Project name:

Otterspace

Author name and contact info:

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This proposal builds on the feedback we received onour proposal for cycle 6. We appreciate all the detailed feedback that we received. The following key changes were implemented in the proposal:

1. Removal of the partner incentive program & reduction of the token amounts requested (100k → 50k).
2. Change of the token distribution. Instead of converting the entirety of the usage incentive OP grant to ETH before airdropping it, we propose a 70:30 OP:ETH mixed airdrop, incentivizing involvement into the OP ecosystem as well as getting DAO users set up to transact on Optimism
3. More details on the DAO use cases were added
4. Updated KPI and impact tracking to include more granular KPIs are suggested by the tooling committee.

I understand that I will be required to provide additional KYC information to the Optimism Foundation to receive this grant:

Yes

L2 recipient address:

0x2696170bf5fD36320c3932fd9e85fe5b798385FE

Grant category:

Governance Fund Phase 1

Is this proposal applicable to a specific committee?

The Tooling Committee

Project description:

Otterspace is building a flexible and easy-to-use infrastructure for DAOs to use non-transferable NFTs, which we call Badges. Badges can enable DAOs to perform non-financialized governance, automate permissions (access rights, etc.), manage community-specific reputation/credentials, and create better incentive systems.

Currently, we are in our private Beta with 16+ DAO partners, includingRadicle, Bankless DAO, Token Engineering Academy, OurNetwork, and Syndicate, amongst others, and our product is deployed on Optimism Mainnet. We are co-authoring a token standard specifically for non-transferable tokens (EIP 4973), and are building an open protocol that utilizes the standard and an application that is in service of the protocol.

Today, Badge collections can be designed and manually assigned by a DAO admin to members in the DAO through our easy-to-use app interface. Badges can have expiration dates and artwork specific to the DAOs use case. DAOs can also interact directly with the protocol if they prefer to develop their own front-end.

The four key use cases that we see from our work with the private beta participating DAOs are:

1. Governance (e.g., supporting Radicle DAO's distribution of influence, whereinRAD tokens will be delegated to Badge holders to distribute governance influence within the DAO)
2. Community membership & engagement (e.g., the Bankless DAOseason passes, Our Network)
3. Access management (e.g., token-gating Discord or documents based on Badge ownership - we are working on this with Guild at the moment, but also including other integrations such as Wonderverse, Coordinape, etc.)
4. Education & credentials (e.g., issuing Badges to record course completion as intended by Token Engineering Academy & Token Engineering Commons)

You can preview the current version of our product in ourproduct deck & this product demo video.

Soon Badges can be earned by completing missions based on meeting on-/off-chain conditions (e.g., have bought token X before, participated in governance, etc.).

Project links:

- Website: https://www.otterspace.xyz/
- Twitter: https://twitter.com/otterspace_xyz
- Discord/Discourse/Community: https://discord.gg/mdQauB6W
- Please include all other relevant links below:
- Documentation: https://www.notion.so/otterspace-xyz/Otterspace-Developer-Docs-a5ba796eb252469789f5a4e0c798789f
- Github: https://github.com/otterspace-xyz
- Documentation: https://www.notion.so/otterspace-xyz/Otterspace-Developer-Docs-a5ba796eb252469789f5a4e0c798789f
- Github: https://github.com/otterspace-xyz

Additional team member info:

Emily Furlong (@emthemaker)

- Leading product and community at Otterspace
- Former Product Lead for creator to fan engagement and support at SoundCloud, Community Lead at Shark DAO, and contributor to Cabin DAO

Ben Dobbrick (@0xbendo)

- Leading all things commercial, including partnerships, ecosystem growth, and marketing
- Former early-stage investor and operator in the Future of Work and Web3 space and contributor with PieDAO and SharkDAO

Rahul Rumalla (@rahulrumalla)

- Leading all technical efforts
- Former Director of Integrations at SoundCloud – leading developer community, partnerships, and integrations. Previously also Co-Founder/CTO of music Web3 startup https://paperchain.io/

Please link to any previous projects the team has meaningfully contributed to:

As Otterspace, we are currently helping Radicle DAO in thedistribution of influence process and providing the non-transferable token technical backbone as part of a Radicle grant. Other examples include Bankless DAO, which plans to use Badges to represent season passes for its community members; Token Engineering Academy, which plans to issue Badges to its students for the completion of courses and study programs; or Syndicate DAO, which plans to issue Badges to its investment syndicate users for achieving certain milestones.

On an individual level, the team members have been active in multiple past projects, such as, for example, Emily being the community lead at SharkDAO, where she implemented a new onboarding process, and at Cabin DAO where she led a Discord revamp; or Rahul as the Co-founder and CTO of https://paperchain.io/.

Relevant usage metrics

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In the first iteration of the Otterspace product (which contained off-chain Badges at the time) more than 15,000 Badges were created across 9 DAOs in only three months. The current Badge protocol and app are the second iteration of our product, bringing Badges on-chain. We recently started onboarding DAOs onto the new product and are currently working with 16 DAOs in our private Beta.

Competitors, peers, or similar projects

(please link):

The use cases for non-transferable tokens (NTTs) are abundant, and various organizations are developing NTTs. Similar projects to Otterspace include, for example, MintKudos, which specializes in capturing atomic community contributions on-chain; Rep3 aims to capture on-chain reputation and contribution payments via non-transferable tokens;Noox enables the minting of achievements (predominantly in the DeFi space) on-chain.

We believe that the various use cases of NTTs merit specialized solutions and are excited to see multiple organizations pursuing the spread and adoption of this primitive. Nevertheless, our focus differs from the projects mentioned above. In our

opinion, other projects in the space tend to focus more on measuring atomic/high-frequency contributions. At the same time, we see ourselves leaning towards higher utility & assurance/lower-frequency use cases. With regard to Optimism specifically, we consider ourselves the most relevant partner at this point as we are Optimism native and based on the NTT-specific token standard EIP-4973 as opposed to the modifiedERC-721/ERC-1155s utilized by various similar projects.

Is/will this project be open-sourced?

The Otterspace Protocol is being developed as an open set of smart contracts so that DAOs can compose and integrate pieces into their own tech stack and other app developers can construct custom front-ends. The protocol and code are visible on our Github under https://github.com/otterspace-xyz, and you can read our technical documentationhere.

Optimism native?:

Yes

Date of deployment/expected deployment on Optimism:

17th of August, 2022

Ecosystem Value Proposition:

What is the problem statement this proposal hopes to solve for the Optimism ecosystem?

The current method of distributing influence in DAOs, often based on fungible token ownership, is problematic because power consolidates in the hands of whales, which runs counter to the philosophy of many DAOs. Optimism itself is planning to counter such a setting via the bicameral governance system from the get-go. Contributors earning their 'salaries' in tokens end up selling their influence to cover expenses. Further, the distribution of permissions is also problematic, as it requires manual management. The frequent turnover in DAOs creates overhead for adding and removing permissions from individuals.

How does your proposal offer a value proposition for solving the above problem?

Badges address these issues by enabling non-financial governance, balancing out the fungible token-based governance systems, as intended by Optimism's bicameral governance system.

Additionally, Badges are especially powerful because they can have utility attached to them – Otterspace is collaborating with multiple DAO tooling providers to integrate the Badges across the DAO tooling landscape. Badges can be used for governance (e.g., Snapshot), access permissions (e.g., Clarity, Guild), payments (e.g. Coordinape), and more. Additionally, Badges are useful simply to show off reputation, history, and experience.

Why will this solution be a source of growth for the Optimism ecosystem?

The benefits of this collaboration for Optimism are threefold (which are not mutually exclusive):

(i) The Otterspace protocol, app, and token standard (EIP-4973) can facilitate & speed up the building of the Optimism Citizen House by providing its technical backbone. Badges could be used to indicate membership and decision-making in the Citizen House (e.g., through our Snapshot integration). Thereby, Badges benefit the long-term & efficient growth of the Optimism ecosystem.

Additionally, we have been working on governance-related Badge implementations with other DAOs (e.g., Radicle's distribution of influence workstream). We could assist Optimism in the conceptual design of the Citizen House.

(ii) As an Optimism-first protocol, we want to partner with you to spur further growth of the Optimism ecosystem, especially within the DAO segment. This segment so far has not received much funding from the community compared to DeFi. This has two aspects:

1. We are working with many DAOs who are not yet on Optimism and could become long-term Optimism enablers.
2. Through our easy-to-use interface (familiar to Web2 users), we are introducing Optimism on-ramps into our product which will onboard more users into the broader Optimism ecosystem.

(iii) Lastly, we believe that the newly foundedGovernance Committees could make use of an internal coordination mechanism that utilizes Otterspace Badges. Badges could, for example, be used within a Snapshot strategy to achieve consensus on how to vote on proposals within committees. Additionally, the Badges could delineate membership within the Governance Committee (e.g., Badges for the DeFi Committee).

Has your project previously applied for an OP grant?

Yes, in cycle 6

Number of OP tokens requested:

50,000

Did the project apply for or receive OP tokens through the Foundation Partner Fund?:

No

If OP tokens were requested from the Foundation Partner Fund, what was the amount?:

Not applicable

Proposal for token distribution:

How will the OP tokens be distributed?

The tokens will be used to incentivize user adoption

of Otterspace and Optimism. We aim to achieve this by airdropping a mix of OP & ETH to new users to their Optimism wallet after they have been added to a Badge allow list (e.g., after a Token Engineering Academy student has completed their first course and will receive the completion certificate, or a new Bankless user receiving their first season pass).

What is the mix and why?

70% OP and 30% ETH (in total $1-3 per wallet). The OP share is intended to increase users awareness & involvement in the Optimism ecosystem. The ETH share is intended as a catalyst to cover the initial gas fees of interacting on Optimism. We acknowledge the “no sale” rule outlined in the Grant Proposal Template and refer to the third sub-point “Does not include using OP to incentivize usage.”

arguing that this selling of a small share of the token grant and thereby getting users started for gas fees has a significant positive effect on adoption (e.g., the minting of an Otterspace Badge has small gas fee due to the consensual minting mechanism of EIP-4973). Consider that if users were to receive only OP in their new Optimism wallet, they would not be able to interact with the OP, Otterspace, or other applications until they bridged additional ETH from L1, which can present a challenge for less crypto-native users. Additionally, we also consider that this mix can aid the education of new users, for example, by encouraging them to learn about governance and delegation, which we will encourage as part of the airdrop program.

How many users do we expect to onboard this way?

This allocation would enable us to onboard 15-40k users to Optimism directly over the next 12 months and provide them with enough funds to mint their first Badge and experiment with additional transactions on Optimism. The number of users depends on the speed of DAO adoption and the adoption of Badges for different use cases. Higher frequency use cases (such as tracking atomic contributions) may bring more users with potentially less retention. In contrast, higher utility use cases (such as Badges for permission management) may bring fewer users but with higher retention. Both are beneficial to the Optimism ecosystem. As Badges are still a recent concept, Otterspace will incentivize all use cases and optimize to offer the best solutions to DAOs’ needs. By enabling Badge owners within a community to also create and distribute additional Badges, their adoption can grow organically and use case agnostic within communities.

How will we avoid airdrop farming?

This drop would apply to future users that get added to a Badge’s allow list (only once per wallet and for the first time after this drop mechanism is live). As DAOs may create multiple Badges within their community (e.g., representing different contributor levels), this might also include users that already claimed a previous Badge at a point in time before the airdrop mechanism is available. Beyond ensuring the safety of the technical implementation, two additional guard rails exist for us: (i) Who gets access to a Badge allow list & airdrop & (ii) how much ETH is exposed at a given time.

Who gets access to a Badge allow list & airdrop?

During the private beta, we are in touch with all participating DAO representatives, and using Otterspace is subject to going through our onboarding & screening. Therefore, we currently have an influence on who gets access to a Badge allow list as we work with them directly. Once the product is opened for any DAO to use, we will make the airdrop subject to participating in a screening process and approval, wherein we ensure that the users represent the DAOs that they claim to represent. Our product is tailored toward DAO workstream leads and coordinators issuing Badges. These individuals typically would know the individuals to whom they issue Badges, thereby acting as a web of trust. As a provider, we do not plan to prescribe how the Badge distribution should work within communities. Nevertheless, we aim to provide helpful content on how, e.g., Sybil resistance can be addressed and ensured in the distribution mechanism and work with partners that offer Sybil-resistance functionalities which can be integrated into the Badge distribution flows.

How much OP & ETH is exposed at a given time?

We plan to limit the exposure of OP & ETH. The OP & ETH will be primarily kept in the Otterspace Gnosis Safe, and the contracts that control the airdrop will be “topped up” periodically to ensure that at any given time, only the token balance necessary to serve the new incoming user base is in the contract and thereby exposed to potential threats.

Over what period of time will the tokens be distributed for each initiative?

The tokens will be distributed over the next 9 to 12 months.

How will the impact and success of the campaign be tracked?

The KPIs used to track the progress of this initiative will be:

1. The number of accounts that participated in the airdrop
2. The number of accounts that have claimed a Badge
3. The number of accounts where Badge claiming represented the first Optimism tx
4. The number of DAOs issuing Badges
5. The conversion rate from Badge-claimer to Badge-creator

Additionally, we will publish case studies with select participating DAOs, presenting their Badge implementations.

Why will incentivized users and liquidity on Optimism remain after incentives dry up?

DAO contributors are likely to remain on Optimism after the incentives run dry as they will have built up a collection of Badges representing a share of their on-chain reputation, and the collection may contain multiple Badges with integrations with frequent usage (e.g., Badges used in token gating).

DAOs are likely to remain on Optimism as they will have built an on-chain representation of their DAO structure with Badges, and Badges may be used in mission-critical operations (e.g., governance). Thus, moving operational infrastructure to another network would result in considerable friction.