

SUMMARY

Assembly Select Committee on Housing Construction Innovation

Informational Hearing #2: Perspectives from Government, Investors, Workforce, and Innovators

January 14, 2026

Members Present

Buffy Wicks (Chair)

Jessica Caloza

Juan Carrillo

Mark Gonzalez

John Harabedian

Diane Papan

Sharon Quirk-Silva

Rhodesia Ransom

Agenda

- I. Opening Remarks
- II. Perspective from Government
 - a. Kyle Krause, Department of Housing and Community Development
 - b. Sean Kennedy, CA Strategic Growth Council
 - c. Marina Wiant, CA Tax Credit Allocation Committee
- III. Perspective from Investors
 - a. Cecile Chalifour, JP Morgan Chase
 - b. Rebecca Foster, Housing Accelerator Fund
 - c. Lad Dawson, Guerdon Modular Buildings
- IV. Perspective on Workforce

- a. Randall Thompson, Nibbi Brothers
- b. Oswaldo Lira, Harbinger Homes
- c. Jeremy Smith, State Building and Construction Trades Council of CA
- d. Danny Curtin, CA Council of Carpenters

V. Where We Go from Here

- a. Tyler Pullen, Terner Labs

VI. Public Comment

VII. Closing Remarks

Key Points

- Expanding Factory Built Housing (FBH)/ Modular Housing
- Continued investments in affordable housing
- Impacts to construction and workforce dynamics

Overall Summary

Today, the Assembly Select Committee on Housing Construction Innovation held its second informational hearing to discuss housing innovation through the perspective of government, investors, workforce and innovators. Conversations focused on the impacts and benefits of factory-built housing (FBH) specifically construction timelines, material, waste, and safety. The Assembly Select Committee also discussed ideas for potential job creation and diversity in the workforce, and economic revitalization through industrialized housing construction in California. Investment in innovation and cost containment is imperative to affordable housing. Presentations also centered on accelerating California's housing, climate, and energy goals within housing.

Opening Remarks

Chairwoman Wicks opened the meeting by emphasizing that innovation alone won't solve the housing crisis, but when paired with smart land-use policy, investor and developer certainty, and

streamlined processes, it can lower housing costs. The goal of modular and innovative construction is affordable housing for working families.

Perspective from Government

Kyle Krause, Department of Housing and Community Development, focused on the benefits of FBH, code-compliance, efficiency in housing production methods, and coordination through state and local regulations. The California Department of Housing and Community Development (HCD) oversees FBH compliance through certified third-party agencies such as design approval agencies and quality assurance agencies; while local governments remain responsible for permitting, plan review, and inspection. Specifically, Krause provided an overview of FBH, which is built off-site in factories while also designed to meet the state's building standards. This allows for reduced construction time and material waste, and improves worker safety. Currently, 258 FBH manufacturers produce units for California: 119 in California, 80 in the U.S., and 59 internationally. Each FBH system must receive an HCD insignia of approval before leaving the factory, confirming it was built according to approved plans and meets applicable codes. About 3,200 FBH systems were issued insignia in 2024, with approximately 3,400 in 2025, indicating growing production. This demonstrates the growing demand for FBH and the production of housing.

Sean Kennedy, CA Strategic Growth Council, outlined SGC's efforts to advance FBH as a tool to address California's housing shortage, climate goals, and affordability challenges. FBH can reduce construction costs, shorten timelines, lower emissions through efficient manufacturing and reduced waste, and support infill development that reduces vehicle miles traveled. FBH has also proven valuable in disaster recovery, allowing some wildfire-impacted residents to return home in just over a year with housing that meets modern fire safety standards.

Marina Wiant, CA Tax Credit Allocation Committee, provided an affordable housing finance perspective, focusing on how tax credits and bonds influence housing production and innovation in California. Since 2020, TCAC/CDLAC has effectively been running two competitive

programs. Historically, the 9% tax credit program was competitive, while the 4% tax credit program was undersubscribed. Due to state policy changes and significant state investments beginning in 2020, the 4% program became highly oversubscribed, requiring the agencies to redesign it as a competitive program.

The current scoring system encourages affordable housing developers to adopt innovative construction methods and financing strategies, helping explain the increased use of new building technologies in recent years. Additionally, due to recent federal changes in 2024, housing capacity has increased. As a result, total units financed increased from about 18,000 units in 2024 to approximately 28,850 units in 2025. However, financing predictability is a major concern for developers and suggests that tax incentives and building code adjustments applicable across the housing market are more likely to expand.

Member Questions

Assemblymember Quirk-Silva: Where are we in the rounds for grants? What type of grants are provided? Expand on the federal level on what has happened regarding the 4% and 9% tax credit? Given the governor's budget, can you speak to the low income housing family pipeline?

- Kennedy: It will open in a few weeks and applications open for 3 months. There are 2 grant types (1) Catalyst Grant for initial planning and partnership building and (2) Planning Grant to accelerate implementation and innovation at the regional level.
- Wiant: Because bond allocations are capped by a per-capita formula, this change effectively nearly doubled the amount of development costs that can be supported, unlocking many more tax credits. As a result, \$200 million in bonds were returned and redeployed, enabling the state to fund about 10,000 additional housing units this year compared to prior years.

Assemblymember Wicks: What is your perspective Krause on the methodology vs the current perspective on performative based versus prescriptive based building code?

- Krause: California's building standards combine performance-based and prescriptive codes, which largely adopted from national and international model codes, along with state-specific requirements like green building standards and high-performance energy efficiency rules. Since 2010, California has led the nation with a green building code, and its legal framework already allows and encourages alternative materials and innovative construction methods at the local level.

Perspective from Investors

Cecile Chalifour, JP Morgan Chase, shared a lender's perspective and addressed risk for factory-built and modular housing. JPMorgan has financed 30+ modular or factory-built affordable and workforce housing projects nationwide, about 25 of them in California. From a construction and lending standpoint, FBH is viewed as high-quality, efficient, and strong collateral. However, these advantages do not always translate into immediate cost savings, and when problems arise, the financial risks can be significant, sometimes costing millions. Chalifour highlighted potential risks for consideration: team experience among the developer, architect, GC, and manufacturer; manufacturer's standard design; local codes; capital shortages; distance and logistics; and training and certification for workers.

Rebecca Foster, Housing Accelerator Fund, described how innovative financing and industrialized (modular) construction can dramatically reduce the cost and time needed to build affordable modular housing in California. Foster provided a case study project in San Francisco that showcased the capital innovations. These innovations included financing with private and philanthropic means, and expanding factory capacity. The organization used two financing tools (1) Industrialized Construction Catalyst Fund, and (2) the Bay Area Housing Innovation Fund. She expressed the need to scale construction quicker and ensure lower-costs to the build affordable housing.

Lad Dawson, Guerdon Modular Buildings, reported 5–15% hard cost savings on modular projects, rising to 20–25% on prevailing-wage projects, and 20–30% providing faster delivery

than conventional construction. Faster timelines reduce lender risk and accelerates revenues. Dawson also noted that a key driver of efficiency is standardized designs. However, there are barriers to scaling modular construction. This includes financing and demand certainty. Modular production requires upfront costs and payments to reserve factory capacity. Dawson emphasized that financing hurdles can pushback construction. Yet, Dawson expressed support of loan credits for modular projects and to align it with tax credit funding and timelines.

Member Questions

Assemblymember Harabedian: Why do market-rate lenders and financiers still view FBH as higher risk—and continue to underwrite it conservatively with higher costs and limited financing products—despite evidence that it produces higher-quality outcomes and strong performance, and why hasn't the private market adapted with financing tools (such as lower interest rates or better upfront capital) to match the innovation and reduce reliance on government intervention?

- Chalifour: Lender's view FBH as higher risk because of the risks thorough the development and delivery process. Some of these risks include transportation and installation risks, coordination and experience gaps, manufacturer financial instability. Essentially, once manufacture stability improves, risks become more manageable.

Assemblymember Carrillo: How can investors be encouraged or supported to finance modular or multi-family housing projects in less urban or more remote areas? What measures could reduce that risk to make investment in these areas more viable despite the housing crisis?

- Chalifour: Explained that in less urban areas, the challenge is not modular construction itself; the primary risk for investors and developers is softer market conditions—lower rents, slower growth, and high operating expenses. Chalifour also suggested the focus should be on advocacy with financial institutions to encourage investment in these markets, rather than worrying about modular technology or logistics.

Assemblymember Carrillo: The cost of a factory is \$30 to \$50 million dollars, is that in CA?

- Dawson: Yes, but depends on various factors. It is also a typical investment in building a factory from buying the lands, outfitting, equipping, working capital, and also consider start-up costs and losses. Lenders reduce risk in modular projects by educating banks, standardizing designs, supervising on-site installation, and building expertise.

Assemblymember Wicks: Are there ways to expand ICCF? How are you presenting learnings to the broader community so other pilots or models could come from that in other parts of the state?

- Foster: More affordable housing developers are adopting modular construction focused on cost and time savings, and programs like the ICCF and Innovation Fund which help scale experience, increase standardization, and ensure financing certainty.

Perspective on Workforce

Randall Thompson, Nibbi Brothers, expressed that modular construction provides cost certainty, reduces risk, and improves quality. Thompson also emphasized that California has the resources, talent, and leadership to solve its housing deficit and can lead by example in delivering high-quality, scalable housing. Thompson also emphasized the need to educate project stakeholders, developers, and trades people.

Oswaldo Lira, Harbinger Homes, supported the benefits of factory-based modular construction. Unlike traditional construction, which involves long commutes, fatigue, weather delays, and inconsistent pay; factory work offers predictable schedules, safer conditions, and daily return home, improving work-life balance and family stability. Lira also emphasized workforce development, supporting diversity, training, career growth, and opportunities for individuals with past challenges, including criminal records. This approach not only strengthens the company and its teams but also enables faster, higher-quality housing delivery, benefiting both workers and the community.

Jeremy Smith, State Building and Construction Trades Council of CA, emphasized that while traditional on-site union construction produces high-quality, efficiently built housing, modular construction offers potential to increase housing supply if done correctly. Smith highlighted Fullstack Modular in Carson as a successful model that integrates all California construction unions, maintains quality and worker protections, and provides stable careers, training, and entry points for apprentices. The partnership demonstrates that modular housing can accelerate delivery, control costs, and preserve safety and craftsmanship, showing that innovation and union labor can coexist to address California's housing needs.

Danny Curtin, CA Council of Carpenters, emphasized strong support for modular housing as a key solution to California's housing crisis. Curtin highlighted that traditional housing costs far outpace wages, making homeownership unaffordable for many workers, and stressed that building modular factories in California is essential to produce housing locally, reduce commutes, and support climate-sensitive urban development. He warned against a "race to the bottom" in wages, benefits, and labor standards, urging that manufactured housing jobs provide decent pay, healthcare, and retirement benefits. By combining technological innovation with fair labor practices, modular housing can create high-quality homes, stable careers, and a stronger California economy while avoiding exploitation and out-of-state competition.

Member Questions

Assemblymember Carrillo: If we start a pilot program, where will the workforce come from? Is this a challenge?

- Curtain: Emphasized that modular housing requires significant training and cross-training, noting that Northern California carpenters have already established training standards. While not easily mandated, these training costs and standards should be considered in project planning, as modular construction is more complex than automated processes.

- Smith: Modular housing can create thousands of new apprenticeship opportunities, providing spaces for apprentices and pre-apprentices to learn on-site and in factories, supporting the growth of the skilled construction workforce.

Assemblymember Papan: Were there advantages to creating your own factory as opposed to purchasing from others? Regarding project site will you make that up in volume?

- Thompson: We don't operate as a manufacturer but partner with manufacturers.
- Curtain: FBH could create numerous in-state jobs, both in factories and on-site, revive environmentally sensitive timber and manufacturing industries, and support climate-friendly construction, leading to significant economic and workforce growth in California.
- Smith: Agrees with Curtain and recommends that the state needs to get the wages and benefits right. Supports a factory setting where all the crafts are represented.

Assemblymember Wilson: Regarding Fullstack, what has worked and what are your lessons learned, and policy suggestions?

Fullstack: The Cal Poly project highlights that industrialized construction requires specialized planning, dedicated factory throughput, and repeated practice to achieve efficiency. Supports consistent production and training of pre-apprentices across all trades.

Assemblymember Gonzalez: What is the role of banks investment in modular housing, or what are your thoughts on that?

- Thompson: A key challenge is underwriting and financing alignment, as lenders scrutinize modular projects more intensely than conventional ones. Other hurdles include synchronizing construction schedules with tax credit timelines and providing manufacturers with production certainty, which can require early deposits and create risk. Policies that streamline financing and allow more flexibility in tax credit scoring could help reduce these pressures.

Assemblymember Caloza: What opportunities does the modular/FBH industry create for underrepresented groups—especially women—to enter or reenter the construction workforce?

- Smith: Highlights that factory-based construction is more family-friendly, offering predictable hours that make it easier for women and single parents to manage child care needs, which is a major reason women leave apprenticeships. This model could attract more people—especially those with family responsibilities—into the construction workforce.
- Lara: Of our employees, 30% are women.
- Curtain: This work is doable but changes the nature of work and creates more opportunity for all.

Where We Go from Here

Tyler Pullen, Terner Labs, outlined various policy recommendations to support FBH. These include (1) building code reform to reduce local variation, increase consistency, and streamline inspections; (2) reducing risk and liability through state funding, bonding, and loan guarantees for early adopters; (3) leveraging existing programs like affordable housing incentives to reward cost-effective, fast, and low-impact construction, as well as aggregating demand through universities and state-owned sites; and (4) education and research to train code officials, share data, and establish research hubs. Overall, Pullen emphasizes that while the ecosystem will take time to mature, near-term policy actions can stabilize the industry and position California as a leader in innovative construction.

Public Comment

Integral Methods: Expressed the need to make homeowner practical and invited committee to tour operations in Woodland.

CA Coalition for Community Investment: Expressed appreciation to be in conversations with CDFI coalition.

District Council of Iron Workers: Expressed the need to consider workers and their wages.

Fullstack Modular: Consider restructuring the way we build housing and do construction.

Closing Remarks

Chairwoman Wicks expressed gratitude for all stakeholders involved in housing development and a commitment to finding the right solutions by leveraging innovative models to drive meaningful change.