CONSENT

Agenda Item #5b-i

Oct. 28, 2026

Subject:	**Factory-Built Housing Program: Round 3 Pilot Program – Staff Proposal to Increase Funding**
Reporting Period:	August – October 2026
Staff Lead:	Sean Kennedy, Deputy Director of Energy Investments

Recommended Action

Adopt California Strategic Growth Council (SGC) Resolution 26-03 that approves an additional $10 million expenditure from already accumulated Affordable Housing and Sustainable Communities (AHSC) Program's continuous appropriation funds from disencumbered funds and Fiscal Year 2025-26 to further support factory-built housing ecosystem development, innovation, and technical assistance under Round 3 of the Factory-Built Housing (FBH) Regional Pilot Program. This expenditure would increase the originally approved FBH Round 3 budget from $12 million to $22 million.

Summary

The FBH Program supports the development and deployment of factory-built housing solutions that advance California's climate, equity, and housing affordability goals. The program is supported by the AHSC Program.

In August 2026, Council approved $10 million in FBH Round 3 awards. However, due to limited resources, several top-scoring Planning applicants received only partial awards, and additional high-value proposals could not be funded. Staff recommends that the Council consider increasing the Round 3 award budget to meet this demonstrated demand and ensure the program can fully support regions and partners advancing factory-built housing solutions.

Background

About the FBH Program

In December 2022, the California Strategic Growth Council (SGC) adopted a resolution on Housing, Climate, and Equity (Council Priority 3), directing the Council and its member agencies to promote strategic, equitable growth through their programs and policies. In coordination with the Business, Consumer Services, and Housing Agency, the Department of Housing and Community Development, and the California Air Resources Board, SGC identified factory-built housing as a key opportunity to accelerate progress toward the state's housing, climate, and energy goals. In October 2023, SGC adopted Resolution 23-02 directing staff to develop a pilot program to fund energy-efficient manufacturing facilities applying for federal clean energy assistance to expand infrastructure, create jobs, and reduce emissions.

To meet the Council's directive, SGC launched the first round of the FBH Program in August 2024, followed by Round 2 in November 2024. Both rounds aimed to support applicants pursuing federal funding to develop factory-built housing manufacturing facilities for energy-efficient housing production. SGC made no awards during the first two application rounds.

Staff gathered input from industry experts and stakeholders and used that feedback to draft a new factory-built housing resolution. Staff then presented this draft resolution to the Council, which adopted it on April 27, 2025, thereby directing staff to redesign the pilot program. In response, staff developed substantially revised Round 3 Program Guidelines and submitted them to the Council for consideration. The Council adopted the revised Guidelines in December 2025. After the Council's approval, staff opened the Round 3 solicitation for Planning and Catalyst proposals in early 2026, and the Council awarded them in August 2026.

Justification for increased funding

Round 3 revealed substantial statewide demand for factory-built housing investment, along with clear indicators of industry momentum and unmet need that far exceeded the program's initial budget. The program received 65 applications, including 37 Catalyst and 28 Planning Grant applications, demonstrating broad interest from jurisdictions, manufacturers, nonprofit partners, and regional collaboratives across the state. This response reflects a rapidly growing recognition that factory-built housing is essential to addressing California's housing supply, climate, and equity challenges. The range and geographic distribution of applicants also show that local governments and industry actors are mobilizing around new manufacturing capacity, supply-chain coordination, and workforce development, all key elements for scaling the factory-built housing market.

In August 2026, the Council approved $10 million in Round 3 awards. However, because the initial budget was insufficient relative to the strength and volume of proposals, multiple high-scoring Planning applications received only partial awards, and additional strong proposals could not be funded at all. This left clear, quantifiable unmet needs: award amounts for Anaheim, Bay Area Council Foundation, and Tahoe Prosperity Center were reduced by more than $1.2–$1.5 million each, and several promising projects—two Planning and one Catalyst—were not funded despite competitive scores and alignment with program goals.

SGC staff proposes using already accumulated AHSC continuous appropriation funds from disencumbered funds and FY25-26 to make targeted, near-term investments that strengthen the project pipeline and advance equitable, place-based climate solutions. An additional $10 million gives the Council an opportunity to support and accelerate this clearly demonstrated momentum. Staff's recommendation to authorize $9,135,975 in additional awards enables the program to:

- Fully or substantially fund the strongest Planning proposals, ensuring robust regional capacity building,

- Support additional high-ranking Planning and Catalyst proposals that were previously left unfunded, and
- Maintain a balanced statewide portfolio in accordance with Round 3 guidelines.

The additional funding proposed responds directly to clear evidence of market momentum, local readiness, and significant unmet demand surfaced by Round 3. These additional award authorizations will accelerate implementation, expand geographic impact, and strengthen California's factory-built housing ecosystem at a critical moment for the industry's growth.

Council Recommendation

Staff recommends that the Council approve a $10 million increase to FBH Round 3 to fund Planning and Catalyst proposals and expand statewide impact. Should the Council wish to adopt the resolution, the following motion language is suggested:

Suggested Motion:
"I move that the Council adopt Resolution 26-03."

Attachment

Attachment A: SGC RESOLUTION 26-03