
SENATE COMMITTEE ON LOCAL GOVERNMENT

Senator María Elena Durazo, Chair
2025 - 2026 Regular

Bill No: AB 2058
Author: Harabedian
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Fiscal: Yes
Consultant: Favorini-Csorba

CALIFORNIA FACTORY-BUILT HOUSING LAW: INSPECTION: PERMITTING

Allows a “first user” of factory-built housing to choose to have either the applicable local agency or a third-party quality assurance agency to inspect the installation of the factory-built housing.

Background

Factory-built housing. Factory-built housing (FBH) refers to industrialized housing construction where part or all of a housing unit is produced or assembled in an offsite factory 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 housing site, FBH is constructed like other manufactured products, on an assembly line similar to a car or an appliance.

FBH Law. Enacted in 1969, the California Factory-Built Housing Law (FBH Law) regulates the production, permitting, construction, and inspection of FBH. The Department of Housing and Community Development (HCD) and local agencies share responsibilities under the FBH Law. HCD regulates and enforces most of the regulations on FBH, including to establish building codes for FBH and certify that the FBH that is produced complies with those codes. Any FBH sold to a “first user” of FBH—the entity that installs the FBH (not the first resident of the home)—must bear HCD’s insignia that it is compliant with all state standards.

Any FBH bearing HCD’s insignia is deemed to comply with the requirements of all ordinances or regulations enacted by any city or county. However, cities and counties can impose limited additional requirements on FBH. Specifically, they may only impose local zoning 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, and design review standards. These requirements cannot substantially differ from requirements that apply to other residential buildings of similar size.

The process for manufacturing and installing FBH entails three steps:

- First, a third-party design approval agency (DAA), certified by HCD, reviews design plans submitted by a FBH manufacturer to ensure compliance with state building codes. Approved designs must also provide a document describing in detail the installation and assembly methods required onsite to clarify the onsite inspection responsibilities of the local building departments;
- Second, a third-party quality assurance agency (QAA), certified by HCD, inspects the FBH in the factory to ensure the FBH produced matches the plans and building code

requirements before leaving the factory. A city or county may assume responsibility for these inspections if certified by HCD; and

- Finally, a city or county building department inspects the *installation* of the FBH on the final site for the unit. A city or county inspector checks to ensure that the installation meets building standards, and that no previously approved components were changed since the QAA's inspection.

DAAAs and QAAs must not have a conflict of interest and must act on behalf of HCD, as prescribed in regulations promulgated by HCD.

HCD and cities and counties may charge fees for their responsibilities. Anyone who violates FBH Law is guilty of a misdemeanor, punishable by a fine not exceeding one thousand dollars (\$1,000) or by imprisonment not exceeding 30 days, or both. Violations of the DAA and QAA regulations are punishable by civil penalties of between \$250 and \$10,000.

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 academics, developers, manufacturers, governmental entities, investors, and labor groups about their experiences with innovative construction techniques. The Select Committee investigated 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 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 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 (not including local governments) as potential pathways to reducing barriers to accelerating industrialized construction, including FBH, at scale. These categories of proposals include to:

- 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 streams 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. 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.

While benefits may vary by project and jurisdiction, the Turner Center found that using FBH methods has the potential to reduce construction costs for a project by 10% to 25% and significantly reduce build times (by as much as half) when compared to traditional construction. These benefits derive from the ability to use standardized designs and mass production techniques, and to avoid common delays associated with building on site, such as delays in delivery of materials or inclement weather. FBH can also benefit workers, who have the ability to travel to a single site, rather than switching jobsites frequently.

The author wants to address barriers to greater adoption of FBH.

Proposed Law

Assembly Bill 2058 repeals the requirement that local agencies enforce and inspect the installation of factory-built housing. The bill instead allows a first user of factory-built housing to choose to have either the local agency or a QAA to inspect the installation. It prohibits the local agency or quality assurance agency from disassembling, damaging, or destroying the housing while inspecting.

If a first user chooses to have a quality assurance agency enforce and inspect the installation of factory-built housing, the first user shall cover the cost of the inspection. A local government may establish an inspection fee, but:

- The fee must be 50% or less of the equivalent inspection fee for nonfactory-built housing; and
- If a first user chooses a quality assurance agency, a local agency cannot impose an inspection fee.

A local agency also cannot establish any permitting fee related to factory-built housing that exceeds 50 percent of the equivalent permitting fee for nonfactory-built housing.

AB 2058 allows HCD to impose a fee to recover the cost of administering FBH Law.

Comments

1. Purpose of the bill. 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 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. It’s not what you pay a person, but what they cost you that counts. The California Constitution prohibits local governments from imposing charges that exceed their reasonable cost of issuing permits or conducting inspections (Article XIII C, Section 1). AB 2058 limits

cities and counties to establishing FBH fees of no more than 50% of the fee for permits and inspections for equivalent site-built homes. Since local agency permitting and inspection fees on FBH must follow the Constitutional requirements, any fees cities and counties currently charge for permitting or inspection of FBH can only recover their costs. Because AB 2058 imposes a limitation on permitting and inspection fees, the bill's caps threaten city and county authority to fully recover their costs for permit reviews and inspections. By doing so, the bill could require cities and counties to choose between scaling back their inspection activities or using general fund, supported by taxpayers in the jurisdiction, to make up the gap. This may push the costs associated with approving FBH onto taxpayers as a whole. AB 2058 also provides that a local agency can "establish" these fees. Generally, the Constitution and state law refers to "imposing" fees to be clear that existing fees must abide by any limitations or grants of authority provided by state law. To ensure that cities and counties can fully recover the costs of their permitting and inspection activities, the Committee may wish to consider amending AB 2058 to:

- Allow a city or county to exceed the bill's caps if it adopts a finding that provides substantial evidence of the reasonable cost to conduct the inspections; and
- Strike "establish" and insert "impose" in the fee provisions of the bill.

3. Sure, but will it work? In 1969, when adopting the FBH Law, the Legislature proclaimed that mass production techniques could substantially reduce housing construction costs, and that by minimizing the problems of standards and inspection procedures, the Legislature intended to encourage the reduction of housing construction costs and to make housing and home ownership more feasible for all residents of the state. Nearly 60 years later, the promise of FBH remains unfulfilled: fewer than 5% of housing units built in California annually are FBH, according to the Turner Center's research. AB 2058 modifies inspection procedures and allows first users of FBH to choose whether to use a QAA to inspect the installation or the local agency. The purpose of this change is to reduce friction with the local inspection process, including concerns that local building inspectors sometimes disassemble FBH during the inspection process or are unaware that the scope of their inspections must be limited to the *installation* of FBH under state law. However, it is unclear whether these changes will spur significant additional FBH. Specifically, availability of QAAs may be limited. There are approximately 10 certified QAAs located in-state, whereas every city or county employs or contracts for building officials. Those officials may be closer to installation sites and more familiar with local requirements than QAAs. Additionally, where available, first users that hire QAAs will have to pay those firms—who are not bound by the Constitution to charge only their costs and who themselves must pay HCD's costs for certifying them—to inspect FBH. Meanwhile, allowing the installers of FBH to hire their own inspectors raises questions regarding whether those inspections will be as carefully executed as those conducted by public officials whose allegiance is to public safety above all. The Committee may wish to consider whether AB 2058's benefits outweigh its potential costs.

4. Let's be clear. Cities and counties issue certificates of occupancy as the final regulatory document that allows a home to be inhabited in order to certify that a structure complies with building codes and is safe for occupancy. AB 2058 takes the inspection authority out of the hands of cities and counties, at the request of the first user, and gives it to QAAs, but it is unclear whether this impairs the ability of local agencies to issue a certificate of occupancy. To ensure that the bill doesn't unintentionally remove this important safety check, the Committee may wish to consider amending AB 2058 to clarify that the bill does not alter the ability of a city or county to issue or withhold a certificate of occupancy under other applicable laws.

5. Mandate. The California Constitution requires the state to reimburse local governments for the costs of new or expanded state mandated local programs. Because AB 2058 expands the violations of FBH law that are subject to punishment by a misdemeanor and imposes new duties on local officials, Legislative Counsel says that it imposes a new state mandate. AB 2058 disclaims the state's responsibility for providing reimbursement because the bill expands an existing crime. However, if the Commission on State Mandates determines that there are other mandates in the bill, the bill provides that reimbursement must be made pursuant to existing statutory provisions.

6. Charter city. The California Constitution allows cities that adopt charters to control their own "municipal affairs." In all other matters, charter cities must follow the general, statewide laws. Because the Constitution doesn't define "municipal affairs," the courts determine whether a topic is a municipal affair or whether it's an issue of statewide concern. AB 2058 says that it applies to all cities, including charter cities. To support this assertion, the bill includes a legislative finding and declaration 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.

7. Incoming! The Committee on Housing approved AB 2058 at its June 16th hearing by a vote of 10 to 0. The Committee on Local Government is hearing the measure as the committee of second reference.

Assembly Actions

Assembly Housing and Community Development Committee:	12-0
Assembly Local Government Committee:	10-0
Assembly Appropriations Committee:	15-0
Assembly Floor:	73-0

Support and Opposition (6/19/2026)

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

Eden Housing

Grow the Richmond

Inner City Law Center

Leadingage California

Mountain View Yimby

Napa-solano for Everyone

Northern Neighbors Sf

Peninsula for Everyone

San Francisco Bay Area Planning & Urban Research Association (SPUR)

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 Submitted

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