Testimony of

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Members of:

Thank you, Chairman Williams, Ranking Member Velazquez, and Members of the Committee for the opportunity to testify today for your hearing on "Building the Future: How Small Home Builders are Closing America's Housing Gap."

The work of this Committee comes at a critical juncture. While the United States continues to face a crushing housing deficit, the burden of this crisis falls disproportionately on local, main-street small home builders who are continually squeezed out by structural labor shortages, escalating supply chain volatility, and high capital risk.

I am Eric Schaefer, Chief Business Development Officer for Fading West in Buena Vista, Colorado. Fading West began in 2016 with what we thought would be a one-off development project called The Farm at Buena Vista. Notably, we incorporated modular manufacturing directly into the design process with a clear goal: ensuring that the prospect of attainable homeownership does not fade away for the people living and working in our communities.

Fading West has since evolved into a fully integrated design, development, modular manufacturing, and construction company rooted in LEAN processes and a culture of continuous innovation. I am here today because Fading West and the modular manufacturing industry firmly believe that the U.S. Congress, and specifically this Committee, has a vital role to play in helping small home builders innovate, scale, and actively participate in resolving our national housing shortage.

The Innovation Gap: U.S. vs. Global Home Building

To understand why small home builders are struggling to keep pace, we must look at how far behind the United States lags in manufacturing adoption:

- **The Domestic Reality**: Modular construction currently accounts for a mere 5 percent of all construction in the United States and represents less than 4 percent of all housing.

- **The Global Benchmark:** By comparison, modular manufacturing commands 15 percent of the market in Japan, and a staggering 45 percent in Scandinavian countries.

- **The Shift to Multi-Family:** Over the past decade, market demand has shifted heavily toward multi-family modular structures. Multi-family housing has risen to become the single largest segment of new modular construction, now comprising just over 8 percent of all modular projects in the United States.

Systemic Challenges Disproportionately Impacting Small Builders

As of 2026, the United States remains millions of housing units short, with the gap increasing each year because we have failed to address the root systemic causes of the crisis. From our perspective, there are four structural issues holding back the construction sector, which hit small businesses the hardest:

1. **A Fractured Labor Pipeline:** The National Center for Construction Education and Research (NCCER) estimates that 41 percent of the current construction workforce will retire by 2031. For a large national public builder, this is a corporate challenge; for a main-street small builder, losing even one or two master tradespeople can completely stall a project, driving up costs and causing long delays.

2. **Escalating Building Costs:** The price of goods used in residential construction has surged by over 40 percent since January 2020. Small builders face higher interest rates and stricter lending criteria from local banks, making traditional stick-built timelines incredibly risky and making affordable housing impossible to build without heavy subsidies.

3. **The Local Regulatory Burden:** According to studies by the National Association of Home Builders (NAHB), regulations across all levels of government account for 23.8 percent of the average sales price of a new home. Navigating this requires immense administrative overhead, straining the thin margins of a small business, and raising capital costs.

4. **The "Authority Having Jurisdiction" (AHJ) Bottleneck:** There are 43,096 separate authorities having jurisdiction across the United States. Because each individual agency can modify and amend building codes for their specific local area, home builders face a complete inability to standardize products or processes. Every home requires its own design and approval process, forcing small builders to face multiple plan submittals, erratic inspections, and massive waste. In fact, 30 percent of all building material is entirely wasted at a traditional, stick-built construction site.

The Building Code Paradox

Modular manufacturing offers speed, efficiency, and cost-predictability of off-site construction, combined with the distinct advantage and assurance that every unit is built to strict state and local codes. However, our current regulatory apparatus was designed strictly for traditional, on-site stick-built construction, which creates severe structural roadblocks when going with modular:

- **All states are different:** Home builders do not face a single, unified national market. They face 50 different states with 50 entirely different building codes, further complicated by thousands of localized municipal amendments.

- **The Structural Friction:** Traditional code frameworks assume work happens sequentially on-site, which leads to operational friction when components are fabricated off-site. When local jurisdictions refuse to recognize factory assembly methods, it forces redundant inspections, delays timelines, and restricts the entry of innovative products into local housing markets.

- **The Imperative for Reform:** If states are truly serious about expanding housing supply, they must immediately examine their existing building codes to understand what they need to address to remove these antiquated barriers. Under the leadership of Governor Jared Polis, Colorado has tackled this paradox head-on by codifying statewide frameworks that treat off-site manufacturing as a critical infrastructure solution rather than an administrative afterthought.

Standards, Plan Review, and the Reciprocity Crisis

For a small builder or modular manufacturer, time is liquidity. The current administrative overhead required to certify factories and approve floor plans is highly redundant and actively discourages small business growth:

- **Duplicative Factory Certification:** Every single state maintains its own separate, independent process for factory certification and plan review. While individual states might have minor, idiosyncratic variations in their checklists, the core evaluation is mostly identical.

- **Zero Reciprocity:** There is currently no regulatory reciprocity between states regarding factory certification. A state-of-the-art facility certified to build high-performance homes in one state must entirely reinvent the wheel and clear separate bureaucratic hurdles to ship an identical home across a state line.

- **The Review Bottleneck:** The administrative plan review process frequently takes longer than the manufacturing of the modules themselves.

- **Inconsistency:** While some states handle reviews more efficiently than others, the requirements are deeply fragmented. States routinely demand the exact same engineering data but require it to be formatted and presented in wildly different ways. Ultimately, approvals are too often dependent on the subjective whim or interpretation of the individual bureaucrat reviewing the stack of paperwork.

Transportation and Logistical Roadblocks
The physical movement of completed modules from a factory floor to a local permanent foundation is one of the most critical—yet routinely overlooked—components of the modular value stream:

- **Fuel and Predictability**: Current macroeconomic volatility and fluctuating gas prices make it incredibly difficult for small developers to accurately budget for long-distance shipping costs months in advance.

- **The Patchwork of Transit Laws**: A modular transit route is an administrative nightmare of conflicting state and city mandates, adding immense cost and complexity to completing a modular project.

- **Inconsistent Load Sizes and Curfews**: Allowable load sizes change erratically from state to state and city to city. Furthermore, certain states restrict modular shipping to narrow, specific windows during the day, forcing transport fleets to idle and rack up costs.

- **Escort Delays**: Escort mandates are entirely uncoordinated. One municipality may permit transit with standard pilot cars, while an adjacent jurisdiction requires a full police escort. Waiting for localized police or road escorts to arrive at borders remains a primary source of costly project delays.

- **The Hidden Cost Trap:** The true, final cost of shipping a home is nearly impossible to calculate prior to a trip. Because states and cities calculate final invoices based on unpredictable variables—such as real-time travel delays or whether police escorts are getting overtime pay—small business builders often do not know their exact logistics costs until the trip is finished.

Case Studies and Proof of Concept:
By combining real estate development, modular manufacturing, and general contracting, Fading West has integrated the construction value stream. We have proven that moving construction into a climate-controlled factory reduces material waste from 30 percent to less than 6 percent, enabling homes to be built 10 to 20 percent less expensive. Furthermore, we complete homes 50 to 80 percent quicker. A typical Fading West home is built in less than 10 working days in our factory and then completed at the site in less than 30 days. From start to finish, a new home can be completed in less than 40 days, compared to greater than nine months for traditional, stick-built construction.

To demonstrate that this is an active, hyper-efficient solution currently scaling capacity for small developers, tribal authorities, and non-profit housing providers, we point to four distinct proofs of concept:

1. **Rural Homes/Fading West Partnership: The Colorado Blueprint to Affordable Housing**

- **The Milestone:** We have successfully scaled a unique public-private-philanthropic partnership (P3) toolkit—pioneered in collaboration with Rural Homes (a nonprofit housing developer) and the state of Colorado to deliver affordable homeownership opportunities in mountain towns. We have expanded these successful initiatives into Telluride, Ouray, Grand Junction, Longmont, Ridgway, and numerous other towns across the state.

- **The Catalyst Policy Framework:** Operating in highly isolated mountain communities and rapidly growing rural hubs present massive logistical and labor challenges. Colorado has systematically

removed these roadblocks through deliberate legislative action and executive leadership aimed at making the state "modular friendly":

- **Proposition 123:** Passed by voters to dedicate a portion of state income tax revenue toward affordable housing, Proposition 123 has poured essential equity into the ecosystem, offering flexible financing options that allow small developers and non-profit entities to fund the faster cash-flow demands of off-site manufacturing.

- **Senate Bill 24-009:** Signed into law by Governor Polis, this landmark legislation specifically streamlined the state-level permitting, inspection, and certification processes for manufactured and modular structures. By aligning state rules with modern off-site methods, it eliminated redundant local inspection loops and significantly cut the bureaucratic timeline down for factories.

- **Department of Local Affairs (DOLA) Help:** Colorado's DOLA has been instrumental in bridging the gap for rural municipalities. DOLA provides targeted infrastructure grants, technical assistance, and funding to small local communities, enabling them to buy down the cost of utility connections and site work so that factory-built modules can hit the ground running without hitting local financial gridlock.

- **The Collaborative Impact:** By integrating donated land from municipalities or school districts, low-cost philanthropic financing (such as program-related investments from foundations), and our off-site factory construction, this ecosystem builds for-sale workforce housing at roughly half the price of the regional market.

2. **Non-Profit Innovation: The BoulderMOD Model**

- **The Milestone:** Innovation in off-site manufacturing is not restricted to commercial entities; it is actively transforming the nonprofit sector. A premier example is BoulderMOD, a first-of-its-kind municipal-nonprofit modular housing factory operating in Boulder, Colorado.

- **The Partnership Model:** This facility represents a powerful partnership between the City of Boulder (which funded the construction of the facility), Flatirons Habitat for Humanity (which serves as the certified manufacturer and manages operations), and the Boulder Valley School District (BVSD).

- **The Double-Bottom-Line Success:** BVSD Career and Technical Education (CTE) students build energy-efficient, net-zero modular homes inside this solar-powered facility alongside subcontractors and Habitat for Humanity sweat-equity volunteers. In doing so, the facility lowers labor costs to the absolute minimum to build permanently affordable housing (including urgent initiatives like Marshall Fire burn area recovery), while simultaneously training the next generation of skilled tradespeople in modern, assembly-line construction methods. This proves that nonprofit-driven modular factories can dramatically scale localized affordable housing delivery.

3. **Rapid Emergency Recovery: The Lahaina, Maui FEMA Initiative**

- **The Milestone:** Following the devastating wildfires in Hawaii, the traditional construction industry faced severe systemic delays, an acute lack of local manpower, and immense transit hurdles. Utilizing our factory ecosystem, Fading West built 85 modular homes in just two months.

- **The Speed-to-Foundation Velocity:** Merely two months later, site-work was complete, modules were permanently placed, and displaced families were actively moving in. These homes architecturally fit the Maui style and will last 50-75 years. They bring dignity to families who had been displaced for well over a year.

- **The Impact:** This initiative serves as the ultimate proof of concept for disaster recovery. It underscores why updating federal frameworks to utilize permanent modular housing options is an absolute operational necessity. Traditional timelines cannot match a crisis; modular manufacturing can.

4. **Scaling Indigenous Housing: The Department of Hawaiian Home Lands (DHHL) Pilot**

- **The Milestone:** We are currently executing an innovative pilot housing project in partnership with the Department of Hawaiian Home Lands (DHHL) to deliver 24 high-performance modular homes built directly in our factory environment.

- **The Efficiency Metrics:** By deploying optimized, pre-approved and standardized floor plans engineered for quick deployment, this project is on track to be completed significantly quicker than traditional construction methods while reducing total capital development expenditures by 20 percent.

- **The Impact:** For small builders trying to work with state, local, or tribal agencies, the combination of a 20 percent cost reduction and compressed delivery times removes the crushing interest-carry risks that normally kill small business participation in public housing projects.

Unlocking Modular Innovation for Federal Disaster Relief
Beyond day-to-day housing supply, the federal government is missing a massive opportunity to deploy modular construction to address humanitarian recovery following domestic natural disasters:

- **The Immediate and Long-Term Solution:** Modular technology offers huge potential to address disaster relief and is perfectly suited to provide rapid, high-quality mobile offices and workforce housing in the immediate aftermath of a disaster.

- **The Transitional Housing Model:** Instead of trapping disaster victims in temporary, low-quality trailers for years, communities can deploy permanent, compact modular homes for recovery. Displaced families can safely occupy these high-quality structures while their primary residences are rebuilt. Once the permanent homes are restored, these temporary modular homes can be easily sold or repurposed by local governments to help address permanent affordable housing needs.

- **The Stafford Act Bottleneck:** The primary barrier preventing this innovation is an outdated federal statute. Currently, the Stafford Disaster Relief and Emergency Assistance Act only allow for permanent or semi-permanent housing assistance outside the continental United States.

- **The Recommendation:** Changing this part of the Stafford Act would allow modular manufacturing to assist in recovery efforts throughout the country, allowing federal recovery funds to build lasting equity and resilient infrastructure in disaster-struck American communities.

Recommendations for Addressing the U.S. Housing Crisis

From our perspective, we offer three recommendations to federal lawmakers to address the fundamental root causes of the affordable housing crisis and empower small business builders:

1. **Provide Direct Capital Incentives for Off-Site Facilities:** Provide federal grants and 0% interest loans directly to modular manufacturing facilities to increase housing supply, rather than throwing taxpayer money at a patchwork of specific, demand-side projects. Similar to the U.S. Government's recent investments in semiconductor companies to re-shore that industry, federal funding should expand factory capacity. A typical single-line modular manufacturing factory costs roughly $25-30M to

set up. One facility can produce 400 homes to 800 homes per year—totaling 4,000 plus homes over ten years. Over ten years, this federal subsidy breaks down to just $8,750 per home, vastly outperforming typical project-specific subsidies which routinely cost tens, if not hundreds, of thousands of taxpayer dollars per unit.

2. **Tie Federally Funded Projects to a Standard Construction Code**: While Congress cannot directly mandate local AHJs to change their general municipal codes, you can pass legislation requiring that any affordable housing project utilizing federal funding or SBA-backed financing be allowed to use a streamlined, standardized code and entitlement process. This removes administrative redundancy and allows small developers to use standard, pre-approved factory designs across multiple jurisdictions without changing local codes for non-federally funded projects.

3. **Mandate the Harmonization of Regional Building Codes:** For a long-term solution, Congress should direct via legislation the creation of 10 to 20 climate-zone (or regional) federal building code standards. If an automobile—which is vastly more complex than a home—can be engineered to safely drive in both Alaska and New Mexico, we can surely design a limited amount of standard building codes by regions facing similar climate challenges (e.g., earthquakes, hurricanes, high snow loads). This regional harmonization would invite massive R&D investments, protect small business investments, and dramatically accelerate innovation.

4. **Incentivize Vertically Integrated Public/Private Partnerships:** Instead of throwing taxpayer money at traditional, fragmented demand-side subsidies, the federal government should intentionally prioritize and incentivize vertically integrated Public-Private-Philanthropic Partnerships. As our data in Colorado demonstrates, the true bottleneck for small builders is execution risk and compressed cash flow. When a single entity vertically integrates architecture, factory manufacturing, and site development—and partners directly with municipalities providing land and foundations providing low-cost capital—the entire risk profile changes. Federal housing programs and grant criteria should be updated to favor these integrated P3 pipelines, matching local public land with factory-speed delivery to maximize the impact of every federal dollar spent.