



# Memorandum

**TO:** RULES AND OPEN  
GOVERNMENT COMMITTEE

**FROM:** Vice Mayor Foley  
Councilmember Ortiz  
Councilmember Tordillos  
Councilmember Candelas

**SUBJECT:** SEE BELOW

**DATE:** April 16, 2026

Approved:

Date: 04/16/2026

**SUBJECT: Prefab Factory-Produced Housing Structures**

## RECOMMENDATION

- 1) Direct the City Manager to:
  - a. Explore opportunities for the City of San José to support the advancement of modular, factory-built housing construction methods for both single-family and multi-family housing that deliver housing more efficiently while maintaining strong labor standards comparable to traditional construction.
  - b. Return with an information memorandum that includes, but is not limited to, the following:
    - i. An analysis of the opportunities and challenges to utilizing modular factory-built housing with labor standards;
    - ii. A comparative evaluation between modular factory-built housing with labor standards and standard stick-built construction;
    - iii. Recommendations on potential methodologies for incentivizing the use of modular factory-built housing in the City's Gap Financing Program rolling request for proposal (RFP) process; and
    - iv. An assessment of opportunities to support the development of modular housing manufacturing facilities within San José, including potential economic and workforce benefits.
    - v. An analysis of challenges and opportunities around steel-framed modular construction to achieve taller, denser multifamily housing than can be achieved through traditional wood-framed modular construction

## **BACKGROUND**

The City of San José continues to face an urgent need to accelerate the approval and building of housing projects to meet the increasing affordability needs of our residents. Traditional construction methods, while effective, are often constrained by long timelines and financing issues, which can delay the delivery of critically needed housing. As the City explores strategies to build more housing more quickly and efficiently, modular, factory-built construction has emerged as a promising complementary approach.

Modular construction involves the fabrication of housing units in a controlled factory setting, with components assembled on-site. Third-party research and project delivery experience have shown that modular construction can significantly shorten project timelines and reduce overall costs, while maintaining high construction standards. These efficiencies have made modular construction an increasingly attractive option for jurisdictions seeking to expand housing production at scale. Factory-built housing is utilized in both single-family and multifamily development, offering a potential tool for a variety of projects throughout the City of San José.

In addition to potential efficiencies in cost and delivery, modular construction has demonstrated compatibility with strong labor standards. In several instances, modular housing projects have been delivered in partnership with union labor, incorporating apprenticeship pathways, workforce development opportunities, and prevailing wage standards that are competitive with those of traditional construction methods. These partnerships highlight the potential for modular construction to contribute to both the City's housing production goals and high-quality job creation, aligning with San José's broader workforce and economic development priorities.

Given these considerations, further exploration of modular, factory-built construction methods may help inform how the City can expand its housing toolkit while continuing to uphold its commitments to housing production and affordability, while supporting our workforce.

*The signers of this memorandum have not had, and will not have, any private conversation with any other member of the City Council, or that member's staff, concerning any action discussed in the memorandum, and that each signer's staff members have not had, and have been instructed not to have, any such conversation with any other member of the City Council or that member's staff.*