



Crowdfunding Community Projects

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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 crowd-funded 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 (NLCPA, 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

social, cultural, economic and racial boundaries by stitching these along the artery” (Matireal, 2012). The project is a “simple, low-tech revitalization concept that works within a neighborhood” using an innovative, sustainable, and socially just planning intervention that the City would not initially fund (Matireal, 2012).

Matireal launched itself into Kickstarter, the largest online crowdfunding platform, on October 29, 2012. While project planning and design had begun almost a year prior, the project hit a wall when attempts to obtain large investments or City or Federal grants to fund the project fell apart (beintween, 2013). Matireal founders needed funds for the first step in the project: to purchase a shipping container to use for material storage and advertising (Matireal, 2012). They reached their crowdfunding goal of \$10,000 in less than a month with 230 backers (Matireal, 2012). With a total of \$11,296 pledged, backers received various gifts dependent on their pledge levels, ranging from a “sincerely written Thank You from the founders” for a \$5 contribution, to “500 square feet of the geotextile” (for use in personal driveways or other projects) for contributions of \$2,500 or more (Matireal, 2012).

After the crowdfunded investment allowed the group to purchase shipping containers and move forward with research and development of the geotextile, the City of Milwaukee and the Wisconsin Department of Natural Resources (DNR) were willing to provide some support to the project. The City and the Wisconsin DNR assisted with land acquisition, the donation of recycled tires to create the geotextile, construction permits, and safety provisions for the project. Without the initial capital investments from Kickstarter investors, the City or State would probably not have been willing or able to provide assistance. In the case of Matireal, crowdfunding investment allowed the innovative project to gain traction with the community, which encouraged government entities to provide assistance.

Other Examples of Crowdfunded Community Projects

Aside from Kickstarter, one can find many other examples of crowdfunding platforms used for community projects. Spacehive is a crowdfunding platform that connects community-based project initiators with financial supporters in the United Kingdom (Spacehive, 2013). Spacehive hosts project proposals and manages internet donations for projects, as long as the project is in a public

space that anyone in the community can freely access (Spacehive, 2013). Past projects include creating a picnic area and garden in a park in Lancashire and renovating a vacant store into a community street art gallery in Bristol (Spacehive, 2013). Spacehive is unique because, unlike Kickstarter, it is geared specifically toward projects that must be open to the public. This prevents projects from discriminating against certain users or excluding traditionally allowed public uses.

Fundrise, another funding method, gives individuals the ability to directly invest in their neighborhoods through local commercial real

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estate development. Although not necessarily a platform for funding public projects, it allows individuals to invest without the fees and middlemen of conventional real estate equity finance (Fundrise, 2013). In short, residents can invest relatively small amounts of money into commercial real estate in their neighborhoods, own a share in the action (with proportional financial returns), and help realize their visions for their communities (Fundrise, 2013). Three neighborhood projects have been funded and are now underway in Washington D.C., including the building at 406 H Street NE, which will transform a vacant building into an ethnic restaurant (Fundrise, 2013). Fundrise allows residents to take ownership of their neighborhood, literally and figuratively; however, it may also promote gentrification and, at this point, still requires leadership from larger developers to guide the management, programming, and design of the project.

Citizeninvestor allows municipalities to raise money through crowdfunding in order to move forward on projects shelved by budget shortfalls (Citizeninvestor, 2012). To use this online crowdfunding platform, the projects require evaluation by a local government and approval by the appropriate department, and solely lack funding for implementation (Citizeninvestor, 2012). Projects range from building a community garden in Philadelphia to restoring a publicly owned historical hotel in Florida (Citizeninvestor, 2012). Of course, the premise behind this platform is that residents will willingly contribute to government-initiated public

projects beyond their current tax contributions. Although funded projects are still in their early stages, this platform is promising because, unlike Kickstarter, Fundrise, or Spacehive, Citizeninvestor projects must undergo the typical public development phases. In many ways, Citizeninvestor allows the public to decide directly which public projects to fund, which can have both positive and negative impacts.

Challenges and Risks

There are many challenges and risks associated with crowdfunding community projects, although many previous challenges have diminished with the recent passing of the Federal JOBS Act. Section 4(6) of the act legalizes crowdfunding at a deeper level than previously written into law, exempting investors in for-profit projects from being officially accredited (Startup Exemption, 2013). However, the crowdfunding model still faces challenges. The likelihood of failure for a crowdfunded project is quite high despite the many celebrated successes highlighted in the media (Mollick, 3: 2013).

Literature surrounding the new and understudied funding mechanism of crowdfunding lacks evidence describing why certain projects succeed or fail. While these studies are inclusive of all kinds of projects, not just community projects, they are still applicable. It is unclear whether crowdfunding efforts reinforce or contradict theories about how traditional ventures raise capital and achieve success, or what the long-term implications of crowdfunding are (Mollick, 3: 2013). Assessing crowdfunding success begins with whether or not it is fully funded, as many crowdfunding platforms return funds to contributors if funding levels are not met. Of all projects initiated on Kickstarter, only 49% are ever funded, with an average goal of those funded projects being \$5,604 (Mollick, 32: 2013). Other indications of success include whether or not the intended deliverable was completed and, if applicable, the length of delays in the project (Mollick, 3: 2013). Variables affecting the success of a project include a founder's integration with social media and geographic location. In general, projects in larger cities tend to have a much higher success rate (Mollick, 32: 2013). Along with the challenges for founders, funders face uncertainty about the success or quality of the deliverable. There are no accountability systems in place to guarantee project success. Similarly, even if a project is initiated by an organization or start-up with the intention of helping or improving the community, there is no guarantee that the project will truly be public.

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



and prioritization. Rail to trail conversions or public art galleries may seem glamorous, but when cities are faced with aging infrastructure, water and sewer systems should take priority. For these reasons, Crowdfunded community projects should not replace traditional public works initiatives, but can fill funding gaps in cities struggling to provide services. Planners can take advantage of crowdfunding to realize change in their community. Specifically, planners can take an active role in both improving processes of crowdfunding for public projects and catalyzing relationships between the public, project founders, and government entities for crowdfunded 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

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. ■

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