SENATE COMMITTEE ON HOUSING
Senator Jesse Arreguín, Chair
2025 - 2026 Regular

Bill No:	AB 2058	**Hearing Date:**	6/10/2026
Author:	Harabedian		
Version:	3/19/2026 Amended		
Urgency:	No	**Fiscal:**	Yes
Consultant:	Ryan Hardmeyer		

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

DIGEST: This bill authorizes a first user of factory built housing (FBH) to select either a local enforcement agency (LEA) or a quality assurance agency (QAA) to enforce and inspect the installation, and caps the fees LEAs may charge for FBH permits and inspections when selected by the first user.

ANALYSIS:

Existing law:

1) Establishes the Factory-Built Housing Law, which provides uniform health and safety standards and inspection procedures for FBH throughout the state.

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 that is 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. FBH does not include a mobilehome, a recreational vehicle, or a commercial modular, as specified.

3) Defines LEA to mean the city, county, or city and county in which factory-built housing is installed.

4) Defines QAA to mean a private organization meeting the requirements in regulations of the Department of Housing and Community Development (HCD) to perform in-plant inspections of FBH construction.

5) Defines "first user" to mean the person, firm, or corporation who initially installs FBH. Excludes from the definition of first user anyone who subsequently purchases FBH from the first user.

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.

7) Requires LEAs 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.

8) Authorizes local jurisdictions to maintain their own 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.

9) Prohibits those local requirements imposed on FBH from varying substantially from the requirements imposed on other residential buildings of similar size.

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.

This bill:

1) Eliminates the requirement that only LEAs enforce and inspect the installation of FBH. Requires a first user of FBH to select either an LEA or a QAA, acting on behalf of and subject to HCD approval, to inspect the installation of FBH.

2) Prohibits an LEA or QAA from disassembling, damaging, or destroying FBH while inspecting the installation of that FBH housing, as specified.

3) Authorizes an LEA, by ordinance, to establish an inspection fee for the inspection of the installation of FBH. The fee shall be capped at no more than 50% of the equivalent inspection fee for non-FBH units and components.

4) Prohibits an LEA from charging an inspection fee if a first user chooses to instead have a QAA enforce and inspect the installation of FBH.

5) Prohibits an LEA from establishing any permitting fee related to FBH that exceeds 50% of the equivalent permitting fee for non-FBH.

Background

Factory-Built Housing. FBH refers to industrialized housing construction, where either the entirety of, or components of, a housing unit are produced or assembled in an offsite factory, or both, and then transported to the housing site. FBH is often colloquially referred to as modular, manufactured, or prefabricated housing. Where traditional "site-built" or "stick-built" housing is entirely constructed on a foundation at the actual housing site, FBH utilizes the efficiencies of an assembly line, similar to a car or an appliance. Entire units and modules are assembled in a climate-controlled factory and are much less susceptible to construction delays associated with traditional housing construction (*e.g.,* disruptive weather). While benefits may vary by project and jurisdiction, the Terner Center for Housing Innovation at University of California, Berkeley (Terner Center), finds that using FBH methods has the potential to reduce hard costs for a project by 10-25% and significantly reduce build times, compared to traditional construction.[1]

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 Terner Center to conduct research, including interviews with people familiar with the industry. The Terner 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, union members, state and regional government staff, building code experts, and representatives from companies using 3D printing, A.I., and other emerging technologies.

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

[1] Stephanie Hawke, et. al. *Potential Pathways to Scale Innovative Construction Methods in California.* Accessible here: https://ternercenter.berkeley.edu/wp-content/uploads/2026/03/PathwaystoScaleInnovativeConstruction2026.pdf. March 2026.

inspection process by HCD-approved QAAs, per HCD regulations. The Terner 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 inspection duplication and inconsistency and may improve project approval efficiency.

International FBH Models. 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, using more sustainable and durable materials like mass timber. 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 also 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. 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. These models position FBH as a promising strategy to address housing shortages by improving productivity and reducing construction risk when aided by standardized regulations and stable demand pipelines.

Comments

1) *Author's statement.* "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 by getting homes built faster and cheaper, 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."

2) *The FBH Approval Process.* Under the FBH Law, factory-built units and building components are regulated by HCD, which promulgates health and safety regulations to benefit users and purchasers of FBH.

There are three primary components of the current FBH Approval Process:

1. Design Approval	A third-party QAA, approved by HCD, reviews design plans submitted by an FBH manufacturer to ensure compliance with state building codes. Approved designs must also provide a document describing in detail all of the installation and assembly methods required onsite to clarify the onsite inspection responsibilities of the local building departments.
2. In-Plant Inspection	An in-plant inspection is conducted by a third-party QAA within the factory ("in the plant") manufacturing the units and components to ensure all output is manufactured in accordance with the approved design plans and relevant building codes, prior to transportation to the housing site.
3. Site Inspection	Under current law, when an FBH unit or building components are delivered to a housing site, an LEA is responsible for ensuring the installation meets building standards, and that no previously approved components were changed since the QAA's inspection. An LEA may also enforce local reach codes that apply to the site, as well as other local requirements like setbacks.

3) *Who is best equipped to handle this?* LEAs (*i.e.,* local building departments) are currently the sole entity responsible for inspecting on-site FBH installations. Similar to site-built homes, these agencies are responsible for ensuring a housing unit and its components adhere to state and local building standards. However, Terner Center research found that some building departments are

conducting duplicative reviews of FBH building elements.[2] Unlike site-built housing, the FBH program ensures that FBH building elements have already gone through multiple stages of review and approval prior to installation at the building site. As such, unnecessary reviews can lead to frustrating outcomes for all parties involved, causing unnecessary work for inspectors and increasing time and costs expended by the first user of the FBH. These duplicative reviews, as well as reports of LEA inspectors tearing apart and damaging building components that are already cleared, have culminated in a desire to allow QAAs more experienced in the field to conduct these inspections instead. While this bill would still allow first users to select an LEA as their on-site inspector, it would give them *the option* to instead select a QAA.

4) *Prohibition of fees.* This bill would prohibit LEAs from charging more than 50% of the cost of a site-built inspection for an FBH site inspection. This change recognizes that many site-built units have more components, which take more time and resources to inspect; FBH units and components, on the other hand, are often less complex are structurally different, and have already gone through pre-approval processes. Capping inspection fees will ensure cost efficiencies of FBH are not lost due to an LEA equating FBH inspections with those of site-built units. This bill would also prohibit an LEA from charging an inspection fee if a QAA assumes the responsibility for inspection at the request of the first user, instead of an LEA. Lastly, this bill would prohibit an LEA from establishing any permitting fee related to FBH that exceeds 50% of the equivalent permitting fee for non-FBH. This change recognizes that FBH units and components that benefit from standardized designs and strict adherence to state building standards are not treated like traditional site-built units with design and construction variants that may complicate permitting.

5) *Author's Amends.* **Due to timing, the committee may wish to consider adopting the following author's amendments as committee amendments:**

   a) Establish the ability of HCD to recover costs for additional responsibilities associated with the expanded use of QAAs, which are overseen and approved by HCD.

6) *Double-referral.* This bill was also referred to the Local Government Committee.

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[2] Hawke, Stephanie, et. al. *Potential Pathways to Scale Innovative Construction Methods in California.* Accessible here: https://ternercenter.berkeley.edu/wp-content/uploads/2026/03/PathwaystoScaleInnovativeConstruction2026.pdf. March 2026.

Related/Prior Legislation

AB 557 (McKinnor, 2025) – require FBH plans be assigned a serial number, and be automatically approved for subsequent use in different projects if approved for use in one prior. Require HCD and QAAs to limit their reviews to the portions of a plan or specification that have not already received approval, as specified. *This bill was held at the request of the author.*

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

POSITIONS: (Communicated to the committee before noon on Wednesday, June 10th, 2026.)

SUPPORT:

Abundant Housing Los Angeles
Aids Healthcare Foundation
Autodesk, INC.
Bay Area Council
California Council for Affordable Housing
California Housing Consortium
California Yimby
Casita Coalition
East Bay Yimby
Grow the Richmond
Inner City Law Center
Mountain View Yimby
Napa-solano for Everyone
Northern Neighbors Sf
Peninsula for Everyone
San Francisco Yimby
San Jose Yimby
San Mateo Forward
Santa Cruz Yimby
Santa Rosa Yimby
South Bay Yimby
Spur
Student Homes Coalition
Ventura County Yimby
Yes! in Redwood City
Yimby Action
Yimby Los Angeles

Yimby Monterey Peninsula
Yimby Slo

OPPOSITION:

None received.

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