



Transcript - Informational Webinar: All-Electric, Affordable Net-Zero Energy Homes Request for Proposals

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Good afternoon. I'm Erick Shambarger, Director of Environmental Sustainability for the City of Milwaukee and our Environmental Collaboration Office. This is an informational webinar on the City's request for proposals for RFP number 19428, which is for net zero energy homes built using advanced building construction techniques.

This is a rerecording of the event we did on February 28th, where we got lots of questions from participants. I will do my best to answer those questions as accurately as possible. This project is one of the 10 Big Ideas contained in the City's Climate and Equity Plan.

In the near term, the project aims to demonstrate that net zero energy homes can be built affordably using advanced building construction techniques. That means things like modular construction or panelized construction. In other words, building major housing components in a factory environment and building them on site.

Longer term, the project aims to attract an ABC manufacturing company to the City of Milwaukee. This is to accelerate the production of affordable starter homes to meet demand, particularly on scattered vacant lots—and the city has thousands of vacant lots scattered throughout neighborhoods. We really want a strategy to be able to accelerate the construction of new homes there. We want to create year-round family supporting jobs, building new homes that we can be proud of, and we want to support environmental justice and the dignity of work. In other words, we're trying to impact both sides of the affordable housing question. You want to bring the cost of housing down while raising incomes up. The full project and the background for in Milwaukee can be found at milwaukee.gov/netzeroenergyhousing.

We are working through a national partnership with the Advanced Building Construction Collaborative (advancedbuildingconstruction.org) to see how this project fits within a national movement to accelerate these advanced building construction techniques.

So, the project has two major components in phase one. We are working to build model net zero energy homes, at least one single family unit, and one duplex, or two-family properties. These are to be sold to owner occupants at an affordable price. In other

words, these are spec homes. The homes are to be built using advanced building construction techniques, such as modular panelized, and not stick build. So, in other words, again, we want homes to be built major components to be built in a factory environment year-round.

The unit should be built and available for sale by October 24 of 2024. We are providing a \$500,000 total subsidy for the two units, and then the builders can sell those units for \$125,000 per unit to help be part of the total financing package. As well, as they can also bring federal tax credits that may be available to the project financing. There's \$24,000 available from the City to support other housing upgrades on the same block of those homes as a way to build good faith effort in the community that we're not just building new units, but that we're trying to build and improve the whole block that we're working on.

So, that's phase one. Phase two, we want to attract an advanced building construction manufacturer here to the City of Milwaukee. We know that's a longer-term prospect, but we want the model homes to be thought about in conjunction with the potential housing manufacturer. So, there's a \$325,000 subsidy available to attract a housing manufacturer to the City of Milwaukee, and depending on the number of jobs and other things created, we can have conversations with economic development officials to see if other funding may incentives may be available.

In order to qualify for that subsidy, we need to sign the lease agreement or purchase for space in Milwaukee and a development agreement with the City of Milwaukee approved by 2024. There is a separate housing finance plan to build a pipeline for further demand. So, in our initial discussions that we had with firms last in 2021, we did a request for information for prospective manufacturing firms and what we heard very clearly from that discussion was that we understand manufacturers need to have a picture of what the market could be for homes beyond just these two model homes. We put together a whole housing finance plan to show how.

Once we have a factory in place, we can work with the broader Community Development Alliance and other housing funding partners to really ramp up the pipeline for these new homes using new market tax credits and other financial techniques. These things go together, but the main core deliverable for the grant right now is the model units. We aimed with this RFP to find the balance between defining the specifications for homes the City wants to see while preserving some creativity in the designs that proposers can bring.

In the RFP, we've selected some lots on 19th St. here in Milwaukee. We will shortly provide the survey for that site as well as the topography of it. If for some reason that site doesn't work once you get into discussions with the community or other considerations, we will work to find you an alternative site. But, it does have to be in a what's called a qualified census tract, and that's laid out in the RFP as well.

The energy standard is these need to be a Department of Energy Zero Energy Ready Homes, version two—that's the minimum. Passive house is another standard that you

can use as well—that's kind of preferred, actually. That goes beyond the zero-energy ready standard, but we did not require that because we understand that can create cost considerations that have to be weighed with other factors on the project. We want an attractive design that fits within the neighborhood. So, you know, with these there should be some architectural character to these homes. They need to have solar energy, and that's a minimum of two kilowatts on the property. We were asking the developer to increase the system size if there's room to meet the home's energy needs and get as close as possible to net-zero energy use on an annual basis.

We're looking for three bedrooms and 1 and a 1/2 baths, 1200-square-foot per unit. A front porch is important for public safety to get people sitting out and keeping eyes on the street. They need to have a permanent foundation; However, a basement is optional, so these are not manufactured homes that are on a chassis, but rather they have to be permanently affixed to the ground and that can be through a traditional basement and foundation helical piers slab on grade. Whatever you choose has to meet the building code and these have to be code compliant. If it's a panelized construction, the code review happens through the City. If it's a modular home, it must be certified through the State. There's a process in the RFP that lays out how to get your modular home designs code certified. We encourage all of you to read the RFP for complete specifications, which do allow for some design freedom. In the RFP, we will look for floor plans and front elevations to get a feel for how these look, but they don't have to have the full architectural drawings in time for the proposal.

This grew out of the Climate and Equity Plan for the City, so in addition to doing net-zero energy to reduce greenhouse gas emissions, we are also trying to support racial and economic equity in the city. That means a number of things. First of all, it means community engagement on the project. So, as we go into the neighborhood that we're hoping to build houses, the developer will be expected to engage with the community and hold community meetings to explain the project, get feedback on the designs, and work with the residents to be looking to sell these homes to.

One thing you'll hear from residents is the concern that outsiders are coming into the neighborhood and may price them out. To address that, we want to make sure we're giving people that live in these neighborhoods already the first opportunity to buy the buy the properties. The homes need to be affordably priced and sold to owner occupants, so that means the sell price per unit is \$125,000 for the single-family, \$250,000 for the duplex. They must be sold to homeowners. The single-family must be sold to a homeowner making \$50,000 or less and the duplex to a homeowner making \$75,000 or less, not counting the income they would get from renting out the other unit. We want to market the homes to local residents. There is a great collaboration that we work with called Take Root Milwaukee. They have an existing network of banks and homebuyer counseling agencies. The easy path there is to work with the existing groups that are doing homebuyer counseling to find buyers for these homes.

We really want to encourage diversity in the project team and so there are points that will be awarded to teams that can show diversity, whether it be the developer or the general contractor or the entire team. The important thing is that we have a team that is

from diverse backgrounds. The program requires 20% of the hours of the construction work that happens on-site to go to underemployed workers through the Residence Preference Program. There's a link to that on the website, and the City has people that can help you work through that process to find workers that might be able to help you meet that requirement.

For the factory itself, we want to see family supporting wages that pay at least \$20 an hour, plus benefits, with the idea being that the workers in these factories might be a prospective market for the homes coming out of the factories. The idea is that people should be able to afford the thing that they're building. And, we want durable homes with a low cost of ownership, including low energy bills.

The proposal should seek to provide the best balance of aesthetics, energy, performance, durability, square footage, and amenities that can be affordably replicated in the future with what we call mass customization. The idea there is that we don't want just cookie cutter homes that all look the same throughout the city. They should have maybe a basic floor plan, but have some customization on the outside so people can feel like they don't all look exactly the same.

One unique thing with this RFP is that we have what we call a teaming process. We aim to have an integrated design approach that is best served by an experienced team of an architect, developer, housing manufacturer, and a general contractor for the outside work. What we've learned looking at this industry is that it's best to have the developer and the architect directly working with a factory provider so that the designs that are being developed for the property can easily be built in a factory environment.

We understand that we might need to help form those teams. We can imagine a situation where you might have a Milwaukee area developer and on-site general contractors needing to team up with a national manufacturer who's interested in opening a new factory in Milwaukee. Or, if it's a Wisconsin manufacturer, that wants to apply for this, that they have a plan to expand in the City of Milwaukee. The RFP includes an optional teaming partner list.

We are working with the Advanced Building Construction Collaborative to offer a facilitated teaming session on March 17 where interested developers and manufacturers can introduce themselves and get connected. This is 100% optional and it's not required to submit a proposal, but it is a way that if you were a national company and need connections and a Milwaukee development team, you can get hooked up there or vice versa.

The RFP schedule is as follows. The RFP was issued on February 20, 2023 and we opened the teaming partner list at that time. My questions came in from the original webinar that we hosted on the 28th and I will answer those at the end of this. You can still submit questions all the way up until today, March 10. Answers to questions will be posted online via an addendum. Again, I'll answer some of those questions here. If you want to participate in the facility and teaming session, you have to fill out a form which we will send out or put a link on our website by March 14.

If you want to participate on the March 17 facilitated session, you have to have your information in by the 14th. If you don't want to be on the facilitated session but still want to be on the list, you have to have that information in by March 22nd. Regardless, use the same form to submit that information to be on the teaming list. We will post the final teaming list on March 23. There's a second round of questions that can be submitted all the way up to March 28 and we will post the final set of questions on March 31. The RFP closes on April 18. We will then take about the next month to review those and potentially host interview sessions with the top candidates. We hope to have the contract awarded in June in June or July. That will give us the rest of 2023 to get the designs finalized to do some of the community outreach and start construction in 2024.

All of the RFP information is available on the Bonfire portal. You can see the URL there. You do need to register to submit to this RFP, get up-to-date on all of the questions and answers, and all of those sorts of things, so please do register in the Bonfire portal to submit your documents. Again, all of the information is there. All of the submissions are done through the Bonfire portal.

We have received questions in the chat when we originally did this and I will go through those. Again, all correspondence has to be submitted in writing to the purchasing office. Marina Litvinets is our procurement specialist, so all communication must go to her. Do not send me emails about this RFP while it is open. You can and are encouraged to submit questions to Marina. With that being said, I will answer the questions that we've received so far.

First question is: "Will the City do the subdividing or will a team need to go through the process?" The City and its sub surveyor have proposed a subdivision of the lot, and for the 335-foot sections we will send that proposed survey and topographical map out. However, the City will not act to subdivide the lot until it is awarded to the project and we have consulted with the developer. Our initial thinking is that we'll work off these three lots. Please note that the maximum width of the single-family home is 24-feet-wide. This is to ensure that the floor plan is replicable on a standard 30-foot lot. We have a little bit of extra room for the pilots, but we want to do designs that can be replicated on standard 30-foot lots in phase two.

The next question is: "Will the plan be coordinated with the Inflation Reduction Act of 2022?" The answer is yes. Developers are encouraged to utilize IRA tax credits with the building project budget. There's a White House Clean Energy for All Guide to talk about these tax credits. Some tax credits are currently available, and there are other rebate programs that will be coming out later this year. We as a city cannot provide tax advice, but we encourage you to look into the guidance that has been issued by the federal government about those tax credits and use them if you can.

Question 3 is: "What is the expected final price of these homes? Should we expect \$125,000 price point for the single-family and a \$250,000 price point for the duplex?" The answer is yes.

Question 4 is: “What interest rates is the City expecting to be available to potential buyers in 2024?” The answer is the City does not establish interest rates and cannot speculate on interest rates in 2024. Developers are encouraged to work with the Take Root Milwaukee partners, WHEDA, or other lending institutions to support responsible lending practices to borrowers.

Question 5: “May I get a transcript of the of the meeting?” Yes, we are recording this meeting and with the transcript.

Question 6 is: “What should a person with a \$50,000 income expect to spend on a house at the end of 2024?” The answer is for this project is the person should expect a purchase price of \$125,000 for a single-family unit.

Question 7: “Do you offer an RFP for multifamily housing?” No, at least not coming out of the Environmental Collaboration Office.

Question 8: “Will the 45L tax credit go through the state or through the IRS?” The answer is the 45L tax credit is administered through the IRS and we will put a link in the written answers to the IRS website for additional information.

Question 9: “With the two homes then in effect be spec homes to be sold by the awarded team?” The answer is yes.

Question 10: “What process do you have in place to ensure that all products will be green products?” The answer is on page 15. Proposers should provide a quote description of materials proposed for key components, including structural elements, siding, flooring, and countertops. Proposers may but are not required to provide third-party certification of green products. The evaluation team will weigh quality, cost, and design among other factors in scoring in the proposals.

Question 11: “When will the City subsidy be available for use by the developers? When can it be drawn upon?” The answer is the City will establish a payment schedule based on the negotiated set of deliverables. We will look at a payment when the designs are finished and other key milestones along the way.

Question 10: “What are your thoughts on platforms like Divvy to enable homeowners to help with their affordability concerns? It's an equity enablement platform that's adapted to recent trends in homeownership by buying behavior. Definitely encourage the City to look it up and forward a written response. Also, by green materials we should consider how EPDs and LLC's are part of the building system consideration. A button bodied operational carbon would be a healthy perspective.” The answer to that question is Divvy appears to be a rent-to-own system. Under this RFP, homes are to be sold to an owner occupant; However, longer-term, in future phases, the rent-to-own model is a possible consideration, just not for the model homes in this RFP. Embodied and operational carbon are not a scoring criterion in this RFP.

Question 13: “What is the required square footage?” The answer is a minimum of 1200-square-feet per unit.

Question 14: “Can both homes, single-family and duplex, be on the same parcel?” The answer is no. The lots will be subdivided.

Question 15: “What is the approval timeline for the RFP?” Proposals will be evaluated by May 19 with optional interviews the week of May 15. See the RFP for complete details.

Question 16: “Has a conversation been had regarding zoning and allowance for EDU or multiple residents on a single parcel, similar to Chicago zoning updates?” The answer is yes. The City of Department is kicking off a new “Growing Milwaukee” project to make updates to our zoning code. The project will include a year of engagement and amendment to the citywide policy plan to establish confirmed City goals and recommendations in place for the zoning code up zoning updates, including accessory dwelling units or ADUs. The Planning department will carry out the zoning code updates in the following year in 2024.

Question 17: “If the RFP is asking for one single-family home and 1/2 family home, wouldn't it follow that the two-family home would be built on a lot twice as large as a single-family home?” The answer is the proposed subdivision contemplates three 35-foot lots. This assumes that the duplex will be a stacked 2-story form. The City views this model is more replicable on other vacant lots. Proposers may, however, submit a design for the side-by-side duplex. The City may subdivide the parcel according to the designs of the winning proposers after negotiation. Additionally, the RFP allows proposers to use a third parcel to build an additional single-family house, although the total subsidy for all units is capped at \$500,000.

Question 18: “I have signed up for the RFP. Where is the March 17 registration?” We will put a link to that on our website. It is also contained on pages 12 to 13 of the RFP itself.

Question 19: “Will there be an opportunity for the UWM School of Architecture and Urban Planning to get undergraduate and graduate students involved in the longer-term process?” The answer is this project is an open RFP. The City's Environmental Collaboration Office worked with the UWM School of Architecture and Urban Planning faculty and students on concepts for net-zero energy homes. The program students and graduates are welcome to submit a proposal or try to be part of a team that submits a proposal; However, there is no requirement in the RFP that the winning proposal work with UWM on the project.

This concludes the answers to all of the questions that I have received so far, and this also concludes the webinar. Please do create a Bonfire account again to receive updates on the RFP and we look forward to hopefully either seeing you on the March 17 teaming

list or reviewing your proposals as part of this project. Thank you for your interest in net-zero energy homes in the City of Milwaukee and have a great day.