Crowdfunding Community Projects

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http://hdl.handle.net/2027.42/120406
Crowdfunding is becoming a popular method of fundraising for entrepreneurs, high-tech start-ups, non-profit projects, and, increasingly, community projects. As city governments across the country and world continue to suffer financially, community betterment projects like parks and trails become lower priorities. In turn, community organizers have begun taking matters into their own hands. This paper presents crowdfunding as both a transformative tool to catalyze community redevelopment and a potential liability for social justice and government responsibility. I describe Matireal, a crowdfunded community connector trail in Milwaukee, as a case-study for analysis.
In an era where local governments are continuously tightening budgets and cutting programs, innovative planning interventions are often the first projects cut. The poorest municipalities are often the communities with the highest level of need and the most disadvantaged populations. Crowdfunding, an online funding mechanism through which a great many individuals contribute relatively small amounts of money to support a company, project, or initiative, is quickly gaining strength with community organizers and grassroots planners as an intervention technique to finance these essential community improvements.

Introduced in the late 1990s and highly popularized within the last five years, crowdfunding has primarily been used to fund start-up entrepreneurial projects that often have a creative or digital focus (Mollick, 2013). The widespread success and popularity of crowdfunding has promoted the flexible funding mechanism for everything from mission trips to real estate development. Crowdfunding for community-based projects, therefore, seems to be a natural fit.

Through crowdfunding, individuals invest relatively small amounts of money into various sized projects, initiatives, or organizations in return for a pre-determined donor gift. In some cases, donors receive a share in the claim to future assets of the entity (Startup Exemption, 2013). In short, crowdfunding expands and replaces traditional “angel investors,” or persons who contribute a large sum of money to support a new company or project, with a large pool of individual investors to attain the seed capital for a project (NLCFA, 2012).

Today, many non-profits, community development groups, and individuals are utilizing crowdfunding mechanisms to initiate improvement efforts in their own neighborhoods, which essentially serve as public projects. I will explore one example, a recent project in Milwaukee, Wisconsin called “Matireal, a Creational Trail.” Matireal is a multi-use trail built with a geotextile composed of recycled tires, which contains a linear, public art gallery called the “Artery” running along an old rail corridor connecting neighborhoods throughout the City. The project has utilized Kickstarter, an online crowdfunding platform, to complete the first phase of the project and encourage government investment. In its design and concept, Matireal is a privately funded public project.

Why Crowdfunding?

Matireal uses an innovative approach to address a multitude of social, economic, and environmental issues that the City’s tax revenue cannot cover. When city governments are working with lean budgets and struggling to provide basic services to residents, these types of community-based projects often go un-funded to make way for more vital budget items. Fiscal issues are no longer a problem limited to rust-belt cities of the Midwest, but a national and global phenomenon. Cities from Los Angeles to London are experiencing financial hardships similar to those of many Detroit-like cities. Municipal financial hardships can be blamed on a host of factors including poor regional tax policy, migration patterns, racial and socio-economic housing segregation, suburbanization, a weak property tax base, poor city leadership, misaligned financial priorities, and shifting land use patterns. The crowdfunding model, specifically as used for Matireal, addresses the needs and desires of the community that municipal governments are unable to meet.

About Matireal, a ‘Creational Trail’

Matireal is about connecting neighborhoods through art and recreation. The Matireal project founder, Keith Hayes, formed the organization “beintween” soon after the introduction of the design concept for Matireal with the mission to “make [art] do [work]” (Matireal, 2012). The trail, constructed of a geotextile made of recycled tire material, gravel, and grasses, was completed in November 2013. It reclaims a divested 2.4-mile rail corridor and connects two diverse neighborhoods over a rail bridge. The public art gallery component of Matireal is currently in the development process.

Once a more integrated community, the Harambee and Riverworks neighborhoods were severed by a four-lane highway and became segregated racially and socio-economically. The highway has also created an unsafe pattern where pedestrians frequently attempt to cross the busy thoroughfare via the divested rail bridge. When completed, Matireal will form a linear art-based park through the rail corridor and rail bridge to reconnect the neighborhoods physically and culturally. The project aims to “engage all people… and break down major
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Benefits of and Concerns Raised by Crowdfunding for Community Projects

Just as challenges exist for securing crowdfunded financing for community projects, positive and negative implications exist regarding the outcomes of the projects. Residents often initiate crowdfunding projects to take community matters into their own hands, in some cases to fill gaps in municipal funding and services. Innovators like Keith Hayes of Matireal can utilize platforms like Kickstarter or Spacehive to open up their projects to financial support from their community, or from anyone across the globe. This provides flexibility to attain seed money for community projects and provides communities the opportunity to invest more directly in projects they support. Furthermore, crowdfunded projects can be more innovative and efficient than projects that must conform to traditional standards and regulations of the bureaucratic system.

Along with the benefits of crowdfunding, there are also concerns associated with transforming public projects into private ventures. In Driven from New Orleans, John Arena dissects privatization of public goods in the case of public housing. Arena suggests that creating non-profit alternatives to public services further legitimizes public sector failures (Arena, 179: 2012). The same risks apply to other community projects such as park improvements, nature trails, and similar endeavors that are traditionally publicly funded through tax revenue. If the crowdfunding model becomes commonplace for public provisions, this could legitimize the long-term retrenchment and permanent shifting of responsibilities for our localities to provide basic public amenities such as utilities or welfare programs that government entities are better suited to provide (Arena, 183: 2012).

Planners’ Roles

While crowdfunding public projects may adapt to budget shortfalls and realize residents’ sense of place and expression of community identity, long-term implications of crowdfunding could include shrinking government, more dependence on the free market to provide public services, and the introduction of new externalities that government intervention works to correct.

Projects like Matireal benefit the community in many ways, but there are still issues of equity...
phase crowdfunding and public funding into a project’s investment model where each is most appropriate, thereby increasing the likelihood of success. Planners could also advocate for a crowdfunding platform similar to Spacehive, one designed specifically to address the risks and rewards that come with crowdfunding public projects. This could include the requirement that projects be publicly accessible, participation in community planning processes that ensure equity and engagement from the entire community, and involvement with public officials.

Crowdfunding has the potential to create new and innovative opportunities for community projects that may not otherwise be possible. Planners could play an active role to integrate key stakeholders, provide guidance, and catalyze partnerships to increase the success and public benefits of crowdfunded community projects.

As the Matireal project in Milwaukee illustrates, crowdfunding can be used to subsidize or initiate projects that also use traditional municipal funds. Planners can connect local entrepreneurs with government officials early in the process to encourage both parties to

References


