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From the San Francisco Business Times:

<https://www.bizjournals.com/sanfrancisco/news/2019/07/10/flush-with-newcash-modular-company-plots-new.html>

Flush with new cash, modular company plots new factory and big expansion

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A Bay Area modular construction company plans to ramp up its production tenfold after an influx of cash.

Vallejo-based Factory OS has received investment commitments from Citigroup Inc. (NYSE: C) and Autodesk Inc. (NASDAQ: ADSK) to



TODD JOHNSON | SAN FRANCISCO BUSINESS TIMES

build a second modular factory, increase its modular production numbers from 1,000 to 5,000 units per year, and add 125 new employees — all within the next three years.

“They share our values of where to take the company,” said Emeryville-based developer Rick Holliday, who founded Factory OS two years ago. “They’re not coming in with traditional VC thinking about getting many multiples of investments back — we’re very focused as a tripod on how we can change this industry.”

Modular construction refers to building units off-site in a factory and transporting them to be assembled onsite. It’s a cheaper and faster way of constructing homes, but remains a niche market.

For its part, Factory OS has shot from zero to about 190 employees in two years, with four completed projects under its belt out of its 256,000-square-foot Mare Island factory. The company has about \$150 million worth of contracts nailed down through 2020, Holliday said, and sees cost savings of about 25 to 30 percent per building as compared to traditional construction.

Investors see both savings and production numbers growing in the coming years. Autodesk and Citi’s investments are “like an accordion,” meaning their commitments will get bigger and bigger, Holliday said. He declined to disclose their initial investment.

“I have no doubt our continued collaboration will serve as a springboard to addressing the growing housing crisis nationwide,” said Andrew Anagnost, CEO of Autodesk, in a statement.

Factory OS has big plans for where to channel the funds. A second building on Vallejo's Mare Island has already been earmarked for the new “rapid response” factory, which would ultimately consist of about 110,000

square feet and produce about 2,000 new units a year. Those production lines would focus on building housing quickly for cities that experience disasters like fires, as well as permanently supportive housing for formerly homeless individuals.

“We’ve gotten a lot of calls with the fires and natural disasters, and part of the frustration we’ve had is we’re so new, we’re not in a position to respond,” Holliday said. “Seeing this is a trend, we want to be able to rapidly respond — and within three to four weeks, build a 100-unit building.”

Aside from the new ground-up facility, Factory OS will also build out new research and educational offices in its existing Vallejo factory. Alongside members of the UC Berkeley Turner Center for Housing Innovation, the company will assess its own production practices on a day-to-day basis, as well as worker satisfaction, to continue lowering costs compared to conventional construction.

Citi’s investments will funnel through both its newly-formed technology initiative, Spread Products Investment Technologies, as well as its affordable housing and community development arm.

As for expanding outside the Bay Area, Holliday is eyeing Southern California and the rest of the West Coast up to Seattle. Part of the appeal is that modular units can be transported via boat along waterways, Holliday said.

“We’re starting by producing up here, but I think we may have a factory in SoCal before long,” Holliday said.

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