



**Nebula**  
A Built4People Project



# Understanding crowdfunding for the built environment

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# What is crowdfunding?

Crowdfunding has grown in popularity since the first platforms were launched in 2005.

It is defined as such: “Crowdfunding [...] enables fundraisers to **collect money from a large number of people via online platforms**”<sup>1</sup>. Indeed, anyone with internet access and who lives in a country where crowdfunding sites are permitted can either create a crowdfunding campaign or invest in a crowdfunding campaign.

The funds can be used to finance a business idea or particular projects (at seed or expansion level), and brings non-financial benefits, such as useful market insights and access to early/ new customers. It's main advantage however, stays financial, as it can help a business avoid debt and the interest expense of a bank loan.

Nevertheless, it can also pose challenges. Indeed, it takes time and effort to carefully plan, orchestrate, and execute successful crowdfunding campaigns (see chapter below: “how to develop a successful crowdfunding model?”). Even the most basic campaign page requires developing a marketing and promotional plan, researching platforms to host your campaign etc.

This document therefore aims at facilitating the understanding of what is Crowdfunding and what it requires to launch a successful campaign.

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<sup>1</sup> [https://single-market-economy.ec.europa.eu/access-finance/guide-crowdfunding/what-crowdfunding/crowdfunding-explained\\_en#:~:text=Crowdfunding%20is%20a%20way%20of,way%20of%20accessing%20alternative%20fun](https://single-market-economy.ec.europa.eu/access-finance/guide-crowdfunding/what-crowdfunding/crowdfunding-explained_en#:~:text=Crowdfunding%20is%20a%20way%20of,way%20of%20accessing%20alternative%20fun)ds.

# Crowdfunding models

Crowdfunding platforms usually propose one of the three following crowdfunding models:

- Equity crowdfunding
- Peer-to-peer lending
- Rewards-based crowdfunding

## Equity crowdfunding/ Crowd Equity - A group of shareholders

Equity crowdfunding consists of selling a stake in your business (usually not more than 25%) to a number of investors in return for investment. The main difference between traditional equity and equity crowdfunding is that, rather than establishing a one-to-one relationship, **equity crowdfunding is offered to a wide range of potential investors through a crowdfunding platform**. The crowdfunding fees are also usually smaller than what it costs to be listed in the stock market.

Due diligence will be carried out by the platform, and investors usually have the option to ask for more information.

Because investors will become shareholders of your company, it is important to prepare the process with precaution and with the help of experts (some platforms directly propose to support the writing of the shareholders act). To manage the number of new shareholders, these can be grouped in an intermediary holding company, and it will either be decided that share will be bought back after a certain time, or that dividends will be redistributed. However, this comes at a cost that shouldn't be ignored. Finally, the capital increase also has to be declared and published.

## Peer-to-peer lending - Collective loans

Peer-to-peer lending (sometimes called crowdlending), is a direct alternative to a bank loan, where the company borrows money from individuals. A loan may be possible to get on a peer-to-peer lending platform when it is refused by a bank. Loans are then repaid directly to the platforms, which distribute repayments to the lenders.

"Crowd lenders" often bid for loans by offering an interest rate at which they would lend. Borrowers then accept loan offers at the lowest interest rate.

Due diligence is carried out for each loan request, as crowdfunding platforms have a duty to protect both businesses and investor interests. Platforms normally require financial accounts and a trading track record.

## Rewards-based crowdfunding

Rewards-based crowdfunding consists of individuals donating to a project or business with the expectation of receiving a non-financial reward in return, such as goods or services at a later stage. A common example is a project or business offering a unique service (rewards) or a new product (pre-selling) in return for investment. This form of crowdfunding allows companies to launch with orders already on the

# Crowdfunding models

books and cash-flow secured (a major issue for new businesses) and gathers an audience before a product launch.

## What type of crowdfunding is for you?

The European Commission's website proposes the following guide to help you choose what crowdfunding model is best for you:

### Is it for me?

	Equity crowdfunding	Rewards-based crowdfunding	Peer-to-peer lending
Pre-trading	X	✓	X
Pre-profit	✓	✓	X
Profitable growing business	✓	X	✓
Established and steadily growing	✓	X	✓
Established stable business	✓	X	✓
Launching new product/service/brand	✓	✓	✓
Making acquisitions	X	X	✓
Expanding into new territories	✓	✓	✓
Investing in new facilities	X	X	✓
Looking to refinance	✓	X	✓
In need of capital restructuring	✓	X	✓

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<sup>2</sup> [https://single-market-economy.ec.europa.eu/access-finance/guide-crowdfunding/different-types-crowdfunding/equity-crowdfunding\\_en](https://single-market-economy.ec.europa.eu/access-finance/guide-crowdfunding/different-types-crowdfunding/equity-crowdfunding_en)

# How to develop a successful crowdfunding campaign?

The typical campaign lifespan is one to two months, and has a preset financial fundraising goal. The first 48 hours of your crowdfunding campaign are critical, as getting off to a good start will build your momentum and stand you in very good stead for the entire campaign.

## Preliminary steps

- A first step to design your campaign is to carefully select your crowdfunding model, based on your needs and the relationship you are willing to have with your investors. Your choice may also be dictated by previous agreements you have with other investors.
- Once you have selected your crowdfunding model, you need to choose the platform that you want to work with. For inspiration, have a look at our “List of the most common European crowdfunding platforms<sup>3</sup>”.
- Have your documents ready before you start registering on the platform. Make sure that you have a strong business plan and financial forecasts.

## Design your campaign

- Now it's time to design your campaign's crowdfunding page! Carefully analyse successful crowdfunding campaigns from your field to see what works, and read the specific guidelines of the platform you have chosen.
- People want to know whom they're giving their money to and why they should care. Don't be afraid to express your needs and be authentic with explaining the story behind your business and why it's important for you to have these funds. Be as detailed as possible, and genuinely transparent!
- Calculate how much you need and don't ask for too much compared to what you want to do.
- If allowed by the platform, accompany your description with a good video.

## Promote your campaign

- Invest in pre-campaign lead generation: this will allow you to test beforehand what works for your customers, and adapt the design of your campaign accordingly to create a better conversion rate. Furthermore, having leads ready for your campaign and participating in it from the start will propel your campaign to the top of platforms trending charts once launched, which drives extra free traffic to your product.
- Once launched, continue to largely promote your campaign through as many ways as possible (emails lists, social media, blogs and forums dedicated to crowdfunding, press, paid advertising etc.) to maximise the views and engagement of future investors.

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<sup>3</sup> <https://built4people.eu/financial-helpdesk/>



# Examples of crowdfunded projects in the built environment

Crowdfunding has been used to fund major monuments and landmarks. Here are some memorable examples:

**What?**

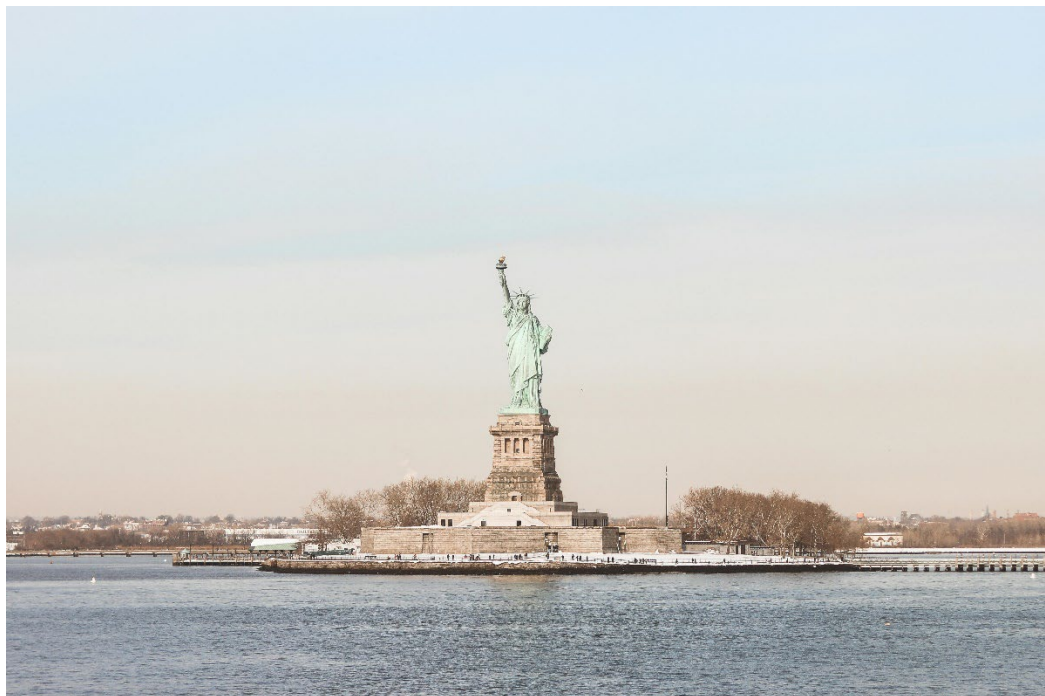
[Pedestal of the Statue of Liberty](#)

**When?**

1880s

**Project description:**

The Statue of Liberty was a gift from France to the United States. France would finance the statue while the US would provide the site and build the pedestal.



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**Financing:**

To finance the pedestal, newspaper publisher Joseph Pulitzer decided to run a campaign to collect donations, offering rewards including gold coins for the largest donor. In just 5 months a total of \$102,006 were collected. The pedestal was completed in April 1886 and there was even some leftover money to send a gift to the sculptor<sup>5</sup>.

<sup>4</sup> <https://www.pexels.com/fr-fr/photo/statue-de-la-liberte-12564071/>

<sup>5</sup> <https://jorp.is/crowdfunding>

# Examples of crowdfunded projects in the built environment

What?

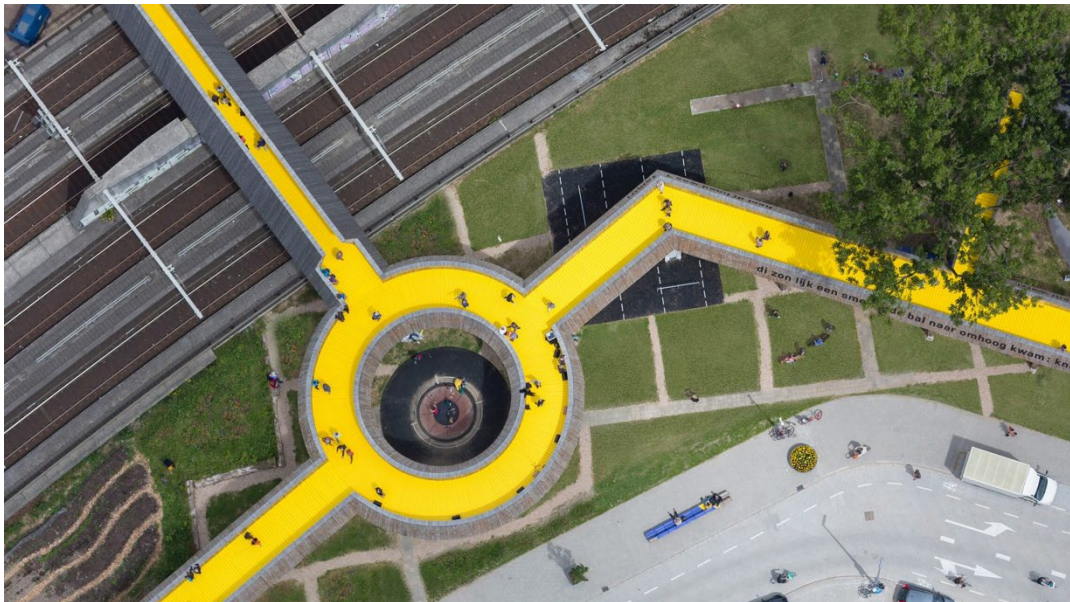
The Luchtsingel bridge in Rotterdam

When?

2011

## Project description:

The initiative was launched by the Rotterdam-based architects ZUS, to improve an area of office buildings that were under-occupied due to the lack of a good pedestrian connection.



## Financing:

The Luchtsingel bridge in Rotterdam was the world's first piece of public infrastructure to be accomplished through crowdfunding on a Kickstarter-type platform. The campaign rewarded donations of €25 and more by printing the name of the donor on a plank of wood used as cladding on the bridge. The €100,000 raised were not enough to build the entire bridge, but plenty to demonstrate to local authorities that the project was needed and endorsed by the public. The government provided the remaining funds and the bridge was completed in 2015<sup>6</sup>.

<sup>6</sup> <https://jorp.is/crowdfunding>

# Examples of crowdfunded projects in the built environment

What?

The Sydney Opera House

When?

1958

## Project description:

The construction of the Sydney Opera House suffered from a budget overrun, that needed to be filled. A lottery was organised, to support the physical construction of the building and the foundations for the opera house's social fabric.



## Financing:

The Opera House was partly funded by a lottery, that has in common with crowdfunding the participation of the larger public to invest financially and emotionally. For many who entered the lottery, the biggest prizes included glimpses of the building as it took shape<sup>8</sup>.

<sup>7</sup> <https://www.pexels.com/fr-fr/photo/opera-de-sydney-australie-1533721/> Credit: Matt Hardy

<sup>8</sup> <https://theconversation.com/how-crowdfunding-can-connect-people-to-their-heritage-and-community-69615>



# Examples of crowdfunded projects in the built environment

What?

LowLine underground park in NYC's Lower East Side

When?

2015

## Project description:

The project aims to repurpose the old Williamsburg Bridge Trolley Terminal under Delancey Street in New York City into a public green space, using solar technology for natural illumination, and cutting edge design to capture and highlight a very special industrial space.



## Financing:

In 2015, a Kickstarter campaign was created to raise \$100,000, which would pay for the Lowline Lab, an open laboratory and technical exhibit designed to test and showcase how the Lowline will grow and sustain plants underground. The proposal raised almost \$224,000 through its latest campaign, making it “the most funded Public Art project” on the popular crowdfunding platform to date. The Lowline Lab ran from October 2015 through February 2017, the permanent space however is pending<sup>10</sup>.

<sup>9</sup> <https://www.kickstarter.com/projects/855802805/lowline-an-underground-park-on-nycs-lower-east-side/description>

<sup>10</sup> <https://archipreneur.com/6-successfully-crowdfunded-architecture-projects-2/>

# Examples of crowdfunded projects in the built environment

What?

Cabin Spacey

When?

2015

## Project description:

CABIN SPACEY proposes modular and flexible cabins crafted from sustainable materials, that can be located on cities' existing and yet unused spaces – rooftops, parking decks, gable walls and temporary lots.



## Financing:

A successful crowdfunding campaign was launched in 2016 on IndieGoGo<sup>11</sup>.

<sup>11</sup> <https://www.indiegogo.com/projects/cabin-spacey-home-anywhere-smart-urban-pioneers#/updates/all>

# Want to know more? Visit these crowdfunding platforms

Platform name	Country	Model
<a href="#">Crowdcube</a>	/	Equity
<a href="#">Fixura</a>	Finland	P2P lending
<a href="#">Ulule</a>	France	Reward based
<a href="#">Kickstarter</a>	France	Reward based
<a href="#">KissKissBankBank</a>	France	Reward based
<a href="#">Happy Capital</a>	France	Equity
<a href="#">Wiseed</a>	France	Equity
<a href="#">Sowefund</a>	France	Equity
<a href="#">Ecomill</a>	Italy	Equity
<a href="#">200 crowd</a>	Italy	Equity
<a href="#">StarsUp</a>	Italy	Equity
<a href="#">WeAreStarting</a>	Italy	Equity
<a href="#">BacktoWork</a>	Italy	Equity
<a href="#">Crowdfundme</a>	Italy	Equity
<a href="#">Opstart</a>	Italy	Equity
<a href="#">Flobers</a>	Spain	Equity and P2P lending
<a href="#">Kirsan Invest Espana</a>	Spain	Equity
<a href="#">SegoFinance</a>	Spain	Equity
<a href="#">Fellow Funders</a>	Spain	Equity