



COMMUNITY INVESTMENT, COMMUNITY GROWTH

A retrospective in Michigan crowdfunding

crowdfundingmi.com

MICHIGAN CROWDFUNDING RETROSPECTIVE ADVISORY GROUP

Angela Barbash, CEO, Revalue, LLC

Katharine Czarnecki, EDFP, Senior Vice President, Community Development,
Michigan Economic Development Corporation

Shanna Draheim, Policy Development Director, Michigan Municipal League

Christopher D. Miller, Downtown & Economic Development Coordinator,
City of Adrian, Michigan

Melissa Milton-Pung, Program Manager, Michigan Municipal League

Ebrahim Varachia, President & Co-founder, Patronicity

THIS REPORT IS MADE POSSIBLE THROUGH THE SUPPORT OF:



IN CONSULTATION WITH:

Piper & Gold Public Relations
Michigan State University Extension

WITH THANKS TO:

Revalue, LLC
City of Adrian, Michigan
Patronicity
National Coalition for Community Capital

Great Recession.

2008-
2010

JOBS Act signed into law.

2012

MILE Act signed into law by Gov. Snyder.

2013

MILE Act first used.

2014

Public Spaces, Community Places launched
its pilot project with a total program budget
of \$800,000.

June
2014

Public Spaces, Community Places ran out
of funding, and MEDC continued it by
allocating an additional \$835,000.

April
2015

Program funding more than doubled, which
included support from MSHDA.

October
2016

The current Public Spaces, Community Places
program is funded at about
\$1.5 million annually.

2019

LEAD

TODAY, MANY MICHIGANDERS MAY TAKE FOR GRANTED THAT EVERYONE CAN HELP FUND COMMUNITY PROJECTS.

“

If we want to improve our community, we must invest in our community. To rebuild we must rethink.

– Amy Cortese,
@locavesting

Social media calls to action inspire us to kick in a few bucks for a cool new space in our neighborhood. Pride in our region leads us to invest amounts significant to us in a business we're longing to have in our downtown district. We cheer for nonprofits when they surpass a crowdfunding goal for an art installation to enhance placemaking.

We see our role in creating empowered spaces and connected places. We've felt firsthand the impact of public investment in community growth. But it wasn't always that way.

Think all the way back ... to 2008 or so. In the throes of the Great Recession, it was hard for anyone to secure capital — from new and growing businesses to banking customers with solid credit to government and community agencies. Traditional

funding sources had dried up. And forget it if you were a startup.

After a few years of seeing the hardships caused by the recession, a group of Adrian, Michigan, residents met to figure out how to help their business community pull out of the economic downturn. They were intrigued by Amy Cortese's book "Locavesting." It featured stories about communities across the country that found innovative ways to aggregate homegrown capital to invest in new local businesses or — especially important during the recession — prevent a business from going under.

But the economy just wasn't recovering in the years following 2008 ...

In 2013, the group worked with their Chamber of Commerce to bring Cortese to town for an economic development luncheon. She told the Adrian residents about the JOBS Act — or the Jumpstart Our Business Startups Act — a bipartisan bill to democratize investment. It acknowledged business growth is vital for communities, and it wasn't happening fast enough under the SEC's federal regulations.

President Barack Obama had recently signed the JOBS Act into law, making community capital possible.

PUBLIC SPACES, COMMUNITY PLACES*

212
PROJECTS

\$7,625,536
FUNDING TO DATE

39,619
TOTAL PATRONS

\$6,405,441
MEDC MATCHED FUNDS

7:1
RATIO OF TOTAL PRIVATE INVESTMENT
PER PUBLIC GRANT DOLLAR SPENT

9,029,771 ft²
CURRENT TOTAL OF PUBLIC SPACE ACTIVATED
ACROSS THE STATE OF MICHIGAN

*Data as of May 2019

LEARN

A PATH FOR NEW BUSINESS INVESTORS

But the JOBS Act didn't solve the cashflow problem immediately. It would take about five years to get the new federal regulations written so unaccredited investors — regular citizens — could start infusing their capital into their communities.

While much of the country waited, Michigan lawmakers got to work innovating a powerful state-level investment tool: the Michigan Invests Locally Exemption Act.

Simply, the MILE Act gives businesses the ability to receive funding support from Michigan investors of all means. Gov. Rick Snyder signed it into law in 2013, and it was first used in 2014 to help the Tecumseh Brewing Co. raise \$175,000 in gap funding from 21 community investors to open its doors.

Across the state, organizations including the Michigan Municipal League, the Michigan Economic Development Corporation and businesses such as Revalue understood what the MILE Act could mean for communities. They presented at workshops across Michigan, meeting with residents, community organizations and economic developers to help them understand the value of investment-based crowdfunding.

In the early days, this is what it was all about: investing in businesses.

Gradually, people in Michigan saw two paths of support for local businesses emerging:

DONATION-BASED CROWDFUNDING:

Allowed people to feel part of a project without making a business-style investment. They could kick in a few dollars — or even a few thousand — to help a business start or grow.



INVESTMENT-BASED CROWDFUNDING:

Fueled by the MILE Act, enabled regular citizens to see themselves as business investors, supporting economic development in their own communities.



THE EVOLUTION OF CROWDFUNDING

Despite the innovation and excitement of business-based investment opportunities, something was still missing.

A key community capital funding gap remained: a way to use crowdfunding to support public community projects that needed additional capital.

So, as they worked to promote and pass the MILE Act, the MEDC, MML and Detroit-based Patronicity collaborated to create the Public Spaces, Community Places grant program as an offshoot of the initial crowdfunding model.

Michigan's PSCP initiative provides matching grants for crowdfunded public spaces through Patronicity, an online crowdfunding platform. Community members donate to support a project for a public space — such as a plaza or community garden — and the transformational idea is backed dollar-for-dollar by a grant from the state of Michigan, up to \$50,000.

It's easy to forget it wasn't so long ago that these mechanisms didn't exist in Michigan. **And yet, Michigan is at the forefront of this community capital strategy. Michigan was the first state to partner with Patronicity to expand the definition of crowdfunding.** If we don't document this important history, we risk losing it. Which is why we're writing this retrospective. And you're part of the story now.

Democratizing access to capital is still a new idea for much of the country. But allowing citizens to have a voice in what projects should be funded in their neighborhoods is vital to overall civic engagement, and communities are taking notice.

Michigan's PSCP program has an astounding 98% success rate, providing \$5,000 in match funding for projects as small as a bike rack program in downtown Wayne, while spurring over \$105,000 in crowdfunding for projects as large as the Ultimate Trailhead in northern Michigan — both thanks to annual state

funding, ease of application and leveraging Patronicity support.

Now, other states are following in Michigan's innovative footsteps. They're determined and ready to get to work after seeing how our communities and organizations have answered the million-dollar question: "How did you do it?"

THE FUTURE IS COMMUNITY CAPITAL

Simply implementing these programs in other states won't make them successful, though. Not all communities have the capacity and wherewithal to put these types of projects together no matter how much they believe in empowered spaces and connected places. Ideas, plans and project details often rest on the shoulders of volunteers working after-hours in community rooms. Enthusiasm and energy can wane quickly.

And those who've found success through crowdfunding are quick to tell you: **This isn't a magic formula. If you're not willing to do the work, don't do the project.**

But with community buy-in — both figurative and literal — donation-based and investment-based crowdfunding can fill critical gaps in access to capital for businesses and projects in all our communities.

We've shared case studies of community capital — the evolution of crowdfunding — in action for you here. The high fives and the hard work, the hits and the misses — all with an eye toward learning and growing so every state can activate a previously dormant network of community investors.

NEW LIFE FOR COMMUNITY SPACES

RED MILL PAVILION

Portland, Michigan



“

The beams, posts and pins are all sponsored, and they signify the collective effort to reinvigorate this spot in our city. Every piece of wood has a story.

- Noreen Logel,
Friends of the Red Mill

An 80-year-old Boy Scout troop wanted to give back to the community that had given it so much in as many years. When Troop 58 disbanded in 2013, it decided to use the money left in its coffers to build a community pavilion adjacent to the Red Mill, an old farmer’s co-op building that was renovated and turned into Portland’s farmers market.

Simple, right? Not quite.

In what has resulted in more than a half-million dollars invested into the site in Portland, the Red Mill Pavilion is much more than four walls, a roof and a floor.

The historic Red Mill was built around 1900, rehabilitated in 2000 and was the site of Portland’s increasingly popular farmers market. With the growing popularity of the Red Mill, the local friends’ group — with the support of the entire Portland community — saw a tremendous opportunity.

“We envisioned the pavilion as a focal point and gathering place of our community, one that

welcomed community members and visitors alike to our quaint community along the banks of the Grand River,” said Noreen Logel, Friends of the Red Mill chair.

And so, plans were made to build a 48- by 85-foot timber-framed pavilion in August 2015.

“Our community literally holds the building together,” Logel explained. **“The beams, posts and pins are all sponsored, and they signify the collective effort to reinvigorate this spot in our city. Every piece of wood has a story.”**

The pavilion celebrated its inaugural event in September 2016 and will mark four consecutive years of Portland’s most anticipated celebration in August 2019: Red Mill Community Day.

There is never a boring day in this former swath of weeds and dirt, now a vibrantly activated space.

“We’ve hosted graduation parties, wedding receptions, reunions, birthday parties, haunted mill events, mystery dinner theater, you name it,” Logel said.

The Friends of the Red Mill show no signs of slowing down, either. Plans are being developed to install a sound system and heated floors. Just last year, they planted a wildflower meadow on the grounds and hope to establish more beautified green space between the Red Mill and the pavilion.

“There’s no other place like it in town,” Logel said. “The pavilion has made a big impact in our city. When people hear about an event going on there, it immediately goes on their calendar.”



DONATION-BASED CROWDFUNDING:

Raises money through individual donations for a specific project or initiative.

PROJECT DATA:

\$51,109
CROWDFUNDED OF
\$50,000 GOAL

\$50,000
MEDC MATCHING
GRANT

4,080
PUBLIC SQUARE FEET
ACTIVATED

749
PATRONS

DONATIONS ACTIVATE NEIGHBORHOODS

REACH STUDIO ART CENTER

Lansing, Michigan



“

Not only did our donors support an expansion we never would have dreamed of, but they also helped create community in a neighborhood that might not have otherwise had the opportunity to flourish.

-Alice Brinkman,
REACH

The folks at REACH Studio Art Center asked their donors to imagine.

Imagine a spacious creative facility for youth and adults alike to make art right in the heart Michigan’s capital city. Imagine a rundown area in south Lansing reborn as a vibrant center of artistic activity, with refurbished facades spanning an entire block. Imagine an art studio with classrooms, a youth art gallery and a courtyard.

REACH had already imagined all that and decided to do something about it.

“REACH started with just one small storefront on our current block almost 16 years ago,” said Alice Brinkman, REACH executive director. “We went from serving just a handful of youth and adults at the end of 2003 to over 1,000 in 2010. And we just keep growing from there.”

After receiving a \$75,000 grant from the Capital Region Community Foundation in 2013, REACH

bought the block and has been redeveloping the five blighted storefronts into Lansing’s only dedicated all-age community art space ever since.

“We have heard from countless neighbors over the years about how **thankful they are for having this space reactivated, beautified and back in action for the community,**” Brinkman said.

REACH was determined to not only more than quadruple its capacity to offer creative classes, workshops, programs and events for the whole Lansing community, but also to provide an experience for visitors to and through Lansing.

And, in 2014, it started to do just that.

REACH launched the region’s first Patronicity campaign, raising \$1,365 above its \$48,000 match goal to activate more than 13,000 square feet of space, completing a gallery and the courtyard.

Then in 2015, they did it again. A second Patronicity campaign went \$2,675 above its \$30,000 goal to activate another 2,800 square feet, including two large studio classrooms.

“I don’t know where we’d be without crowdfunding,” Brinkman said. **“Not only did our donors support an expansion we never would have dreamed of, but they also helped create community in a neighborhood that might not have otherwise had the opportunity to flourish.”**



“

“REACH neighbors are on our side. They’ve taken ownership of these buildings, too, and their sense of pride helps make sure we all succeed.”

- Alice Brinkman,
REACH

INSPIRE

PHASE ONE PROJECT DATA:

\$49,365

CROWDFUNDED OF
\$48,000 GOAL

\$48,000

MEDC MATCHING GRANT

13,000

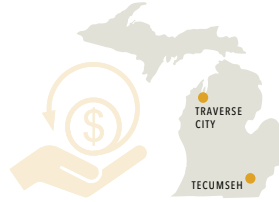
PUBLIC SQUARE FEET
ACTIVATED

289

PATRONS

LOCAL INVESTORS BELLY UP TO BREWERIES TO BUILD COMMUNITY

TECUMSEH BREWING CO. *Tecumseh, Michigan*
EARTHEN ALES *Traverse City, Michigan*



“
 Our crowd investors seem to be real champions for our business.
 -Jamie Kidwell-Brix,
 Earthen Ales

relationships either stem from our fundraiser or as a result of people hearing about the success of it.”

Similarly, investment crowdfunding enabled Earthen Ales to diversify its funding sources. The Traverse City craft brewery celebrated its two-year anniversary in December 2018.

“This diversity provides a flexibility that can be helpful in the first few years of a new business,” said Jamie Kidwell-Brix, Earthen Ales co-founder. “Crowdfunding was also a tool to build our brand and community before opening the doors.”

“Craft breweries, moreso than any other industry, should be fundamentally community-centric and focused on local relationships in both customer base and purveyors,” according to Kyle DeWitt.

He should know. DeWitt is the co-founder of Tecumseh Brewing Co. which, in 2014, was the first Michigan business to take advantage of the MILE Act.

DeWitt used \$175,000 in gap funding from 21 community investors to open the doors and turn on the kegs at his brewery.

“As we close out our fundraising process, we have been able to tap into the same resources to pursue a potential expansion in town,” he said. “So far, we have almost enough funds pledged to cover the proposed expansion, and the bulk of these

In an era where the collapse of big industry has left many municipalities in tough situations, the return to local investments can be empowering. **Directing investment to projects that are local or that people have a personal connection to is valuable to the economy and the self-esteem of a community.**

And it’s pretty clear that people are connected with beer.

“
 Those who invest local, support local.
 -Kyle DeWitt,
 Tecumseh Brewing Co.

Photo courtesy Michael K. Brown



INVESTMENT-BASED CROWDFUNDING:

Allows people - not just big-time accredited investors - to invest in local businesses, and these backers get a financial return on their investment.

PROJECT DATA:

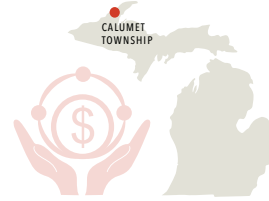
EARTHEN ALES		TECUMSEH BREWING CO.	
\$103,000	150	\$175,000	21
RAISED	INVESTORS	RAISED	INVESTORS

GROW

FROM COPPER TO CURLING

THE DRILL SHOP

Calumet Township, Michigan



“

We would not have been able to reach our goal without crowdfunding.

- Gary Lassila,
Copper Country Curling Club

THE STORY

If Pinterest existed in 1885, everyone would have had a copper inspiration board.

At the height of the copper mining era, the metal was everywhere; most notably, the Statue of Liberty making her way to New York Harbor would stand as a beacon for freedom in all her copper glory.

About 1,100 miles away, tucked near the northernmost point of Michigan's Upper Peninsula, the Calumet Drill Shop was built to forge drilling equipment for the Calumet and Hecla Mining Co. A symbol of the Industrial Revolution, the stalwart shop debuted as a vital contributor to Michigan's copper mining industry. It operated for 83 years, until the last of the local copper mines closed in 1968.

The building sat empty for nearly 40 years, and by the turn of the 21st century it was badly in need of repair. Calumet Township purchased the Drill Shop and began taking necessary steps to preserve it. In 2005, the Copper Country Curling Club moved

into a section of the building and installed two curling rinks for limited seasonal use. But curling is a year-round activity in the U.P.

Enter Public Spaces, Community Places.

“Crowdfunding had a tremendous impact on our ability to raise the necessary funds and to reach our goal,” said Gary Lassila, curling club president and crowdfunding project lead. **“I have no doubt that we would not have been able to reach our goal without crowdfunding.”**

STEPS TO SUCCESS

Lassila credits creating a good, short video that appeals to potential donors' emotions as one of the keys to a project's success.

He also emphasizes that **preparation and planning are critically important.**

“The project management team should expect a lot of hard work and long hours to make the project successful,” he said. And that team should be made up of dependable people.

But all that work is worth it.

“The Drill Shop project was a complete, unmitigated success,” Lassila said. “If I were to do it all over again, though, I'd definitely delegate more of the tasks that I did to other people.”

THE LESSONS

Through the crowdfunding process, Lassila and his team learned just how incredibly supportive and giving people were. And not just the folks he knew.

CONCEPT: COMPLETION

PROJECT IDEATION: MARCH 2015

FULLY FUNDED: JULY 2015

IMPROVEMENTS COMPLETED: MARCH 2016

“While I recognized around a third of the donor names, there were so many donors I did not know,” he said. “I was amazed that these people gave to our project even though they had no connection to the area and will probably never see the Drill Shop itself. It was because of crowdfunding that these people were able to support our project.”

The moral? Make sure you're casting a net beyond what you think you're fishing for.

Lassila also acknowledges that options are pretty limited in small and rural areas like Calumet, especially regions that have very few large corporations and wealth to help with community projects.

“Without crowdfunding, these projects could not reach the levels of success they have,” he said.

THE IMPACT

The Drill Shop has become a gathering place for hockey teams, high school athletes, Little League and softball players, horseshoe fans and more. And it's spawned a new generation of curling enthusiasts!

Lassila has just one regret about the project.

“I would have liked the chance to shake everyone's hand and thank them in person.”



WHY DONATE?

Community dollars help bring projects like these to life:

- Public plazas
- Green spaces
- Farmers markets
- Community kitchens
- Pop-up retail space
- Alley rehabilitation
- Public amenities access
- Any other place-based or public space improvement project!



DONATE

PROJECT DATA:

\$33,005
CROWDFUNDED
OF \$32,000 GOAL

\$32,000
MEDC
MATCHING
GRANT

12,484
PUBLIC SQUARE
FEET ACTIVATED

139
PATRONS

MAKING HISTORY BY SAVING HISTORY

DETROIT CITY FOOTBALL CLUB

Detroit, Michigan

In 2016, history was made for the umpteenth time in Detroit.

Investors from all over the world pledged nearly \$750,000 to rehabilitate the historic — but crumbling — Keyworth Stadium in Hamtramck, Michigan.

The goal? Give a boost to the future of the city, inspire the next generation of Michigan soccer enthusiasts and create a permanent home for the Detroit City Football Club.

The crowd went wild over the hat trick. The Detroit City FC community investment campaign was the first of its kind in U.S. sports history.

“We took a different approach to sports business,” said Sean Mann, one of five Detroit City FC owners and the team’s general manager. “Sports teams are traditionally loss leaders, but with our model they have mutual pressure to break even. Supporters were invited to make a financial investment and earn a financial return, rather than making a donation or pre-purchasing a product.”

STEPS TO SUCCESS

The campaign, which spanned 109 days, allowed supporters to directly loan money to Detroit City FC and earn interest on that loan to grow their club and community. Initially, the club aimed to raise between \$400,000 and \$750,000 to fund the improvements. Investment tiers ranged from \$250 to \$50,000 in community-sourced revenue-share loans, which are intended to be repaid, with interest, according to the revenues earned by Detroit City FC.

“We worked really hard to create the narrative of ownership,” Mann said. “Detroit City FC is a for-profit business, and we didn’t want to be seen as a charity. We were paying people back, asking our supporters to make a true investment.”



CONCEPT:COMPLETION

PROJECT IDEATION:
AUGUST 2015

FUNDRAISING COMPLETION:
FEBRUARY 2016

Final community investments totaled \$725,000, which meant the club was able to distribute \$107,000 in revenue-sharing checks to the 492 investors who participated in the grassroots campaign in just a few short months.

“Our revenues were up by more than 17% from what was projected for the first six months of the year, meaning investors were paid more than the estimated 10.4% internal rate of return for the first payback period,” said Mann. “Right now, it looks like we are going to pay everyone back in less than five years.”

THE LESSONS

Mann has some pretty solid advice for businesses considering investment-based crowdfunding: You have got to be sure you have buy-in from your community, and you have got to be ready for some incredibly labor-intensive work.

“It’s a debt,” he said. **“You better have a plan to pay it back, because the last thing you want to do is let your supporters down.”**

Club founders treated the investment campaign like a political campaign. They identified hundreds of targets and dedicated hours upon hours of phone time.

“The hardest part was sucking it up and being willing to beg for money, but you have to have your hat out asking for support.”

THE IMPACT

Today, Detroit City FC has established itself as one of the most talked-about soccer teams in North America.

“It was about being community-oriented and being in touch with people, not billionaires,” Mann said.



WHY INVEST?

Investing in your own backyard means more businesses like these:

- Breweries
- Bakeries
- Barbershops
- Coffeeshops
- Restaurants
- Consumer products
- Retail
- Manufacturing



INVEST

PROJECT DATA:

2012
YEAR CLUB
FOUNDED

\$741,250
PLEGGED

\$725,000
RAISED

\$107,000
FIRST DISTRIBUTION OF
REVENUE SHARING

492
INVESTORS

INSPIRED? EXCITED? HAVE A HEAD FULL OF IDEAS? GREAT. IT'S TIME TO GET TO WORK.

This process — from the seed of a concept for your community to the day you fling open the doors, cut a ribbon or unveil a sculpture — takes work. A lot of work. The tools are there to help you build your plan. **But your success depends on the team you create and the resources you devote to the project.**

You won't have to do any of this in a vacuum. The inspiration you draw from the successes we've shown you here can fuel your groundwork and inform your planning. But it will take more than their proven template to get your job done to create those empowered spaces and connected places.

First, identify the path that best suits your idea: donation-based crowdfunding or investment-based crowdfunding?

“

If you have a good, positive community project and you haven't been able to get it off the ground with local support, fundraisers or donations, take a look at crowdfunding to make it happen.

– Gary Lassila,
Copper Country Curling Club

DONATION-BASED CROWDFUNDING

Ready to explore community capital and bring it to YOUR community? Learn more at:



crowdfundingmi.com



**PUBLIC SPACES
COMMUNITY PLACES**

patronicity.com/puremichigan

If your project will be a community asset — like the Drill Shop in Calumet or the Red Mill Pavilion in Portland — then Public Spaces, Community Places is your platform.

The Michigan Municipal League and the Michigan Economic Development Corporation have partnered with Patronicity to revolutionize the way grants are applied for, evaluated and approved. Through the Public Spaces, Community Places grant,

projects that qualify receive matching dollars to those crowdfunded, doubling the impact of your fundraising.

Working through state economic development agencies, Patronicity has helped award more than \$14 million in community development grants in Michigan, Massachusetts and Indiana.

Not only does the PSCP program provide those key matching funds (up to \$50,000), Patronicity also offers personal support, advice, feedback and assistance. Whether you need help honing your pitch to potential supporters, devising the most effective way to market your project or a little bit of guidance with everything, Patronicity is on board.

It's up to you to build excitement in your community, uplifting your idea and showing your friends and neighbors and beyond how it can become a reality with their help. And when you've met your community capital goal and your idea goes from concept to completion, you can celebrate together.

INVESTMENT-BASED CROWDFUNDING

We'll be honest. There's still some work to be done with getting investment-based crowdfunding up and running in a way that is accessible and understandable.

But we're up for the challenge. Many of the same people and organizations responsible for birthing the revolutionary MILE Act are hard at work to get this right. Once again, Michigan is paving the way for a national movement.

In the meantime, keep dreaming big about funding that business concept of yours, and stay tuned to the conversation by following along at:

grubstake

whatisgrubstake.com



comcapcoalition.org



crowdfundingmi.com

We need to be clear: This is about intentional connections, seeking out people in your region who are interested in coming on board to help a new or growing business succeed — for the community, but also for themselves as investors.

In return, they get more than a good feeling for helping you realize your dream — whether it's a return on their investment or equity in your business.

“

Because anyone can invest, investment crowdfunding was a no-brainer from a business standpoint. Those who invest local, support local. Investment crowdfunding helped us open with an established relationship with our customer base, giving us a head start as a small startup.

– Kyle DeWitt,
Tecumseh Brewing Co.

Whatever path is right for your idea, the heart of what you'll do comes back to creating empowered spaces and connected places within your community. We all can play a part in making our communities better — whether it's with our ideas, our time, our money or our networks. It all contributes to the inclusivity and opportunity we ultimately seek, and it gives us a voice and a stake in the process.

PARTICIPATE

LEAD
LEARN
ACTIVATE
INSPIRE
GROW
DONATE
INVEST
PARTICIPATE