

Tapping the Crowd The Web Widens Funding Options

As donors and lenders tightened purse strings during the financial crisis and afterward, artists and entrepreneurs have tapped a less traditional source of funds: the Internet. “Crowd funding” describes the efforts of people or groups to solicit donations and investments for projects via the Web.

These donations are typically small, but collectively the potential can be significant. In Baltimore, Scott Burkholder and artist Michael Owen started the Baltimore Love Project, a nonprofit community art project with the goal of painting 20 murals that depict the word “love” — in hands — all across the city. For their seventh mural, Burkholder, the project’s executive director, set up a donation page on Kickstarter, a crowd-funding website that caters to the arts.

Kickstarter allows online visitors to donate toward a stated funding goal. The site processes payments through Amazon’s payment system, charging between 8 percent and 10 percent for marketing and credit card processing. Transactions only go through if the project’s goal is reached within a set time of up to 60 days. The Baltimore Love Project exceeded its goal of \$5,000, raising more than \$6,500 in May.

“It’s such a great means to connect with your community; it’s a great opportunity to make your project accessible and help people realize that \$5 can do something,” Burkholder says. “I think as we progress, we’re

almost going back to the old community bank models, where money stays much more local.”

Another Baltimore crowd-funding effort, GiveCorps, aims to build community interaction. The website pairs Baltimore area nonprofits with local businesses, which offer coupons and discounts to contributing donors.

“It’s a way to both engage and encourage the generosity of a whole new generation of givers, who collectively could have a big impact, even though individually their donations may be small,” says GiveCorps Chief Executive Officer Jamie McDonald. GiveCorps takes 10 percent for marketing and processing, and disburses donated funds regularly to nonprofits. There is no minimum funding target or time constraint.

Business startups are also looking at the crowd as a viable source of funds. In February 2010, Michael Migliozi II and Brian Flatow received more than \$200 million in pledges from 5 million would-be investors for a plan to purchase Pabst Brewing Co. The Securities and Exchange Commission (SEC) ultimately shut down the effort because the two failed to register the public offering, but it demonstrates the potential of crowd funding.

Recognizing this demand, websites like ProFounder help entrepreneurs legally tap into potential investors. ProFounder enables entrepreneurs to retain ownership. In exchange for a funding commitment, investors receive a fixed revenue share — for example, 2 percent over four years.

This approach to business investment eventually may change regulations. SEC Chairman Mary Schapiro has spoken in favor of reevaluating rules, and President Obama’s recent jobs bill proposes loosening regulations on raising capital through crowd funding.

— TIM SABLİK

PHOTOGRAPH: SEAN SCHEDT



Kickstarter funded the Baltimore Love Project’s mural on Broadway East and North Avenue in East Baltimore. The online campaign had 101 backers, more than half of whom pledged \$35 or more.

Crowds are Coming

Democrats Pick Charlotte for 2012 Convention

Charlotte will host the Democratic presidential convention in September 2012, the first major-party convention for a Fifth District city since Baltimore also hosted the Democrats a century earlier. The Democratic National Committee's selection rewards the efforts of Charlotte officials who have worked many years to raise the profile of the Queen City. The benefits of such "mega-events" may be hard to quantify, however.

Based on the experiences of cities that hosted the last three Democratic and Republican conventions, the Charlotte Regional Visitors Authority (CRVA) estimates that as much as \$200 million will be spent in the weeks before, during, and after the five-day convention in Charlotte. This figure includes direct spending by delegates, reporters, and others participating in convention-related activities, as well as the "multiplier effect" of any money that circulates through the economy as a result of the initial round of spending.

But money spent in Charlotte may not stay in Charlotte, according to Victor Matheson, an economist at the College of the Holy Cross who has studied the economic impact of mega-events.

"During the convention, hotels may double or triple room prices, but they won't double or triple the wages they pay their desk clerks or room cleaners," he notes. "The extra money doesn't go into the pockets of local workers."

Second, says Matheson, any marginal increases in revenue that result from the Democratic convention may be offset by a displacement or "crowding-out" effect — the throngs of visitors may prevent locals from spending on activities they normally do.

The Charlotte Arts and Science Council contacted cultural venues in other convention cities to see how the events affected them. Robert Bush, the council's senior vice president, noted in a recent *Mecklenburg Times* article that venues should expect local visitation to drop as residents avoid the crowds and traffic congestion.

William Miller, who leads the committee that organized Charlotte's bid for the Democratic convention, is more optimistic. September is a slow time of the year for the city's cultural institutions, so "it's a good time to have people here. We won't be eating into any tourism revenues." He also hopes that people who normally visit the Charlotte region for Labor Day weekend will stick around for the convention.

Finally, there are the direct costs of mega-events to consider such as improvements to local transportation networks. This should be less of an issue for Charlotte, according to Tim Newman, the CRVA's chief executive officer. "Due to our history hosting large events such as the Central Intercollegiate Athletic Association college basketball tournament — which drew 175,000 attendees in 2010 — [and] major NASCAR events, we have the infrastructure to support the Democratic convention."

There is one big difference between hosting a political convention and hosting a NASCAR race: protection for President Obama and Democratic politicians. "This event will require greater security than anything we have ever done," says Miller. It will require additional local and state police on top of the Secret Service. Convention cities receive a federal grant that is supposed to cover security costs, including purchases of specialized equipment and training.

Apart from its uncertain economic impact, a mega-event may have less tangible benefits to consider. It may raise the profile of the host city and, if nothing goes terribly wrong, boost its image. This can signal to businesses that it would be a good place in which to relocate or hold other events.

Miller says the 2008 Republican convention in the Minneapolis-St. Paul region generated free advertising that would have cost millions of dollars. "Charlotte hasn't done any international marketing, so any publicity would be a benefit."

— CHARLES GERENA

Carolina Gold

Exploration at a Historic Mine in South Carolina Is Put on Hold

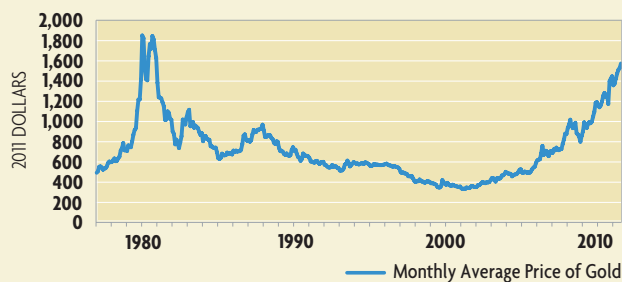
The Haile Gold Mine is nestled deep in the Carolina slate belt, a region known for hosting one of the nation's first major gold rushes of the early 19th century. The area may once again be a significant source of gold extraction.

Romarco Minerals Inc., a Canadian exploration — and development — stage gold mining company, has broken ground on a new facility. But construction at the Lancaster

County, S.C., mine will have to wait an additional year. The U.S. Army Corps of Engineers ruled in July that an environmental impact statement (EIS) is necessary before the mine can receive a wetlands permit. The mine's construction will involve digging or filling 162 acres of wetlands, and the use of the chemical cyanide. Both need further evaluation, according to the Corps.

Romarco had hoped to complete construction at the

The Price of Gold in Real Terms



NOTE: Gold's price reached higher levels briefly in the early 1980s.
SOURCES: KITCO.COM/BLS

mine and begin producing gold bars by early 2013, with plans to employ roughly 800 workers, including 500 during construction, and about 300 once production begins. The company estimates that the mine may hold an estimated 3.1 million ounces of gold, or about 40 percent of the 8.1 million ounces produced annually in the United States.

“From a business perspective, there are some positives to the [EIS] report process,” says Romarco Chief Executive Officer Diane Garrett. “It gives the public an opportunity to comment on what we’re doing, though it delays spending and hiring and the company’s ability to move forward.”

The county could use the jobs. Its unemployment rate was 14.1 percent in May 2011, well above the state average of 10 percent. Garrett says that there are no

immediate plans to lay off any of the company’s 140 current employees in the county.

Gold mining as an industry is not new to the Carolinas or to the Haile Mine, which dates back to 1827. Since then, mining has stopped and started as prices fluctuated. The United States currently ranks behind China and Australia in gold production, with most U.S. gold mined on federal lands in the West, primarily Nevada.

Indeed, gold mining in the Fifth District had been abandoned since the early 1990s. Recent technological advances in Australia have allowed miners to grind the soil to a finer consistency and extract even tiny particles of gold. This, along with advances in drilling and high gold prices, has given new hope to mining companies. The renewed interest has even started a wave of amateur prospecting in South Carolina, according to Scott Howard, the state’s chief geologist.

The sharp rise of gold’s price, from below \$750 per ounce in late 2009 to roughly \$1,750 at the end of October 2011, is commonly believed to be the result of higher inflation expectations, though economists differ on the causes of price spikes of precious metals.

As Romarco prepares to complete its assessment for the Corps, the gold mining industry is keeping an eye on the results. As Garrett puts it, “People are waiting and watching to see if you can produce gold in South Carolina.”

— LOUIS SEARS

Boy Scout Bonanza BSA Develops \$400 Million Complex in West Virginia

More than 1,000 Boy Scouts converged on the New River Gorge National River in Fayette County, W.Va., in July to build miles of multipurpose trails and remove acres of invasive vegetation. The project was one of the largest youth service projects in the history of the Boy Scouts of America (BSA), but it was only a small sample of things to come.

In 2009, the BSA purchased 10,600 acres — mostly in Fayette County — and announced plans to develop a \$400 million scouting complex adjacent to the national park. The complex has been named the Summit Bechtel Family National Scout Reserve in recognition of a \$50 million grant from the S.D. Bechtel Jr. Foundation. (Engineering and construction magnate Stephen Bechtel Jr. was an Eagle Scout.)

The Summit, as it has become known, will serve as the permanent home of scouting’s National Jamboree beginning in July 2013. Every four years, about 40,000 scouts

and 8,000 volunteers will spend 10 days at the complex. The first phase of development will prepare the Summit for the 2013 jamboree. Over the following six years, the BSA plans to develop a year-round “high-adventure base” similar to the Philmont Scout Ranch in New Mexico. By 2019, when the complex will host the International Jamboree, BSA officials expect the Summit to serve at least 30,000 Boy Scouts each year in addition to those who attend jamborees. The complex will employ about 80 people year round and 1,000 additional workers each summer.

To select a site for the Summit, the BSA considered 80 proposals from sites in 28 states. The organization initially planned to hold the National Jamboree in Rockbridge County, Va., and put the high-adventure base in Fayette County, but the Rockbridge site was “simply too restrictive from a land-utilization perspective,” says Jack Furst, president of Arrow WV, a nonprofit subsidiary

of the BSA that purchased the land. So the BSA decided to combine both projects in Fayette County.

That was welcome news for a county with 21.6 percent of its 46,000 residents living below the poverty line of \$22,050 per year for a family of four. By August, the Summit had generated 285 jobs — mostly construction — with 50 percent of the workers coming from Fayette and other nearby counties. The project also had paid nearly \$16 million to West Virginia-based contractors and \$9 million to local consultants and service providers.

The Summit's operation also will create 207 full-time equivalent jobs, mostly seasonal camp workers, according to an economic impact study commissioned by the BSA and conducted by Syneva Economics, a consulting firm based in Asheville, N.C. That projection increases to 486 full-time equivalent jobs in later years as the complex becomes substantially complete. Those numbers do not include the impact of the National Jamboree, which is expected to generate more than \$41 million in local expenditures every four years.



Boy Scouts build a trail at the New River Gorge National River.

The steady stream of scouts also will help the surrounding area in nonfinancial ways. The BSA plans to develop service-learning programs with the Park Service and neighboring communities. Every scout who attends a jamboree, an adventure camp, or a leadership school at the Summit will be expected to provide at least six hours of community service.

— KARL RHODES

Upwind, Downwind Rule Restricts Interstate Pollution

The Environmental Protection Agency (EPA) has issued a rule aimed at slashing emissions that drift from state to state and dirty the air far from the pollution source. The rule will force the electric power sector to ratchet down emissions levels from plants in 27 states in the eastern half of the United States, where most of its population lives.

Tall smokestacks limit local air pollution by thrusting emissions high into the atmosphere. But wind and weather spread the pollutants — precursors to soot and smog — far and wide.

The Cross-State Air Pollution Rule (CSAPR), six years in the making, will cut sulfur dioxide (SO₂) levels from power plants in affected states by 73 percent from 2005 levels, and nitrogen oxide (NO_x) levels by 54 percent. The rule will take effect Jan. 1, 2012. It replaces the 2005 Clean Air Interstate Rule (CAIR), found to violate the Clean Air Act following a 2008 lawsuit North Carolina brought against the EPA.

North Carolina plants may be in better shape to meet new limits because of standards established by the North Carolina Clean Smokestacks Act passed in 2002. The law required scrubbers. The state also sued the Tennessee Valley Authority (TVA) in 2006 over downwind emissions from TVA's coal-fired plants. The action culminated in a settle-

ment that will cut emissions across the TVA system.

SO₂ and NO_x react in the atmosphere and contribute to fine-particle pollution. Particles are one-tenth the diameter of a human hair and may impair lung function. Particle pollution can also increase the risk of heart disease and lung cancer, and the incidence of asthma attacks. SO₂ is also a chief culprit in acid rain, which has polluted air, streams, and forests and has damaged buildings.

Such regulations both impose costs on and accrue benefits for society, and it's sometimes hard to evaluate trade-offs. Power companies bear the brunt of compliance costs, which may entail plant closures and job losses. If electricity rates rise, that affects individual ratepayers and the broader economy. The biggest benefit comes from savings associated with lower mortality among children and the elderly; the pollution is associated with an estimated 13,000 to 34,000 premature deaths.

Compliance costs vary according to the number and age of coal-fired plants in electricity companies' generating fleets. Strategies such as added pollution controls, shut-downs of aging coal plants, or fuel-switching will cost money — but some controls are in place already to meet existing state regulations or CSAPR's predecessor rule.

Charlotte-based Duke Energy has spent \$5 billion on

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minimal. None of the companies with data centers will say exactly how many people they employ full time, but estimates range from 45 for Facebook and 50 for Apple to 210 for Google. The higher estimate for Google likely includes security personnel and service technicians who work on a contract basis.

While the number of jobs is small, they include a few well-paying positions such as software engineers and operations managers. Again, the challenge is whether local workers, many of whom were laid off from their factory jobs years ago, have the requisite skills.

“If a person is a computer jockey at home, it’s very possible they could learn what they need to know on the job and fill many of the positions at a server farm,” says McFarlane. That’s because all the servers in a data center are identical. “When you learn to reload [the software on] one of them or replace it, you know what to do.” Still, “that doesn’t mean you can train a monkey to do it. You’ve got to have people who are very agile with computers because they are going to be expected to react quickly.”

Economic development officials in western North

Carolina are well aware that a data center isn’t a manufacturing plant and won’t single-handedly make up for the job losses in the region’s manufacturing sector. But they see other benefits for their communities in the long term besides job creation.

Despite the generous tax breaks provided to data centers, county governments stand to receive a significant inflow of tax revenue from property that had been sitting vacant. According to Johnson, Facebook will probably become the fifth- or sixth-largest taxpayer in Rutherford County, paying about \$109,000 annually for the next 10 years. Google was expected to yield \$130,000 to \$160,000 in tax revenues annually for Lenoir and Caldwell County.

For Kristen Fletcher in Cleveland County, and her competitors in neighboring counties, the huge amount of capital invested in data centers makes them worth the pursuit.

“It’s a positive contribution to our tax base, which is going to allow us to progress in so many other ways — building schools, stabilizing our local government financially,” says Fletcher. “It is a fairly easy target with a fairly large, immediate return on investment.” **RF**

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scrubbers and pollution controls over the past few years, and is likely to spend \$5 billion to \$6 billion more over the next decade, according to spokeswoman Erin Culbert of Duke, now the nation’s sixth-largest electricity provider. (If Duke merges with Raleigh, N.C.-based Progress Energy, as planned, the combined firm will be the nation’s biggest utility.)

“We are planning retirements of coal-fired plants between now and 2015 that will total around 3,200 megawatts,” Culbert says. That’s the amount of electricity required to power about 2.56 million homes. Affected plants are in the Midwest and the Carolinas. The plant closings are not only in response to Duke’s modernization of its 50-year-old coal fleet but also to future emissions cuts. “With anticipation of multiple environmental regulations, we do see an upward pressure on rates nationally.”

According to American Electric Power, based in Columbus, Ohio, costs will range from \$6 billion to \$8 billion through the end of this decade. The company plans to close three plants in West Virginia and one in Virginia, among others; 600 jobs overall may be lost.

The new rule limits market-based emissions trading. This ability to buy and sell pollution allowances gave power plants flexibility to meet emissions standards in the past. (Older, dirtier plants could buy allowances from newer, cleaner plants.) CSAPR allows no carryover of SO₂ or NO_x banked emissions from previous programs. EPA says the large number of old allowances would have made it more likely for states to exceed levels and for

power plants to incur penalties.

CSAPR establishes four new trading programs, two of which are for SO₂. One applies to states that require deep cuts and one to states needing fewer emissions cuts. Another program was set up for annual NO_x emissions, and still another for ozone-season (summer) NO_x. The new rule allows intrastate trading of pollution allowances, along with limited interstate transactions among certain groups of plants. A strict emissions cap in each state is designed to prevent pollution “hotspots.”

Environmental benefits may be hard to quantify. Existing cost-benefit studies of the rule and its predecessor rule find, however, that benefits outweigh costs, often by a wide margin, write Richard Schmalensee and Robert Stavins in a March 2011 paper analyzing the pollution transport rule. The authors are economists at the Massachusetts Institute of Technology and Harvard University, respectively. Estimates of benefits vary across studies, from a low of \$20 billion annually to a high of \$310 billion, with most of the variation coming from assumptions about the value of a statistical life, estimated by the EPA at about \$7.3 million in 2006 dollars. Annual costs to utilities are estimated at \$2.4 billion, including capital investments already in progress under the old rule.

The cross-state rule is one of several proposed that will affect the electric power sector. Others include regulations of greenhouse gas emissions, mercury and other hazardous air pollutants, cooling water intake structures, and fly-ash disposal at combustion sites.

— BETTY JOYCE NASH