

Date of Hearing: April 15, 2026

ASSEMBLY COMMITTEE ON HOUSING AND COMMUNITY DEVELOPMENT

Matt Haney, Chair

AB 2058 (Harabedian) – As Amended March 19, 2026

**SUBJECT:** California Factory-Built Housing Law: inspection: permitting

**SUMMARY:** Eliminates the requirement that local enforcement agencies enforce and inspect the installation of factory-built housing (FBH) and instead requires a first user of FBH to select either the local enforcement agency or a quality assurance agency (QAA) to enforce and inspect the installation. Establishes caps on fees by local enforcement agencies related to the installation and permitting of FBH. Specifically, **this bill:**

- 1) Eliminates the requirement that local enforcement agencies enforce and inspect the installation of FBH.
- 2) Prohibits a local enforcement agency or QAA from disassembling, damaging, or destroying FBH while inspecting the installation of that FBH housing, as specified.
- 3) Requires a first user to choose to have either the local enforcement agency or a QAA, acting on behalf and subject to the supervision of the California Department of Housing and Community Development (HCD), inspect the installation of FBH.
- 4) Authorizes a local enforcement agency, by ordinance, to establish an inspection fee for the inspection of the installation of FBH.
- 5) Caps the fee in 4) to no more than 50% of the equivalent inspection fee for non-FBH.
- 6) Prohibits a local enforcement agency from charging an inspection fee if a first user chooses to have a QAA enforce and inspect the installation of FBH.
- 7) Prohibits a local enforcement agency from establishing any permitting fee related to FBH that exceeds 50% of the equivalent permitting fee for non-FBH.
- 8) Declares that the provision of adequate housing, in light of the severe shortage of housing at all income levels in the state, is a matter of statewide concern and is not a municipal affair as the term is used in Section 5 of Article XI of the California Constitution, applies this bill to all cities, including charter cities.

**EXISTING LAW:**

- 1) Establishes the California FBH Law. (Health and Safety Code (HSC) Section 19960 et seq.)
- 2) Defines “FBH” to mean a residential building, dwelling unit, or an individual dwelling room or combination of rooms thereof, or building component, assembly, or system manufactured in such a manner that all concealed parts or processes of manufacture cannot be inspected before installation at the building site without disassembly, damage, or destruction of the part, including units designed for use as part of an institution for resident or patient care, that is either wholly manufactured or in substantial part manufactured at an offsite location to be wholly or partially assembled onsite in accordance with specified building standards and

regulations. Excludes from the definition of FBH a mobilehome, a recreational vehicle, or a commercial modular, as specified. (HSC 19971)

- 3) Defines “design approval agency” (DAA) as a private organization meeting the requirements of HCD regulations to perform evaluation of FBH plans and specifications. (HSC 19969.3)
- 4) Defines “first user” as the person, firm, or corporation who initially install FBH within this state. Excludes from the definition of first user a person who subsequently purchases a building which wholly or partially consists of FBH. (HSC 19972)
- 5) Defines “QAA” as a private organization meeting the requirements specified in regulations of HCD to perform in-plant inspections of the construction of FBH. (HSC 19976.05)
- 6) Deems all FBH bearing an Insignia of Approval, as specified, to comply with the requirements of all ordinances or regulations enacted by any city, county, city and county, or district which may be applicable to the construction of housing, except as specified. (HSC 19981(a))
- 7) Requires local enforcement agencies to enforce and inspect the installation of FBH and requires the installation of FBH to be conducted in accordance with the requirements of the State Building Standards Code and State Housing Law relating to FBH. (HSC 19992)
- 8) Reserves to local jurisdictions local use zone requirements, local snow load requirements, local wind pressure requirements, local fire zones, building setback, side and rear yard requirements, site development and property line requirements, as well as the review and regulation of architectural and aesthetic requirements. (HSC 19993)
- 9) Prohibits those local requirements imposed on FBH from varying substantially from the requirements imposed on other residential buildings of similar size. (HSC 19993)
- 10) Authorizes HCD to provide by regulation for the qualification and disqualification of QAAs to perform inspections of FBH manufacturers, acting on behalf and under the supervision of HCD. (HSC 19991.4)

**FISCAL EFFECT:** Unknown.

**COMMENTS:**

**Author’s Statement:** According to the author, “The housing crisis in California is making life increasingly unaffordable for families, young adults, and working communities, and it is forcing many people to leave the state simply because they cannot find a home within their budget. Factory-built homes offer a solution, but current laws allow unnecessary inspections, delays, and high fees that drive up costs and slow construction. AB 2058 will streamline inspections, protect homes from damage during installation, and reduce permitting fees, making it faster and more affordable to bring these homes to Californians. By removing these barriers, the bill will help more people to achieve the dream of homeownership.”

**California’s Housing Crisis:** Californians across the state continue to experience a housing affordability crisis. Due to years of underproduction, the number of low-income households significantly exceeds the number of affordable and available homes in California. According to

the California Housing Partnership's (CHP) Housing Needs Dashboard, 1,306,149 low-income renter households in California do not have access to an affordable home in today's market. In the absence of affordable housing, renters are forced to secure housing that leaves little flexibility to fulfill other obligations, such as food, child care, or transportation. Renters are cost-burdened when they must pay more than 30% of their income towards rent. According to the CHP dashboard, 68% of low-income renter households in California are cost-burdened by their rent. The numbers of very low-income households and extremely low-income households that are cost-burdened by housing costs are even greater, with 85% and 90% of households being cost-burdened, respectively.

***Select Committee on Housing Construction Innovation:*** In late 2025, the Assembly Select Committee on Housing Innovation (Select Committee) was established with the purpose of exploring how the state can play a role in reducing housing costs by facilitating innovation in housing construction. The Select Committee conducted two hearings in January 2026 and received testimony from industry experts. These experts discussed all of the following: the benefits and risks of industrialized construction methods, including potential cost savings; the ability to reduce project timelines; and, regulatory, labor, and budget considerations. The hearings also explored barriers to opportunities for scaling construction innovation.

The Select Committee requested support from the University of California, Berkeley's Turner Center for Housing Innovation (Turner Center) to conduct research, including interviews with people familiar with the industry. The Turner Center interviewed 65 people representing different perspectives in the industry, including market-rate and affordable housing developers, general contractors, off-site manufacturers, architects, investors, lenders, building trades unions and carpenters union members, state and regional government staff, building code experts, and representatives from companies using 3D printing, artificial intelligence, or other emerging technologies.

The Turner Center published a white paper, titled "Potential Pathways to Scale Innovative Construction Methods in California." The Turner Center's white paper details seven categories of approximately 40 policy proposals identified by stakeholders as potential pathways to reducing barriers to accelerating industrialized construction, including FBH, at scale. These categories of proposals include:

- increase certainty through building code reform;
- increase consistency and certainty through other process reforms;
- reduce financial risk and liability to encourage industry growth;
- support pipeline certainty through demand aggregation;
- increase long-term industry certainty by developing a strong workforce pipeline;
- modify existing state funding stream to better align with the realities of FBH; and
- address negative perceptions of industrialized construction through education and data.

Stakeholders identified instances in which building elements were inspected by local jurisdictions despite having already been reviewed during the in-factory inspection process by

HCD-approved QAAs, per HCD guidelines. The Turner Center’s white paper identified consensus among stakeholders for consolidated review and inspection authority at the state level, though less consensus on the form of such consolidated review. One potential policy identified by some stakeholders was to allow third-party inspectors, hired by the project developer, to perform on-site inspections. Some stakeholders noted that allowing FBH projects to use third-party inspectors for an entire project, including on-site work, would reduce local friction and may increase efficiency. This bill allows first users of FBH projects to use third-party inspectors to perform on-site inspections.

***FBH:*** FBH, often referred to as modular, manufactured, or prefabricated housing, involves the construction or assembly of various components of a housing unit or room in a factory and the transport of those components or structures to the construction site, where they are installed and fixed to a building foundation. FBH is a specific subset of industrialized construction, which refers to a broad spectrum of practices that apply the ideas and methods from the manufacturing industry to housing design and construction. This is in contrast to traditional (“site-built” or “stick-built”) homes, which are built piece by piece on top of the foundation at the actual construction site. FBH units and building components are generally assembled in factories located inside or outside of California. The mass production techniques in a factory environment can sometimes be faster and cheaper than site-built construction methods and are not as impacted by weather constraints that might hamper construction progress on a site, though benefits will vary widely between projects. Research reviewed by the Turner Center finds that using factory-based methods has the potential to reduce hard costs by 10% to 25% compared to traditional construction while also reducing build times significantly.

***Around the world:*** FBH has achieved notable success in countries like Sweden and Japan, where it has become a prominent method of delivering housing at scale. In Sweden, an advanced industrialized construction ecosystem integrates forestry, manufacturing, and housing development, allowing firms to standardize designs and use assembly-line production to deliver high-quality multi-family housing efficiently. Academic research on Swedish prefabrication systems shows that companies have successfully translated manufacturing principles, like repeatability, supply-chain integration, and quality control, into housing production, resulting in strong performance across cost, time, and quality dimensions.

Prefabrication has been institutionalized for decades in Japan through coordinated industry and government support. According to research from the Harvard Joint Center for Housing Studies, prefabricated housing accounted for about 14% of all housing starts in Japan as of 2019, with even conventional construction incorporating highly modularized and pre-cut components. Large firms have refined factory-based production systems that can assemble a majority of a home in a matter of days, emphasizing precision, durability, and customization at scale. Studies of Japanese and Swedish firms also find that prefabricated housing can deliver higher and more consistent quality than site-built construction due to controlled factory environments and advanced automation, even when costs are comparable or slightly higher. International research, including analyses by the RAND Corporation, has highlighted FBH as a promising strategy to address housing shortages by improving productivity and reducing construction risk, particularly when supported by standardized regulations and stable demand pipelines.

***FBH in California:*** FBH may be installed where other similar types of dwelling units are zoned. Existing law allows local governments to exercise specified local land use requirements with respect to FBH, but the Attorney General has ruled that local governments may not require use

permits for FBH built in residential areas. Local requirements imposed on FBH may not differ substantially from requirements imposed on other residential buildings of the same size.

HCD has maintained building code and plan approval authority over FBH. HCD currently contracts with various DAAs who perform third-party review and approval of FBH designs according to regulations established by HCD and the building standards governing FBH. HCD approves QAAs that inspect FBH during the production phase in the manufacturing facility or offsite. In-plant inspections are conducted by a third party agent certified by HCD to ensure FBH and modular buildings meet state codes and standards during the manufacturing process. Approved FBH must bear a California Insignia of Approval on each FBH system or component in the project.

***The role of local governments:*** Existing law establishes three primary responsibilities of local governments related to the installation of FBH. These include plan review of the portions of the project that are not designated as FBH or have not been approved previously by HCD or an HCD third-party agency, permit issuance and inspection of the installation and assembly of FBH units at the building site, and an authority to establish an inspection fee for the inspection involved in the installation of the FBH structure. Local agencies maintain authority over a variety of post-manufacture elements of these projects (for example, snow load, wind pressure, building setback, and architectural requirements) and are also responsible for inspecting and approving the installation of the FBH at the project site. Local building standards related to local conditions are incorporated into the design of FBH units in factory. During installation, local inspectors verify the presence of the HCD insignia and inspect on-site assembly and non-factory components.

***In-plant inspections:*** The inspection of FBH manufactured products may be made either by HCD, third-parties approved by HCD, or local building departments that are specifically approved by HCD. These agencies conduct in-plant inspections to monitor the manufacturer's compliance with approved plans and the applicable California Building Standards Code. Under existing law, city and county building departments may request a reciprocity agreement with HCD to conduct in-plant inspections within their jurisdiction.

***QAAs:*** Existing law allows these private organizations, on behalf of HCD, to perform in-plant inspections of FBH once certified by HCD and subjects QAAs to other requirements related to reporting and certification outlined in the California Code of Regulations. As part of an application for certification, QAAs must include a statement under penalty of perjury that the agency is not under the control or jurisdiction of any manufacturer or supplier for any industry affected by the California FBH law, except by contract approved by HCD. QAAs must report and maintain written reports of all inspection activities and submit monthly reports to HCD that summarize inspection activity conducted in the previous month with information about the manufacturer's quality control program and the number of units with FBH insignia, among other requirements. QAAs must also notify HCD of any discovery of units shipped from factory without required inspection or insignia within 24 hours of discovery.

***Assembly and Installation:*** Existing law requires local enforcement agencies to enforce and inspect the installation of FBH. Regulations require a manufacturer of FBH with plan approval to provide two sets of the approved FBH plans to the installer. The installer must provide one set of the approved plans to the local enforcement agency prior to installation. The plan includes a list of the installation work to be done on-site. Local enforcement agencies are required to accept

plans approved by HCD or a DAA for purposes of issuing an installation permit after determining the design criteria are consistent with the requirements for the local jurisdiction.

***This bill:*** This bill makes three changes to the installation and local permitting processes for FBH. First, this bill eliminates the requirement that local enforcement agencies enforce and inspect the installation of FBH at the project site. This bill, instead, offers first users the option to choose to have a local enforcement agency or a QAA enforce and inspect the installation of the FBH. Second, this bill prohibits local enforcement agencies and QAAs, if selected by the first user, from disassembling, damaging, or destroying FBH while inspecting the installation of that FBH. The author contends that FBH with HCD insignia have already undergone adequate inspection by the state and subsequent inspections of the FBH and its components by the local enforcement agencies are unnecessary and redundant. This bill expands the roles and responsibilities of QAAs by allowing a first user to choose them for the on-site inspection of installation at project sites around the state.

This bill also imposes caps on two categories of fees. Fees for inspections of installations conducted by the local enforcement agency (if selected by the first user) would be capped at 50% of the equivalent inspection fee for site-built housing. If the first user chooses the QAA, the bill prohibits a local enforcement agency from imposing an inspection fee. This bill also caps all permitting fees related to FBH at 50% of the equivalent permitting fee for non-FBH.

***Policy consideration:***

***Utilization of FBH:*** Housing development projects utilizing FBH are often categorized as volumetric modular or panelized. Projects utilizing volumetric modular FBH are entire sections of a building, like a full room or the entire unit. These “box-like” structures are delivered to the site and installed on-site to complete the final project. Some developers may use volumetric modular for a portion of the development -like the bathrooms – but the rest of the development is stick-built. Projects utilizing panelized FBH, sometimes referred to as “flat packs,” include flat panels of components like walls, floors, or roofs. Panels are shipped from the factory to the site and assembled on-site for installation. Both types of FBH projects may still utilize site-built components. As mentioned previously, this bill caps permitting fees related to FBH at 50% of the equivalent permitting fee for non-FBH, no matter the amount of FBH used as part of the project. If this bill continues through the legislative process, the author may wish to consider including a threshold amount of FBH be a part of the project to receive the benefit of a cap in permitting fees.

***Arguments in Support:*** According to the AIDS Healthcare Foundation (AHF), “The attention to factory-built housing that has arisen this year is welcome. AHF has seriously engaged in pursuing factory-built housing in its efforts over the last 7 years to develop housing for extremely low-income Californians; however, the many challenges that stand in the way of that being a viable option have been a deterrent. AB 2058 is one piece of the effort this year to remove some of those challenges. Minimizing the impediments and potentially excessive costs of inspecting the installation of factory-built housing is a substantial step forward in making this housing option more viable.”

According to the California Housing Consortium, “The UC Berkeley Turner Center for Housing Innovation recently released a report titled ‘Potential Pathways to Scale Innovative Construction Methods in California,’ which explores opportunities to adopt industrialized construction methods, including factory-built housing, in California. Factory-built housing, where substantial

portions of a home are built off-site and installed on-site, can reduce construction costs and accelerate construction timelines. However, the report states that stakeholders have noted that the dual inspection framework that exists for factory-built housing stands as a barrier to scaling its use. Under the current framework, the state conducts in-factory inspections and local jurisdictions conduct on-site inspections. In some cases, local jurisdictions inspect building components that have already been reviewed in the factory by the State. Current law allows redundant inspections, the disassembly of homes during installation, and excessive permitting fees – all of which slow construction and raise costs. AB 2058 addresses these barriers by protecting factory-built housing units during inspections to prevent disassembly or damage, allowing developers to choose whether a local agency or a third-party quality assurance agency conducts the inspection, and capping inspection and permitting fees to make installation more affordable. These changes reduce unnecessary delays while maintaining safety standards and facilitating the use of factory-built housing in California.”

***Arguments in Opposition:*** None on file.

***Related legislation:***

AB 1815 (Wicks), of this legislative session. Prohibits a city or county from imposing or enforcing building standards that exceed state building standards in the California Building Standards Code on a housing project that utilizes FBH, as specified. *AB 1815 is pending consideration in this committee.*

AB 2166 (Carrillo), of this legislative session. Establishes the Multifamily Backstop Financing Program at the California Housing Finance Agency for purposes of supporting multifamily projects through the provision of state-backed credit backstops that would enable surety companies to issue payment and performance bonds to offsite housing factories in the state, as specified. *AB 2166 is pending consideration in this committee.*

AB 557 (McKinnor), of this legislative session. Allows for the reuse of certain plans or specifications for FBH if the plans have previously been approved by HCD or a qualified DAA in the same building code cycle, with conditions. *AB 557 is pending consideration in the Senate Committee on Housing.*

***Double-referred:*** This bill was also referred to the Assembly Committee on Local Government where it will be heard should it pass out of this committee.

**REGISTERED SUPPORT / OPPOSITION:**

**Support**

AIDS Healthcare Foundation  
California Housing Consortium

**Opposition**

None on file.

**Analysis Prepared by:** Juan Reyes / H. & C.D. / (916) 319-2085