



CONTRACTORS
STATE LICENSE BOARD

Legislative Committee Teleconference Meeting

September 18, 2024 | 1:00 p.m. – 5:00 p.m.

Today's meeting will begin momentarily.

Public Comment

Call (415) 655-0001 US Toll

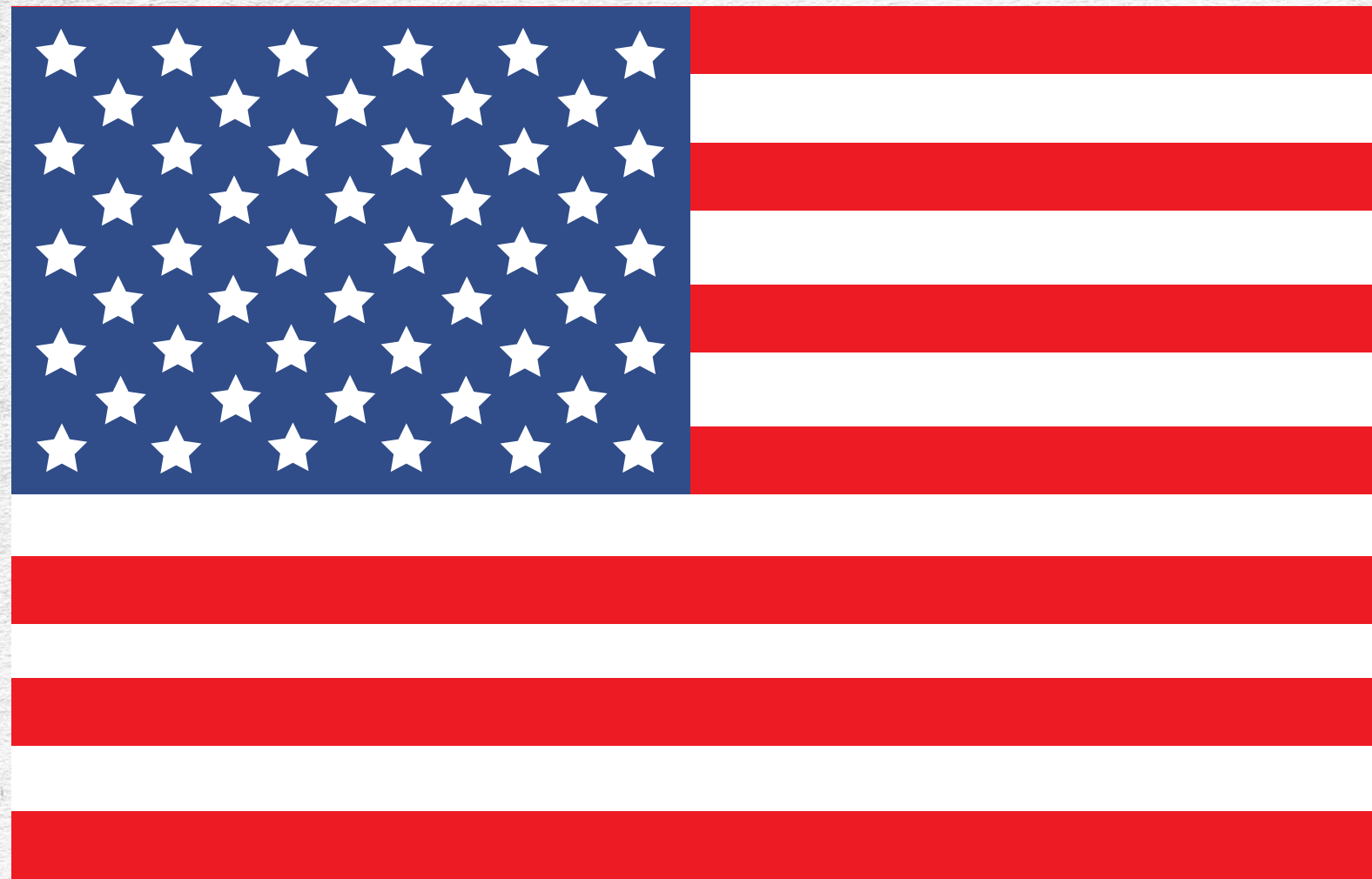
- Meeting Access Code: 2558 138 4875
- Password: 97748865
- Press *3 to raise/lower hand.

Join on WebEx using link on CSLB homepage

- www.cslb.ca.gov
- Event number: 2558 138 4875
- Password: yP7iV8mjsJ8
- Click the hand icon to raise your hand if you have a question or comment.

Agenda Item A

Call to Order, Roll Call, Establishment of Quorum and Chair's Introduction



Agenda Item B

Public Comment for Items Not on the Agenda and Future Agenda Item Requests
(Note: Individuals may appear before the CSLB to discuss items not on the agenda; however, the CSLB can neither discuss nor take official action on these items at the time of the same meeting (Government Code sections 11125, 11125.7(a)).

Agenda Item C

Discussion Regarding Anchored Tiny Homes Complaints and Possible Legislative Concepts, including:

- 1. Specifying “Accessory Dwelling Units” in the Definition of “Home Improvement”*
- 2. Raising the \$25,000 Bond Requirement for Licensure*
- 3. Requiring a Performance and Payment Bond for ADU Projects*
- 4. Establishing a Home Improvement Business Consumer Recovery Fund*
- 5. Other Public Suggestions*

Agenda Item C: Discussion

Regarding Anchored Tiny Homes Complaints and Possible Legislative Concepts

Background

What brings us here today

Contractor Anchored Tiny Homes has allegedly abandoned Accessory Dwelling Unit (ADU) home improvement contracts after taking substantial money more than materials supplied or work performed.

Discussion (cont.)

Accessory Dwelling Unit Definition – Not in the Contractor’s Law

What is an accessory dwelling unit? (Gov. Code § 66313)

*“Accessory dwelling unit” means 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**. It shall include permanent provisions for living, sleeping, eating, cooking, and sanitation **on the same parcel** as the single-family or multifamily dwelling is or will be situated.*

Discussion (cont.)

New Home Construction

No payment restriction for new construction *(Business and Professions Code § 7164)*

7164.

(a) Notwithstanding Section 7044, every contract and any changes in a contract, between an owner and a contractor, for the construction of a single-family dwelling to be retained by the owner for at least one year shall be evidenced in writing signed by both parties.

(b) The writing shall contain the following:

(1) The name, address, and license number of the contractor.

(2) The approximate dates when the work will begin and be substantially completed.

(3) A legal description of the location where the work will be done.

(4) A statement with the heading “Mechanics Lien Warning” as follows...

Discussion (cont.)

Home Improvement Contract Requirements

CSLB considers ADUs to be Home Improvement that includes the following payment restrictions
(*Business and Professions Code § 7159.5*)

- Contractor cannot ask for a deposit of more than 10% of the total cost of the job or \$1,000, whichever is less
- Contractor cannot ask for or accept payment that exceeds the value of the work performed or material delivered.
- Contractor must include schedule of payments in dollars and cents referencing the work/services performed and/or materials to be provided

Is statutory clarification needed?

Discussion (cont.)

CSLB Administrative Authority

CSLB is authorized to take administrative disciplinary action that may include license revocation against licensees that:

- violate payment restrictions
- abandon contracts
- misuse construction funds, or
- fail to complete the contracted work for the agreed upon price.

Discussion (cont.)

Criminal Violations

CSLB routinely performs investigations that are referred to district attorneys requesting that criminal charges be considered.

Discussion (cont.)

Penal Code 484b

Any person who receives money for the purpose of obtaining or paying for services, labor, materials or equipment and willfully fails to apply such money for such purpose by either willfully failing to complete the improvements for which funds were provided or willfully failing to pay for services, labor, materials or equipment provided incident to such construction, and wrongfully diverts the funds to a use other than that for which the funds were received shall be guilty of a public offense... (*misdemeanor or felony*)

Discussion (cont.)

CSLB Contractor Bonding Requirements

All contractors: \$25,000 license bond

Limited Liability Company (LLC) contractors only:

- \$100,000 surety bond (employees/workers only)
- \$1 million liability insurance minimum:
 - Protects against third-party bodily injury and accidental property damage. It is not intended to cover the work the contractor performs.

Qualifier bond (if applicable): \$25,000

Optional (not required):

- General liability insurance for non-LLC contractors
- Blanket and performance bond

Discussion (cont.)

Payment and Performance Bonds

Payment bonds ensure that subcontractors, suppliers, and laborers are compensated.

Performance bonds guarantee the completion of the project according to contractual requirements.

These bonds are not required by CSLB for residential construction.

Discussion (cont.)

Recovery Fund

A recovery fund is a form of financial protection that could be provided by California licensed contractors to residential homeowners.

CSLB does not currently have a residential recovery fund.

Discussion (cont.)

Public forum for ideas on how
consumers can be better protected

Public comment on legislative ideas to
increase consumer protection in home
improvement:

Agenda Items C (1) through (4)



**CONTRACTORS
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MEETING ADJOURNED

A RECORDED VERSION WILL BE ARCHIVED
ON CSLB'S YOUTUBE CHANNEL



What if CSLB Receives a Complaint?

Complaint Prioritization Guidelines

URGENT	<ul style="list-style-type: none">• Health & Safety Code Violations• Elder Abuse• Predatory Criminal Acts• Diversion of Funds• Significant Public Interest
HIGH	<ul style="list-style-type: none">• Aiding and Abetting/Misuse of a License• Fraud/Misrepresentation• Workers' Compensation Violations• Subsequent Arrest• Repeat Offender• Absentee Qualifier
ROUTINE	<ul style="list-style-type: none">• Workmanship• Abandonment• Working Out of Classification• Building Permit Violations• Public Contract Code Violations• Labor Code Violations• Unlicensed Activity
LOW	<ul style="list-style-type: none">• Stand-Alone Contract Violations• Advertising Violations• Failing to Display License Number• Bonds