



TO: Mayor and Councilmembers

FROM: Michelle Greene, City Manager

CONTACT: Vyto Adomaitis, Neighborhood Services and Public Safety Director
Jaime A. Valdez, Senior Project Manager

SUBJECT: Goleta Entrepreneurial Magnet Update

RECOMMENDATION:

Receive a presentation from the Goleta Entrepreneurial Magnet.

BACKGROUND:

The Goleta Entrepreneurial Magnet (GEM) is a collaboration between the City of Goleta and the University of California, Santa Barbara. The early stages of GEM were solidified in early 2012 with the Goleta Valley Chamber of Commerce and its formation was announced at the Goleta State of the City event in May 2012. GEM opened its first facility (4,500 square feet of furnished office space and conference rooms) in July 2014 at 600 Pine Avenue in Old Town Goleta. GEM has pivoted its business model to focus more heavily on supporting businesses and no longer has a physical location.

GEM's mission is to strengthen the local economy by supporting new and growing technology entrepreneurs. GEM seeks to be recognized as a world-class regional center of excellence for entrepreneurial technology development and growth for technology-focused startups.

The City, as one of the founding entities, provides financial support to GEM and has three representatives on the Board of Directors.

DISCUSSION:

Mr. David Adornetto will present an update to the Council on the efforts of GEM over the last few years and how the Council's annual contribution of \$50,000 has helped GEM with its G2 Summer Accelerator Program for local startups. The eight-week program is designed to help teams of entrepreneurs successfully launch and run their startups.

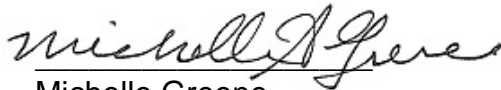
The program includes weekly curriculum on a variety of startup issues, including market validation, selling strategies, raising capital, developing intellectual property, and scaling a new business. In addition, there are a series of roundtables and social events providing opportunities for the startups to build their business network (Attachment 1).

Mr. Adornetto will be joined by Ryan Kim, a member of the Shilo Team (formerly Adomi), to provide their perspective on their experience from last summer's G2 Accelerator Program. Shilo is a prefab design-build firm that is addressing California's massive need for more cost-effective, timely, and sustainable housing. Shilo's first products will be Accessory Dwelling Units (ADUs), which are secondary housing units that homeowners can place in their backyard to rent for income or house loved ones (Attachment 2).

FISCAL IMPACTS:

The City's FY 2018/19 budget includes \$50,000 in grant funding for GEM in account 101-5-6400-500.

Approved By:

A handwritten signature in dark ink, appearing to read "Michelle Greene", is written over a horizontal line.

Michelle Greene
City Manager

ATTACHMENTS:

1. GEM PowerPoint Presentation
2. Shilo PowerPoint Presentation

ATTACHMENT 1:

GEM PowerPoint Presentation



Dave Adornetto

GEM Board Member

Director, Entrepreneurship

UC Santa Barbara

GEM: A Brief History

- Founded 2012: Partnership - City of Goleta and UCSB
 - To strengthen the local economy by supporting new and developing technology entrepreneurs
- Co-working / incubator facility opened summer of 2014
 - “A center of excellence for entrepreneurial growth”
- Closed the facility in March 2017
 - Space for rent model not optimal for early startups
 - Objective: reduce overhead, maintain value-added programming
- Transitioned to virtual presence in 2018
 - Partnered with UCSB



GEM Support Resources

- The **G2 Summer Launchpad** (startup accelerator)
- Rent scholarships for startups in UCSB incubators
 - Wilcox New Venture Incubator (The Garage)
 - CNSI Technology Incubator
- City of Goleta new business toolkit and launch program
- Mentorship / advisor network referrals
- Angel investor network referrals
- Active social media campaigns to ensure wide-spread communication about events in the local ecosystem



The Wilcox New Venture Incubator at UC Santa Barbara

“The Garage”

1,500 sq. ft., Co-Working & Meeting Space

Garage Floor - Mosher Alumni House

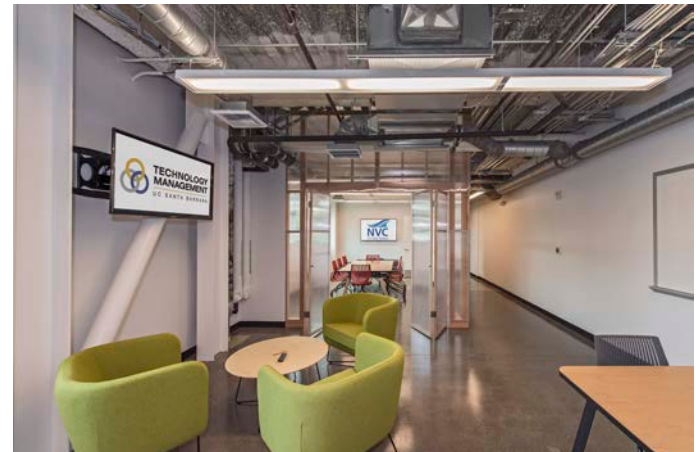
*Available to qualified UCSB students,
alumni, affiliates, and community startups*

Home of the “G2” Summer Launchpad



The Wilcox New Venture Incubator at UC Santa Barbara

“The Garage”



CNSI – Technology Incubator



“G2” Summer Launchpad



Eight-week program focused on business launch

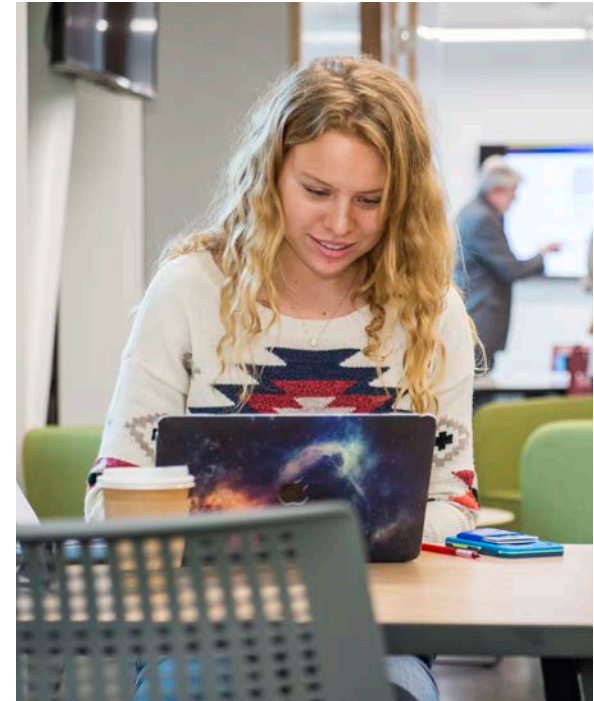
- *Mission, vision, culture, and branding*
- *Market validation strategies & tools*
- *Go to market strategies & tactics*
- *Selling & marketing fundamentals*
- *Capitalization strategies*
- *Legal formation / IP consideration*
- ***Applications accepted starting May 1***



“G2” Summer Launchpad

2018

- Seven teams accepted (five funded)
- Diverse industries, backgrounds
- Strong community support
 - Private donors, session leaders, mentors
 - Demo day well attended
- G2 teams made significant progress
 - Four teams incorporated and launched



ATTACHMENT 2:

Shilo PowerPoint Presentation

A modern, single-story house with large glass windows and a wooden roof, surrounded by trees and landscaping. The house features a combination of grey and white panels and large glass windows. A wooden deck and steps lead to the entrance. The surrounding area includes trees, a wooden fence, and some landscaping with plants and a stone path.

Shilo

High-quality housing
built more efficiently



California is in the middle of a
massive housing crisis.

We need
100,000 more homes a year.

This equates to
\$32B of annual market potential.

The traditional construction
model is broken.

Expensive

Inefficient

Bad for the Environment

The next generation of
housing must be better.

High-Quality

Affordable & Timely

Sustainable





Shilo builds beautiful homes. Our process is more **cost-effective, timely, and sustainable** than traditional construction.

INITIAL MARKET



Accessory Dwelling Units

ADU (accessory dwelling unit): a **secondary housing unit** built on an existing single-family lot.

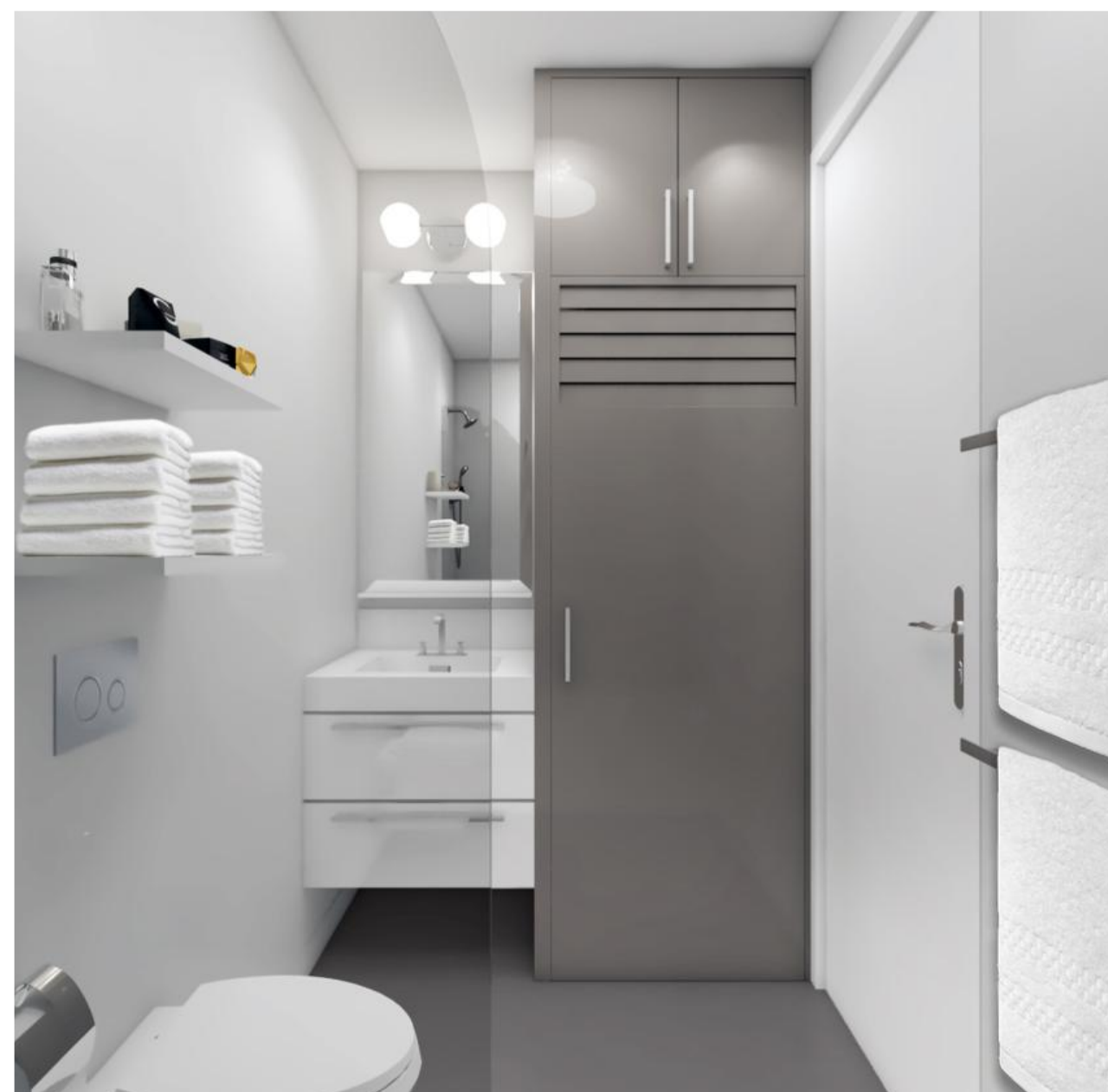
California passed legislation in 2017 to **encourage ADU development.**

5,400+ ADU building permits
issued in LA in 2018

SHILO BUILDING SYSTEM



The Shilo Building System combines Toyota production efficiency with Amazon convenience. Shilo's ADUs are **built 40% faster than traditional construction.**

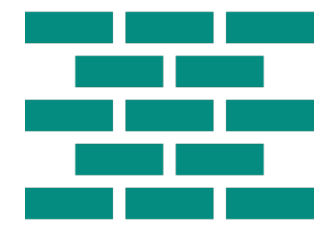


Lean Manufacturing

Turnkey Development

Hybrid Construction

UNDER THE HOOD



Pre-finished Structural Insulated Panels (SIPs)



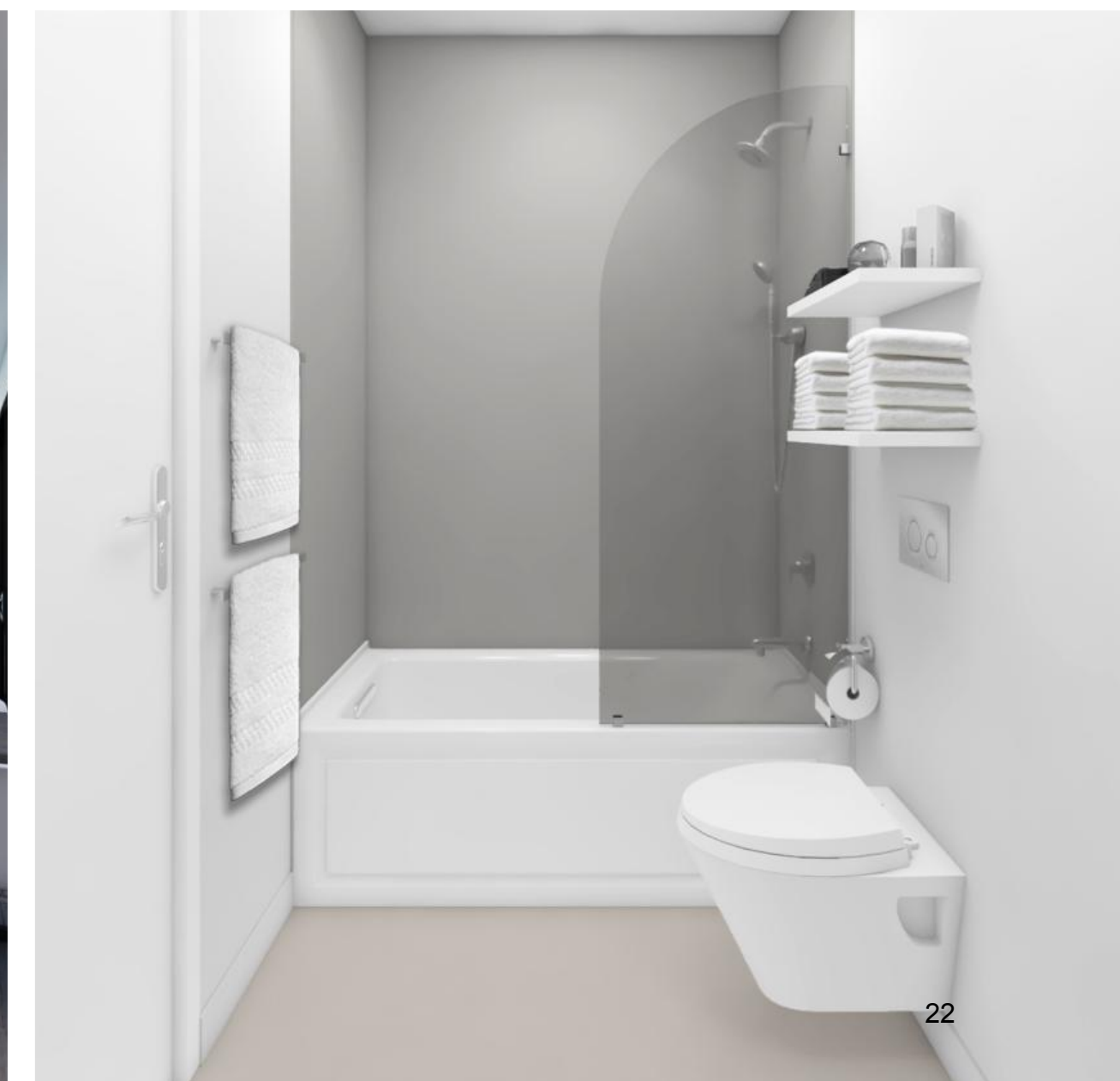
Design Platform



Kitchen & Bathroom Pods



Centralized Utility Hub



GO-TO-MARKET STRATEGY

Target Location:
San Jose & Los Angeles

- Legislative/permitting leniency
- Rapid ADU growth
- High rental markets

Middle-Income Homeowners

Identifiers

Priorities: aging-in-place, family proximity, price, speed of production, simplicity

Acquisition Channels

ADU workshops, localized builders and agents, targeted online advertisements, direct mail

Real Estate Investors

Identifiers

Priorities: price, durability, speed of production, ROI

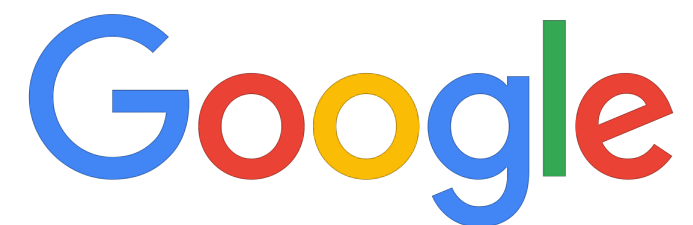
Acquisition Channels

RE investment groups, partnership with online RE software platforms, network of SFR investors

GROWTH POTENTIAL

Rise of modular construction

Companies such as Google and Marriott have **embraced modular construction** due to its efficiency and cost-effectiveness.



Purchased 300 modular homes from Factory OS



Initiative to adopt more prefabricated components

ADUs are just the beginning

Shilo plans to expand into several markets **beyond ADUs**. Our flexible building system can be applied to:

- Single Family
- Relief Housing
- Homeless Housing
- Multi-family
- Hospitality
- Schools

MILESTONES

September '18:

Partnership with UCSB MTM Program to conduct ADU research and customer validation

March '19

ADU design prototype complete

November '19:

ADU physical prototype complete + begin fulfilling pre-sales

August '18:

2nd place @ UCSB New Venture Competition. Completed UCSB startup accelerator program, G2 Summer Launchpad

October '18:

Brought on Head of Design and Head of Manufacturing

June '19:

Obtain 5 pre-sales worth \$1MM of pre-sale revenue

2021:

\$1.5MM fundraise for 10,000 sqft. manufacturing facility

ENTREPRENEURIAL PROGRAMS



- TMP Coursework
- New Venture Competition
- G2 Summer Launchpad
- UCSB Master of Technology Management Program Partnership
- Central Coast Innovation Awards



Shilo

High-quality housing
built more efficiently

Contact Info

Ryan Kim

ryan@buildshilo.com

909-974-9175

APPENDIX: MARKET SIZE & TRENDS

\$563B

Value of new CA
residential construction
in 2018

\$11.3B

Modular market share
of new CA residential
construction ~2%

\$250M

Value of detached
ADU construction
starts in LA, 2018

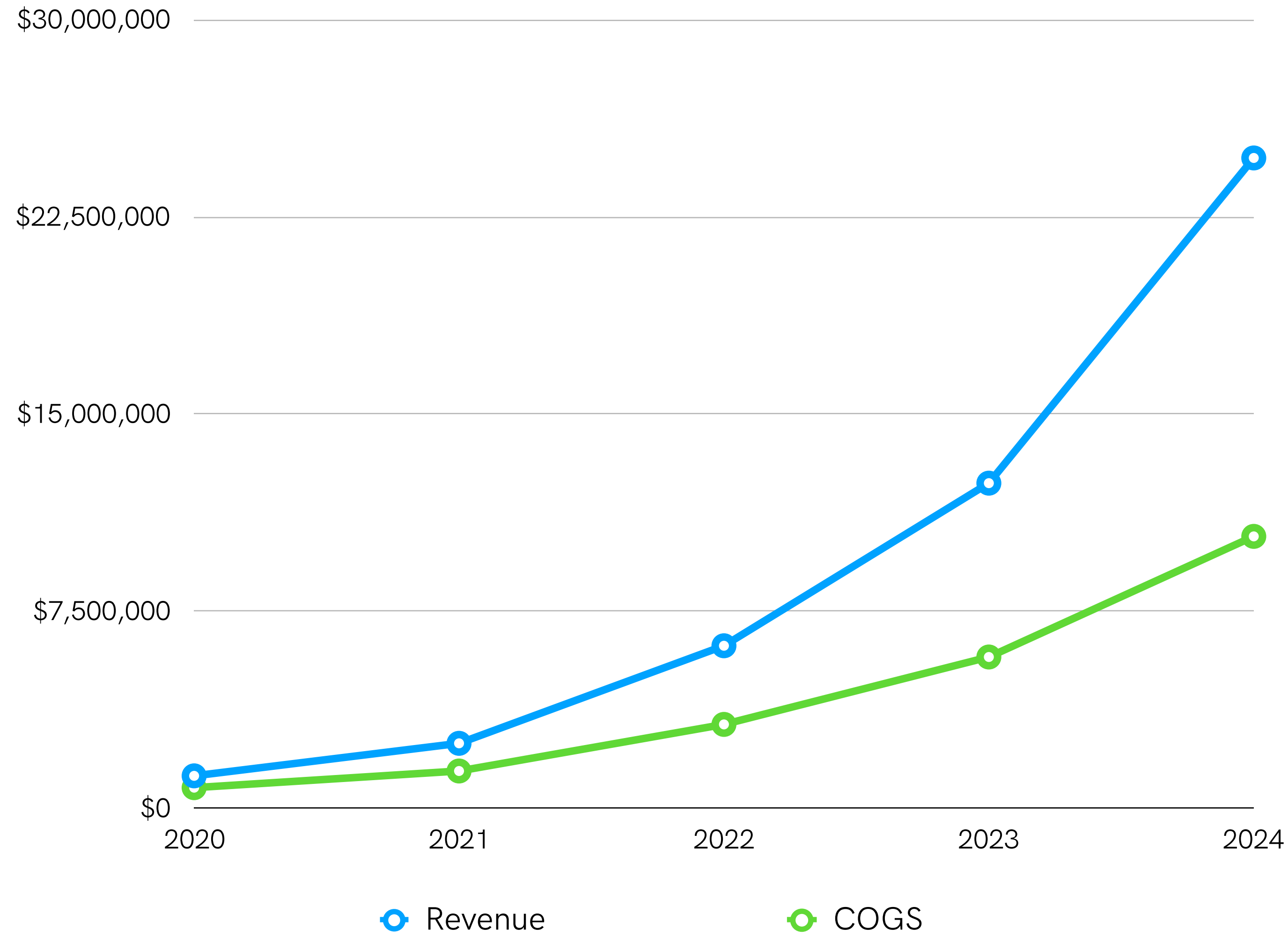
42%

Increase in ADU
permits in LA
2017-2018

20%

of housing is
prefabricated in Germany,
Japan, and Sweden

APPENDIX: FINANCIALS



900

Avg. sq ft size

\$275

Avg. Retail Price/
sq. foot

36%

Y1 Gross Margin

58%

Y5 Gross Margin

5

Y1 Unit Sold

100

Y5 Units Sold

APPENDIX: COMPETITION

	Plant Prefab 	Connect 	Custom On-site Builders	Cover 	Shilo 
> 6 months Time to Build					
Turnkey Development					
Customizable Floor Plans + Finishes					
>\$300/sq ft.					

APPENDIX: MANAGEMENT TEAM



Ryan Kim
CEO



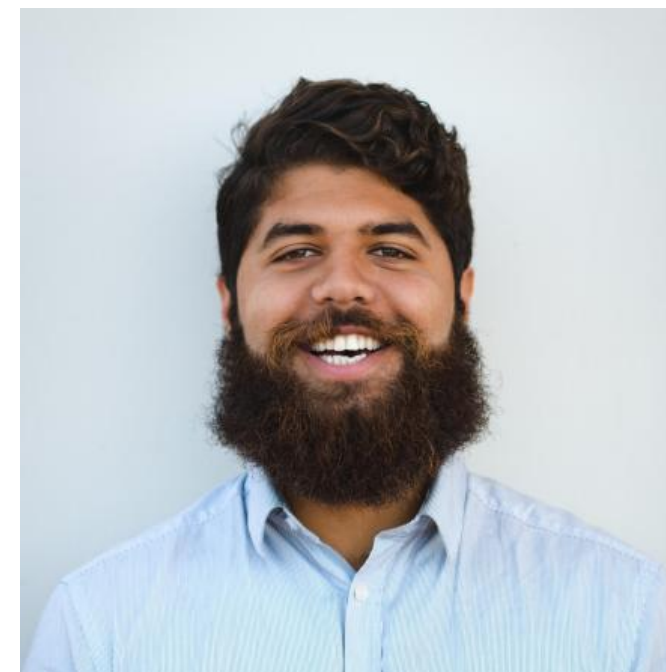
Saliq Hussaini
VP - Marketing



Ahmad Mohazab
Head of Design



Vahan Ghazaryan
COO



Tomi Kapoor
CFO



David Weiss
Head of Manufacturing

APPENDIX: BOARD OF ADVISORS & ORGANIZATIONS



Taylor Tyng
Principal @
Storymill



Deborah Naish
President @
Naish Partners



APPENDIX: FUNDING

Funding to-date: Bootstrapped by founders and \$20,000 non-dilutive grant from UC Santa Barbara

Currently seeking **\$500,000**

