

CONCURRENCE IN SENATE AMENDMENTS

AB 2058 (Harabedian and Wicks)

As Amended August 21, 2026

Majority vote

SUMMARY

Eliminates the requirement that local enforcement agencies must inspect the installation of factory-built housing (FBH) and instead requires a first user to choose to have either the local enforcement agency or a quality assurance agency (QAA), as specified, inspect the installation of the FBH. Establishes a cap on fees by local enforcement agencies related to the installation of FBH and permitting of FBH structures, as defined.

Senate Amendments

- 1) Require the Department of Housing and Community Development (HCD) to adopt regulations to establish standards, qualifications, procedures, and oversight requirements governing QAAs performing inspection installations by January 1, 2029, as specified.
- 2) Specify that a QAA shall not perform installation inspections of FBH until the regulations in 1) are adopted.
- 3) Authorize a local enforcement agency to impose an inspection fee for the installation of FBH that exceeds 50% of the equivalent inspection for the nonfactory-built housing if the local enforcement agency, as part of a written finding and an adopted resolution or ordinance, provides substantial evidence of the reasonable cost to conduct the inspections.
- 4) Narrow the provision prohibiting a local enforcement agency from imposing any permitting fee related to FBH that exceeds 50% of the equivalent permitting fee for nonfactory-built housing to instead apply to a factory-built housing structure.
- 5) Authorize a local enforcement agency to impose a permitting fee related to a factory-built housing structure that exceeds 50% of the equivalent permitting fee for a nonfactory-built housing structure if the local enforcement agency, as part of a written finding and an adopted resolution or ordinance, provide substantial evidence of the reasonable cost to review the permits.

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 inspection and local permitting processes for FBH. First, this bill eliminates the requirement that local enforcement agencies 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 inspect the installation of the FBH. However, a QAA is only authorized to inspect the installation once HCD has adopted the relevant regulations outlined above. 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 factory-built housing structures at 50% of the equivalent permitting fee for nonfactory-built housing structures. This bill makes an important distinction in the permitting fee provisions by applying the provisions to factory-built housing structures. This provision is intended to apply the benefits of the cap on permitting fees to factory-built housing structures, an indirect reference to pending legislation from this legislative session. AB 1815 (Wicks, 2026) defines the new term "factory-built housing structure" to mean a residential building where at least two-thirds of the new or converted square footage is designed for residential use and in which at least 30% of the residential use portion of the building is using FBH, as specified. In other words, only factory-built housing structures as defined by AB 1815 would be eligible for the cap on permitting fees established in this 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."

Arguments in Support

According to 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 Senate Appropriations Committee, as amended August 13, 2026:

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, likely in the mid-millions of dollars annually beginning in 2027-28 significant staffing resources. HCD anticipates significant and complex workload to implement and administer a process of certifying QAAs to conduct site inspections throughout the state 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. Staff notes that there are only 14 QAA entities that conduct inspections at a limited number of manufacturing facilities, while this bill would require a statewide network of QAAs that would be responsible for enforcing and inspecting FBH at construction sites throughout the state for projects that may include mixed amounts of FBH components and standard construction. (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)

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

ASSEMBLY FLOOR: 73-0-7

YES: Addis, Aguiar-Curry, Ahrens, Alanis, Alvarez, Ávila Farías, Bains, Bennett, Berman, Boerner, Bonta, Bryan, Calderon, Caloza, Carrillo, Castillo, Connolly, Davies, DeMaio, Dixon, Elhawary, Ellis, Flora, Fong, Gallagher, Garcia, Gipson, Jeff Gonzalez, Mark González, Hadwick, Haney, Harabedian, Hart, Hoover, Irwin, Jackson, Johnson, Kalra, Krell, Lackey, Lee, Lowenthal, Macedo, McKinnor, Muratsuchi, Nguyen, Ortega, Pacheco, Papan, Patel, Patterson, Pellerin, Petrie-Norris, Quirk-Silva, Ramos, Ransom, Michelle Rodriguez, Rogers, Blanca Rubio, Sanchez, Schiavo, Schultz, Sharp-Collins, Solache, Soria, Stefani, Tangipa, Valencia, Wallis, Ward, Wilson, Zbur, Rivas

ABS, ABST OR NV: Arambula, Bauer-Kahan, Chen, Gabriel, Celeste Rodriguez, Ta, Wicks

UPDATED

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