SENATE COMMITTEE ON APPROPRIATIONS
Senator Sabrina Cervantes, Chair
2025 - 2026 Regular Session

AB 2166 (Carrillo) - Multifamily housing development: offsite housing factories: backstop financing

Version: April 27, 2026
Policy Vote: B., P. & E.D. 8 - 1, HOUSING 8 - 0
Urgency: No
Mandate: No
Hearing Date: August 3, 2026
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Bill Summary: AB 2166 establishes, upon appropriation, the Multifamily Housing Development Program at the 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.

Fiscal Impact: Unknown, unabsorbable one-time and ongoing costs, likely ranging from the tens to hundreds of millions of dollars (General Fund and special fund), for IBank to establish and administer a new construction surety bond guarantee program. Specifically, IBank anticipates:

- Unknown, significant one-time costs, likely ranging in the millions of dollars, to conduct a market assessment to evaluate risks and establish program rules.
- One-time seed funding in the hundreds of millions of dollars to provide financial backstops for qualifying applicants and cover potential manufacturer defaults.
- Ongoing costs in the tens of millions of dollars, including an additional 10.0 to 14.0 permanent staff to maintain the program. As a recent budget comparison, IBank requested $11 million in one-time funding and $3.6 million ongoing for 7.0 permanent positions to establish a Transmission Revolving Fund program. IBank expects to need at least double the resources of that program to meet the mandates of the Multifamily Housing Development Program, as IBank lacks experience in housing construction-related financing.

While the proposed program may share some similarities with IBank's existing Small Business Loan Guarantee Program (SBLGP), IBank notes that the bill creates a new type of funding program requiring a fundamentally different structure. Unlike the SBLGP, which relies on a 30-year-old network of seven Financial Development Corporations and 158 participating lenders, the program proposed by this bill lacks a supporting infrastructure and will require significantly more internal staffing than the current Small Business Finance Center team.

Background: According to IBank's website, IBank was created in 1994 to finance public infrastructure and private development that promote a healthy climate for jobs, contribute to a strong economy, and improve the quality of life in California communities. IBank has broad authority to issue tax-exempt and taxable revenue bonds, provide financing to public agencies, provide credit enhancements, acquire or lease facilities, and leverage state and federal funds. IBank's current programs include the Infrastructure State Revolving Fund Loan Program, the California Lending for

Energy and Environmental Needs Center, the Climate Catalyst Revolving Loan Fund, the Small Business Finance Center, and the Bond Financing Program.

Proposed Law:

- Establishes the Multifamily Backstop Financing Program, upon appropriation, for purposes of supporting multifamily projects through the provision of state-backed credit backstops that would enable surety companies to issue payment and performance bonds to offsite housing factories in the state.

- Authorizes IBank, under the program, to provide credit backstops to qualified applicants in accordance with the following:

  - A credit backstop shall be issued only to qualified applicants if the backstop will be used by the applicant to issue payment bonds or performance bonds to qualified factories on qualified multifamily projects.
  - The credit backstop shall cover ____ percent of the payment or performance bond value, at the discretion of the bank.
  - The credit backstop shall not replace surety underwriting and shall only be used to reduce tail risk. The qualified applicant shall continue to decide the specific details of the payment or performance bond following industry standards.

- Requires IBank to adopt rules and regulations necessary to implement the program.

- Provides definitions for purposes of the program, including:

  - "Qualified applicant" means a surety company or surety insurer that issues construction bonds.
  - "Qualified factory" means an offsite housing factory, whether volumetric, panelized, or otherwise, in the state that delivers obligations for qualified multifamily projects.
  - "Qualified multifamily project" means a project located in the state that consists of multifamily residential uses only or a mix of multifamily residential and nonresidential uses, with at least two-thirds of the square footage of the development designated for residential use.
  - "Tail risk" means 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.

- States legislative intent to include provisions relating to the prioritization and review of applications received pursuant to the program.

- States legislative findings and declarations.

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