

# Bond Case Briefs

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## Visible Hand.

*With Neighborly, Jase Wilson meshes crowdfunding and bond markets to change how cities are built.*

For someone who has devoted his life to helping cities, Jase Wilson MA '08 grew up in a decidedly small town. Maryville, Missouri, has a population of 12,000 people, with civic life revolving around "farms, factories, and football." Its one claim to fame is that it is the birthplace of Dale Carnegie, the promoter of American self-improvement, and Wilson followed in his footsteps as a self-taught whiz kid. "Most kids have a social life or play sports; I was in my bedroom taking apart computers and figuring out how circuit boards fit together," he says.

His diligence earned him a free ride to attend engineering school. But during a visit to the University of Missouri at Kansas City, he happened on a pamphlet about "Urban Planning and Design." After a 20-minute conversation with the department head, he was hooked on cities — structures as intricate as the most complex circuit board. "Cities are the sum of all other endeavors," Wilson says. "They are co-created by the wants and desires of all the people inhabiting them. There are so many forces at work."

Understanding those forces — and harnessing those desires — has become Wilson's life work, culminating four years ago in the creation of [Neighborly](#), a "community investment platform" that seeks to apply small-town values to big-city development. When fully up and running, it will allow citizens to directly fund community projects, from skate parks to elementary schools. If public finance may not seem sexy, consider this: much of the urban infrastructure we see daily — schools, highways, bridges, hospitals, water and sewer systems, and public housing — is funded through municipal bonds. It's a \$3.7 trillion market, with some \$1 billion changing hands daily, and yet the ordinary citizen has little say about how it operates.

"If people knew they could invest in a street or school down the street, they would do that in a heartbeat," contends Wilson. "They don't because the market has been made very, very complicated by a handful of global banks who make a profit off making it as complicated as it can be." These banks buy bonds in large blocks, too expensive for the average consumer, and resell them to brokers and large institutional investors, who may then resell them again as shares in bond funds for which they can charge large commissions.

Neighborly, by contrast, would take a page from Kickstarter by allowing citizens to buy a single bond, for an amount as low as a few hundred dollars, directly from a municipality. At the same time, it would enable cities to fund projects that communities want without having to appeal to the fickle interests of the bond markets. "We see a world in which anyone can invest in anywhere, and places can borrow money to finance the things they want and need directly from the community," Wilson says.

Wilson has long worked to use technology to make cities run better. As a grad student in MIT's Department of Urban Studies and Planning (DUSP), he went beyond the urban design training of his undergraduate education to think big about how cities function. "DUSP offered a far broader range of perspective on how cities evolve from the collective imagination, and how they both solve and

exacerbate complex social problems,” he says. Case in point: the frustrations he heard while sitting in on meetings of low-income community groups in the Boston area. “Listening to their conversations about trying to put together money for various ideas that would help elevate their community, and seeing how they were on the losing end of an uneven distribution of tax dollars, made a big impression on me,” he says.

After graduation, Wilson focused on a company he founded to develop open-source software for cities to communicate with and gather data from citizens. His introduction to public finance was in 2011, when he was invited to speak at a conference at DUSP on urban planning and technology organized by Robert Goodspeed PhD '13, where another speaker showed an example of a park that had recently been built through crowdfunding in the United Kingdom. “That MIT conference planted a seed,” he says.

Wilson began thinking more deeply about how crowdfunding could be harnessed on a larger scale. “Even after 10 years of studying cities, I was in the dark in terms of how cities were funded,” he admits. “There was always this sense that there was this weird invisible force that guides the shape of what we build.” A few weeks later, he sat down with Patrick Hosty, a municipal bond trader in Kansas City, and the lightbulb went off. They began putting together a plan for a platform that would combine crowdfunding and bond markets.

The idea of borrowing from individuals to fund civic projects goes back to the Medicis of Renaissance Italy, but the municipal bond is a distinctly American invention, starting in the 1800s when a group of citizens passed the hat to finance construction of a canal in New York, giving themselves IOU's for repayment. Neighborly seeks to return the market to those roots, by creating a platform in which individuals can search for localities or interests, such as education or the environment, in which they would like to invest.

Municipal bonds are generally seen as low-risk investments and have the benefit of being tax-free, giving them a leg up on mutual funds and stocks. “A municipal bond with a 5 percent return could be the equivalent of another investment yielding 7.5 percent, and an order of magnitude less risky,” Wilson says. Just as important, however, the platform provides investors with projects to which they can feel personally connected. “You know exactly what you just built, because you can reach out and touch it,” Wilson says. “That's different than putting money in a stock or corporation.”

As proof of demand, he points to a bond offering by Denver last August, in which it crowdfunded \$12 million, in increments of \$500, of \$550 million to improve city roads and buildings. The bonds sold out in 16 minutes. So far, Neighborly has conducted a test project in a small school district in California, buying \$2 million of a \$20 million offering and selling it in \$500 shares to early investors.

After struggling to raise seed funding for his company in Kansas City, Wilson reluctantly moved it to San Francisco last year. The move paid off; in September, Neighborly announced that it had raised \$5.5 million from Silicon Valley venture capitalist Joe Lonsdale and actor-turned-investor Ashton Kutcher, who made Neighborly one of the first investments of his VC firm Sound Ventures.

In the first part of 2016, the company plans to roll out bonds for several other school projects in the Bay Area, where there is interest by Silicon Valley investors both in giving back to the community and finding tax-free havens for their money. But Wilson is hardly stopping there. “Eventually we want to be interplanetary. Mars will require many projects to get off the ground.”

Celestial bodies aside, Wilson is hoping that Neighborly can be an investment win-win, giving people a chance to build up their cities while keeping money in their communities. “It feels so good to jump out of bed every morning and know you are building this thing that's in the service of civic

visionaries,” says Wilson, “taking the decision making out of the hands of that invisible force and putting it back into the service of people.”

**MIT News**

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