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THIRD READING

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Bill No: AB 559  
Author: Berman (D), et al.  
Amended: 3/27/25 in Assembly  
Vote: 21

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SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 10-0, 6/30/25  
AYES: Ashby, Choi, Archuleta, Arreguín, Menjivar, Niello, Smallwood-Cuevas,  
Strickland, Umberg, Weber Pierson  
NO VOTE RECORDED: Grayson

SENATE JUDICIARY COMMITTEE: 13-0, 7/8/25  
AYES: Umberg, Niello, Allen, Arreguín, Ashby, Caballero, Durazo, Laird, Stern,  
Valladares, Wahab, Weber Pierson, Wiener

SENATE APPROPRIATIONS COMMITTEE: 7-0, 8/29/25  
AYES: Caballero, Seyarto, Cabaldon, Dahle, Grayson, Richardson, Wahab

ASSEMBLY FLOOR: 76-0, 5/1/25 (Consent) - See last page for vote

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**SUBJECT:** Professions and vocations: contractors: home improvement  
contracts: prohibited business practices

**SOURCE:** Contractors State License Board

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**DIGEST:** This bill adds contracts to build accessory dwelling units (ADUs) on residentially zoned property to the definition of “home improvement,” in the Contractors State License Law (License Law). This bill applies HIC requirements to ADU contracts and subjects violators to enforcement by the Contractors State License Board (CSLB). This bill provides that fines for specified violations resulting in consumer financial harm may be assessed up to \$10,000.

**ANALYSIS:**

Existing law:

- 1) Establishes the CSLB to implement and enforce the License Law. (Business and Professions Code (BPC) §§ 7000 et seq.)
- 2) Defines “home improvement” as repairing, remodeling, altering, converting, or modernizing of, or adding to, residential property, as well as the reconstruction, restoration, or rebuilding of a residential property that is damaged or destroyed by a natural disaster for which a state of emergency is proclaimed by the Governor, or for which an emergency or major disaster is declared by the President of the United States, as specified. (BPC § 7151(a))
- 3) Defines “home improvement contract” to mean an agreement, whether oral or written, or contained in one or more documents, between a contractor and an owner or between a contractor and a tenant for the performance of a home improvement, and includes all labor, services, and materials to be furnished and performed thereunder. (BPC § 7151.2)
- 4) Identifies projects for which an HIC is required, outlines the contract requirements, and lists the items and notifications that shall be included in the contract or may be provided as an attachment. (BPC § 7159)
- 5) Sets forth HIC requirements, including that:
  - a) If a downpayment will be charged, the downpayment shall not exceed \$1,000 or 10 percent of the contract amount, whichever amount is less.
  - c) If, in addition to a downpayment, the contract provides for payments to be made prior to completion of work, the contract shall include a schedule of payments in dollars and cents specifically referencing the amount of work or services to be performed and any materials and equipment to be supplied.
  - d) Except for a downpayment, the contractor shall neither request nor accept payment that exceeds the value of the work performed or material delivered. The prohibition extends to advance payment in whole or in part from any lender or financier for the performance or sale of home improvement goods or services. (BPC § 7159.5(a)(1), (3), (4), (5))

- 8) Exempts a contractor furnishing a performance and payment bond or other bond equivalents covering full performance and payment from the requirements of 5 above. (BPC § 7159.5(a)(8))
- 9) Specifies that a violation of 5a) and 5c) above is a misdemeanor punishable by a fine of up to \$5,000, or by imprisonment in county jail not exceeding one year, or by both that fine and imprisonment. (BPC § 7159.5(b))
- 10) Exempts from the License law any person who only furnishes materials or supplies without fabricating them into, or consuming them in the performance of, the work of the contractor. (BPC § 7052)
- 11) Defines ADU as an attached or a detached residential dwelling unit that provides complete independent living facilities for one or more persons and is located on a lot with a proposed or existing primary residence. An ADU must include permanent living, sleeping, eating, cooking, and sanitation provisions on the same parcel where the single-family or multifamily dwelling is or will be situated. (Government Code § 66313(a))

This bill:

- 1) Adds building ADUs to the definition of “home improvement,” thereby applying all HIC requirements to ADU projects.
- 2) Specifies that a licensed contractor who requests or accepts payment in violation of HIC requirements that results in consumer financial loss greater than 10 percent of the contract amount is subject to license revocation.
- 3) Specifies that a licensed or unlicensed contractor who requests or accepts a down payment or progress payment for work or services not performed, or for materials or equipment not supplied, that results in financial loss to a consumer greater than 10 percent of the contract amount is subject to citation and a civil penalty of at least ten thousand dollars (\$10,000).

## **Background**

The CSLB is responsible for the implementation and enforcement of the License Law, which governs the licensure, practice, and discipline of contractors in California. The CSLB may impose an escalating scale of penalties ranging from citations and fines to license suspension and revocation to contractors who violate

the License Law.

The CSLB recently revoked the license of Anchored Tiny Homes, a Sacramento-based ADU builder, after it received more than 400 complaints, primarily from consumers alleging that they paid for ADUs that were never completed. Unlike new construction, home improvement projects are subject to contract and payment rules to protect consumers from unscrupulous contractors. For example, contractors are prohibited from requesting or accepting progress payments that exceed the value of the work completed or the cost of materials delivered. Existing law does not expressly include ADUs in the definition of home improvement, so while Anchored Tiny Homes did not contest the revocation of their license, another contractor could argue that contracts for ADUs are not subject to the same payment restrictions, thus illuminating the need to clarify existing law.

This bill would include ADUs in the definition of “home improvement,” in the same way that swimming pools, fences, and garages are, therefore subjecting the construction of ADUs to stricter contract and payment rules. Additionally, this bill would boost the CSLB’s enforcement capability by subjecting a contractor to license revocation (or citation if the individual is unlicensed) and a \$10,000 fine if they request or accept a down payment or progress payment for work and materials that are not performed or supplied, resulting in a consumer’s financial loss greater than 10 percent of the contract amount.

**FISCAL EFFECT:** Appropriation: No Fiscal Com.: Yes Local: No

CSLB reports minor workload increase to the CSLB Testing Division to update licensing exams to include questions on the topic of ADUs; unknown increased workload, ranging in the low thousands of dollars, to the CSLB Enforcement Division to review violations of downpayment or progress payment provisions specific to home improvement contracts (Contractors License Fund); unknown potential increase in cases referred to the Attorney General’s (AG) Office due to a potential increase in civil penalty appeals. Penalty revenue is anticipated to offset costs for the increased volume of enforcement workload and any subsequent AG appeals review; however, to the extent that there is a significant number of new violations above CSLB’s projections, then there may be a fiscal impact to CSLB.

**SUPPORT:** (Verified 8/29/25)

Contractors State License Board (Source)  
Associated General Contractors, California Chapters  
California Low-income Consumer Coalition

**OPPOSITION:** (Verified 8/29/25)

Casita Coalition  
Natomas Labs, INC. DBA Villa Homes  
Samara Living, INC.  
Snapadu  
Tentmakers INC

**ARGUMENTS IN SUPPORT:** CSLB writes, “AB 559 would add accessory dwelling units on residentially zoned property into the existing definition of “Home Improvement” in Contractors State License Law and would increase penalties on contractors who violate progress payment provisions resulting in consumer harm. This bill clarifies that engaging in ADI construction projects are subject to progress payment rules and will discourage contractors from failing to complete construction projects despite receiving payment.”

The Associated General Contractors, California Chapter states, “With the potential revocation of licenses and significant penalties for violations, AB 559 establishes a clear deterrent against malpractice, ensuring that quality and diligence are prioritized in contractor services.”

The California Low-Income Consumer Coalition writes, “This bill strengthens consumer protection by adding ADUs to the existing definition of “Home Improvement” in Contractors State License Law and increasing penalties on contractors who violate progress payment provisions resulting in consumer harm.”

**ARGUMENTS IN OPPOSITION:** The Casita Coalition opposes unless amended citing “the blanket limitation of a max deposit of \$1,000 for all types of ADUs creates an unworkable standard for smaller builders and factory-built ADU companies, imposing unacceptable financial burdens and risk that will lead many to stop building ADUs... We propose an amendment specifying that the bill applies only to attached ADUs and those created from conversion of existing interior space of the primary residence.”

Villa Homes, Samara Living, Inc., and Tentmakers Inc., cite similar concerns, but add, “We recommend an amendment to add an exemption for ADU builders who use a funds-controlled escrow.”

SnapADU cites similar concerns, but instead suggests that the bill, “Require clear project disclosures before collecting significant payments... Tie payments to

meaningful project milestones... Create a public CSLB registry or endorsement for ADU-qualified builders.”

ASSEMBLY FLOOR: 76-0, 5/1/25

AYES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Arambula, Ávila Farías, Bains, Bauer-Kahan, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gabriel, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, Muratsuchi, Nguyen, Ortega, Pacheco, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Celeste Rodriguez, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Ta, Tangipa, Valencia, Wallis, Ward, Wicks, Wilson, Zbur, Rivas

NO VOTE RECORDED: Chen, McKinnor, Papan

Prepared by: Yeaphana La Marr / B., P. & E.D. /  
8/29/25 20:47:02

\*\*\*\* END \*\*\*\*