

Online Master of Public Administration Program

How Communities Are Using Crowdfunding to Finance Public Projects

Crowdfunding is defined by Forbes as “the practice of funding a project or venture by raising many small amounts of money from a large number of people, typically via the Internet.” And it’s rapidly become the new “it” way to fund projects of various scope.

To learn more, checkout the infographic below created by University Of San Francisco's **Online Master of Public Administration** degree program.





Photo: Philadelphia Tribune



\$25,000

Installation of Historic Statue

In 2014, the city of Naperville, Illinois, raised \$25,000 through crowdfunding to install a historic statue in a local park



\$100,003

Downtown Park

In 2015, Royal Oak, Michigan, raised \$100,003 through crowdfunding site Patronicity to create a downtown park on an overlooked space between a parking garage and a railroad track

- Washington Post



\$1.2 MILLION

Lighting of Willie L. Brown Jr. Bridge

A successful civic crowdfunding project was the effort to raise \$1.2 million for the lighting of the Willie L. Brown Jr. Bridge in



\$10,000

Park Renovation

In 2013, Central Falls, Rhode Island, raised \$10,000 on Citizinvestor to renovate its landmark park, Jenks Park, with new high-quality steel bins. The city created a

Bridge in San Francisco until 2026

compelling video and used social media to promote its campaign



THE RAPID RISE OF CROWDFUNDING

Here's how crowdfunding has skyrocketed in popularity in the past five years:



\$10,700,000

An estimated "\$10.7 million was raised for civic crowdfunding, spread over 1,224 civic crowdfunding projects between 2010 and 2013"

-Washington Post

CIVIC CROWDFUNDING SITES INCLUDE:

- CITIZINVESTOR
- IOBY
- NEIGHBOR.LY
- DONORSCHOOSE

\$20,338,986

The highest amount raised through Kickstarter, for a campaign titled "Pebble Time - Awesome Smartwatch, No Compromises"

POPULAR CROWDFUNDING PLATFORMS INCLUDE:

- KICKSTARTER
- INDIEGOGO
- FUNDABLE
- GOFUNDME

The first crowdfunding site for public administration was *ioby*, which was founded in 2009

24-35 YEARS OLD The ages of Millennial generation that are most likely to participate in a crowdfunding campaign

CROWDFUNDING VS VENTURE CAPITAL



The average amount raised by a successful crowdfunding campaign is \$7,000

CROWDFUNDING

\$880 MILLION
The total online crowdfunding raised in 2010



2010

\$16 BILLION
The total online crowdfunding raised in 2014



2014

\$34.4 BILLION
The total online crowdfunding raised in 2015



2015

VENTURE CAPITAL

\$26.2 BILLION
The amount raised in venture capital funding in 2010



\$48.3 BILLION
The average amount raised in venture capital in 2014



\$58.8 BILLION
The venture capital invested in the US in 2015



The average amount raised in venture

✓ The average amount raised in venture capital funding every year is \$30 billion

THE BENEFITS AND LIMITATIONS OF CROWDFUNDING

BENEFITS OF CIVIC CROWDFUNDING



1

Promotes the exchange of ideas

2

Increases transparency in government

3

Develops virtual public-private partnerships

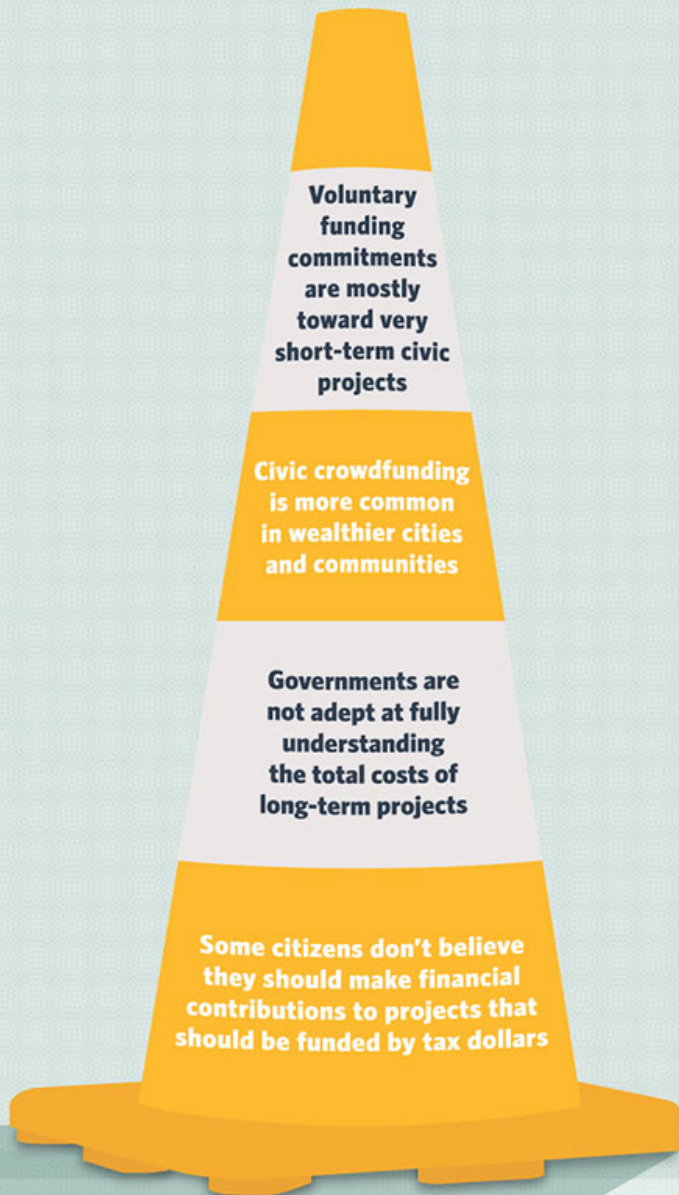
4

Creates greater citizen awareness and involvement

5

Gives citizens a sense of ownership in the process of making decisions to solve community issues

LIMITATIONS OF CIVIC CROWDFUNDING



Civic crowdfunding projects that have “shorter lifetimes (and) low maintenance costs, generate revenue,” and/or have a community that has a “stable population of long-term and committed residents who support the project” have a higher change of successfully raising funding.

- *Pennsylvania Times*

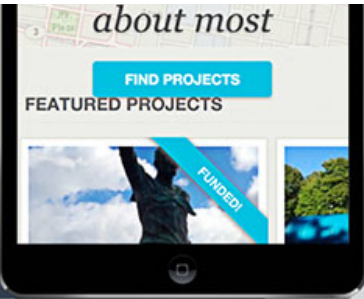
CIVIC CROWDFUNDING PLATFORMS



CITIZINVESTOR
Empowers
“citizens to invest in

citizens to invest in their community and create real change"

citizinvestor.com

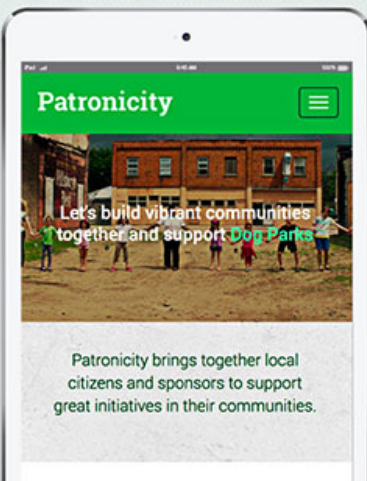



NEIGHBORLY
Used by civic organizations and ventures, and local government agencies

neighborly.com

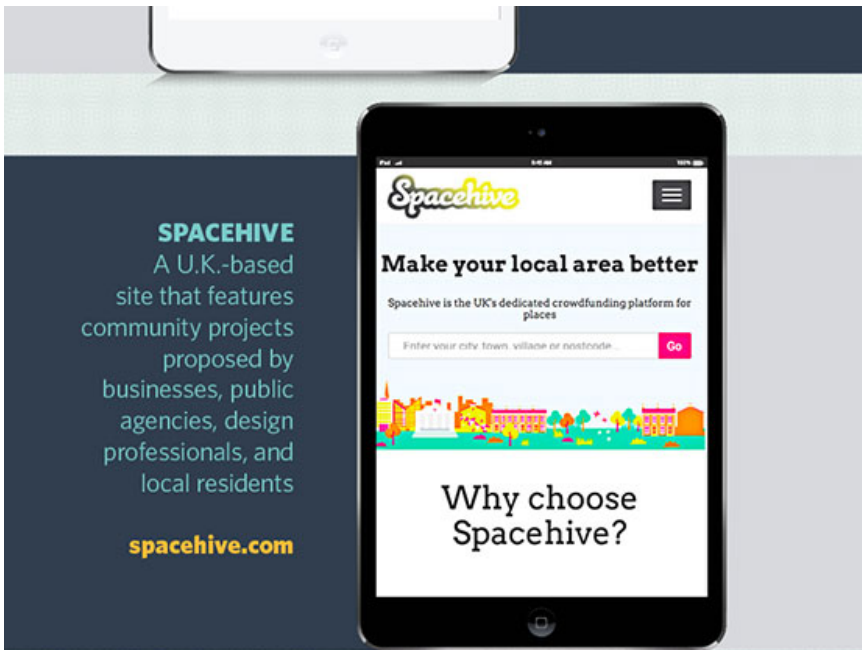
IOBY
Driven by local residents to "implement great ideas one block at a time"

ioby.org

PATRONICITY
A civic crowdfunding and crowdgranting platform

patronicity.com



SPACEHIVE
A U.K.-based site that features community projects proposed by businesses, public agencies, design professionals, and local residents

spacehive.com

TIPS FOR A SUCCESSFUL CROWDFUNDING CAMPAIGN

Reference an inexpensive commonly used product when suggesting a donation amount for example, a \$2 donation is the equivalent of a bar of soap

Choose a shorter project duration

Use video to tell your story

Generate interest from the community prior to launch

Schedule reminders throughout the campaign

Amplify a potential donor's feeling of guilt

List how the donations will be spent

Tell a compelling story

Donate to other crowdfunding

Build a network prior to launching

projects

the campaign

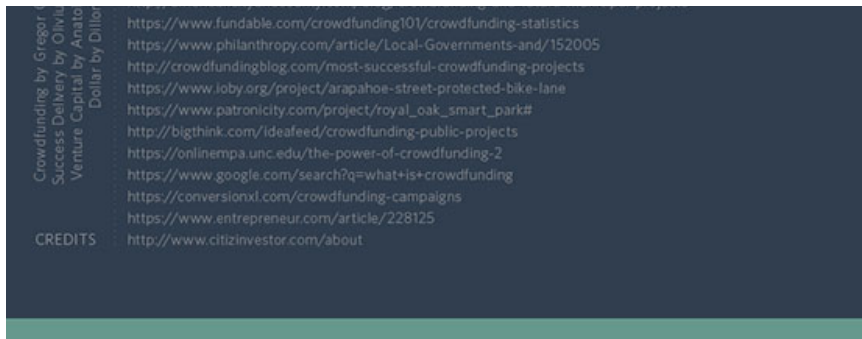
- State your reputation to build credibility
- Use "you" in your narrative to help overcome resistance
- Adopt an all-or-nothing (AON) project to increase your chances of success
- Place a heavy emphasis on the "Why" of the story
- Create an agile strategy that can be tweaked and modified every day of the campaign
- Give some personal information to build empathy toward a specific person as opposed to an unidentified group of people

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Treasurer from the Noun Project
 Stolan from the Noun Project
 Babir from the Noun Project
 Arloff from the Noun Project

<https://www.forbes.com/sites/geristengel/2016/01/20/8-tips-for-crowdfunding-success/2/#4c99216f1ce4>
<https://www.washingtonpost.com/local/raising-money-for-civic-projects-raises-questions-about-democracy>
<http://www.proposizione.com/en/blog/crowdfunding/crowdfunding-for-public-administration>
<https://dazeinfo.com/2016/01/12/crowdfunding-industry-34-4-billion-surpass-vc-2016>
<http://www.pwc.com/us/en/press-releases/2016/q4-2015-moneytree-press-release.html>
<http://venturebeat.com/2015/01/17/vcs-invested-48-3b-in-2014-highest-level-since-2000>
<http://articles.latimes.com/2011/jan/24/business/la-fi-venture-capital-20110124>
<http://www.urenio.org/2012/09/04/liv-platforms-for-crowdfunding-civic-projects>
<http://patimes.org/potential-civic-crowd-funding-finance-small-public-projects>
<http://americacityandcounty.com/blog/crowdfunding-and-future-municipal-projects>



The Rapid Rise of Crowdfunding in the Past Five Years

Crowdfunding has become exponentially more popular within the past several years. Approximately \$880 million was raised through online crowdfunding in 2010. By 2014, the amount of money raised by crowdfunding shot up to \$16 billion. And this amount doubled to \$34.4 billion in 2015. The average successful crowdfunding campaign manages to raise \$7,000. But the most successful crowdfunding campaign, “Pebble Time – Awesome Smartwatch, No Compromises,” raised \$20,338,986 on Kickstarter. Other popular crowdfunding platforms include Indiegogo, Fundable and GoFundMe.

Millennials between the ages of 24 and 35 are most likely to participate in a crowdfunding campaign.

Civic crowdfunding has also grown quickly, allowing participants to fund projects and ventures that aim to aid various communities. The first crowdfunding site dedicated to public administration was ioby.org. Other civic crowdfunding sites include Citizeninvestor, Neighborly and Donorschoose.org. Between 2010 and 2013, an estimated \$10.7 million was raised for civic crowdfunding. This amount was spread over 1,224 total civic crowdfunding projects.

Crowdfunding Vs. Venture Capital

While crowdfunding is a rapidly growing method for securing funding, venture capital is still the most lucrative way to raise money. The average amount raised through venture capital funding each year is \$30 billion. In 2010, approximately \$26.2 billion was raised by venture capital funding. However, \$48.3 billion was raised via venture capital in 2014, and \$58.8 billion was raised in this way in 2015.

Benefits and Limitations of Civic Crowdfunding

There are numerous benefits of using crowdfunding to raise money for civic ventures and projects. Crowdfunding promotes the exchange of ideas, increases transparency in government, and creates citizen awareness and involvement. It also develops virtual public and private partnerships. And most notably, crowdfunding gives citizens a sense of ownership in the process of making decisions to solve community issues.

Even though civic crowdfunding is a worthwhile way to raise money, it also has its limitations. Civic crowdfunding is much more common in wealthier communities, and some citizens believe that civic projects should be funded by tax dollars instead of personal contributions. Voluntary commitments to funding are usually made toward short-term civic projects, as governments are often not adept at understanding the total cost of long-term projects. Civic crowdfunding requires a greater awareness of government functions. And while “free riders” don’t contribute to funding a civic project, they get to enjoy the benefits of a completed project.

Civic crowdfunding projects with shorter lifetimes and low maintenance costs that manage to generate revenue within communities, and projects that boast a stable population of committed and long-term residents supporting the project, have a higher chance of successfully raising funding.

Civic Crowdfunding Platforms

Numerous civic crowdfunding platforms are designed to fund projects and ventures that will benefit communities. Here are several of the most well-known civic crowdfunding platforms.

Citizeninvestor (citizeninvestor.com) empowers “citizens to invest in their community and create real change.”

Ioby (ioby.org) is driven by local residents to “implement great ideas one block at a time.”

Neighborly (neighborly.com) is used by civic organizations and ventures as well as local government agencies.

Patronicity (patronicity.com) is a civic crowdfunding and crowdgranting platform.

Spacehive (spacehive.com) is a UK-based site that features community projects proposed by businesses, public agencies, design professionals and local residents.

Types of Initiatives Funded by Civic Crowdfunding

There are many examples of local projects that were successfully funded via civic crowdfunding. Kansas City raised money for a bike-share program using this method. A youth garden program in Philadelphia, Pennsylvania raised \$2,163. Central Falls, Rhode Island raised \$10,000 to renovate its landmark park, Jenks Park, with brand-new bins on Citizenvestor in 2013. Naperville, Illinois raised \$25,000 to install a historic statue in a local park through crowdfunding. Denver, Colorado raised \$36,085 to implement enhanced bike lanes in downtown Denver on lobby in 2014. Royal Oak, Michigan raised \$100,003 to create a downtown park on an overlooked space between a parking garage and a railroad track on Patronicity in 2015. And San Francisco, California raised \$1.2 million to light the Willie L. Brown Jr. Bridge until 2026.

Tips for a Successful Crowdfunding Campaign

Raising money for a crowdfunding campaign requires a feasible project and a bit of marketing finesse. Here are a few tips for creating a successful crowdfunding campaign.

Make a plan beforehand by building a network prior to launching the campaign, generating interest from the community prior to launch, choosing a shorter project duration, creating an agile and fluid strategy, using reputation to build credibility, and listing how donations will be spent.

Design a viable campaign by telling a compelling story, placing a heavy emphasis on the "Why?" of the story, using video to tell the story and using "you" in a narrative to overcome resistance.

Increase a campaign's chance of success by adopting an all-or-nothing approach, amplifying a potential donor's feeling of guilt, donating to other crowdfunding projects, giving some personal information to build empathy toward a specific person and scheduling reminders throughout the campaign.

Be sure to read through this infographic to gain even more insight on crowdfunding's rapid rise.

Add This Infographic to Your Site

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<a href="http://onlinempadegree.usfca.edu/news-resources/infographics/howcommunities-are-using-crowdfunding-to-finance-public-projects"><img src="http://onlinempadegree.usfca.edu/wp-content/themes/ckg-
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