

October 26, 2023

Subject: Resolution to support energy-efficient factory-built housing to meet the State's climate, housing and equity goals

Reporting Period: October 2023

Staff Lead: Lynn von Koch-Liebert, Executive Director, SGC

Recommended Action

Adopt a resolution to direct staff of the Strategic Growth Council to coordinate with council agencies and departments and other state entities to develop a pilot funding program that supports the expansion of energy efficient factories that build factory-built housing in California to increase supply of housing units, reduce greenhouse gas emissions, and expand clean energy infrastructure.

Summary

In December 2022, the Strategic Growth Council passed a [resolution](#) calling for a coordinated approach to housing, climate, and equity efforts that support strategic growth across California. In coordination with the California Business Consumer Services & Housing Agency, California Department of Housing & Community Development, and the California Air Resources Board, SGC has identified factory-built housing (FBH) as an opportunity to accelerate progress for the State's housing, climate, and energy goals. With unprecedented federal funding available, particularly through the Department of Energy Loan Programs Office (LPO), staff are proposing the development of a pilot pre-development grant program to support FBH manufacturers to expand, retrofit, and/or build new facilities that are energy efficient and will produce energy efficient housing. This pilot program is an opportunity to utilize near-term federal funding while addressing the urgency of the housing, climate, and energy crisis.

Background

California has set ambitious housing, climate, and energy goals to meet the urgency of these concurrent crises. Recognizing that the impact of these issues amplify racial and economic equity gaps across the State, the California Strategic Growth Council (SGC) aims to address public health, racial equity, local economies, energy efficiency, and access to affordable housing and sustainable transportation in California's under-served communities through multi-benefit investment programs. Through these programs, SGC invests across the spectrum of capacity building and infrastructure implementation to center communities while advancing strategic growth in California.

In December 2022, the Council passed a resolution on Housing, Climate, and Equity (Council Priority 3), which called on the Council and each member agency to support strategic and equitable growth through their programs and policies. In addition to elevating existing initiatives, the Resolution aims to identify additional tools and strategies to meet the State's

housing, climate, and equity goals in a coordinated way, at the scale and pace necessary to close existing gaps and meet the urgency of current and projected needs.

In 2021, the Infrastructure Investment and Jobs Act (IIJA) authorized \$1.2 trillion for transportation and infrastructure spending and became the nation's largest investment in clean energy infrastructure at the time. In 2022, the Inflation Reduction Act (IRA) became the most momentous act to accelerate clean energy and climate mitigation and resilience in the nation's history. The \$370 billion IRA will drive economic investments in historically underserved communities while advancing the nation's clean infrastructure, built environment, high-quality jobs, and natural systems to address the impacts of climate change. In response to the unprecedented federal funding, California Governor Gavin Newsom called upon California agencies and departments to take advantage of the unprecedented federal funds to achieve the State's climate and clean energy goals.

In the past year, SGC has committed to diverse strategies to support California communities seek federal funding. SGC has established a new technical assistance initiative, Connecting Communities, to connect grantees and applicants with tailored technical assistance to apply for federal grants. SGC has also launched the Catalyst Conference, which convenes national and local partners to elevate solutions and address barriers in applying for and implementing public and private funding. Additionally, SGC grantees have already successfully leveraged State dollars to receive federal grants, such as the US Department of Transportation Rebuilding American Infrastructure with Sustainability and Equity (RAISE) Program. Through these initiatives, SGC has prioritized ways to leverage State support and receive federal funding that will bring multi-benefit impacts to under-served communities.

Factory Built Housing in California

In coordination with the California Business Consumer Services & Housing Agency, California Department of Housing & Community Development, and the California Air Resources Board, SGC has identified factory-built housing (FBH) as an opportunity to accelerate progress reaching the State's housing, climate, and energy goals. In California, FBH is designed and constructed according to the [California Green Building Standards Code](#) (CALGreen), the first-in-the-nation mandatory green building standards code with goals of energy efficiency, water efficiency and conservation, material conservation and resource efficiency, and environmental quality. Research suggests FBH has the potential to address the barriers to the State's housing production and affordability goals while reducing the production-related emissions inherent in residential construction.

As the FBH industry is growing across the nation, the proposed pilot funding program is an opportunity for the State to accelerate the industry within California while prioritizing community and environmental benefits. Once implemented, the pilot will invigorate the local workforce and economy, which can be aligned with Sustainable Community Strategies goals focusing on industrial workforce opportunities.

Department of Energy Loan Programs Office (LPO)

The US Department of Energy Loan Programs Office (LPO) has over \$400 billion to help finance clean energy projects, build energy infrastructure, create jobs, and reduce emissions across the United States. Under the [Title 17 Clean Energy Financing Program](#), LPO provides federal financing for projects that support clean energy deployment and energy infrastructure reinvestment to reduce greenhouse gas (GHG) emissions and air pollution. LPO's patient capital and flexible funding, paired with the prioritization of community benefits, uniquely incentivize the private sector to invest in under-resourced communities.

LPO funding typically requires an innovative technology requirement that is met for projects receiving financial support from a [State Energy Financing Institution](#) (SEFI). SEFIs are entities that may be established by a state and meaningfully financially support clean energy projects. In September 2023, DOE concluded that SGC meets the definition of a SEFI under Title 17, which increased opportunities for applicants that have received SGC funds and are applying for additional DOE funding.

The LPO has determined that FBH manufacturers that prioritize energy efficiency and the reduction of greenhouse gas emissions are eligible for funding. LPO financing is an opportunity for FBH manufacturers to expand, retrofit, or build new facilities that are energy efficient and will produce housing that is energy efficient. As LPO financing is typically around \$100 million, the cost of pre-development activities to prepare for the DOE application can be in the millions of dollars. Pre-development activities may include feasibility studies, environmental assessments, market analysis, community engagement, financial planning, and other items relevant to preparing an application for federal funding. Currently, pre-development costs serve as a significant barrier for Californian FBH manufacturers wishing to access federal funding, which in turn constrains the continued expansion of FBH across the state, and thus limits the State's ability to meet its housing and climate goals.

Pilot Pre-Development Grant Program

Staff are proposing the development of a pilot pre-development grant program (pilot program) to support FBH manufacturers applying for LPO financing to expand or establish new manufacturing facilities. The pilot program will provide financial support to select FBH manufacturers with pre-development activities to prepare for their LPO application.

This pilot program is an opportunity to address the urgency of the housing, climate, and energy crisis while taking advantage of the near-term opportunities for federal funding. Successful applicants have the potential to bring hundreds of millions of dollars of federal dollars into California. SGC will also seek to prioritize manufacturing affordable units and local workforce development. SGC's multi-benefit stipulations, layered with the DOE's prioritization of community benefits, will incentivize the private sector to invest in the local economy, workforce, and climate benefits in under-resourced communities. Finally, SGC will share findings from this pilot program to inform other pre-development efforts designed to leverage federal funds and accelerate energy-efficient infrastructure deployment across the state.

Next Steps

Following the Council approval of this resolution, SGC staff will coordinate with Council member agencies and departments, as well as other State entities, to develop the program guidelines and Notice of Funding Availability (NOFA). Guidelines will be brought to the Council for approval in early 2024.

Council Recommendation

Should the Council agree with Staff's recommendation, the following motion language is suggested:

"I move that the Council adopt the Resolution on the support of factory-built housing to meet the State's housing, climate, and equity goals (SGC Resolution 23-02)."

Attachment

Attachment A: Resolution on the support of factory-built housing to meet the State's housing, climate, and equity goals (SGC Resolution 23-02)