

Dec. 10, 2025

Subject: **Factory-Built Housing (FBH) Regional Pilot Program Grant Guidelines**

Reporting Period: October 2025 - December 2025

Staff Lead: Sean Kennedy, Deputy Director, California Strategic Growth Council (SGC)
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Recommended Action

Approve the Factory-built Housing Regional Pilot Program Round 3 Grant Guidelines.

Summary

SGC staff seeks Council approval of the Factory-built Housing Regional Pilot (FBH) Program Round 3 Grant Guidelines. The Program will allocate \$10 million to grants, with approximately \$1 million, in addition, reserved for no-cost Technical Assistance and capacity-building services for Applicants, Grantees, and Partners. The Round 3 Guidelines expand the program's initial focus by identifying and addressing barriers to the deployment of factory-built housing units at the regional scale, rather than solely for FBH manufacturing facilities. Upon Council approval of the Round 3 Grant Guidelines, staff will issue the Notice of Funding Availability (NOFA) and initiate a competitive application process in early 2026.

Background

California has set ambitious goals for housing, climate, and energy to address the urgency of these concurrent crises. In December 2022, the Council passed a resolution on Council Priority 3, Housing, Climate and Equity, 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.

Factory-built Housing in California

Research suggests factory built housing has the potential to address barriers to the State's housing production and affordability goals while reducing the production-related emissions typically associated with residential construction. In California, factory built housing is designed and constructed in accordance with the California Green Building Standards Code (CALGreen), the first-in-the-nation mandatory green building standards code, which aims to achieve energy efficiency, water efficiency and conservation, material conservation and resource efficiency, and environmental quality.

In coordination with the California Business, Consumer Services, and Housing Agency, the California Department of Housing and Community Development, and the California Air Resources Board, SGC identified FBH as an opportunity to accelerate progress toward the State's housing, climate, and energy goals. In October 2023, the SGC passed a resolution directing staff to develop a pilot funding program supporting the expansion of energy-efficient factories producing FBH in California. This initiative aimed to increase the supply of housing units, reduce greenhouse gas emissions, and expand clean energy infrastructure.

The SGC launched the FBH Pilot Program to accelerate progress toward the State's housing, climate, and energy goals and to leverage available federal resources. As the factory built housing industry is growing nationwide, the pilot program presents an opportunity for the State to accelerate the sector within California, while prioritizing community and environmental benefits.

Initial Program Design and Results

Program staff developed the FBH Pilot Program in response to the Council Resolution to Support Energy-Efficient FBH to meet the State's Housing, Climate, and Equity Goals. Following Council's directive, SGC launched the first round of the FBH Program in August 2024, followed by Round 2 in November 2024, both aimed to support the development of FBH manufacturing facilities by eligible Applicants who were also pursuing federal funding for energy-efficient housing production.

Utilizing funds from the Department of Energy's Loan Programs Office (LPO), the FBH Pilot Program was designed to support FBH manufacturers in expanding, retrofitting, or building new facilities to produce affordable, energy-efficient housing. Two application cycles were completed, resulting in two applications from the same applicant that did not meet requirements for an award. Additional stakeholder outreach revealed that the LPO program's minimum loan amount of \$100 million was disproportionate for manufacturers, which also contributed to the small applicant pool.

Factory Built Housing Market Challenges

Developers have demonstrated a willingness to take on the challenges of new processes and market education to embrace the new FBH technologies. However, outreach has identified significant challenges that can be addressed through the FBH program. Through market research, a public request for information, and direct consultation with developers, builders, manufacturers, academics, philanthropy, and agency partners, staff have identified the following barriers for deployment of FBH in California:

- Non-standardized building codes and inspection requirements
- Local zoning restrictions
- Financing instruments and lenders that require significant upfront payments
- Negative perception / low market acceptance
- Complex transportation logistics

- Installation requires specialized labor

Round 3 Changes

On April 27, 2025, after gathering and integrating feedback from industry experts and stakeholders, the Council adopted a revised FBH resolution. The resolution directed SGC to develop a modified pilot program that does not limit funds to Applicants pursuing federal assistance.

Program staff developed the revised Program Guidelines through public outreach, engagement, and research. The FBH Regional Pilot Program Round 3 Grant Guidelines focus on enabling the production and deployment of FBH units across California regions rather than solely the manufacturing process. To allow greater flexibility and encourage innovation, Round 3 offers two funding tracks: Catalyst Grants and Planning Grants. Both aim to expand the regional use and impact of FBH, but are tailored to support applicants at different stages—whether they are building regional capacity, developing shared strategies, or preparing for implementation.

Next Steps

Upon Council approval of the Grant Guidelines, staff will issue the NOFA and initiate a competitive application process. The SGC staff will convene an interagency review panel to review the applications and if applicable, recommend projects for award. The 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.

Anticipated Date	Program Activity
Aug. 27, 2025	Draft Round 3 Grant Guidelines Released for Public Comment
December 2025	Final Round 3 Grant Guidelines Adopted by SGC
Early 2026	NOFA is Released
Early 2026	Application period opens (singular due date for all Applications)
Mid-2026	Applications Reviewed
Mid-2026	Applications recommended for Council adoption
End of 2026	Grant Agreements Executed

2027-2030	Project Completion Period
2029- 2030	Project Evaluation

Council Recommendation

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

"I move that the Council approve the Factory-Built Housing Regional Pilot Program Round 3 Guidelines."

Attachments

Attachment A: Factory-Built Housing Regional Pilot Program Round 3 Guidelines