Opportunity Recognition at Berkeley:
Trying To Build A Few Million Infill Homes

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Summary

Goal & Inspiration
Our Path:
  Modular Homes – Cleantech – Planning - Banking
Prototype, Clients & Funding
New Avenue’s Goal

Create a new market for small, efficient homes that:

• Everybody wants
• End suburban sprawl
• Produce more energy than they consume
• Cost less $ than the competition
Fall ‘08 Inspired by Modular:

Venture Capital & Cleantech Buzz:
- Living Homes backed by Vinod Khosla
- Michelle Kauffman featured in the Smithsonian & SF City Hall
- Time Magazine: “Future of housing in America”

So we partnered with a popular architect and entered the Berkeley Bplan
Spring ’09: Dropped Modular

> $1,000,000

Out of Business

Expense

$80,000

Trailer...?

Shipping

Quality

Disappeared

& Expense

Not in

Production

“We didn’t think beyond the factory door.”
- Head of sales at VC backed modular co.
UC Berkeley Engineering Team Assesses Construction Alternatives:
• Prefab Panels (SIPS)
• Foam
• Concrete

& Quantify The Benefits:
• Cost
• Energy Efficiency
• Ease of construction
• Appeal

Result: Traditional wood frame construction won – it is as good as anything else and more affordable.
An Urban Planner Appeared...

- CA demand for 2,600,000 homes by 2020
  - 200,000 in the Bay Area
- 57% of people do not own a home
  - they rent

And we learned that there is significant unmet need for small, affordable homes
Law gave ~65% of homes the right to build a second unit.

There are over 7,000,000 homes in CA and 1,300,000 in the Bay Area

It is illegal for cities to prevent second units

Legislative changes rezoned more than 4,000,000 existing CA homes for additional development
### Summer 2009: Research Demand for Infill Homes

#### Total Addressable Market (n=640)
- Survey of six fastest growing cities in CA
- 65% qualify for a 2nd unit
- 2% have 2nd unit

#### Consumer Demand (n=85)
- Random door to door survey across the Bay Area
- 19% have a 2nd unit

#### Historic Adoption (n=279)
- Walking Survey of high adoption neighborhoods

- **63% of homes in CA can add a 2\textsuperscript{nd} unit**
- **32% will consider adding one**
- **29% of homes have second units**

**Combination of legislation, housing need and consumer demand creates significant opportunity**
Decided To Build Infill Homes

Home Characteristics:
- Transit oriented
- Efficient designs
- Sustainable with renewable energy
First Client – Refining The Model
There is an Execution Gap

Historic Reality: Suburban sprawl

Planning Dept Goal: Distributed housing

Education: Complicated building permitting processes take time

Financing: Banks don’t understand or finance infill

Building: Managing contractors inefficient and unpredictable

Commercial Homes

Infill Homes

“The financing is the missing key piece of the puzzle for us.”
- Developer and partner
Client #1 Completed Oct. 2010

“It looks incredibly gorgeous! I am one happy customer.”
- Berkeley client

175 prospects, $1 million financing in process, creating national partners, opportunity to work with a billion dollar fund
Advising Haiti Finalist

H.I.E.D.A.
The Haitian International Environmental Design Alliance

Haiti Regeneration built on Creole Environmental Patterns
The Haitian International Environmental Design Alliance

The Kay Chamhot

The Creole Townhouse
Investors & Strategic Partners

**Gray Ghost Ventures:**  Debt/Equity Investment

**Clinton Global Initiative/Wal-Mart Foundation:**  Grant to build solar powered home

**2009 UC Berkeley Business Plan Competition:**  Semifinalists

**2009 California Clean Tech Open:**  Semifinalists

**Lawrence Berkeley National Lab:**  Stipend from Environmental Energy Technologies Division

**UC Berkeley Center for Energy and Environmental Innovation:**  Grant

**Wilson, Sonsini, Goodrich & Rosati:**  Equity
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