

## Civic Crowdsourcing

By Zachary Coleman, Planner

The idea of crowdfunding is most often associated with raising money to support the production of new goods or support various artists and activists in their endeavors. It's generally thought of as a new and innovative platform for fundraising, created by the boom of the internet that's brought the entire world to our fingertips. The truth, however, is that the first widely publicized crowdfunding campaign in America wasn't for new noise cancelling headphones or the last sweatshirt that you'll ever need to buy. It was for a municipal project that would bring one of the most famous faces in the world to New York, and it created a beacon of hope for millions of people starting brand new lives in America.

In the summer of 1885, the Statue of Liberty was sitting in pieces in New York after being shipped from France, unable to be assembled due to a lack of funding for the construction of a pedestal. With other cities including Boston and Philadelphia vying for relocation of the statue by offering to construct platforms, renowned publisher Joseph Pulitzer came up with a solution. Through a front-page article published in his newspaper *The New York World*, Pulitzer called on the community to pitch in and collectively raise the money. The first crowdfunding campaign in America was born. The campaign was a success, raising the remaining \$100,000 needed to finish the platform from over 160,000 donors. Lady Liberty would have a home in New York, and the rest is history.

The fundraising model employed by Pulitzer worked for the same reason it can work for municipal projects now. Online crowdfunding websites like IOBY (In Our Backyard) and Spacehive (UK) (for smaller projects with no revenue stream), Neighbor.ly (for municipal bond model for larger scale projects with revenue stream), and Indiegogo (with a flexible option to raise funding for small projects) can be utilized by municipalities to raise capital for community projects.

Crowdfunding campaigns on these sites are often successful because they allow local donors to feel a sense of control over how their money is being spent, as opposed to feeling confused over the convoluted dispersion of taxpayer money. It provides donors with a sense of pride in ownership of a project, and the satisfaction of knowing that their donations are going to a project that they feel makes their community a better place for all residents. Also, IRS Code 26 U.S.C. §170(c)(1) states that charitable donations to government projects are allowable federal income-tax deductions, if they are made for "exclusively public purposes." Therefore, donations made for community-wide projects such as bike lanes, sidewalks, park improvements, and most other projects for which crowdfunding is useful would be deductible. This deduction can be leveraged to encourage more donations and a successful campaign.

An online crowdfunding campaign can be a medium for broadcasting needs, generating attention for projects, and gauging public response. It's a mode of public outreach in a social media-like setting that can be used to inform the public of a plethora of issues and gain

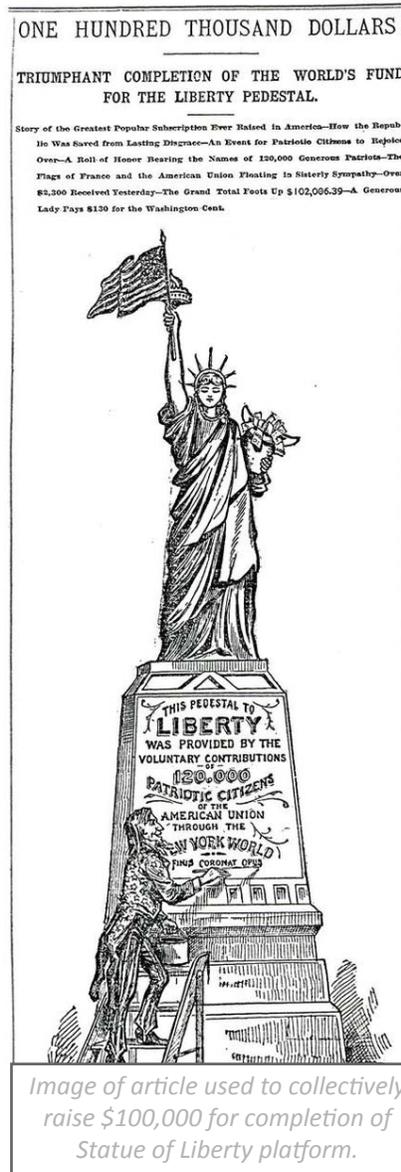


Image of article used to collectively raise \$100,000 for completion of Statue of Liberty platform.



support through transparency. By providing visibility and openness, it can spur government support and bring people on board with projects and initiatives. In this sense, crowdfunding can democratize public engagement by allowing constituents to support the projects they are most interested in and voice their opinions on what other projects are wanted or needed.

When pursuing grants for local projects, crowdfunding can be a viable source for the local match many available grants require. Also, it can be a vehicle for leveraging more money in private grants by showing not just a need for the project but overwhelming public support. This can allow more ambitious projects to come to fruition when a local match or additional funding for such projects may have previously been unattainable due to budgetary constraints. The attention generated from a crowdfunding campaign can also end up raising more money than initially intended. This excess capital can then be put towards other projects, or used to potentially improve upon the currently proposed project. It can also be used to proactively fund projects that may have been stalled for an extended period due to cutbacks or budget shortfalls.

Although crowdfunding is an innovative funding opportunity, there are limitations. It is important to remember that a responsible local government should weigh project priorities to determine what constituents actually need, and which needs are the greatest, before pursuing projects that may only benefit the segment of the population that is willing and financially able to contribute to projects. Despite these limitations, it is a growing trend that has the potential to provide municipalities flexible funding opportunities for accomplishing their project goals.

## Successful Crowdfunding Projects in New York from *Kickstarter*

### Lowline: Underground Park on NYS's Lower East Side



3,300 backers pledged \$155,186 of \$100,000 to build a full-scale installation. The project is currently undergoing a feasibility study.

### Rochester Parklet



211 backers pledged \$12,828 of \$11,875 to create Rochester's first ever parklet in Spring of 2016, offering public seating to all.

### Brant Lake Bike Park



111 backers pledged \$11,735 of \$7,500 to purchase land to build six miles of single-track mountain bike trails in Brant Lake NY.

