

What Requires a Permit, & Does Unpermitted Work Affect Your Ability to Sell?

My July 25th column described how a seller got into a legal dispute from not having disclosed an unpermitted basement finish done decades earlier. That story raised a question common among homeowners — what work requires a permit, and does failure to obtain a permit make it harder to sell a home?

Incorporated cities like Denver, Arvada, Lakewood and Golden issue the permits within their jurisdictions, but residents of unincorporated areas must get permits from their county's planning and zoning office.

Each jurisdiction has slightly different requirements. For example, Golden lets you install a backyard fence up to 7' high without a permit (unless on a corner lot or in an historic district), but Jeffco requires a permit for any fence over 42 inches tall. Denver is more generous, exempting "posthole-dug fences" up to 8 feet high.

When it comes to structures, whether habitable or not, the requirements are fairly consistent. There is an International Residential Code (IRC) which is updated regularly, and most jurisdictions adopt the updated code with only minor adjustments.

I found only one jurisdiction, Golden, which provides a simple one-page PDF listing what does and does not require a permit. See our blog, www.GoldenREblog.com for a link to that PDF. If you are in another city or unincorporated area, you can still expect that document to reflect what your jurisdiction might require of you.

Basically, any modifications to the walls, windows, roof, plumbing or electrical system of a home requires a permit, and it's a good idea to obtain one, even though you can sell a home which had unpermitted work done, so long as you disclose that fact to your buyer.

Call or visit your jurisdiction's planning department to find out what permits are and are not required for your home. You'll find that most jurisdictions don't require a permit for replacing cabinets, countertops, light fixtures, ceiling fans or plumbing fixtures in existing locations, or for roof or siding repairs/replacement (10% or less).

Denver exempts oil derricks, which I found to be a strange inclusion in its list of exemptions.

As mentioned in my earlier column, the standard Seller's Property Disclosure form provided in most real estate transactions asks the seller to disclose any work done without the required permit in the previous 12 months. If so, the seller should check "Yes" and use the space provided

on the form to describe what was done.

If, however, the seller had work done *more* than 12 months prior to completing that disclosure form, I recommend that he or she still use the comments column to describe the work done without a permit and indicate when it was done.

Typically, this disclosure form is provided to the buyer prior to hiring a professional inspector to conduct a thorough inspection of all the home's components. That way, the disclosure can be given to the inspector, which would cause him or her to pay special attention to the area of unpermitted work to determine if the work was done "to code" and without defects that the buyer might then ask the seller to fix.

By disclosing all unpermitted work in that document, the seller can forestall any claim after closing such as I described in my July 25th column. In their listing presentations, agents should ask about older unpermitted work and handle it in this manner. I certainly will do so from now on!

If you're in an HOA, you probably will need to get approval for repainting the outside of your house, concrete repairs, landscaping changes or even the location and color of exterior radon mitigation equipment — things that don't typically require city or county approval.

It makes sense that permits are required. Consider, for example, replacing a water heater or furnace. If they are gas appliances, today's code requires that outside combustion air be provided so that the appliances don't deplete the oxygen in your home, and gas-fired devices emit deadly carbon monoxide, so it's important that they be installed correctly. It is only by getting a permit that you ensure the work is inspected by the city or county, which is a good thing, especially when it comes to health and safety.

In those cases, you're probably hiring a contractor to do the work, and the contractor should be licensed with the city or county where the work is being done and should obtain the permit for you. If you are a do-it-yourselfer, you can get the permit as a homeowner, but the city or county may have you take a written test to show that you're competent at the work being done — and it will be inspected. (I remember taking — and failing — such a test when I applied for an electrical permit in Denver...)

Permitting fees and requirements cause some

homeowners to do work without getting a permit and hope they're not caught. If the city or county catches you mid-project without a permit — something that happened to me in Denver in the 1990's — expect them to issue a stop-work order and to double the permit fee.

At least in Golden (speaking again from experience), you can turn yourself in and get a post-facto permit without paying a penalty, but you'll need to show that the work was done to code, and the city will inspect it.

Property taxes are based on a market valuation of your home by the county assessor, and getting a permit for your finished basement, new deck or detached garage, etc. could result in a higher valuation and therefore higher property taxes for your home, but that's not a good reason to avoid going through the permitting process. How much will your taxes go up? Let's say your basement finish cost \$50,000. It's unlikely your home's value will increase by the full amount of any renovation, but even if it did, the assessment rate is now 7.15%, which means your assessed valuation would only increase by \$3,575. If your mill levy rate is, say, 100 mills, that means your annual property taxes would increase by \$357.50. But they won't. And if you were to spend the same \$50,000 on a kitchen or bathroom remodel, it might not increase the assessor's valuation of your home at all, even though it was permitted, because it didn't add any finished square footage to your home.

What the assessor values your home at is not based on what you paid for it, and neither is it based on what you spend to improve it. Your home's valuation is based on the sale of comparable homes to determine what your home *might* have sold for on June 30th of the most recent even numbered year. Thus, even if you purchased your home on June 30, 2018 (the most recent valuation date), the assessor won't use what you *paid* for your home as the *value* of your home.

Theoretically, your county assessor's office could monitor MLS listings and compare the description of your home with what their records show. But I have never heard of anyone's assessor records being changed based on the MLS description of their home.

If you have any questions that this column did not answer, please feel free to call me or any of our agents at the phone numbers below. I'm always happy to hear from my readers, and all of us are happy to answer your real estate questions.

REAL ESTATE TODAY



By JIM SMITH, Realtor®

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My listing at 12996 W. 81st Place in Arvada was originally listed at \$1,875,000 and was worth every penny when you learn its features. Now it's priced at just \$1,600,000. See all 46 HDR photos and a 21-minute narrated video walk-through at www.ArvidaMansion.info.



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Send Your Request to Jim@GoldenRealEstate.com

Jim Smith

Broker/Owner, 303-525-1851

Broker Associates:

CAROL MILAN — 720-982-4941

NORM KOWITZ — 303-229-3891

ANDREW LESKO — 720-710-1000

DAVID DLUGASCH — 303-908-4835

CHUCK BROWN — 303-885-7855

KRISTI BRUNEL — 303-525-2520

CARRIE LOVINGIER — 303-907-1278

JIM SWANSON — 303-929-2727

