
SENATE COMMITTEE ON HOUSING
Senator Jesse Arreguín, Chair
2025 - 2026 Regular

Bill No: AB 2185 **Hearing Date:** 6/24/2026
Author: Quirk-Silva
Version: 3/19/2026 Amended
Urgency: No **Fiscal:** Yes
Consultant: Ryan Hardmeyer

SUBJECT: Housing: multifamily affordable housing programs

DIGEST: This bill requires various state agencies administering a multifamily affordable housing program to remove any barriers to, and create opportunities to fund, factory-built housing (FBH), no later than July 1st, 2027.

ANALYSIS:

Existing law:

- 1) Establishes the California Tax Credit Allocation Committee (CTCAC) and the California Debt Limit Allocation Committee (CDLAC) under the State Treasurer's Office (STO). CTCAC administers the federal and state low-income housing tax credit programs, which promote private investment in housing affordable to low-income Californians. CDLAC sets and allocates California's annual debt ceiling and administers the state's tax-exempt bond program to issue the debt. CDLAC's programs are used to finance affordable housing developments for low-income Californians, among other things.
- 2) Establishes the California Housing Finance Agency (CalHFA), which provides first mortgage loans and down payment assistance to first-time homebuyers, as well as financing and programs for affordable rental housing.
- 3) Establishes the Multifamily Housing Program (MHP) to provide low-interest, long-term deferred-payment loans to fund new construction, rehabilitation, and preservation of permanent and transitional rental housing for people earning up to 60% of the area median income (AMI).
- 4) Requires the Strategic Growth Council (SGC) to develop and administer the Affordable Housing and Sustainable Communities (AHSC) Program to reduce greenhouse gas emissions through projects that implement land use, housing,

transportation, and agricultural land preservation practices to support infill and compact development, and that support related public policy objectives.

- 5) Establishes the Joe Serna, Jr. Farmworker Housing Grant (Serna) Program to fund new construction, rehabilitation, and acquisition of owner-occupied and rental units for agricultural workers, with priority for lower income households.
- 6) Establishes the state Low-Income Housing Tax Credit (LIHTC) Program to augment the federal LIHTC program, for projects that previously received, or are concurrently receiving, an allocation of federal LIHTCs. Of the annual statutory state credit ceiling, 15% is available to be combined with federal 4% LIHTC acquisition/rehabilitation projects and the remaining balance is allocated through the federal 9% LIHTC geographic apportionments.
- 7) Establishes the Transit-Oriented Development (TOD) Implementation Program to provide loans and grants to cities, counties, cities and counties, transit agencies, eligible tribal applicants, and developers for the purpose of supporting the development of higher density vehicle miles traveled-efficient affordable housing or related infrastructure, including projects within close proximity to transit stations or projects that could increase public transit ridership.
- 8) Enacts the Veterans Housing and Homeless Prevention (VHHP) Bond Act of 2014 to authorize \$600 million in bonds to provide multifamily housing to low-income veterans and supportive housing for homeless veterans.
- 9) Establishes the Infill Infrastructure Grant (IIG) Program to promote infill housing development by providing financial assistance for Capital Improvement Projects that are an integral part of, or necessary to facilitate the development of affordable and mixed income housing.

This bill:

- 1) Defines state agency as all of the following:
 - a. CDLAC;
 - b. California Housing and Homelessness Agency (CHHA);
 - c. CalHFA; and,
 - d. CTCAC.

- 2) Defines “multifamily affordable housing program” as all of the following:
 - a. AHSC Program;
 - b. IIG of 2007;
 - c. IIG of 2019;
 - d. Joe Serna, Jr. Farmworker Housing Grant Program;
 - e. LIHTC;
 - f. MHP;
 - g. Multi-family Rental Housing Program;
 - h. TOD Implementation Program; and,
 - i. VHHP Act of 2014.
- 3) Requires a state agency, as defined, when administering a multifamily affordable housing program, do all of the following, no later than July 1st, 2027:
 - a. Review, analyze, and make any changes necessary to their guidelines and regulations to facilitate the production and use of FBH.
 - b. Clarify that FBH projects are an allowable use of funding under these programs.
 - c. To the extent the agency directly funds the multifamily affordable housing program project, whether for construction financing, permanent financing, or both, make sufficient early deposits available for FBH projects as an allowable use of funding under each of these programs to support the upfront payments needed to cover material costs and factory production.
 - i. Each agency shall establish market-based underwriting guidelines as to the amount and timing of early deposits, including a requirement that any project receiving financial support be considered to have all of its construction and permanent financing committed at the time the deposits are funded by the agency.

- ii. Each agency may require that either the factory, general contractor, or project sponsor provide a payment and performance bond, financial guarantee, letter of credit, or other security to protect the agency in the event that the project fails to close its financing and begin construction.

Background

Factory-Built Housing. FBH refers to industrialized housing construction, where either the entirety of, or components of, a housing unit are produced or assembled in an offsite factory, or both, 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 actual housing site, FBH utilizes the efficiencies of an assembly line, similar to a car or an appliance. Entire units and modules are assembled in a climate-controlled factory and are much less susceptible to construction delays associated with traditional housing construction (e.g., disruptive weather). While benefits may vary by project and jurisdiction, the Turner Center for Housing Innovation at University of California, Berkeley (Turner Center), finds 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.¹

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 industry experts. These experts discussed all of the following: 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 hearings also explored barriers to opportunities for scaling construction innovation. The Select Committee requested support from the Turner Center to conduct research, including interviews with people familiar with the industry. The Turner Center interviewed 65 people representing different perspectives in the industry, including market-rate and affordable housing developers, general contractors, off-site manufacturers, architects, investors, lenders, union members, state and regional government staff, building code experts, and representatives from companies using 3D printing, A.I., and other emerging technologies. Their findings culminated in the Turner Center’s report, *Potential Pathways to Scale Innovative Construction*.

¹ Stephanie Hawke, et. al. *Potential Pathways to Scale Innovative Construction Methods in California*. Accessible here: <https://turnercenter.berkeley.edu/wp-content/uploads/2026/03/PathwaystoScaleInnovativeConstruction2026.pdf>. March 2026.

Comments

- 1) *Author's statement.* "California cannot solve its housing crisis with yesterday's tools. Factory-built housing can lower costs and deliver homes faster, but our state programs have not kept up. When funding structures delay projects instead of supporting them, we lose time, we lose units, and we lose opportunities for families who need housing now. AB 2185 updates our affordable housing programs in line with how homes are actually being built today. It removes barriers, supports innovation, and helps us build more affordable housing at the scale California needs."
- 2) *Adapting housing financing to emerging needs.* The state finances affordable multifamily rental housing using a combination of loans, tax credits, and private activity bonds. Unlike market-rate housing, affordable housing does not have the cash-flow from rents to support traditional financing. Affordable housing is provided to tenants whose household income is below the AMI. To qualify, very low-income tenants must make 60% or less of the AMI and lower-income tenants must make only 80% or less of AMI. Tenants in affordable housing are only required to pay 30% of their income toward rent, so the state provides enough long-term subsidy to reduce the overall debt service on a development.

HCD loans serve as the permanent financing that comes in once a development is complete to take out the predevelopment and construction loans a developer took on to construct the development. HCD loans are secured with a lien in first position on the property. Developments are also subject to a 55-year recorded regulatory agreement that runs with the project. If a developer pays off an HCD loan before the covenants expire, the regulatory agreement is not extinguished, and the developer must continue to provide the units at an affordable rent for the length of the regulatory agreement.

Historically, HCD has not provided construction loans to developers. In fact, AB 1053 (Gabriel, Chapter 264, Statutes of 2025) required HCD to adopt guidelines by July 1, 2026, to allow for construction financing for the Serna Program, AHSC, and MHP. CalHFA has the authority to provide construction loans and has provided this type of financing in the past, but currently it does not. With FBH emerging as a promising housing type, that status quo may be worth changing.

In the Turner Center's report, experts recommend modifying existing state funding programs to better align them with the realities of FBH. It notes that many of the state's multifamily affordable housing programs are designed to support conventional site-built construction and thus are inadequate in

supporting the production of factory-built housing. For example, the state's affordable housing programs typically release funds for projects as on-site work is completed. However, this can thwart FBH, since developers accrue costs much earlier in the process when the unit is being completed in the factory, rather than on site. As a result, developers must cover factory deposits and early production costs through other forms of financing.

This bill would instead require state agencies involved in affordable multifamily housing to, among other things, make "early deposits" available for FBH to support the upfront payments needed to cover material costs and factory production. In essence, this would be similar to a construction loan taken out for site-built housing to aid the initial process. While this could expose state agencies to financial risk, should the factory experience economic challenges, the issues facing the industry are largely self-fulfilling. Because there is not yet a consistent stream of demand and funding for FBH, the industry is less stable, and because the industry is less stable, investors and developers tend to be more risk-averse. Encouraging, or at a minimum, reducing barriers to using state funding for FBH, could create stronger demand. Additionally, the FBH industry has a unique opportunity to benefit from economies of scale in a way that the stick-built industry does not. When demand is predictable, factories are able to amp up their production, purchase more building materials in bulk, and take advantage of assembly-line efficiencies. This bill could dually strengthen the FBH industry, with downstream benefits for affordable and market-rate developers alike, and promote cost-savings and project efficiencies for developers of affordable multifamily housing in the state, with the potential to multiply the impacts of coveted dollars dedicated to such programs.

Related/Prior Legislation

AB 1053 (Gabriel, Chapter 264, Statutes of 2024) — allowed a borrower to request funding from HCD as a construction loan, the traditional permanent financing option, or a combination of both.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

POSITIONS: (Communicated to the committee before noon on Wednesday, June 17th, 2026.)

SUPPORT:

Autodesk, INC.
Bay Area Council

California Council for Affordable Housing
California Housing Consortium
California Yimby
Casita Coalition
Cbia
Circulate Planning & Policy
Housing Trust Silicon Valley
Inner City Law Center
Student Homes Coalition

OPPOSITION:

None received.

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