ci.rohnert-park.ca.us
Santa Rosa	707-543-3200	www.ci.santa-rosa.ca.us
Sebastopol	707-823-6167	www.ci.sebastopol.ca.us
Sonoma	707-938-3681	www.sonomacity.org
Windsor	707-838-1021	www.ci.windsor.ca.us

Employer Responsibility

If you plan on hiring employees, there are additional local, state, and federal regulations. Below are some additional online resources that outline these regulations.

- An inventory of the most commonly requested information on applicable labor regulations is available at www.SonomaEDB.org under “**Business Resources: Regulatory Guide**”
- The State of California maintains a comprehensive list of state-level requirements for businesses with employees at: www.business.ca.gov/StartaBusiness/AdministeringEmployees.aspx
- Employer information and publications may also be found on the Internal Revenue Service website at:
www.irs.gov/Businesses/Small-Businesses-&-Self-Employed/Businesses-with-Employees
- Locally, Sonoma County Job Link offers a Business Representative who acts as a liaison to the business community. In addition to connection job seekers with employers, the Business Representative can answer questions relating to the regulation of businesses with employees.

Sonoma County job Link
2227 Capricorn Way
Santa Rosa, CA 95407
707-565-5620 or www.joblinksonomacounty.com

Tax Requirements

Businesses are likely to be subject to federal, state and local taxes. Entrepreneurs are strongly advised to consult with a tax professional as they consider business activity, organizational structure and location. For reference, federal and state taxing agencies are described below.

Internal Revenue Service

All for-profit ventures are subject to federal income taxes. Further federal tax information can be found by contacting the IRS at:

777 Sonoma Ave.
Santa Rosa, CA 95404
707-523-0924 or www.irs.gov/Businesses

California State Franchise Tax Board

Businesses in California are subject to various taxes based upon activity, size, and employment, among other factors. The following websites can provide information on California Business Tax requirements, forms, filing dates and other important information:

The California Tax Center: www.taxes.ca.gov/index.shtml

The California Franchise Tax Board: **800-852-5711**

GROWING YOUR BUSINESS

Developing your Business Plan

Though sometimes overlooked as an important part of establishing a successful business and/or obtaining financing, your business plan communicates what your business does, your vision for the future, and the steps you will take to reach those objectives. At a minimum, the business plan should include:

1. An executive summary
2. A marketing plan
3. An operations plan
4. The proposed organizational structure
5. A profit and loss projection

Several resources, both local and online, exist to help you develop and refine your business plan. A *partial* listing of these resources is below:

Online Resources:

- The **Small Business Administration (SBA)** has an easy-to-follow online tool that takes users step-by-step through the business planning process. The tool allows you to work at your own pace, saving your progress and allowing you to return as time permits. Once finished, you can save it as a PDF file. As your business grows, the tool also allows you to update your plan at any time.

The “**Build your Business Plan**” tool can be found at the SBA website here:

<http://www.sba.gov/tools/business-plan/1>.

- **SCORE**, a non-profit organization supported by the SBA, offers a host of templates and tools for new and established businesses. Business and marketing plan templates from SCORE are provided in Microsoft Word format, and finance templates such as balance sheets, profit and loss projections, and cash-flow statements are available as Excel spreadsheets.

These templates and tools can be found at the North Coast SCORE website here:

<http://northcoast.score.org/resources/tab-a>

Local resources:

- The **Sonoma Small Business Development Center (SBDC)** is a local SBA-supported organization that connects business owners with skilled business advisors to offer **no-cost** counseling. Additionally, the SBDC offers several low-cost seminars throughout the year covering topics such as marketing, website development, social media, and more.

You can request free business mentoring and advising from the SBDC through their website here:

<http://sonomasbdc.org>.

- **North Coast SCORE**, a local chapter of the national organization, is a group of active and retired business professionals who volunteer their time to offer business mentoring to new and established business owners. SCORE’s mentors offer **free** and confidential business advice, either online or in person.

You can request a meeting with a SCORE Counselor through their website here:

<http://northcoast.score.org/mentors>.

Local resources continued-

- The **Sonoma County Economic Development Board (EDB)** offers a suite of **free** Business Development Tools to help business owners develop their business plans, identify and reach new markets, and target prospective customers. These tools can provide:
 - Market demographics, income data, and spending characteristics
 - Industry data, economic indicators and competitive information; and
 - Targeted customer lists for business or residential clients, for the entire nation or individual zip codes

To access these **free** resources, contact the EDB's Christine Palmer at (707) 565-7296, or by emailing christine.palmer@sonoma-county.org.

Financing your Business

Once you have developed a business plan, you may be interested in exploring small business financing. The EDB now has **new** services available to small businesses seeking financing including one-on-one technical assistance with loan applications and access to **start-up loans for new businesses**. Here are a few considerations for business owners seeking financing:

1. Project Costs

- Your “project” includes everything needed to open for business. Building, leasing costs, inventory, equipment, vehicles, marketing, etc. These details should be outlined in your business plan.

2. Collateral

- Do you have cash or other assets that you will be investing in your business? Generally speaking, lenders like to see some “owner-participation” with regards to financing. This demonstrates a commitment to the business and its success.

What does this mean? Simply put, equity in the neighborhood of 20 – 30% is generally requested by lenders. If total project costs are equal to \$150,000, then an owner should expect to contribute around \$30,000-\$45,000 in cash and/or assets.

3. Pre-application

- Lenders often cite that applications are denied simply because they are not complete, or the prospective borrower did not fully understand application requirements. In addition to a well-organized business plan, there are several other factors to consider when applying for funding. New, **no-cost** technical assistance programs available through the EDB are designed to help small business owners assemble strong application packages. If you would like more information, call the EDB's **Business Assistance Hotline** at **707-565-7589**.

Once you are ready to pursue financing, a comprehensive list of available resources is available at www.SonomaEDB.org under **Business Resources: Financing**.



Additional Business Resources

Other Resources Available from the Economic Development Board

Business Development Tools (Industry trends, market analysis, customer lists)

Contact: Christine Palmer at 707-565-7296

Staffing Resources and Incentives

Contact: Heather LoBue at 707-565-6415

Sonoma County Green Business Program

Contact: Kevin Kumataka at 707-565-6455

Business Development Assistance and Counseling

North Coast SCORE.....707-571-8342

Sonoma Small Business Development Center (SBDC).....707-595-0060

Professional Development and Education

Empire College.....877-395-8535

Santa Rosa Junior College (SRJC).....707-527-4011

Sonoma State University (SSU)707-664-2880

Trade Groups Serving Local Building and Construction

American Institute of Architects707-838-2672

Building Industry Association Bay Area (BIA).....925-951-6840

North Coast Builders Exchange.....707-542-9502

Northern California Engineering Contractors Association707-546-5500

Redwood Empire Remodelers Association.....707-545-2727

U.S. Green Building Council, Redwood Empire707-664-6250

Local Chambers of Commerce

Cloverdale Chamber of Commerce707-894-4470

Cotati Chamber of Commerce707-795-5508

Forestville Chamber of Commerce.....707-887-1111

Geyserville Chamber of Commerce707-857-3745

Healdsburg Chamber of Commerce707-433-6935

Hispanic Chamber of Commerce707-575-3648

Mark West Area Chamber of Commerce707-578-7975

North Bay Black Chamber of Commerce.....888-846-5155

Petaluma Area Chamber of Commerce.....707-762-2785

Redwood Coast Chamber of Commerce707-884-1080

Russian River Chamber of Commerce.....707-869-9000

Santa Rosa Chamber of Commerce.....707-545-1414

Sebastopol Area Chamber of Commerce707-823-3032

Sonoma Valley Chamber of Commerce707-996-1033

Windsor Chamber of Commerce.....707-838-7285

Shared Workspace & Business Incubators

Sebastopol Entrepreneurs Project707-861-3390

Share Exchange707-583-7667

SoCo Nexus.....707-794-1240

WORK Petaluma.....707-721-6540

The EDB is pleased to thank the following Signature Sponsors for their support of our important programs.

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American AgCredit	NorBAR
American River Bank	Sonoma County Alliance
City of Santa Rosa	Summit State Bank
Comcast	Vantreo Insurance
Midstate Construction	Zainer Rinehart Clarke

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Sonoma County Board of Supervisors