

ASSEMBLY THIRD READING
AB 2058 (Harabedian and Wicks)
As Amended March 19, 2026
Majority vote

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.

Major Provisions

- 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) Caps an inspection fee established by a local enforcement agency for the inspection of the installation of FBH to no more than 50% of the equivalent inspection fee for non-FBH.
- 5) 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.
- 6) Prohibits a local enforcement agency from establishing any permitting fee related to FBH that exceeds 50% of the equivalent permitting fee for non-FBH.

COMMENTS

Select Committee on Housing Construction Innovation: In late 2025, the Assembly Select Committee on Housing Construction 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 held two hearings in January 2026 and received testimony from industry experts.

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.

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 Design Approval Agencies 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.

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.

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.

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."

Arguments in Support

The California Home Building Alliance writes in a support position: "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 raises costs.

Arguments in Opposition

None on file.

FISCAL COMMENTS

According to the Assembly Committee on Appropriations:

- 1) HCD anticipates significant and complex workload to implement and administer the process of certifying QAAs and overseeing administrative operations of certified inspectors, compliance, and enforcement.

Specifically, to implement the program HCD estimates General Fund costs of \$1.33 million in fiscal year 2027-27 and \$1.09 million annually thereafter for five additional positions, IT infrastructure, and administrative overhead. Staff would be responsible for the development of program standards, including stakeholder engagement; certification of QAAs; oversight of installation inspections and complaint investigations; and providing ongoing technical assistance and support.

Included in the first-year estimate are one-time costs to implement required system changes of approximately \$180,000, inclusive of analysis, design, development, testing, and ongoing support, as well as estimated costs of approximately \$60,000 for reporting development related to QAA activity and installation inspections.

HCD observes this bill identifies no funding. It also contends existing QAA-related fee authority cannot support the significant staffing and resources needed for oversight and enforcement and other requirements of the bill. For these reasons, HCD concludes it will need ongoing General Fund support to implement the bill.

- 2) Ongoing local agency costs, potentially significant statewide, to the extent the fee caps proposed in the bill do not allow a local agency to fully recover the costs of its permitting or inspection functions for FBH. Additional one-time costs to local agencies of an unknown amount to make administrative changes to their FBH inspection programs. These costs are potentially reimbursable by the state, subject to a determination by the Commission on State Mandates (General Fund).

The Legislative Analyst's Office recently warned of General Fund structural deficits of around \$35 billion per year in the 2027-28 fiscal year and ongoing.

VOTES

ASM HOUSING AND COMMUNITY DEVELOPMENT: 12-0-0

YES: Haney, Patterson, Ávila Farías, Caloza, Garcia, Kalra, Lee, Quirk-Silva, Ta, Tangipa, Wicks, Wilson

ASM LOCAL GOVERNMENT: 10-0-0

YES: Carrillo, Ta, Johnson, Pacheco, Ramos, Ransom, Blanca Rubio, Stefani, Ward, Wilson

ASM APPROPRIATIONS: 15-0-0

YES: Wicks, Hoover, Aguiar-Curry, Calderon, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Pellerin, Sharp-Collins, Solache, Ta, Tangipa

UPDATED

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