



ANTONIO VAZQUEZ
MEMBER, THIRD DISTRICT
CALIFORNIA STATE BOARD OF EQUALIZATION

MEMORANDUM

Date: September 9, 2026

To: Sally J. Lieber, Chair
Ted Gaines, Vice Chair
Mike Schaefer, Board Member, Fourth District
Malia M. Cohen, State Controller

From: Antonio Vazquez, Board Member, Third District

Re: September 23, 2026, Board Meeting Item – Report on Informational Hearing on Property Tax Solutions to Increase California’s Housing Supply by Incentivizing Modular Housing Construction.

Honorable Members,

On August 26, 2026, the Board convened an informational hearing on Property Tax Solutions to Increase California’s Housing Supply by Incentivizing Modular Housing Construction. Four speakers presented, each providing significant testimony on the challenges and opportunities associated with the modular housing industry and various types of tax incentives which could help the industry to operate at a larger scale in California. The information presented increased the breadth and depth of understanding on the part of the Board, stakeholders, and the public.

The attached draft report summarizing the testimony and discussion at the informational hearing is submitted for your review. I will seek Board acceptance of the report at the upcoming September 23, 2026, Board Meeting, after your review is complete. Acceptance of the report does not imply that the Board expresses complete agreement with the contents or recommendations provided, but by accepting the report, the Board can have a formal and comprehensive summary of the hearing which can be shared with the participants and made available to the public.

Thank you for your collaboration.

Sincerely,

A handwritten signature in blue ink, appearing to read "Antonio Vazquez", with a stylized flourish at the end.

ANTONIO VAZQUEZ, Member
Board of Equalization, 3rd District

Mr. Juan Flores, Chief Deputy, Office of Member Antonio Vazquez
Mr. Douglas Winslow, Chief Deputy, Office of Chair Sally J. Lieber
Mr. Matt Cox, Chief Deputy, Office of Vice Chair Ted Gaines
Mr. Cody Petterson, Chief Deputy, Office of Member Mike Schaefer
Mr. Hasib Emran, Deputy State Controller
Ms. Yvette Stowers, Executive Director

Report on the August 26, 2026, State Board of Equalization Informational Hearing on Property Tax Solutions to Increase California's Housing Supply by Incentivizing Modular Housing Construction

Summary

The Board's Informational Hearing on Property Tax Solutions to Increase California's Housing Supply by Incentivizing Modular Housing Construction was convened on August 26, 2026, beginning at approximately 2:15 p.m., and concluding at approximately 3:35 p.m. As described further below, detailed and valuable testimony was provided by four speakers, who included representatives from research institutes, industry stakeholders, and county assessors.

Roger Krulak, Founder and President, FullStack Modular

Mr. Krulak discussed the current state of housing development in California from the perspective of the modular housing industry. His testimony highlighted several key points, including the importance of consistent and valuable throughput to the operation of a factory focused on constructing housing units, the importance of accounting for cost savings associated with modular housing when calculating possessory use tax, and consideration of construction cost increases resulting from the sales tax treatment of in-factory construction as opposed to on-site construction. Mr. Krulak also spoke to the relationship between FullStack Modular and labor unions, expressing the benefits which can arise from that engagement.

Stephanie Hawke, Associate Research Director, Turner Center for Housing Innovation, University of California, Berkeley

Ms. Hawke described the research and key findings of a recent Turner Center Report titled *Pathways to Scale: Innovative Construction Methods in California*. She discussed the sheer size of California's housing crisis and the number of homes needed to address the issue. She also explained the benefits of industrialized construction, including time savings, cost reductions, and quality control in a factory environment. Despite these benefits, hurdles exist to the sector operating at scale, largely due to the fact that the existing regulatory, legal, and financial infrastructure was established around on-site construction methods. Finally, Ms. Hawke discussed policy themes identified in the report which can help the industry begin to operate at scale, including regulatory reform, reducing financial risk and liability, supporting demand aggregation, and developing a strong workforce pipeline.

Bill O'Neil, Vice President, Capital Markets, SoLA Impact

Mr. O'Neil provided testimony from an industry perspective regarding both the modular housing industry as well as the welfare exemption, which he identified as a key area within the Board's jurisdiction which can increase the cost effectiveness of affordable housing development. He expressed strong agreement with the challenges and opportunities described by previous speakers. In addition, regarding time and cost savings, Mr. O'Neil described several SoLA projects, including a 70-unit building which took one year to complete. On the topic of the administration of the welfare exemption, Mr. O'Neil recommended that the Board explore options for reducing burdensome income certification requirements for low-income tenants and providing greater certainty for welfare exemption eligibility early in the development process.

Hon. Kristen DePaul, Assessor, Modoc County; and President, California Assessors' Association (CAA)

Assessor DePaul provided comments on behalf of the CAA, covering several topics including differences in the tax treatment of modular housing, manufactured housing, and traditional housing; difficulties associated with tracking and administering potential property tax incentives based on the method of construction; and important administrative and resource considerations for policymakers interested in exploring tax-based solutions to the housing crisis.

Takeaways and Recommendations

The goals of the meeting were to enable the Board (1) to understand the past, present, and future state of the modular housing industry in California; (2) to better understand the unique challenges and opportunities modular housing presents for addressing issues such as the cost of construction; and (3) to understand how best to align the Board's policy objectives with those of other state and local agencies to reduce barriers to the construction of housing which is affordable for regular Californians. The testimony presented provided the Board Members, stakeholders, and the public with valuable information regarding each of these stated goals.

Overall, the testimony highlighted the potential of the modular housing industry and underscored the need for innovative construction methods and development strategies to make progress in addressing the state's housing crisis. The testimony suggested that the existing regulatory, legal, and financial infrastructure has been developed around traditional construction methods, and that opportunities may exist to update or revise this infrastructure to take full advantage of the benefits associated with more innovative construction methods such as modular housing.

Among other benefits, modular housing construction can lead to significant time savings, reduced construction costs, and increased quality control when compared to traditional on-site construction. For example, factory-built housing can occur simultaneously with foundation work on-site, significantly reducing overall construction time, while the in-factory work is also insulated from unanticipated delays due to weather or other unforeseen circumstances. Moreover, collaboration with labor unions can ensure that workforce development remains efficient and at the forefront of the construction process.

On the other hand, there are limitations to modular housing construction which must also be taken into consideration. Critically, one of the most significant challenges is that the operation of a modular housing factory requires a consistent stream of projects to maintain its financial feasibility. Consequently, policy solutions designed to incentivize modular housing construction should seek to ensure that the demand for such housing is commensurate with the factory's ability to produce housing units.

In terms of recommendations for Board action and possible tax solutions to encourage modular housing construction, the testimony suggested that while there could be opportunities for incentives based on the method of construction, there are also important logistical and administrative limitations associated with these opportunities. Based on the testimony provided, the Board can act effectively within its authority to work towards addressing the housing crisis by taking action such as ensuring consistent property tax treatment of housing development and construction across California's 58 counties, supporting efforts to align tax treatment of modular housing to that of traditional housing where appropriate, increasing the efficiency of existing incentives such as the welfare exemption, exploring workforce development incentives, and more. Finally, it is crucial that policymakers take a holistic approach to incentives that recognizes the complexity of the construction financing process as well as the administrative resources and constraints of state and local officials responsible for implementation.