

Date of Hearing: May 6, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

AB 2166 (Carrillo) – As Amended April 27, 2026

Policy Committee: Housing and Community Development Vote: 11 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill establishes the Multifamily Backstop Financing Program at the California Infrastructure and Economic Development Bank (IBank) to support multifamily projects by providing state-backed credit backstops to enable surety companies to issue payment and performance bonds to offsite housing factories in the state. The bill relies on a General Fund appropriation to fund the program.

Specifically, this bill:

- 1) Authorizes the IBank to provide credit backstops to qualified applicants as follows:
 - a) A credit backstop may be issued only to a surety company or a surety insurer that issues bonds if the backstop will be used to issue payment bonds or performance bonds to qualified factories on qualified multifamily projects.
 - b) The credit backstop must cover an unspecified percentage of the payment or performance bond value, at the discretion of the IBank.
 - c) The credit backstop may not replace surety underwriting and may only be used to reduce tail risk. The qualified applicant must continue to decide the specific details of the payment or performance bond following industry standards.
- 2) States Legislative intent to include provisions relating to the prioritization and review of applications received.
- 3) Defines “tail risk” to mean a risk that occurs either when the frequency of low probability events is higher than expected under a normal probability distribution or when there are observed events of very significant size or magnitude.

FISCAL EFFECT:

- 1) The IBank estimates General Fund costs in the hundreds of millions of dollars for an initial allocation to provide the financial backstops for qualifying applicants. This funding would be used to cover any failure of a housing manufacturer to perform or pay others for downstream workload.

- 2) The IBank estimates costs in the high millions to low-tens of millions of dollars for external consultants and 10 to 14 permanent staff positions to implement the new program. For context, to establish a recent startup, the Transmission Revolving Fund program, IBank has requested funding of \$3.6 million for seven staff positions and \$11 million for non-staff expenses. IBank estimates double the costs for implementing the proposed program given the lack of familiarity with the industry, greater complexity and as noted below the structural differences between existing IBank loan guarantee programs.
- 3) The IBank notes this program requires a different structure than IBank's existing Small Business Loan Guarantee Program, which is supported by a network of seven Financial Development Corporations and 158 participating lenders and has been built over 30 years. Without this kind of supporting infrastructure which funds IBank's Small Business Financing Center (SBFC) staffing, the IBank expects to need significantly more staffing than the existing SBFC team.

This program also represents a new type of funding program in IBank to support qualified applicants through guarantees or backstops to provide specified construction surety bonds. It is difficult to fully determine a fiscal estimate to implement the provisions of this bill and as such, the IBank would need to perform an assessment of the market to understand associated risks and opportunities as well as to set up the program rules and requirements. To date, the IBank has not been involved with industries related to housing or the building of housing.

According to the Legislative Analyst's Office, the General Fund faces a structural deficit in the tens of billions of dollars over the next several fiscal years.

COMMENTS:

- 1) **Purpose.** According to the author:

The cost of building homes is high, leading to a construction shortage, that ultimately passes on these costs to homeowners and renters. This is especially true with affordable housing, which struggles even more than market-rate housing to find developers willing to build. One way to significantly reduce that cost is by using factory-built housing. Unfortunately, these factories struggle in California, as they are unable to receive insurance coverage, preventing developers, lenders, and general contractors from using this cheaper alternative. [This bill] creates a state-backed credit backstop, to allow these factories to be insured, subsequently creating a more affordable option for housing development.

- 2) **Background. *Factory-Built Housing:*** 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 then transporting those components or structures to the construction site, where they are installed and fixed to a building foundation. Under the California Factory-Built Housing Law, the California Department of Housing and Community Development (HCD) maintains building code and plan approval authority over FBH.

Assembly Select Committee on Housing Innovation (Select Committee). The Select Committee was established in 2025 to explore the state's role in reducing housing costs through facilitating innovation in housing construction. 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 produced a white paper detailing seven categories of approximately 40 policy proposals identified by stakeholders as potential pathways to reducing barriers to accelerating industrialized construction, including FBH, at scale.

Relevant to this bill, stakeholders that participated in the Turner Center interviews asserted the FBH industry will not reach the scale necessary to help address the state's housing shortage without the state providing access to capital. They explained that financial institutions and insurers view FBH as riskier than site-built construction because FBH involves logistics not associated with site-built housing, such as the need to sequence delivery of FBH components. Some FBH factory and project failures support the lending community's concerns with the risk of backing a new and unproven industry. Stakeholders believe the state could provide several types of financial backing to the FBH industry that would help the industry grow.

This bill implements one of the Turner Center recommendations to reduce financial risk and liability to encourage industry growth.

IBank. The IBank, within the Governor's Office of Business and Economic Development (GO-Biz) was established to promote "economic revitalization, enable future development, and encourage a healthy climate for jobs in California." The IBank administers three programs: 1) the Infrastructure State Revolving Fund, which provides direct low-cost financing to public agencies for a variety of public infrastructure projects; 2) the Conduit Bond Program, which provides financing for manufacturing companies, public benefit nonprofit organizations, public agencies and other eligible entities; and (3) the Small Business Finance Center which helps small businesses access private financing through loan guarantees, direct loans, and performance bond guarantees. The Small Business Finance Center provides credit support to sureties issuing bonds to contractors.

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