
SENATE COMMITTEE ON APPROPRIATIONS

Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2058 (Harabedian) - California Factory-Built Housing Law: inspection: permitting

Version: June 25, 2026

Policy Vote: HOUSING 10 - 0, L. GOV. 7
- 0

Urgency: No

Mandate: Yes

Hearing Date: August 3, 2026

Consultant: Mark McKenzie

Bill Summary: AB 2058 would allow a “first user” of factory-built housing (FBH) to choose to have either a local enforcement agency or a quality assurance agency (QAA) enforce and inspect the installation of FBH, as specified. The bill would also prohibit a local agency from imposing any permitting fee related to FBH that exceeds 50% of the equivalent permitting fee for non-FBH, unless it makes a specified written finding.

Fiscal Impact:

- The Department of Housing and Community Development (HCD) estimates one-time costs of approximately \$240,000 in 2027-28 for IT system changes and development of additional reporting functionality, and ongoing costs of approximately \$1.09 million annually beginning in 2027-28 for 5.0 PY of staff. 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. HCD notes that implementation may require access to licensed engineering expertise for complex specialized issues related to FBH installation inspections, and that ongoing costs could be higher depending on QAA certification volume and the complexity of any complaints and enforcement actions. (General Fund)
- Unknown local costs to update permitting and inspection processes and procedures related to FBH projects, and to implement specified permitting and inspection fee caps. These costs would not be reimbursable by the state because local agencies have the authority to charge and adjust planning and permitting fees to cover any costs related to new planning mandates. Staff notes that the bill imposes limits on FBH local agency inspection and permitting fees related to FBH, but allows local agencies to charge fees that are commensurate to their reasonable costs, as part of a written finding and adopted resolution or ordinance, as specified. (local funds)

Background: Existing law, the California FBH Law, defines FBH as 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 deconstruction of the part, including units designed for use as part of an institution for resident or patient care, that is either wholly manufactured or is in substantial part manufactured at an offsite location to be wholly or partially assembled onsite in accordance with specified building standards and regulations. Existing law explicitly excludes a mobilehome, recreational vehicle, or a

commercial modular from the definition of FBH, as specified. Existing law defines a “first user” as a person, firm, or corporation who initially installs FBH within this state. A person who subsequently purchases a building which wholly or partially consists of factory-built housing is not a first user within the meaning of this definition. Existing law requires HCD to establish a schedule of fees to pay the costs incurred by the department for work related to the administration and enforcement of the FBH Law. All fee revenues are deposited into the Mobilehome-Manufactured Home Revolving Fund, and are continuously appropriated to HCD for expenditure in carrying out FBH Law.

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 a construction site, where they are installed and fixed to a building foundation. This is in contrast to traditional “site-built” or “stick-built” housing projects, which are built piece-by-piece on a foundation at the actual construction site. 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 progress on a traditional construction site, though benefits will vary widely between projects. Existing law authorizes the installation of FBH where other similar types of dwelling units are allowed. Local governments may exercise specified local land use requirements with respect to FBH, but local requirements imposed on FBH may not differ substantially from requirements imposed on other residential buildings of the same size.

HCD maintains building code and plan approval authority over FBH through an established process to approve designs submitted by an FBH manufacturer, inspections conducted within factories, and installation approvals by local enforcement agencies. Specifically, HCD currently contracts with various Design Approval Agencies (DAAs) who perform third-party review and approval of FBH designs according to regulations established by HCD and the building standards governing FBH. HCD also approves Quality Assurance Agencies (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, and approved FBH must bear a California Insignia of Approval on each FBH system or component on a project.

Local governments are responsible for issuing building permits for housing development projects, including FBH, and may establish and charge a fee for inspections of the installation and assembly of FBH at the building site. Local enforcement agencies are responsible for ensuring installation meets building standards, and that no approved components have changed since the QAA inspection. During installation, local inspectors verify the presence of the HCD insignia and inspect on-site assembly and non-factory components to ensure compliance with building standards.

Proposed Law: AB 2058 would allow a “first user” of FBH to choose to have either a local enforcement agency or a QAA enforce and inspect the installation of FBH. Specifically, this bill would:

- Repeal the requirement that local enforcement agencies enforce and inspect the installation of FBH.
- Prohibit a local enforcement agency or QAA from disassembling, damaging, or destroying FBH while inspecting the installation of that FBH, as specified.

- Require a “first user” to choose to have either a local enforcement agency or QAA, acting on behalf and subject to the supervision of HCD, enforce and inspect the installation of FBH.
- Require a first user to cover the costs of the inspection if it chooses to have a QAA enforce and inspect the FBH installation.
- Authorize a local enforcement agency, by ordinance, to impose an inspection fee for the inspection of FBH installation, provided that the fee is no more than 50% of the equivalent inspection fee for non-FBH housing.
- Prohibit a local enforcement agency from imposing any permitting fee related to FBH that exceeds 50% of the equivalent permitting fee for non-FBH housing.
- Authorize a local enforcement agency to impose a higher inspection or permitting fee if it makes a written finding and adopts a resolution or ordinance providing substantial evidence of the reasonable cost to conduct the inspections.

Related Legislation: AB 1815 (Wicks), which is currently pending in this Committee, would prohibit cities and counties from imposing or enforcing building standards that exceed the state minimum standards in the California Building Standards Code for factory-built housing projects, as specified.

AB 2185 (Quirk-Silva), which is currently pending in this Committee, would require relevant state entities, when administering specified multifamily affordable housing programs, to update guidelines and regulations to facilitate the production and use of FBH, and clarify that FBH projects are an allowable use of funding under those programs, as specified.

Staff Comments: At the request of the Assembly’s Select Committee on Housing Construction Innovation, the Turner Center for Housing Innovation at University of California, Berkeley (Turner Center) conducted research on potential pathways to reducing barriers to accelerating industrialized construction, including FBH, at scale. The Turner Center issued a report, *Potential Pathways to Scale Innovative Construction*, finding 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. This bill would implement one of report’s recommendations: allow third-party inspectors, hired by the project developer, to perform on-site inspections.

HCD indicates that its current QAA fee authority would not be sufficient to support the significant staffing and resources needed for oversight and enforcement and other requirements in the bill. As such, the costs for staffing resources noted above will be borne by the General Fund rather than the Mobilehome-Manufactured Home Revolving Fund.

-- END --